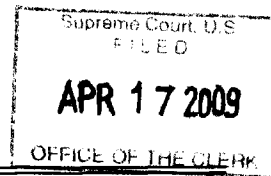


No. 08-1039



**In The
Supreme Court of the United States**

THOMAS STEINBECK and BLAKE SMYLE,

Petitioners,

v.

PENGUIN GROUP (USA) INC., et al.,

Respondents.

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

**BRIEF IN OPPOSITION FOR RESPONDENT
PENGUIN GROUP (USA) INC.**

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**COUNTERSTATEMENT OF
QUESTION PRESENTED**

Whether Petitioners have presented compelling reasons to grant the Petition where (1) the Second Circuit's decision is correct under the plain meaning of the text of Sections 304(c)-(d) of the Copyright Act, is expressly supported by the legislative history of the termination provisions of the Copyright Act, and is consistent with the history and policy behind the termination provisions; and (2) the Second Circuit's decision does not conflict with a decision of this Court, any court of appeals or any other court.

**PARTIES TO THE CASE
AND RULE 29.6 STATEMENT**

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

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

Respondent Penguin Group (USA) Inc. is a wholly-owned subsidiary of Pearson Longman, Inc. Pearson Longman, Inc. is a wholly-owned subsidiary of Pearson Inc. Pearson Inc. is owned by Pearson Capital Company LLC and Pearson Luxembourg Holdings Ltd. and their parent, Pearson Overseas Holding Ltd. Pearson Overseas Holding Ltd. is owned by Pearson Capital Company LLC and by Pearson plc. No publicly held corporation owns 10% or more of the stock of Penguin Group (USA) Inc.

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**BRIEF IN OPPOSITION TO PETITION
FOR WRIT OF CERTIORARI**

The only courts of appeals to have considered the issues in this case, the Second and Ninth Circuits, are in harmony. The court below correctly rejected Petitioners' arguments and applied the statute as written, in accordance with the legislative history and the policy behind the termination provisions.

Petitioners' quarrel is not with the Second or Ninth Circuits' decisions, but with Congress's decisions: to make statutory termination neither automatic nor mandatory; to structure the statute so that termination rights may be exercised only once, under a carefully balanced assortment of conditions, time limits and procedural requirements; and to maintain contractual termination as an equally viable, even superior, avenue to achieving termination's fundamental goal:

to provide successors in interest with an opportunity to obtain the fair value of the work by negotiating new terms for previously granted rights once the work's true value has appeared.

Pet.9.

That is exactly what happened in this case. In 1994 John Steinbeck's widow, testamentary heir, and statutory heir to the author's termination rights used the leverage afforded by her ability to exercise statutory termination rights to negotiate new and far better terms for rights her husband granted 56 years

earlier. Elaine Steinbeck exercised the right Congress expressly reserved to authors and heirs to voluntarily agree to terminate an existing grant and negotiate a new one on better terms.

Neither this case nor the Ninth Circuit decisions involve termination rights being “extinguished by contract.” Pet.1. The undisputedly valid publishing agreement that Elaine Steinbeck entered into with Penguin in 1994 simply canceled and superseded all previous agreements, consistent with basic contract law. Far from “extinguishing” termination rights, it achieved the very result Congress envisioned when it enacted the termination provisions. In truth, the statutorily-prescribed conditions to vest Petitioners with a Section 304(d) termination right never existed. That right applies only to existing grants that were “executed prior to January 1, 1978.” When Congress created the Section 304(d) termination right, no pre-1978 grant existed with respect to the works in question.

Petitioners correctly characterize the termination statute as “Congress’s carefully calibrated effort,” Pet.5—but ask this Court to construe the statute so that a single provision, Section 304(c)(5), renders much of the remainder superfluous. Petitioners urge an unprecedented and sweeping “effect test” because no tenable construction will produce the result they seek. There is no basis in the statute or legislative history for Elaine Steinbeck’s 1994 agreement to be considered “any agreement to the contrary.”

Petitioners in effect ask this Court to rewrite Congress's carefully calibrated effort, judicially legislating a new, fourth category of statutory termination. The three statutory termination provisions—Sections 304(c), 304(d) and 203—have in common a bright line: January 1, 1978. There is no “hybrid” category allowing statutory termination of transfers executed pre-1978 that were revoked and replaced post-1978. That is not an oversight. Congress's intent that a copyright owner could make a new, superseding agreement is clear, as is its intent that a pre-1978 agreement, validly revoked and replaced by a superior post-1978 agreement, is not to be revived simply to be terminated again.

Petitioners' interpretation, which would mandate statutory termination as the only method by which an author or heirs may revoke a pre-1978 transfer to make a more lucrative one, would be at the expense of countless authors and heirs for whom contractual termination can achieve termination's ends better and sooner. That is directly contrary to Congress's intent, as expressed in the statute and legislative history.

Petitioners' true complaint is that John Steinbeck bequeathed the renewal copyrights in his early works to his wife Elaine, and left the renewal copyrights in his later works to be jointly owned by his sons John IV and Petitioner Thomas Steinbeck, along with Elaine. Petitioners seek to effectively annul the author's will.

STATEMENT OF THE CASE

I. BACKGROUND

A. Statutory Framework and Context

1. The Reversion Provisions of the 1909 Copyright Act and the “*Fred Fisher Problem*”

Under the Copyright Act of 1909 copyright protection was available for 28 years from the date copyright was secured. 17 U.S.C. § 24, repealed by Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* (the “1976 Act”). See H.R. Rep. No. 94-1476, 133-34 (1976) (“House Report”). On the expiration of the initial 28-year term, the author could renew the copyright for a 28-year “renewal term.”

The reversion-on-renewal scheme was intended to afford authors of valuable works a second chance to profit from grants of rights:

If the work proves to be a great success and lives beyond the term of twenty-eight years ... it should be the exclusive right of the author to take the renewal term.

H.R. Rep. No. 60-2222, 14 (1909). Reversion was meant “to protect the author and his family against his unprofitable or improvident disposition of the copyright,” Report of Register of Copyrights on General Revision of U.S. Copyright Law, House Comm. on Judiciary, 87th Cong., 53 (1961) (“Register’s Report”), and “to alleviate the problem of the inability of authors to know the true monetary value of their works

prior to commercial exploitation,” *Woods v. Bourne Co.*, 60 F.3d 978, 982 (2d Cir. 1995), by giving authors, or the spouses and/or children of deceased authors, a second chance to negotiate transfers and licenses when the value of a work had been established by up to 28 years of commercial exploitation.

