



No. 08-1039

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IN THE  
**Supreme Court of the United States**

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THOMAS STEINBECK AND BLAKE SMYLE,  
*Petitioners,*

v.

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

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On Petition for Writ of Certiorari  
to the United States Court of Appeals  
for the Second Circuit

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**BRIEF IN OPPOSITON**

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**QUESTION PRESENTED**

Whether the Second Circuit correctly held, in agreement with the Ninth Circuit, that the power to terminate pre-1978 copyright assignments under 17 U.S.C. § 304 does not bar an author or his heirs from revoking a pre-1978 assignment and negotiating a new post-1978 assignment that provides the author and his heirs with greater rights but is not subject to termination under § 304.

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## STATEMENT

1. This is primarily a dispute between two branches of the Steinbeck family, not a dispute between a publisher on the one hand and an author's family on the other. Respondents are the estate of John Steinbeck's widow, Elaine Anderson Steinbeck, and members of John Steinbeck's step-family (the "Estate Respondents").<sup>1</sup> Petitioners are John Steinbeck's son from a previous marriage, Thom Steinbeck, and a previously unknown granddaughter, Blake Smyle.

John Steinbeck ("Steinbeck") married Elaine Anderson in 1950, and the couple lived together for eighteen years until Steinbeck's death in 1968. In his will, Steinbeck bequeathed all his intellectual property rights, including his copyrights, to his widow Elaine. Pet. App. 3a. Steinbeck's will also named Elaine executor of his estate and empowered her "with the fullest power and authority to deal in and with rights in literary properties, realizing the complexity and difficulty of exploiting the same advantageously and desiring that they shall be unhampered in any respect in turning to account the rights therein and making or amending contracts with respect thereto." 2d Cir. J.A. 571.

Steinbeck also had two sons from a previous marriage: Thom and John IV. In his will, Steinbeck left Thom and John IV a sum certain of \$50,000 each

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<sup>1</sup> Penguin Group (USA), Inc. ("Penguin") is also a respondent and is separately represented. The Estate Respondents include all respondents other than Penguin.

but excluded them from any other beneficial ownership in his estate or his copyrights or other intellectual property. *Id.* at 566-68.

John IV died in 1991. Pet. App. 29a. Although John IV had no acknowledged children at the time of his death, Blake Smyle subsequently filed a claim in probate court asserting that she was John IV's previously unknown and unacknowledged daughter (and, by extension, Steinbeck's granddaughter). 2d Cir. J.A. 242. Thom and Blake are the Petitioners in this action.

Elaine Steinbeck died in 2003. Pet. App. 4a. In her will, Elaine passed all of her copyright interests in both her own works and those authored by Steinbeck to the Estate Respondents: her daughter (Steinbeck's step-daughter) and executor Waverly Scott Kaffaga; her sister (Steinbeck's sister-in-law) Jean Anderson Boone; and her grandchildren (Steinbeck's step-grandchildren) David Scott Farber, Anderson Farber Runkle, Jebel Kaffaga, and Bahar Kaffaga.

2. The Copyright Act generally allows authors to transfer their copyrights by will to whomever the author chooses. *See* 17 U.S.C. § 201(d) ("ownership of a copyright . . . may be bequeathed by will"); *id.* § 304(c), (d) (statutory heirs' power to terminate pre-1978 copyright assignments does not apply to transfers "by will"). Notwithstanding this general policy of testamentary freedom, however, the Copyright Act vests certain narrowly circumscribed interests in so-called "statutory heirs," or persons

named in the statute, regardless of the author's testamentary intent. Steinbeck's statutory heirs included not only his widow Elaine, but also his two sons, Thom and John IV (or, if either son were deceased, the son's own offspring).

As statutory heirs, Thom and John IV each obtained a contingent interest in the "renewal terms" for Steinbeck's copyrights. The Copyright Act of 1947, Pub. L. No. 80-281, 61 Stat. 652, which was in effect at the time of Steinbeck's death, provided an initial copyright term of 28 years and a renewal term of an additional 28 years. If an author died before the initial copyright term expired, then the renewal term automatically vested in the author's "widow, widower, or children"—here, Elaine, Thom, and John IV. *Id.* § 24, 61 Stat. at 659.

At the time of his death in 1968, Steinbeck had already renewed the copyrights for thirteen of his earlier works (the "Early Works"). Pet. App. 27a n.12. Thus, full ownership over these thirteen Early Works passed directly to Elaine in accordance with Steinbeck's will. *Id.* at 27a-28a. But fifteen of Steinbeck's other works that were first published in or after 1942 were still in their initial copyright term when Steinbeck died and had not yet been renewed (the "Late Works"). *Id.* at 28a & n.13. The Copyright Act thus vested joint ownership over the renewal terms of those fifteen Late Works jointly in Elaine, Thom, and John IV. Elaine, Thom, and John IV agreed in 1974 that the royalty proceeds from the fifteen Late Works would be distributed with a 50%



share to Elaine and a 25% share each to Thom and John IV. 2d Cir. J.A. 461.<sup>2</sup>

The renewal terms for the Late Works represented a substantial windfall for Thom and John IV. Had Steinbeck lived a few years longer, he would have renewed all the copyright terms himself, and 100% of the ownership rights of all of his works would have passed to Elaine through his will. But because Steinbeck died before he could renew the copyright terms of the Late Works, Thom and John IV became co-owners of those works, including several of Steinbeck's best-known works such as *East of Eden* and *The Pearl*. Pet. App. 28a & n.13.

Unsatisfied with this substantial override of Steinbeck's will, Thom and John IV sued Elaine in 1981 to repudiate their 1974 agreement and seek an even greater percentage of the royalties from the Late Works they co-owned with her. 2d Cir. J.A. 461. The district court in that suit granted summary judgment to Elaine and upheld the validity of the 1974 distribution agreement. *Id.* Despite prevailing,

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<sup>2</sup> The 1947 Act did not specify how shares of renewal rights should be allocated among statutory heirs, but more recent appellate decisions confirmed that, when a renewal term is automatically vested jointly in an author's surviving spouse and children, the spouse receives a 50% share of ownership and the remaining portion is divided among the children on a per stirpes basis. See *Venegas-Hernandez v. Asociacion De Compositores, Editores De Musica Latinoamericana (ACEMLA)*, 424 F.3d 50, 54-55 (1st Cir. 2005); *Broad. Music, Inc. v. Roger Miller Music, Inc.*, 396 F.3d 762, 781-82 (6th Cir. 2005).

Elaine entered into a 1983 settlement agreement with Thom and John IV in which she agreed to reduce her royalty share to one-third; in exchange, Thom and John IV agreed to execute irrevocable powers of attorney in her favor vesting Elaine with “complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck in which John Steinbeck IV and Thom Steinbeck have or will have renewal or termination rights.” *Id.* at 466-68. To this day, Thom and John IV (or their heirs) continue to receive enhanced royalty payments pursuant to the 1983 settlement agreement. Pet. App. 29a n.15.

3. Thom and John IV received a second windfall when Congress created a new interest called “termination rights” as part of the Copyright Act of 1976. 17 U.S.C. § 304(c). Congress designed these termination rights to respond to a specific problem that had developed in the wake of this Court’s decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), which held that authors and family members could sell their contingent interests in a copyright’s renewal term in advance, before the renewal term even began. Publishers exploited *Fred Fisher* to demand that authors immediately assign both the first and second copyright terms to the publisher when a work was initially published. Pet. App. 6a. “Thus, assignees were able to demand the assignment of both terms at the time when the value of the copyrighted work was most uncertain.” *Mills Music, Inc. v. Snyder*, 469

U.S. 153, 186 (1985) (White, J., dissenting). The termination provisions added in the Copyright Act of 1976 “were designed to correct this situation,” *id.*, by allowing authors and family members to repudiate these “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,” *id.* at 172-73 (majority opinion).

The termination rights in 17 U.S.C. § 304(c) enable authors and their families to cancel licenses and assignments made before 1978. When an author has died, the Copyright Act allocates the termination rights among the author’s spouse, children, and grandchildren. *Id.* § 304(c)(2)(A). If the holders of a majority percentage of the termination rights agree to serve a termination notice, they can recapture rights granted in licenses and assignments made before 1978. *Id.* § 304(c)(1). Termination rights may be exercised “notwithstanding any agreement to the contrary.” *Id.* § 304(c)(5). Those recaptured rights are then automatically distributed in proportion to the percentage of termination rights held by each statutory heir. *Id.* § 304(c)(6)(C).

There is no guarantee that statutory heirs will be able to exercise this termination right, because Congress placed four critical restrictions on its use. First, the termination right applies only to licenses and assignments executed before 1978. *Id.* § 304(c).<sup>3</sup>

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<sup>3</sup> A separate provision, 17 U.S.C. § 203, creates different termination rights for agreements entered into after 1978. Petitioners do not contend that § 203 termination rights apply here.

Second, the termination right does not apply to any transfers “made by will.” *Id.* Third, the termination right may be exercised only in specific time periods: during a “window” of time between 56 and 61 years after the work was originally published, with service of the notice of termination between two and ten years before the termination will take effect. *Id.* § 304(c)(3), (4)(A). Fourth, the termination rights may be exercised only by agreement among holders of more than 50% of the rights. *Id.* § 304(c)(1).

As with renewal rights, if Steinbeck had lived long enough to exercise the termination rights himself, he would have been able to transfer all of the recaptured rights to Elaine. But because Steinbeck died before any of his termination rights were created, the Copyright Act allocated 50% of the termination rights to Elaine, 25% to Thom, and 25% to John IV. Pet. App. 28a. These new termination provisions applied to all of Steinbeck’s works, including the thirteen Early Works owned entirely by Elaine. Even though Elaine owned 100% of the copyright over these Early Works, § 304(c) allocated 25% of the termination rights to Thom and John IV. As long as Elaine was alive, however, she held the other 50% of the termination rights and could prevent notices of termination from being served without her consent. Pet. App. 28a-29a.

4. In 1938, Steinbeck executed an agreement transferring publication rights in all of his works to The Viking Press. *Id.* at 2a. Viking subsequently assigned its rights under the 1938 Agreement to Respondent Penguin. *Id.* at 3a; *see supra* note 1.

In 1994, Elaine negotiated two new agreements with Penguin that cancelled and superseded all previous licenses and secured significantly greater returns in exchange for the right to publish the Steinbeck works. Pet. App. 3a. At the time Elaine negotiated the two 1994 Agreements, the windows had already closed for serving termination notices for Steinbeck's three oldest works, *Cup of Gold* (© 1929), *The Pastures of Heaven* (© 1932), and *To a God Unknown* (© 1933). But the windows for serving termination notices were then open for all of Steinbeck's works created between 1935 and 1948, including the remaining ten Early Works and seven of the Late Works. Pet. App. 27a n.12, 28a n.13.