However, “the reversionary purpose of the renewal provision [was] thwarted to a considerable extent,” Register’s Report 53, after this Court held in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), that an author’s assignment of future renewal rights during the initial copyright term was binding if the author lived to the end of the initial term, and renewal registration was then made in his or her name. After *Fred Fisher*, some “publishers began to insist that authors assign both their initial and renewal rights to them in one transfer,” effectively “eliminating” such authors’ renewal rights. *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 284 (2d Cir. 2002).

On the other hand, this Court interpreted the renewal provision as providing that if the author died before the renewal term, such a “prematurely deceased” author’s statutory successors (widow and/or children) would take the renewal term notwithstanding the author’s prior assignment of the renewal term. *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960).

2. The Termination Provisions of the 1976 Copyright Act

The 1976 Act eliminated the renewal scheme for works created or first published on or after January 1, 1978, and set the term of protection for post-1978 works as the life of the author plus 50 years. 17 U.S.C. § 302 (1982). For existing pre-1978 copyrights, the 1976 Act retained the original term running from the publication date, but increased the renewal term to 47 years, for a total term of 75 years. 17 U.S.C. § 304 (1982). Congress retained the renewal scheme for pre-1978 works because “[a] great many of the present expectancies in these cases are the subject of existing contracts, and it would be unfair and immensely confusing to cut off or alter these interests.” House Report 139.

The statute affords authors, or deceased authors’ designated successors, an opportunity to terminate certain earlier transfers of rights for the extended renewal term. The purpose of termination is the same as that of reversion under the 1909 Act: to “safeguard[] authors against unremunerative transfers,” House Report 124, 140; S. Rep. No. 94-473, 108, 123 (1975) (“Senate Report”), by “permit[ting] [authors] to renegotiate transfers that do not give them a reasonable share of the economic returns from their works,” Register’s Report 92. “A provision of this sort [was] needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work’s value until it has been exploited.” House Report 124.

Which termination provision may apply depends on when a transfer was executed, and by whom. Section 203 is limited to grants “executed by the author on or after January 1, 1978.” Such grants may be terminated during a five-year period beginning 35 years after the grant. 17 U.S.C. § 203.

Section 304(c) is limited to grants “executed before January 1, 1978.” If a majority of those owning the author’s termination interest so choose, 17 U.S.C. § 304(c)(1), they may terminate such a pre-1978 grant during “a period of five years beginning at the end of fifty-six years from the date copyright was originally secured...” 17 U.S.C. § 304(c)(3). The termination right is exercised by serving “advance notice” on the grantee or its successor “not less than two or more than ten years before” the effective date. 17 U.S.C. § 304(c)(4)(A).

A deceased author’s surviving spouse owns the author’s entire termination interest, unless there are surviving children or grandchildren, in which case the spouse owns half of the author’s interest, with the other half divided *per stirpes* among the surviving children, and surviving children of any deceased children, of the author. 17 U.S.C. § 304(c)(2)(A)-(C).

“[P]recisely to avoid the result wrought by the *Fred Fisher* decision,” *Marvel*, 310 F.3d at 291, the statute provides:

Termination of the grant may be effected notwithstanding any agreement to the

contrary, including an agreement to make a will or to make any further grant.

17 U.S.C. § 304(c)(5).

In 1998 the Sonny Bono Copyright Term Extension Act (“CTEA”) extended by 20 years the 75-year duration of subsisting pre-1978 copyrights. The CTEA included a new termination provision, Section 304(d), which applies to copyrights in their renewal term on October 27, 1998, for which the termination right under Section 304(c) had expired by that date and had not been exercised. Section 304(d) gives authors or heirs an opportunity to terminate existing pre-1978 grants during a five-year period beginning 75 years after the copyright was secured. 17 U.S.C. § 304(d).

3. The Legislative History of the Termination Provisions

The 1976 Act was the product of “what must surely be the longest sustained copyright reform effort on record,” Frank R. Curtis, *Protecting Authors in Copyright Transfers: Revision Bill § 203 and the Alternatives*, 72 Colum. L. Rev. 799, 799 (1972), and this Court and others have accorded the extensive and detailed legislative history special status in interpreting the 1976 Act. See *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 743, 747 (1989); *Marvel*, 310 F.3d at 289-90; *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1044-47 (9th Cir. 2005); *Classic Media, Inc. v. Mewborn*, 532 F.3d 978, 984

(9th Cir. 2008); *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193, 203 (2d Cir. 2008) (Pet.App.18a-19a). As this Court has noted,

the authoritative source for finding the Legislature’s intent lies in the Committee Reports on the bill, which represent the considered and collective understanding of those Congressmen involved in drafting and studying proposed legislation.

Eldred v. Ashcroft, 537 U.S. 186, 210 (2003) (internal quotations omitted). Professor Nimmer characterized the House Report as “the most important piece of legislative history concerning the [1976] Act.” Melville B. Nimmer, *Termination of Transfers Under the Copyright Act of 1976*, 125 U. Pa. L. Rev. 947, 950 (1977). However, because Petitioners’ and amici’s argument is unsupported, indeed refuted, by the legislative history, they simply omit any substantive discussion of it.

Concerning Sections 203 *and* 304, both the House and Senate explicitly preserved authors’ and heirs’ freedom to terminate transfers contractually:

nothing in this Section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in which an author may cancel or terminate a license, transfer, or assignment.

House Report 128, 142; Senate Report 111, 125. Moreover,

Nothing contained in this Section or elsewhere in this legislation is intended to extend the duration of any license, transfer or assignment made for a period of less than thirty-five years. If, for example, an agreement provides an earlier termination date or lesser duration, or if it allows the author the right of canceling or terminating the agreement under certain circumstances, the duration is governed by the agreement.

House Report 142; Senate Report 125.

And both houses of Congress, in discussing termination under Section 203, stated identically that the termination provision

would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one, thereby causing another 35-year period to start running.

House Report 127; Senate Report 111.¹ This language applies equally to Section 304(c) because “subsection (c) of Section 304 is a close but not exact counterpart of § 203.” House Report 140; *see* Supplementary Report of Register of Copyrights on General Revision of U.S. Copyright Law, House Comm. on Judiciary, 89th Cong., 95 (1965) (“Register’s Supplementary

¹ *See also* 17 U.S.C. § 304(c)(6)(F) (“Unless and until termination is effected under this subsection, the grant, *if it does not provide otherwise*, continues in effect for the remainder of the extended renewal term.”) (emphasis added).