Armed with the possibility that she would join Steinbeck's sons or their offspring in exercising their § 304(c) termination rights as leverage in bargaining with Penguin—and with knowledge of the immense popularity and commercial success of many of Steinbeck's works—Elaine negotiated two new publishing agreements that greatly enhanced the returns to family members for all of Steinbeck's works. *Id.* at 3a-4a & n.1. One agreement covered the thirteen Early Works owned exclusively by Elaine; the other agreement covered the fifteen Late Works jointly owned by Elaine, Thom, and John IV's heirs. 2d Cir. J.A. 482, 498.

By their terms, the 1994 Agreements cancelled the 1938 Agreement, Pet. App. 4a, and transferred to Penguin the publishing rights for the Early Works and the Late Works, respectively, with significantly improved financial terms for the benefit of Elaine,

Thom, and the heirs of John IV (who died in 1991). Pet. App. 3a-4a.<sup>4</sup> For example, where the 1938 Agreement provided for an annual royalty calculated as a percentage of sales, the 1994 Agreements guarantee minimum yearly payments of hundreds of thousands of dollars, plus additional royalties above that amount based on yearly sales. *Id.*; 2d Cir. J.A. 483-84, 499-500.

The two 1994 Agreements are inextricably related and cross-reference each other. They each require Penguin to keep *all* of Steinbeck's works in print, thereby enhancing the family's opportunity to earn royalties from less popular works that might otherwise be taken out of print. The agreement for the thirteen Early Works owned exclusively by Elaine thus provides that Penguin must keep in print not only those thirteen works, but also the fifteen Later Works "which are the subject of a separate agreement with Elaine Steinbeck and Thomas Steinbeck." 2d Cir. J.A. 493. Likewise, the agreement for the fifteen Later Works requires Penguin to keep in print not only those works, but also the Early Works "which are the subject of a separate agreement with Elaine Steinbeck." *Id.* at 509.

Elaine executed both agreements simultaneously on October 24, 1994. Pet. App. 3a-4a & n.1. She executed the first agreement for the thirteen Early

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<sup>4</sup> The 1994 Agreement for Steinbeck's Early Works also covers a work authored by Elaine (*Steinbeck: A Life in Letters*), and both Agreements include collections of certain Steinbeck works as well.

Works in her capacity as the 100% owner of those works. She executed the second agreement for the fifteen Late Works both in her capacity as co-owner of those works and using the irrevocable power of attorney that Thom and John IV had transferred to her as part of the 1983 settlement agreement. *Id.* at 4a n.1. Thom then signed an acknowledgement, both on his own behalf and on behalf of the executor of the estate of then-deceased John IV, ratifying the 1994 Agreement for the Late Works, including the provision explicitly referencing the companion agreement for the thirteen Early Works owned separately by Elaine. *Id.*; 2d Cir. J.A. 509, 514.

Thus, Elaine's cancellation of the 1938 Agreement and renegotiation of improved terms from Penguin under the 1994 Agreement covering the Early Works was part of a single, interrelated transaction that significantly benefited Petitioners through their partial interests in the Late Works. Thom has received enhanced royalties for the past fifteen years for Penguin's continued publication of Steinbeck's Late Works. *Id.* Blake also receives royalties from the 1994 Agreement for the Late Works under a confidential settlement she entered into with other heirs of John IV. *See id.* at 29a n.15.

5. Four years after Elaine cancelled the 1938 Agreement and executed the 1994 Agreements with Penguin, Congress enacted the Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (1998). As part of that enactment, Congress created new § 304(d), which opened a second window for termination during the period

between 75 and 80 years after a work was originally published. Because John IV died before § 304(d) was enacted, the new termination rights were distributed 50% to Elaine, 25% to Thom, and 25% to Blake. 17 U.S.C. § 304(c)(2)(B), (d)(1). Like the termination rights in § 304(c), the termination rights in § 304(d) apply only to agreements made before 1978.

6. This litigation began shortly after Elaine died in 2003. In her will, Elaine passed all her copyright interests to her daughter, sister, and grandchildren—the Estate Respondents in this action. Pet. App. 4a. But Elaine’s 50% share in the termination rights could not be transferred by will and expired on her death. Thus, for the first time, Thom and Blake held a majority of the termination rights. *Id.*

With Elaine out of the picture, Thom and Blake quickly tried to recapture for themselves the publishing rights for the Early Works owned exclusively by Elaine’s heirs. Even though termination rights apply only to agreements made before 1978, Thom and Blake served would-be termination notices purporting to terminate and recapture the publishing rights for several of the Early Works that Elaine reassigned to Penguin in 1994, including *Of Mice and Men* and *The Grapes of Wrath*. *Id.* at 4a, 29a-32a. Thom and Blake apparently believe that if they are successful in terminating Penguin’s publishing rights for the Early Works, those rights will revert to Thom and Blake, not to the members of Steinbeck’s step-family who have inherited the underlying copyrights. Thus,



Thom and Blake are not seeking to use the termination rights simply to recapture rights from Penguin. Rather, their primary motivation is to use the termination rights to override Steinbeck's will and seize ownership over rights that passed to Steinbeck's step-family by will. *But see* 17 U.S.C. § 304(c), (d) (providing that termination rights may not be used to terminate assignments "by will"). In short, Thom and Blake seek to substantively reallocate ownership of rights in the Early Works within the Steinbeck family.<sup>5</sup>