Report”) (“Section 304(c) ... provid[es] an opportunity to terminate ... under the same conditions and with the same limitations provided in the earlier Section.”). Thus, Congress limited its discussion of Section 304(c) to “the most important distinctions between the termination rights under the two Sections.” House Report 141.

Termination was intended to afford a “statutory beneficiary who has signed a disadvantageous grant ... *the opportunity* to reclaim the extended term.” House Report 141 (emphasis added). In “the lengthy history of negotiation and compromise which ultimately produced the [1976] Act,” *Reid*, 490 U.S. at 743, “automatic” or mandatory termination was considered and rejected. House Report 124; see Brief *Amicus Curiae* of Professors Menell and Nimmer 6-7. Instead, Congress enacted “a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved,” House Report 124, Senate Report 108, providing “a practical benefit for authors and their families without being unfair to publishers, film producers and other users.” Register’s Supplementary Report 72.

To help authors and heirs achieve that “practical benefit,” Congress expressly preserved their freedom of contract, particularly their freedom to contractually terminate old grants and obtain new grants on better terms. Congress anticipated, and this case and *Milne* have shown, that “an increased royalty stream to the author’s heirs—the very result envisioned by

Congress,” *Milne*, 430 F.3d at 1047, can be accomplished at least as well through contractual as through statutory termination. Such contracts “fulfill[] the very purposes for which Congress enacted the termination right.” *Id.* at 1048; *Steinbeck*, Pet.App.19a.

B. Factual Background

1. John Steinbeck’s Pre-1978 Grant

In a September 12, 1938 agreement (the “1938 Agreement”), A-111-16,² John Steinbeck granted to Penguin’s predecessor The Viking Press, Inc. rights in ten works: *The Long Valley*; *Cup of Gold*; *The Pastures of Heaven*; *To A God Unknown*; *Tortilla Flat*; *In Dubious Battle*; *Of Mice and Men*; *Of Mice and Men (Play)*; *The Red Pony*; and *The Grapes of Wrath* (the “Early Works”). The 1938 grant covered English-language book publishing rights in the U.S. and Canada, certain reprint, serialization and radio rights, and “[m]otion picture and/or dramatic rights.” A-112.

The grant of motion picture/dramatic rights terminated under the contract and reverted to John Steinbeck when the “Publishers’ share” of revenues for such rights reached \$15,000 plus interest. A-114.

² Citations to “A-” refer to the Joint Appendix, and citations to “ADD-” refer to the Addendum, both filed in the court of appeals.

The 1938 Agreement provided for two \$250 advances and ongoing royalties based on net sales. Periodically, the parties amended the agreement as to some or all of the Early Works, but it remained in effect until it was mutually revoked in 1994. John Steinbeck renewed the copyright in each of the Early Works during his lifetime, and on his death in 1968 bequeathed those copyrights by will to his widow Elaine. A-44-53.³

The renewal copyrights in Steinbeck's 18 later works, including *Cannery Row*, *The Pearl* and *East of Eden* ("Later Works"), were renewed and owned jointly by Elaine Steinbeck, John IV and Petitioner Thom Steinbeck.⁴

³ Petitioners' claim that Steinbeck "pre-assigned his rights under [the renewal term] to Viking in the 1938 agreement," Pet.5—apparently to suggest that the "*Fred Fisher* problem" affected even John Steinbeck—is wrong, as the agreement itself shows. Steinbeck did not convey any renewal rights in the 1938 Agreement. When he renewed, he owned the renewal copyrights outright.

⁴ Petitioners' statement that "In 1983, Thom, John IV, and Elaine agreed that each would have a one-third share in the renewal interest in Steinbeck's [Later Works]," Pet.6, is incomplete. They so agreed only after Elaine prevailed on her claim to a *per stirpes* 50% share, with the other 50% going to the sons together. Elaine *then* agreed to a settlement that gave Thom and John IV the *per capita* split they sought, in return for a power of attorney to exercise their termination interest. The power of attorney gave Elaine control over termination insofar as she alone, using the power, could terminate under Section 304(c). The sons relinquished nothing, however. They could not terminate on their own with only 50%, and if Elaine had exercised her

(Continued on following page)

2. The 1994 Agreements

On October 24, 1994 Elaine Steinbeck and Viking Penguin entered into an agreement (the “1994 Agreement”), A-117-131, in which Elaine granted certain rights in the Early Works and in five additional John Steinbeck works, and Elaine’s own *Steinbeck: A Life in Letters*.

The 1994 Agreement, governed, like the 1938 Agreement, by New York law, recites that the parties, “for an additional consideration ... have agreed to enter into a new agreement for continued publication of” the Early Works and the six others. A-117. The 1994 Agreement “cancel[s] and supersede[s] the

and their statutory termination rights, they would not have objected.

The circuit court did “observe” that “it is unclear that her exercise of those rights would have been valid,” Pet.6-7, but concluded, “the resolution of these speculations is immaterial.” Pet.App.17a. Indeed, it was Elaine’s decision *not* to exercise those rights that Petitioners complained of in the district court, arguing without basis that Elaine had a “fiduciary duty” to exercise not only their interest but her *own* interest in favor of termination, even against her own wishes. However, Elaine, like any statutory heir, had the unfettered right to “vote” her termination interest as she wished. The district court dismissed Petitioners’ fiduciary duty and fraud claims against Elaine’s estate, finding that Petitioners’ “only grievance appears to be that they could have received more money from exploitation of their own copyright interests, specifically if Elaine Steinbeck had exercised termination rights.” *Steinbeck v. McIntosh & Otis*, 2009 WL 928189, *8 (S.D.N.Y. 2009).

previous agreements, as amended, for the Works ... covered hereunder," A-126.⁵

The rights granted in the 1994 Agreement comprise "the sole and exclusive right to publish the Work[s] in volume form in the English language throughout the United States, its territories and dependencies, the Philippines and Canada," and non-exclusive rights "in the rest of the world outside the British Commonwealth of Nations (excluding Canada)." A-118. The 1994 grant also includes subsidiary rights, comprising reprint rights; book club rights; second serial/anthology rights; audio-visual rights including data storage and retrieval; and publication in forms for use by the physically handicapped. A-122-24.

The 1938 grant of "motion picture and/or dramatic rights" is not repeated in the 1994 Agreement, which instead requires Penguin, "[i]n the event of the disposition of performance rights [by Steinbeck to a third party,] to grant to the purchaser the privilege to publish excerpts and summaries of the Work ... for advertising and exploiting such rights...." A-124.