Thom and Blake then filed this lawsuit asserting an assortment of claims against the Estate Respondents and others. 2d Cir. J.A. 12-53.<sup>6</sup> The Estate Respondents asserted counterclaims seeking a declaratory judgment that the termination notices served by Thom and Blake were invalid because they

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<sup>5</sup> Whether the Copyright Act would actually permit one family member to seize another family member's publishing rights in contravention of the author's will is far from clear. As noted, the termination provisions do not apply to transfers made "by will." 17 U.S.C. § 304(c), (d). It is therefore uncertain whether the termination rights may be used by Thom and Blake to effectively nullify Steinbeck's will and appropriate for themselves the copyright interests that Steinbeck bequeathed to Elaine. Because the Second Circuit held that Petitioners' attempt to exercise the termination rights failed in any event, the intrafamily-ownership issue has never been litigated in this case.

<sup>6</sup> The Petition in this case concerns only claims related to termination rights. In a recent decision dated March 31, 2009, the district court dismissed Thom and Blake's remaining claims.

purported to terminate an agreement made after 1978. Pet. App. 10a.

Penguin also filed a separate action against Thom and Blake for a declaratory judgment holding the termination notices invalid. *Id.* The district court consolidated the two actions for purposes of ruling on summary judgment motions related to the validity of the attempted terminations. *Id.*

7. Ruling on cross motions for summary judgment, the district court upheld the validity of the termination notices. In a one-paragraph discussion that cited no legal precedent, the district court concluded that Steinbeck's original 1938 Agreement with Viking remained in effect and could therefore be terminated by Thom and Blake. *Id.* at 32a-33a. Based on the incorrect premise that under the 1994 Agreement for the Early Works Penguin did not "lose or gain any rights other than those originally granted to it under the 1938 Agreement," *id.* at 33a, the district court held that the 1994 Agreement for the Early Works did not replace the original 1938 Agreement, which still remained in effect. Thus, the district court held, Thom and Blake could use their termination rights to cancel assignments under that pre-1978 agreement. *Id.*<sup>7</sup>

The Second Circuit reversed. Construing the 1994 Agreement for the Early Works under New York contract law, the Second Circuit concluded that the intent of that agreement was to cancel and

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<sup>7</sup> The district court entered judgment on the termination claims under Fed. R. Civ. P. 54(b). 2d Cir. J.A. 942-44.

revoke the 1938 Agreement with Viking. The court explained that “parties to an agreement can mutually agree to terminate it by expressly assenting to its rescission while simultaneously entering into a new agreement dealing with the same subject matter.” Pet. App. 12a (citing *Jones v. Trice*, 202 A.D.2d 394, 395, 608 N.Y.S.2d 688, 688 (2d Dep’t 1994)). Because the 1994 Agreement had cancelled and replaced the 1938 Agreement, there was no pre-1978 agreement left to be terminated.

The Second Circuit explained that the district court erred both factually and legally in concluding that the 1994 Agreement did not revoke the 1938 one. As a factual matter, the district court erred in asserting that the 1994 Agreement did not materially alter the 1938 Agreement with Viking. The 1994 Agreement obligated Penguin to pay larger guaranteed advanced payments, modified the geographic limits of the publication rights, and required Penguin to keep all the Steinbeck works in print. *Id.* at 12a-13a. As a legal matter, the Second Circuit held that the district court erred in concluding that, because the 1938 Agreement had not yet expired in 1994, it could not be revoked and renegotiated. The Second Circuit explained that “[a] contract that remains in force may still be terminated and renegotiated in exchange for, among other things, one party’s forbearance of her legal right, such as a statutory right to terminate a previous grant of a copyright transfer or license.” *Id.* at 13a (citing *Trans-Orient Mar. Corp. v. Star*

*Trading & Mar. Ind.*, 925 F.2d 566, 573 (2d Cir. 1991)).

The Second Circuit also rejected Thom and Blake's argument that, if the 1994 Agreement indirectly prevented them from exercising their termination rights, it should be voided under the Copyright Act as an "agreement to the contrary." 17 U.S.C. § 304(c)(5). The court noted that Congress specifically intended that "'parties to a transfer or license' would retain under [§ 304(c) and (d)] the continued right to 'voluntarily agree[] at any time to terminate an existing grant and negotiat[e] a new one.'" Pet. App. 18a-19a (quoting H.R. Rep. No. 94-1476, at 127 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5743). Otherwise, Congress's creation of the termination right would have substantially *restricted* the ability of an author or his heirs to renegotiate an assignment for better terms, except during the narrow window and under the rigid conditions required for termination under § 304. *Id.* at 18a-19a. Accordingly, the Second Circuit explained, "provided that a post-1978 agreement effectively terminates a pre-1978 grant, Congress did not manifest any intent for the earlier agreement to survive simply for purposes of exercising a termination right in the future." *Id.* at 19a (citing approvingly to *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005)). The Second Circuit concluded that, far from entering into an "agreement to the contrary," Elaine had engaged in a renegotiation process that "appears to be exactly what was intended by Congress." *Id.* at 15a.