⁵ Simultaneously with the execution of the 1994 Agreement, Elaine Steinbeck and Petitioner Thom Steinbeck entered into a substantially identical agreement with Penguin for continued publication of the Later Works (the "1994 Later Works Agreement"), owned jointly by Elaine and Thom. Like the 1994 Agreement, the 1994 Later Works Agreement contractually revoked all previous agreements for the Later Works, and effected a new grant of rights for new and far better consideration. A-132-46.

The additional consideration under the 1994 Agreement is very substantial, including annual guarantees, paid regardless of whether the prior year's guarantee is earned, ranging from \$435,500 in the first year to \$335,000 for the seventh and subsequent years, adjusted upward (1) based on increases in the National Consumer Price Index, and (2) for "excess earnings": royalty earnings during the prior year that exceeded the minimum guarantee. A-118-19.⁶

A contractual termination clause provides that if *any* of the Early Works *or* the Later Works goes out of print, Penguin's rights in *all* of the Works revert to the author. A-128-29. This ensured that Penguin would continue to exploit all of John Steinbeck's works (not just the most popular ones), maximizing the opportunity for sales and royalties to the author's heirs, including Petitioners. The 1994 Agreement provides higher royalties on the rights granted and subjects virtually all subsidiary rights licenses "to the

⁶ The identical provision in the 1994 Later Works Agreement, A-133-34, resulted in very substantial royalties to Petitioners after *East of Eden* was the first selection of the relaunched Oprah's Book Club in 2003. A pre-1978 grant of rights in *East of Eden*, published in 1952, would not have been subject to statutory termination until 2008. Petitioners thus have experienced firsthand the benefits of contractual rescission and re-grant, and its potential superiority to statutory termination as a means for authors' heirs to realize the increased value of works.

Author's approval," A-122-23, maximizing the author's control.

The very substantial benefits John Steinbeck's statutory heir obtained by canceling a 1938 grant and renegotiating a new one 56 years later reflected the increased value of the Early Works—and demonstrate that the “practical benefit for authors and their families” that termination was intended to provide, Register's Supplementary Report 72, can be achieved as well, and sooner, by contract, using the leverage of unexercised statutory termination rights.

II. THE PROCEEDINGS BELOW

A. District Court

Elaine Steinbeck died in 2003. In June 2004 Petitioners served on Penguin a Notice of Termination (the “Termination Notice”) under Section 304(d), purporting to terminate grants executed by John Steinbeck “before January 1, 1978.” A-149-51. Penguin sought a declaration that the Termination Notice was invalid and ineffective because the licenses that John Steinbeck granted in the 1938 Agreement, and all previous agreements for the Early Works, were validly terminated in 1994 by Steinbeck's widow Elaine, as sole owner of the copyrights and a statutory heir to Steinbeck's termination rights. As a result, there was no grant “executed before January 1, 1978” in existence when Petitioners served the Termination Notice.

On June 9, 2006, the district court granted Petitioners' motion for summary judgment, holding the Termination Notice to be valid as a matter of law. The district court found that the 1994 Agreement "*expressly preserves* Section 304 termination rights (at least with respect to Elaine Steinbeck, who, at the time, owned one-half)," and that "the copyright interests purportedly granted by the document were granted subject to [termination] rights." Pet.App.33a (emphasis original).

The district court, apparently aware of the infirmity of its holding that statutory rights can be created or "preserved" contractually, backed it up with a catch-all whose potential negative consequences to authors and heirs were enormous. The district court held that "to the extent that the 1994 Agreement would strip Thom and Blake ... of their inalienable termination rights in the pre-1978 grants, it is void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5)." The district court found that "the statute declares void any contract the effect of which is in contravention of or which negates ... termination rights." Pet.App.26a. The result orientation of the district court's "effect test" was even clearer in its holding that "[a]ny interpretation of the 1994 Agreement having the effect of disinherit[ing] the statutory heirs to the termination interest—Thom and Blake—in favor of Elaine's heirs must be set aside...." Pet.App.34a.

The district court ignored the legislative history and the Ninth Circuit's holding in *Milne*, neither of which is even cited in the district court's opinion.

B. Court of Appeals

The Second Circuit reversed in a unanimous opinion. Pet.App.1a-20a. The analysis was straightforward:

The Copyright Act provides a termination right for the grant of a transfer or license of copyright made by parties other than the author only if the grant was made prior to January 1, 1978. 17 U.S.C. § 304(d). Our first inquiry, then, is whether the 1994 Agreement terminated and superseded the 1938 Agreement. We conclude that it did, leaving in effect no pre-1978 grants to which the termination rights provided by section 304(d) could be applied.

Steinbeck, Pet.App.11a.

The court saw “no valid reason to disregard” the “cancel and supersede” language of the 1994 Agreement, which, it was undisputed, validly terminated the 1938 Agreement under New York law. The court rejected Petitioners’ contention that Elaine and Penguin, as parties to the 1994 Agreement, intended to “preserve” termination rights. More fundamentally, the court rejected the notion that statutory rights can be created or preserved by contract:

[O]ur central inquiry is not the parties' intent to preserve these rights—which are granted by statute, not contract—but rather their intent to terminate the 1938 Agreement. The availability of termination rights under the Copyright Act is not dependent on the intent of the parties but on, among other things, the date that a grant of rights was executed....

Pet.App.13a.

The court addressed and rejected Petitioners' argument that Section 304(c)(6)(D), which controls the timing of a new grant when a statutory termination notice has been served, (1) also applies when a grant is contractually terminated, and (2) requires in every case a "moment of freedom" from the previous grant before a new grant may be made. As the court noted, Section 304(c)(6)(D) requires no "moment of freedom" from an old grant that has been *statutorily* terminated, for a new grant to the original grantee may be executed any time after a termination notice has been served.

Most importantly, nothing in Section 304(c)(6)(D) prevents an author or author's heirs from contractually renegotiating a prior grant "while wielding the threat of termination," the court found. "Indeed, this kind of renegotiation appears to be exactly what was intended by Congress." Pet.App.15a.

The court rejected the unprecedented "effect test":

We do not read the phrase “agreement to the contrary” so broadly that it would include any agreement that has the effect of eliminating a termination right.