## REASONS FOR DENYING THE PETITION

### I. There Is No Circuit Split.

In holding that the 1994 Agreements negotiated by Elaine superseded Steinbeck's pre-1978 license grant and thus prevented exercise of § 304 termination rights with respect to such grant, the Second Circuit adhered to precisely the same rule of law that the Ninth Circuit applied in *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), and *Classic Media, Inc. v. Mewborn*, 532 F.3d 978 (9th Cir. 2008). In all three cases, the courts asked whether a pre-1978 agreement was still in effect. Where the pre-1978 agreement was still in place, the courts held that termination rights could still be exercised. But when the pre-1978 agreement had already been revoked and renegotiated, the courts held that no pre-1978 agreement remained to be terminated. All three decisions reflect a consistent application of the same legal rule to different factual circumstances.

Far from creating a split with the Ninth Circuit, the Second Circuit's decision closely parallels the Ninth Circuit's decision in *Milne*, which involved the merchandising rights for the "Winnie the Pooh" character created by Alexander Milne. Milne transferred the merchandising rights in 1930 and those rights were subsequently retransferred to the Walt Disney Company. *Milne*, 430 F.3d at 1039-40. When Congress enacted the Copyright Act of 1976, Milne had already died, and his son, Christopher Robin Milne, received 100% of the newly created

termination rights. *Id.* at 1040. Rather than directly exercise the termination rights, however, in 1983 Christopher Milne negotiated a new agreement with Disney for the merchandising rights, which revoked the original 1930 assignment and simultaneously reassigned the same rights to Disney in exchange for substantial additional royalty payments. 430 F.3d at 1040-41.

In 2002, Christopher Milne's daughter, Claire, attempted to terminate the 1983 assignment of merchandising rights to Disney. *Id.* at 1041. The Ninth Circuit held that Claire's notice of termination was invalid because the 1930 Agreement had been revoked and superseded by the 1983 agreement, leaving no pre-1978 agreement for Claire to terminate under § 304. *Id.* at 1042-43. The Ninth Circuit also rejected Claire's argument that the 1983 agreement negotiated by Christopher Milne should be voided as an "agreement to the contrary." 17 U.S.C. § 304(c)(5). The court explained that, "[a]lthough Christopher presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal for the Pooh Properties Trust. His daughter, Claire, was a beneficiary of this new arrangement, and her current dissatisfaction provides no reason to discredit the validity of the 1983 agreement and the rights conferred thereby." 430 F.3d at 1045.

The facts in *Milne* closely parallel this case. Like Christopher Milne, Elaine Steinbeck could have joined with Steinbeck's offspring to terminate the agreements with Penguin, but instead she

“renegotiate[d] and cancel[ed] the 1938 Agreement while wielding the threat of termination.” Pet. App. 15a. The 1994 Agreement extinguished the 1930 Agreement, leaving no pre-1978 agreement to be terminated. In leveraging her termination rights for a more favorable deal, Elaine, like Christopher Milne, engaged in a “renegotiation” process that “appears to be exactly what was intended by Congress.” *Id.*

In an attempt to distinguish *Milne*, Petitioners argue that—unlike Claire Milne—Thom and Blake received no benefit from the 1994 Agreement negotiated by Elaine for the thirteen Early Works. As a purely factual matter, that is incorrect. The 1994 Agreement for the thirteen Early Works was part of an integrated deal that obtained similarly favorable terms with respect to the fifteen Late Works that were partially owned by Thom and John IV. *Supra* at 8-10. Thom ratified the companion agreement for the Late Works and has benefited from it for the past 15 years. Pet. App. 4a n.1. Blake has also collected royalties from the companion agreement pursuant to an agreement she entered into with John IV’s heirs. Pet. App. 29a n.15. Further, as Petitioners’ own *amici* point out, Claire Milne did not receive the entire benefit of Christopher Milne’s renegotiated contract with Disney—she benefited only indirectly through the Pooh Properties Trust, which also benefited “various charities along with [Milne’s] family members.” Prof. Br. 16 n.5.

The parallels between this case and *Milne* refute Petitioners' assertion that the Second Circuit and Ninth Circuits are somehow "intractably divided" on this question. Pet. 11 (heading). Just the opposite is true. Before the Second Circuit issued its decision here, the widespread assumption was that if it affirmed the district court with a decision in favor of Thom and Blake, that would create a circuit split with *Milne* that would require this Court's review. See Allison M. Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split Over the Alienability of Copyright Termination Rights*, 14 J. of Intell. Prop. L. 357 (2007). Thus, in reversing the decision of the district court in this case, the Second Circuit did not create a circuit split—it averted one.

Petitioners disregard *Milne* and instead argue that the Second Circuit's decision conflicts with another Ninth Circuit case, *Mewborn*. But *Mewborn* applied precisely the same legal principles that the Ninth Circuit applied in *Milne* and that the Second Circuit applied in this case. In this case and in *Milne*, the courts concluded that the original assignments had been revoked and superseded, leaving no pre-1978 agreement in place to be terminated. In *Mewborn*, however, the court examined a post-1978 agreement with very different terms and, on that basis, concluded that the pre-1978 agreement in that case had never been revoked, so that termination rights could still be exercised. Thus, *Mewborn* is simply an instance where the same rule of decision was applied to different facts, resulting in a different outcome. That kind of fact-



based difference obviously does not create a circuit split.