Id. at 16a. Such a reading “would negate the effect of other provisions of the Copyright Act that explicitly contemplate the loss of termination rights,” most conspicuously the provision that the right can be exercised only if a majority of interested parties agrees to exercise it. If the holders of a majority—or indeed, half—of an author’s termination interest agreed not to terminate, that agreement would effectively deprive the others of a right to terminate, but could not be held ineffective as an “agreement to the contrary” by virtue of having that effect, the court held. *Ibid.*

Nor could the 1994 Agreement be an “agreement to the contrary” because it had “the effect of eliminating termination rights that did not yet exist.” Petitioners could not have exercised termination rights under Section 304(c) in 1994 because they lacked more than one-half of the author’s termination interest. Accordingly, the 1994 Agreement did not deprive Petitioners of any rights they could have realized then; and the termination right under Section 304(d) would not be created for another four years. Pet.App.17a.

The court found no suggestion in the statute or the legislative history that contractual termination of a pre-1978 grant is prohibited or undesirable. Indeed,

the Second Circuit in *Steinbeck*, like the Ninth Circuit in *Milne*, relied on Congress's instructions that

nothing in [the Copyright Act] is intended to change the existing state of the law of contracts concerning the circumstances in which an author may cancel or terminate a license, transfer, or assignment.

and that the

“parties to a transfer or license” would retain under the termination provisions the right and ability to “voluntarily agree[] at any time to terminate an existing grant and negotiat[e] a new one.”

Pet.App.18a-19a (quoting House Report 128, 127); *see also* House Report 142.

And Congress, the court noted, did not manifest any intent that a lapsed or revoked pre-1978 grant should survive or be revived “simply for purposes of exercising a termination right in the future.” Pet.App.19a. The court cited the functionally identical “post-1978 agreement superseding pre-1978 agreement” in *Milne* as “the type expressly contemplated and endorsed by Congress because it enabled an author’s statutory heirs to renegotiate the terms of an original grant with full knowledge of the market value of the works at issue.” *Ibid*.

Under the Second Circuit’s holding,

statutory heirs holding termination rights are still left with an opportunity to threaten

(or to make good on a threat) to exercise termination rights and extract more favorable terms from early grants of an author's copyright. But nothing in the statute suggests that an author or an author's statutory heirs are entitled to more than one opportunity, between them, to use termination rights to enhance their bargaining power or to exercise them.

Pet.App.20a (citing 17 U.S.C. § 304(d) (permitting exercise of termination right only "where the author or owner of the termination right has not previously exercised such termination right")). In sum, the Second Circuit, following the Ninth Circuit, held:

It is no violation of the Copyright Act to execute a renegotiated contract where the Act gives the original copyright owner's statutory heirs the opportunity and incentive to do so.

Ibid. (citing *Milne*, 430 F.3d at 1046).

The Second Circuit distinguished its holding (and *Milne's*) from the Ninth Circuit's holding in *Mewborn*, noting that the 1978 grant of rights in *Mewborn*, in contrast to the 1994 Agreement in *Steinbeck* (and the 1983 agreement in *Milne*), was made years before termination rights could have been exercised. Pet.App.20a. More significantly, in *Mewborn* "[n]either party intended to revoke and replace (or even modify) a 1976 grant of rights," *ibid.* (quoting *Mewborn*, 532 F.3d at 989)—a crucial distinction from *Steinbeck* and *Milne*, in each of which the parties intended to, could and did validly "cancel and

supersede” (*Steinbeck*) or “revoke” (*Milne*) the pre-1978 grants, as a necessary step in obtaining a new and better deal for the works involved.

Petitioners’ requests for rehearing and for rehearing *en banc* were denied. Pet.App.40a-41a.

REASONS FOR DENYING THE PETITION

I. THERE IS NO CIRCUIT CONFLICT

Before *Steinbeck*, the Ninth Circuit, the first circuit to consider the issue, affirmed the validity of a post-1978 agreement that is materially indistinguishable from the 1994 Agreement. *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), *cert. denied*, 548 U.S. 904 (2006). The Second Circuit in *Steinbeck* reached the same result using the same reasoning, aligning the two circuits.

Classic Media, Inc. v. Mewborn, 532 F.3d 978 (9th Cir. 2008), did not and could not overrule or limit *Milne*, as Petitioners imply.⁷ *Mewborn* did not involve the issue presented, and decided identically, in *Milne* and *Steinbeck*: whether an author’s heir’s contractual revocation of a pre-1978 grant, and new grant for

⁷ “Once a panel resolves an issue in a precedential opinion, the matter is deemed resolved, unless overruled by the court itself sitting *en banc*, or by the Supreme Court. [A] later three-judge panel ... has no choice but to apply the earlier-adopted rule; it may not any more disregard the earlier panel’s opinion than it may disregard a ruling of the Supreme Court.” *Hart v. Massanari*, 266 F.3d 1155, 1171 (9th Cir. 2001).

better consideration, are a viable, Congressionally-endorsed alternative to statutory termination to achieve the goals of termination. Because the *Mewborn* pre-1978 grant was not revoked, it remained subject to Section 304(c) termination.

The Second Circuit's rejection of the "effect test" does not conflict with *Mewborn*. Neither *Mewborn* nor any court other than the *Steinbeck* district court has applied the "effect test." *Mewborn* determined that Winifred Mewborn's 1978 grant of rights, if it were construed as a "transfer" of her own newly-created termination right, would be an "agreement to the contrary." That holding is entirely in accord with *Steinbeck*, *Marvel*, and *Milne*.

A. *Milne v. Stephen Slesinger, Inc.*

Milne addressed the question:

Should [a post-1978 express contractual revocation and new grant of rights] be treated as a pre-1978 agreement to be governed by the [CTEA's] termination provisions of 17 U.S.C. § 304?

430 F.3d at 1041. The court answered no, noting that "[a]lthough Christopher [Milne] presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal for the Pooh Properties Trust." *Id.* at 1045. The better deal, and the way Christopher Milne obtained it, were "expressly contemplated and endorsed by Congress." *Id.* at 1046.

In 1930, A.A. Milne entered into an agreement granting Slesinger certain rights in the “Pooh” works “for and during the respective periods of copyright and of any renewal thereof.” In 1983, Milne’s son Christopher, then the sole copyright owner, entered into a new agreement that revoked the 1930 grant and re-granted rights in the “Pooh” works to Slesinger for substantially enhanced consideration. In 2002, Clare Milne, A.A. Milne’s granddaughter, served Slesinger with a notice of termination seeking to recapture rights in the works under Section 304(d).

The district court found, and the Ninth Circuit affirmed, that the termination notice was invalid because “the only pre-1978 grant of rights”—the grant in the 1930 Agreement—“was terminated ... upon the execution of the 1983 agreement....” Accordingly, “there was no pre-1978 grant of rights ... in existence when Congress enacted the CTEA in 1998.” Milne could not terminate the grant in the 1983 Agreement “because it was not ‘executed before January 1, 1978,’ as the statute expressly requires.” *Id.*

The court affirmed that a post-1978 contractual revocation and re-grant of rights was not an “agreement to the contrary.” Neither the statute nor the legislative history supported Milne’s position that the 1983 Agreement was such an “agreement to the contrary.” Instead, the 1983 Agreement was of “the type expressly contemplated and endorsed by Congress,” which “explicitly endorsed the continued right of ‘parties to a transfer or license’ to ‘voluntarily

agree[] at any time to terminate an existing grant and negotiat[e] a new one.’” *Id.* at 1045 (quoting House Report at 127).

The court rejected Milne’s claim “that judicial recognition of the 1983 agreement ‘would provide a blueprint by which publishers could effectively eliminate an author’s termination right,’” *id.* at 1046 (citation omitted). The new agreement did not “eliminate” a termination right; to the contrary, it “resulted in an increased royalty stream to the author’s heirs—the very result envisioned by Congress when it enacted the termination provisions.” *Id.* at 1047. Congress, the court held, *intended* for “an author’s heirs to use the increased bargaining power conferred by the imminent threat of statutory termination to enter into new, more advantageous grants.” *Id.* at 1046.

Milne’s requests for rehearing and for rehearing *en banc*, and petition for certiorari, were denied.

B. *Classic Media, Inc. v. Mewborn*

Classic Media, Inc. v. Mewborn, 532 F.3d 978 (9th Cir. 2008), involved rights in the “Lassie” books written by Eric Knight in the 1930s. Winifred Mewborn, the declaratory defendant, was one of Knight’s three daughters. In 1976 Mewborn assigned her share of the movie, television, and radio rights in the Lassie works to plaintiff’s predecessor. The grantee had difficulty obtaining agreements from Mewborn’s sisters, and did not obtain them until March 1978. It

then approached Mewborn for her signature on a second agreement, which contained a grant of movie, television, and radio rights identical to that in the 1976 agreement, but did not cancel the earlier grant. It also granted certain ancillary rights that had not been conveyed in the prior agreement. Mewborn executed the 1978 grant.

In 1996, Mewborn served a termination notice under Section 304(c), resulting in litigation over whether there was any pre-1978 grant to be terminated. Mewborn argued, and the Ninth Circuit found, that the case was distinguishable from *Milne* because Mewborn, unlike Christopher Milne, did *not* revoke the 1976 (i.e., pre-1978) agreement, which accordingly remained in effect. Mewborn, moreover, was not relinquishing a known termination right when she executed the 1978 document, and did not have any termination right at the time, because Mewborn's right to serve a termination notice under Section 304(c) would not vest until six years later. Thus, when she made the 1978 agreement she "had nothing in hand with which to bargain." 532 F.3d at 989.

The Ninth Circuit distinguished these facts from the situation in *Milne*, and concluded that "the 1996 termination notice was effective, [and] any rights assigned ... by the 1976 assignment reverted to Mewborn as of the effective termination date." *Id.* at 990. However, Mewborn's "post-1978" grant of ancillary rights was unaffected by the termination notice, which could affect "only transfers made before the

effective date of the Act, January 1, 1978,” *id.* at 989—consistent with *Milne* and *Steinbeck*.⁸

C. *Mewborn* Does Not Create Disharmony Between the Circuits

Petitioners’ argument that the Second Circuit’s *Steinbeck* decision “squarely conflicts” with *Mewborn*, Pet.11, is mistaken.⁹ The manufactured “conflict” turns on another misstatement: that *Mewborn* “con-
fined the holding in *Milne* to [its] facts.” Pet.22. *Mewborn* distinguished *Milne*; it could not and did not limit, confine or overrule it.¹⁰

⁸ The assignments of movie, television, and radio rights by Eric Knight’s other statutory heirs, Mewborn’s sisters, were executed shortly after the bright line of January 1, 1978. Those post-1978 grants by persons other than the author are likewise not terminable under either Section 304 or 203.

⁹ *Amicus* David Nimmer, when he was Counsel of Record for the Petitioners in *Milne*, argued that “the district court’s decision in *Steinbeck* shows that the Ninth and Second Circuits are in conflict,” *Milne v. Stephen Slesinger, Inc.*, Supplemental Brief for the Petitioner, 2006 WL 1675076, on the assumption that the district court’s opinion would be affirmed. The same erroneous assumption is the basis for the “emerging split” in the title of the 2007 student note relied on by Petitioners. Pet.11. The Second Circuit has reversed the district court in *Steinbeck*, aligning the Second Circuit with the Ninth, which has not overruled *Milne*—but Petitioners and *amici* persist in attempting to conjure an illusory conflict from decisions that are in harmony.

¹⁰ If Petitioners contend that there is tension between *Mewborn* and *Milne*, any such internal tension would be a
(Continued on following page)

In any event, the material facts of *Milne* are indistinguishable from those of *Steinbeck*, while *Mewborn* does not address the issue *Milne* and *Steinbeck* resolve: a pre-1978 agreement that was contractually revoked, and replaced by a post-1978 grant. As the Ninth Circuit found, “the circumstances [in *Mewborn*] are not even close to those in *Milne*.” 532 F.3d at 989. In *Mewborn* the grant executed “prior to January 1, 1978” *survived*, and the Section 304(c) termination notice was applicable to it.¹¹

The factors that distinguished *Mewborn* from *Milne* are absent here. The key distinction is that *Mewborn*’s post-1978 assignment “did not substitute for or revoke the 1976 Assignment,” which “remained intact” under applicable contract law. *Id.* at 982, 986. *Mewborn* thus differs dispositively from *Milne* and *Steinbeck*, in each of which all pre-1978 grants had been validly revoked, and no such grant “remained intact,” when Congress created the termination right under Section 304(d), applicable only to pre-1978 grants.

The further distinction that “Mewborn in 1978 did not ... have the right to serve [a] notice of termination[, while] the heir in *Milne* had the present right

matter for the Ninth Circuit, not this Court, to resolve. See *Wisniewski v. United States*, 353 U.S. 901, 902 (1957).

¹¹ *Mewborn*, like *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (2d Cir. 1992), hinges largely on the unremarkable principle that a copyright owner cannot convey the same rights twice.