The plaintiff in *Mewborn* was Winifred Mewborn, the daughter of the author of the children's book *Lassie Come Home*. *Mewborn*, 532 F.3d at 980. In 1976, Winifred Mewborn executed an agreement assigning to Classic Media all her motion picture, television, and radio rights in *Lassie Come Home* in exchange for a one-time payment of \$11,000. *Id.* In 1978, Mewborn signed a second agreement with Classic Media assigning additional merchandising, dramatic performance, recording, and publishing rights in *Lassie Come Home*. *Id.* at 980-81. In exchange for assigning these additional rights, Mewborn received the nominal sum of \$3,000. *Id.* at 981. The second agreement did not purport to rescind, revoke, or renegotiate the motion picture, television, and radio rights Mewborn had assigned in 1976. Instead, the second agreement stated that the new rights were being assigned "in addition to" the rights that Mewborn had previously assigned in 1976. *Id.*

When Mewborn served a notice of termination in 2005 to reclaim the rights she had assigned in 1976, Classic Media asserted that the termination notice was invalid because the 1978 agreement had superseded the 1976 one. *Id.* The Ninth Circuit rejected Classic Media's argument and held, as a matter of fact, that while Mewborn could not terminate any of the additional rights she transferred in the 1978 agreement, Mewborn retained the ability to terminate the original rights

she transferred in 1976. *Id.* at 989 & n.8. The Ninth Circuit explained that, “[u]nlike Christopher Milne’s 1983 assignment, which expressly revoked the earlier 1930 and 1961 assignments and simultaneously re-granted the same rights, Mewborn’s 1978 Assignment explicitly stated that it granted rights ‘in addition to’ the rights granted in the 1976 Assignment.” *Id.* at 989. Accordingly, because the 1976 agreement remained in effect, Mewborn retained the ability to terminate rights transferred pursuant to that agreement.<sup>8</sup>

In addition, the Ninth Circuit explained, “Mewborn’s predicament is a far cry from Christopher Milne’s.” *Id.* Christopher Milne had used his termination rights as leverage to negotiate a more lucrative deal. In contrast, there was “no evidence in the record that Mewborn was even aware of her termination rights in March 1978,” much less that she used them as negotiating leverage when she

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<sup>8</sup> As background to its discussion of termination rights, *Mewborn* cited the district court’s decision in this case (which was then on appeal but had not yet been reversed) upholding the validity of Thom and Blake’s termination notices. *Mewborn*, 532 F.3d at 986. But *Mewborn*’s discussion was based on the district court’s erroneous *factual* conclusion that “at no point did Penguin lose or gain any rights other than those originally granted to it under the 1938 Agreement.” *Id.* at 986 (quoting Pet. App. 33a). On appeal, the Second Circuit ruled that the district court’s factual statement was incorrect and that the 1994 Agreement did in fact replace the 1938 Agreement with materially different terms. Pet. App. 12a-13a. Nothing in *Mewborn* indicates that the Ninth Circuit would have reached a different result than did the Second Circuit based on a correct understanding of the underlying facts.

had received only the paltry additional payment of \$3,000. *Id.*

All of the facts that the Ninth Circuit relied on to distinguish *Mewborn* from *Milne* also distinguish *Mewborn* from this case. First, the 1994 Agreements negotiated by Elaine—like the agreement signed by Christopher Milne but unlike the agreement signed by Winifred Mewborn—expressly revoked and re-granted the pre-1978 assignment of rights. Pet. App. 4a. Second, at the time Elaine negotiated the 1994 Agreements, termination notices could have been immediately served for ten of the Early Works and seven of the Late Works. *Supra* at 8. Like Christopher Milne, Elaine therefore held an immediate power to terminate that she leveraged to negotiate a more favorable deal. Pet. App. 15a. Third, unlike Winifred Mewborn, who did not renegotiate the pre-1978 grant for more generous terms, Elaine negotiated a far more lucrative agreement guaranteeing minimum yearly payments of several hundreds of thousands of dollars and requiring that all of Steinbeck’s works be kept in print. *Supra* at 8-10. The Petitioners dismiss these distinctions as “unpersuasive,” Pet. 14, but they are precisely the same factors the Ninth Circuit relied on to distinguish *Milne* from *Mewborn*.

Nor did *Mewborn* create a circuit conflict through its discussion of whether the 1978 agreement in that case was an “agreement to the contrary.” Because the *Mewborn* court found as a factual matter that the 1976 assignment remained in effect, the court concluded that if the 1978 agreement purported to

assign Mewborn's termination rights, such an assignment would be an "agreement to the contrary." *Mewborn*, 532 F.3d at 986. But *Mewborn* did not hold or even suggest that the 1978 agreement would have been an "agreement to the contrary" if (like the post-1978 agreements in this case and *Milne*) it had revoked and renegotiated the pre-1978 assignment, thereby leaving nothing to terminate. Given the facts of *Mewborn*, any such suggestion would have been dicta. It also would have been contrary to *Milne*, which *Mewborn* pointedly did not overrule. *Id.* at 988. In fact, to the extent there might be any conflict with *Mewborn* at all (which there is not), it would be an intra-circuit conflict within the Ninth Circuit that should be resolved by that court en banc if necessary. Such an intra-circuit conflict is not a proper basis for invoking this Court's certiorari jurisdiction. *See* Sup. Ct. R. 10.<sup>9</sup>

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<sup>9</sup> Petitioners implicitly concede as much when they claim the case law within the Ninth Circuit is "confused and fractured," Pet. 16—which appears to be a euphemism for alleged (though non-existent) intra-circuit splits. In that vein, Petitioners also claim the decision below is somehow in tension with the Second Circuit's own earlier decision in *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002). Pet. 17. The Second Circuit in *Marvel* held that the author of *Captain America Comics* could terminate a 1940 publishing agreement with Marvel Comics notwithstanding a 1969 agreement the author signed that retroactively re-characterized the comic as a "work for hire." The facts in *Marvel* bear no resemblance to this case. All the agreements in *Marvel* took place before 1978, so there was unquestionably a pre-1978 grant in place to be terminated. And the author in *Marvel* had clearly not used his termination rights as leverage to negotiate a more favorable agreement

In short, the difference between this case and *Milne* on the one hand and *Mewborn* on the other is that Christopher Milne and Elaine Steinbeck cancelled and renegotiated pre-1978 licenses while Winifred Mewborn did not. The *Mewborn* decision does not call into question the basic premise that a copyright owner may use termination rights as leverage to cancel a pre-1978 agreement and negotiate a new license with more favorable terms. There is no circuit split for this court to resolve—just different cases reaching different outcomes by applying the same legal rule to different underlying contracts.

## II. The Test Employed By the Second and Ninth Circuits Does Not “Turn Back the Clock” to *Fred Fisher*.

Effectively acknowledging that there is no circuit split, Petitioners’ *amici* argue that both the Second Circuit and the Ninth Circuit have misinterpreted § 304, which in *amici*’s view should prohibit copyright owners from revoking and renegotiating

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because the second agreement had been entered into in 1969, before those termination rights even existed. *See* Pet. App. 18a (“*Marvel* concludes only that backward-looking attempts to recharacterize existing grants of copyright so as to eliminate the right to terminate under 304(c) are forbidden by 304(c)(5). There was no such attempt at recharacterization here”). In any event, even if the decision below could not be reconciled with an earlier decision from the Second Circuit, that purported intra-circuit conflict would be no basis for this Court’s intervention. Petitioners’ reliance on *Marvel* to support their petition for certiorari simply underscores their inability to point to a true circuit split warranting this Court’s review.

pre-1978 agreements without formally serving termination notices. *Amici* admit that no appellate decision, including *Milne* and *Mewborn*, has ever adopted that view. See Prof. Br. 15 (asserting that “[n]one of these decisions follow [sic] the clear dictates of the federal statute”).<sup>10</sup> But *amici* nevertheless assert that the test unanimously adopted by the courts of appeals would “turn[] back the clock to the *Fisher* regime, under which publishers could contractually block authors and their families from exercising copyright reversion.” Prof. Br. 12.

These policy-based concerns are groundless. The problem created by the *Fred Fisher* decision was that publishers could use their superior bargaining power to force unknown authors to assign their renewal rights at the time the works were first published, long before their value was known. See *Mills Music*, 469 U.S. at 172-73 (referring to “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”). But § 304 applies only to grants made before 1978. Thus, all the copyrights implicated by § 304 are at least 30 years old, and the holders of termination rights for these

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<sup>10</sup> Indeed, *amicus curiae* Professor Nimmer served as counsel of record to Claire Milne before the Ninth Circuit and in a petition for a writ of certiorari to review the Ninth Circuit’s decision. Prof. Br. 2. *Amici*’s brief in support of Petitioners recapitulates the same arguments that the Ninth Circuit considered and rejected in *Milne* and that this Court found insufficient to justify granting Milne’s petition for certiorari.

copyrights already have had time to “appreciate the true value of [the] work product.” *Id.* Instead of allowing the holders of termination rights to capitalize on that value, *amici’s* proposed test would lock copyright holders into pre-1978 agreements until the termination rights could be formally exercised. Indeed, if the holders of termination rights for a work were deadlocked—as occurred for decades in this case until Elaine passed away—*amici’s* theory would frequently have the perverse result of freezing “ill-advised and unrenumerative” agreements in place. *Id.* The only beneficiaries of *amici’s* proposed straitjacket would be publishers who had extracted unfavorable terms from authors when the value of their works was unknown.

In recognition that all copyrights implicated by § 304 are already 30 years’ old, *amici* assert that the Second Circuit’s decision could have a broader impact on a different set of termination rights for post-1978 assignments under § 203. But the lower courts’ test—Is there a pre-1978 transfer in place to be terminated?—cannot possibly implicate termination rights under § 203 because that section, unlike § 304, is not limited to grants made before 1978. Because § 203 does not require that a pre-1978 grant still be in effect, termination rights under § 203 could be exercised even if the original grant has already been revoked and renegotiated. Nothing in the Second Circuit’s decision is to the contrary.

The Second Circuit’s decision will have no impact on new authors or on the separate termination provisions for post-1978 grants in § 203. *Amici’s* dire

predictions are fundamentally misplaced and certainly provide no reason for granting certiorari.

**III. At Most, the Petition Raises Fact-Bound Questions Concerning a Particular Contract.**

Every Court of Appeals to consider the issue has held that copyright owners may, in principle, negate a precondition for exercising termination rights by leveraging those rights to cancel and renegotiate a pre-1978 agreement for more favorable terms. The question before the Second Circuit was therefore whether Elaine's 1994 Agreement with Penguin cancelled and superseded the pre-1978 agreement (as in *Milne*) or simply reaffirmed the previous transfers leaving the pre-1978 agreement intact (as in *Mewborn*). This is fundamentally a fact-bound question concerning a particular contract, not a broad question of statutory interpretation warranting this Court's review.