... and could exercise it at any moment,” *id.* at 987, applies equally here. Elaine Steinbeck, like Christopher Milne, could have exercised termination rights as to six of the ten Early Works when she made the 1994 Agreement. Pet.App.9a. That ability gave her the leverage to achieve by contract a result equivalent or superior to statutory termination, as Congress intended.

In *Mewborn*, moreover, the Ninth Circuit achieved a result consistent with the author’s presumed testamentary intent. 532 F.3d at 990. Here Petitioners would effectively *nullify* the will of John Steinbeck, who as author is “the fundamental beneficiary of copyright under the Constitution.” *Id.* at 984.

In *Mewborn* the plaintiff argued, and the district court found, that Mewborn’s 1978 Assignment “g[a]ve away” her “newly acquired § 304(c) right to terminate....” *Id.* at 982. The Ninth Circuit, reversing, held that “such an assignment would be void as an ‘agreement to the contrary’ pursuant to § 304(c)(5).” *Id.* at 986. That holding is undoubtedly correct; such an advance alienation of a party’s own termination right would be a paradigmatic “agreement to the contrary.” *Cf. Marvel*, 310 F.3d at 284; *Fred Fisher*, 318 U.S. at 656-59. *Mewborn* does not apply and offers no support for the “effect test,” under which the rightful and lawful, Congressionally-endorsed undertakings of *others* are retroactively voided if their “effect” is that a right under later-enacted Section 304(d) never comes into existence for Petitioners.

Petitioners' claims that "*Steinbeck* is indistinguishable from *Mewborn*," and in conflict with it, Pet.15, are groundless.

II. THE SECOND CIRCUIT'S DECISION IS CORRECT UNDER THE PLAIN MEANING OF THE STATUTORY TEXT, THE LEGISLATIVE HISTORY, AND THE POLICY UNDERLYING THE TERMINATION PROVISIONS

A. The Valid 1994 Agreement Left No Pre-1978 Grant to Terminate

In 1982 Professor Melville Nimmer, in an opinion letter furnished to the parties to the *Milne* 1983 Agreement, endorsed contractual rescission and regrant as a viable alternative to statutory termination: "it is under the state ... law of contracts that such a rescission would occur," Nimmer wrote; and "if the [pre-1978] agreements are effectively rescinded, there is simply no transfer as to which the termination could apply under the terms of Section 304(c)." ADD-47-49.

The Ninth Circuit in *Milne*, and the Second Circuit in this case, confirmed that Professor Nimmer was correct. Petitioners' Termination Notice purported to terminate, under Section 304(d), "grants made ... before January 1, 1978 in the [Early Works]." A-149. But because the 1938 Agreement and all previous agreements for the Early Works were effectively rescinded, and a new grant executed in 1994,

under New York law, there was no pre-1978 grant to which a Section 304(d) termination right could apply when the right was created in 1998.

B. The Second Circuit Correctly Rejected Petitioners' "Effect Test"

The Second Circuit rightly declined to read “‘agreement to the contrary’ so broadly that it would include any agreement that has the effect of eliminating a termination right.” Pet.App.16a. Congress did *not* intend to “void any contract the effect of which is in contravention of or which negates ... termination rights,” Pet.App.26a, as the statute and the legislative history show.

As a matter of statutory construction, the “effect test” is untenable. Congress legislated a termination right with numerous conditions and built-in exceptions, the most conspicuous of which is the “majority rule” provision of Section 304(c)(1), which requires a majority of the persons owning a deceased author’s termination right to consent in order to effect termination. Even a tie does not permit termination, and there is no provision for the rights of a minority—or even a 50% interest—of statutory heirs who wish to terminate. In so structuring the statute, Congress clearly intended that there would be heirs with termination rights who would be unable to exercise them. *See* Pet.App.16a.

The statute denies termination rights in numerous other circumstances. The termination right under

Section 203 excepts pre-1978 transfers, and all transfers by persons other than the author. Section 304 excludes post-1978 transfers. The statute excludes any “work made for hire”; thus, no termination right will ever exist for the human author of a work for hire, or that author’s heirs. Under Section 304(c)(6)(E), statutory termination “affects only those rights ... that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.” Accordingly, heirs of authors who granted only foreign publishing rights in their works are foreclosed from termination rights.

Section 304(d) excludes works for which the termination right under Section 304(c) had not expired by October 27, 1998, the effective date of the CTEA, and works as to which the Section 304(c) right had been exercised. Those limitations exclude numerous statutory heirs from termination rights. And if a pre-1978 transfer agreement “provides an earlier termination date or lesser duration,” House Report 142, and has expired by its own terms, no statutory heir can terminate the expired pre-1978 grant.

Each of those circumstances meets the “effect test” urged by Petitioners, for its “effect” would contravene termination rights. But to apply the “effect test” to permit the exercise of termination rights under those circumstances, or the circumstances here and in *Milne*, would be to allow one statutory provision, Section 304(c)(5), to negate or render superfluous numerous others, violating the relevant canons

of statutory construction. *Hibbs v. Winn*, 542 U.S. 88, 101 (2004).

Petitioners' citation of *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), implies that the circuit court misconstrued its own precedent. *Marvel* does not support the "effect test." *Marvel* held that a publisher could not rely on a *post facto* work-for-hire agreement because the determination whether a work is "for hire" is based on the parties' "actual relationship" when the work is created, not on their contractual stipulation years later. 310 F.3d at 291. Works not meeting the "for-hire" test remain what they are, notwithstanding a later agreement labeling them something else. *Ibid*.

Marvel held that the meaning and scope of "any agreement to the contrary" are not clear from the text, *id.* at 290, so that it is "necessary to go beyond the mere text and consider the legislative intent and purpose of § 304(c) to ascertain the statute's meaning." The court concluded, based on the legislative history, that "Congress included the 'notwithstanding any agreement to the contrary' language in the termination provision *precisely to avoid the result wrought by the Fred Fisher decision*," *id.* at 291, by "prevent[ing] authors from waiving *their* termination right by contract," *id.* at 290 (emphasis added).

Marvel did not hold that the settlement agreement was an "agreement to the contrary," and did not hold that Simon's grant to Marvel was subject to termination. Far from endorsing the "effect test," the

court remanded for trial on the issue of whether *Captain America* was actually made for hire. *Id.* at 291-92. If the work-for-hire test was met, the grant would not be subject to termination under Section 304(c). *Id.* at 292.