The 1994 Agreement with Penguin clearly and unambiguously stated that "this agreement, when signed by Author and Publisher, will cancel and supersede" all prior agreements for the Early Works, including the 1938 Agreement. Pet. App. 4a; 2d Cir. J.A. 507. Petitioners nevertheless assert that, as a matter of contract interpretation, the Second Circuit erred in concluding that the 1994 Agreement revoked the 1938 Agreement and the termination rights that went with it because the 1994 Agreement "explicitly contemplated the future exercise of termination rights." Pet. 23 (quoting Pet. App. 10a). In support of their contract interpretation, Petitioners point to



section 9A of the 1994 Agreement, which gave Penguin the ability to claw back the enhanced payments it made pursuant to the 1994 Agreement in the event that Elaine's statutory termination rights were ever exercised. Pet. 7.

The Second Circuit correctly held that section 9A's oblique reference to the future exercise of termination rights "does not abrogate the 1994 Agreement's clear expression of intent to terminate all prior grants of a transfer or license in the subject copyrights." Pet. App. 14a. And because the 1994 Agreement, as so construed under New York contract law, cancelled the 1938 Agreement, there was no pre-1978 agreement in place for Thom and Blake to terminate. *Id.* at 12a-14a. Rather than evidencing intent to preserve termination rights, section 9A underlines that the parties intended to negotiate a quid pro quo whereby Penguin was agreeing to more generous payment terms in exchange for Elaine's decision to refrain from serving termination notices. Section 9A is thus akin to a *force majeure* clause addressing what would happen if, contrary to the expectations of the parties, termination rights somehow survived. As a matter of contract interpretation, the Second Circuit correctly conclude that this belt-and-suspenders provision did not somehow negate the 1994 Agreement's express and unambiguous intent to "cancel and supersede" the 1938 Agreement. *Id.* at 4a, 14a.

Ultimately, Thom and Blake's petition boils down to an assertion that the Second Circuit misinterpreted the 1994 Agreement in light of its

section 9A. But, even if Thom and Blake’s interpretation of the 1994 Agreement and its section 9A had merit, their Petition does not present a question of federal statutory interpretation, much less a question on which the courts of appeals are divided. The petition for writ of certiorari to review this fact-bound question should be denied.<sup>11</sup>

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<sup>11</sup> The fact that this dispute turns on state law rules of contract interpretation further counsels against granting certiorari. “Although the United States Copyright Act, 17 U.S.C. §§ 101-1332, grants exclusive jurisdiction for infringement claims to the federal courts, those courts construe copyrights as contracts and turn to the relevant state law to interpret them.” *Automation By Design, Inc. v. Raybestos Prods. Co.*, 463 F.3d 749, 753 (7th Cir. 2006); *cf. Wharf (Holdings) Ltd. v. United Int’l Holdings, Inc.*, 532 U.S. 588, 596 (2001) (declining to review 10th Circuit’s application of Colorado contract law, even though state law question would determine whether federal statute applied to the contract). Petitioners’ *amici* seek to elevate the petition above a state-law question of contract interpretation by asking this Court to create a new federal common law of contract interpretation for renegotiated copyright licenses. Prof. Br. 13-14. But even if the renegotiated agreement were interpreted under federal common law, Congress specifically stated that “‘parties to a transfer or license’ would retain under [§ 304(c) and (d)] the continued right to ‘voluntarily agree[] at any time to terminate an existing grant and negotiat[e] a new one.’” Pet. App. 18a-19a (quoting H.R. Rep. No. 94-1476, at 127 (1976), *as reprinted in* 1976 U.S.C.C.A.N. 5659, 5743). As a result, whether the 1994 Agreement is interpreted in accordance with state law or federal common law, a court must make an individualized determination of whether the particular contract before it left a pre-1978 agreement in place. That is a fact-bound question that does not warrant this Court’s review.

#### **IV. This Dispute Between Two Factions of the Steinbeck Family Is a Poor Vehicle for Interpreting § 304's Termination Provisions.**

A final reason for declining exercise of this Court's discretionary jurisdiction is the distinctive intrafamily character of the dispute here. This is not primarily a dispute between a publisher on the one hand and an author's family on the other. It is a dispute between two different factions of the Steinbeck family. Thom and Blake seek to use § 304 not to obtain a more lucrative publishing deal for Steinbeck's family, but to undo Steinbeck's will and seize for themselves the copyright interests that Steinbeck intended to transfer to different family members.

Thom and Blake's efforts to use the termination provisions to override Steinbeck's will and seize copyright ownership from other members of the Steinbeck family are far afield from the central goals Congress had in mind when it created the statutory termination provisions. Congress created the termination right to "safeguard[] authors against unremunerative transfers," H.R. Rep. No. 94-1476 at 124 (1976), *as reprinted in* 1976 U.S.C.C.A.N 5659, 5740, not to privilege the author's "blood heirs" over other family members. To be sure, Congress designated certain statutory heirs who could exercise termination rights. But Congress also sought to honor the author's own decisions about how to allocate his or her inheritance by exempting transfers made by will from the termination provisions. 17 U.S.C. § 304(c), (d). Nothing in the

legislative history suggests that Congress's purpose was to create a birthright for biological offspring to nullify the author's will and disinherit the author's step-family.

This idiosyncratic, fact-bound dispute presents an extremely poor vehicle for interpreting the complicated statutory provisions in 17 U.S.C. § 304 and the interrelationship between rights recaptured by termination and rights inherited by will, which cannot be terminated. Petitioners have not cited any other decision involving the use of termination notices to nullify an author's will or re-allocate copyright ownership within an author's family. Petitioners have certainly not identified a circuit split on this complex issue that might conceivably warrant this Court's review.

### **CONCLUSION**

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

Respectfully submitted,

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