Only if the parties agreed that *Captain America* was a work for hire, and in fact it was not, would their agreement qualify as an “agreement to the contrary.” By signing a sham work-for-hire agreement, Simon would have effectively contracted away his own termination right, making a true “agreement to the contrary” under Section 304(c)(5).

There is no circuit conflict, or even tension, concerning *Marvel*. The Second Circuit in *Marvel*, and the Ninth Circuit in *Mewborn*, found that one type of agreement, a party’s contractual transfer or waiver of her own termination right, could constitute an “agreement to the contrary”; in *Steinbeck* and in *Milne* the same courts found that an entirely different type of agreement did not. No panel in either circuit has applied Petitioners’ “effect test.”

C. Petitioners’ Misinterpretation of “Inalienability”

As support for their “effect test,” Petitioners and *amici* rely on *dicta* referring to termination rights as inalienable, implying that *Mewborn* and *Steinbeck* conflict with respect to “inalienability.” Pet.13. However, *Steinbeck* refers no less conspicuously than *Mewborn* to the “inalienable right to terminate.”

Pet.App.7a. Congress made termination rights “inalienable” within its plain meaning: “the characteristic of those things which cannot be bought, sold or transferred from one person to another.” Black’s Law Dictionary (8th ed. 2004); see Terrance McConnell, *Inalienable Rights: The Limits of Consent in Medicine and the Law* 12 (2000) (“an inalienable right is one that may never be waived or transferred by its possessor.”); 17 U.S.C. § 101 (definition of “transfer of copyright ownership” includes “alienation”). Petitioners stated as an undisputed material fact, and the district court found, that they had never transferred or waived termination rights. Pet.App.33a-34a.

Petitioners misinterpret “inalienable” as “automatic.” The “*Fred Fisher* problem,” however, was not the lack of an automatic mechanism to vest renewal rights in authors. The problem arose when this Court held that authors’ advance transfers of their own renewal-term rights were enforceable. The legislative history confirms that Section 304(c)(5) is intended specifically to obviate the “*Fred Fisher* problem” by making termination rights “inalienable” in the proper sense: “the right to take this action cannot be waived in advance or contracted away.” House Report 125; Senate Report 108; *Marvel*, 310 F.3d at 290.

The true meaning of “inalienable” is congruent with “[t]he clear Congressional purpose behind § 304(c)[:] to prevent authors from waiving their termination right by contract,” *ibid.*, and with the intended meaning of “agreement to the contrary”: an agreement by a terminating party to waive or

transfer—alienate—his or her otherwise valid termination rights. The agreements in *Marvel* and *Mew-born* fit within that definition; the agreements in *Milne* and *Steinbeck* do not. There is no conflict.

**D. Termination Here Would Effectively
Nullify the Statute’s Exemption of
Grants By Will**

Fundamentally, Petitioners’ grievance is with John Steinbeck, and his choice to leave the renewal copyrights in his Early Works to his wife and not to Petitioners. John Steinbeck made a valid bequest of the copyrights to Elaine Steinbeck by will. That transfer of copyright ownership by John Steinbeck to his wife cannot be terminated. 17 U.S.C. § 304(c) (permitting termination of certain grants “otherwise than by will”). Because the transfer by will from John to Elaine Steinbeck is statutorily exempt from termination, Elaine Steinbeck’s subsequent dispositions of rights under the copyrights must also be exempt, or the will exemption is nullified, and John Steinbeck’s will rewritten.

Elaine Steinbeck, as sole copyright owner of the Early Works, had the unencumbered right to enter into contracts relating to those rights, including the right to revoke the 1938 Agreement and make a more lucrative grant of rights. See Paul Goldstein, *Copyright* § 4.10, at 4:93 (2d ed., 2004 Supp.) (“copyright contract rules are grounded in the principle of freedom of contract.”). A finding that the author’s widow

and copyright heir lacks such capacity would not only disregard the author's last wishes; it would make the statute's exemption of transfers "by will" meaningless. Such an interpretation, wresting from authors control over the disposition of their works, would also be constitutionally infirm. *See, e.g.,* Pierre Leval & Lewis Liman, *Are Copyrights for Authors or Their Children?*, 39 J. Copyright Soc'y USA 1, 9, 16 (1991).

E. Petitioners' Position Would Require Judicial Legislation of a Fourth Termination Right

All three termination provisions in the Copyright Act—Sections 203, 304(c) and 304(d)—are structured around a bright line of January 1, 1978. House Report 125 ("Under section 203(a) the right of termination would apply only to transfers and licenses executed after the effective date of the new statute, and would have no retroactive effect."); Curtis, *supra*, at 799 ("the legislative history indicates that the drafters ... acted deliberately in choosing a cut-off date for section 304(c)"). Petitioners contend in effect that Congress deliberately chose a cut-off date, but intended that it not apply. Petitioners ask the Court to legislate a new category that would erase the cut-off date and create a hybrid: a pre-1978 agreement that has been revoked and replaced by a post-1978 agreement, with the revocation and new agreement to be retroactively voided, and the old agreement revived, if ever a statutory heir wishes to terminate it.

Petitioners' position is contrary to the legislative history and the statute itself.

F. Petitioners' Position Would Create Disincentives to Enhanced Author Compensation

The result Petitioners seek would be to the detriment of authors' and heirs' ability to achieve the central objective of termination: a chance to renegotiate copyright grants for improved compensation, from a bargaining position at least equal to the grantee's. Eliminating authors' and heirs' freedom to "cancel or terminate a license, transfer, or assignment" contractually, against Congress's express direction, House Report 128, 142; Senate Report 111, 125, would disturb the Congressional balance among the copyright interests of authors and grantees, substantially to the advantage of grantees, creating disincentives to enhanced compensation.

Eliminating contractual termination from the arsenal of authors and heirs would benefit many grantees, for whom the prolonged, protected process of statutory termination may be far preferable. Statutory protection for original grantees under Section 304(c)(6)(D) includes a "right of first refusal" in the original grantee's favor that runs from when a statutory termination notice is served until the effective date of termination. House Report 127; *see Milne*, 430 F.3d at 1047-48 (noting that Section 304(c)(6)(D) "was not intended to protect the author or his heirs, but

was instead intended to protect licensees” and was “intended to give the original grantee a competitive advantage”).

The rule Petitioners would impose—that grants “executed before January 1, 1978” may not be terminated contractually, but must remain in effect or suspense until Section 304 termination rights are exercised or expire—would disadvantage many more authors and heirs than it would help, for no publisher will offer the substantially enhanced compensation seen in this case and in *Milne* for grants of rights that would always be vulnerable to termination.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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