



# LEGAL ISSUES



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## Cases of Note — Copyright

### Copyright: Termination Rights

by **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>

*Penguin Group et al. v. Thomas Steinbeck et al.*, United States Court of Appeals For the Second Circuit, 2008 U.S. App. LEXIS 17152 (2008).

#### The Steinbeck Estate

In 1938, **John Steinbeck** contracted with **The Viking Press** to publish many of his famous works, including *The Long Valley*, *Cup of Gold*, *The Pastures of Heaven*, *To A God Unknown*, *Tortilla Flat*, *In Dubious Battle*, and *Of Mice and Men*. The following year, four other works including *The Grapes of Wrath* were added, and in that same year, **Viking** assigned its rights to **Penguin Group (USA), Inc.**

**Steinbeck** married **Elaine Steinbeck**, a second marriage for each of them, and the catalyst for this suit. Each had children of a previous marriage.

*Dum-da-dum-dum.*

**Steinbeck** died in 1968, bequeathing everything to **Elaine** saving a \$50,000 bequest to his sons **Thomas** and **John IV**.

*Which is not a whole heck of a lot of money even by 1968 standards while the wife gets Grapes of Wrath sold to every single high school kid in America forever. You will have to imagine the emotional maneuverings that led to this as we have no facts.*

**Elaine** was not idle. In 1994, she negotiated a new contract with **Penguin** which brought her more money than before. She died in 2003 leaving her interest to her children and specifically excluding **John's** heirs. In 2004, **John's** descendants (son **Thomas** and a son of the now deceased **John IV**) served notice on **Penguin** terminating the grant made by the 1938 agreement.

#### Statutory History

From the beginning, **Congress** was concerned with the weak bargaining power of a neophyte author who might sign away a timeless literary work for a mess of pottage. It has always attempted to redress that by giving the publisher the initial rewards, but allowing the author to revisit the terms if the work became successful. *Stewart v. Abend*, 495 U.S. 207, 218 (1990).

In 1938, the *Copyright Act of 1909* was in effect. Under the *Act*, authors held copyright

for twenty-eight years with a renewal period of a second twenty-eight. The author in theory held the power of the renewal over the publisher in seeking a better bargain. *Stewart*, 495 U.S. at 218-19.

Of course this was easily thwarted by the publisher requiring the author to assign both initial and renewal copyrights at the same time, and the Supreme Court approved the practice in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943).

In the 1976 amendments to the *Copyright Act* (taking effect in 1978), **Congress** attempted to revive the original scheme. The two twenty-eight year terms were replaced by one long term of seventy-five years from date of copyright. 17 U.S.C. § 304(b) (1997).

And for post and pre-1978 works, an inalienable right of authors and heirs to terminate the grant.

*There is no discussion as to why for pre-1978 works that is not an ex-post facto law prohibited by the Constitution.*

17 U.S.C. § 304(c) gives the termination right to the author, or where dead, his children or children of a dead heir, exactly the case with **Thomas** and the son of **John IV**. If a widow exists, the ownership of copyright is divided between the two camps. **Elaine** would have held a one-half interest in the termination right, but she was now dead.

The grant can't be terminated at any time at the author's whim. There is a limited five year window to terminate beginning at the end of fifty-six years from date of copyright or January 1, 1978, whichever is later. 17 U.S.C. § 304(c) (3).

*Which may be why the publishers lay down and took this. Or this was part of the Congressional log-rolling when the Act was amended.*

*Which makes it not much different from before. Except for the inalienable right thing. Which does give the author leverage as you shall see.*

As to the 1938 agreement, the termination right expired for the first works in 1990 and in 2000 for

the *Grapes of Wrath* group. But no termination was exercised.

*No, I don't get why the second cluster was ten years later when it was added to the contract one year later.*

In the 1998 amendments to the *Act*, the term of years was extended to ninety-five years, and the time to terminate was also extended if it had not been exercised. Now it was five years to terminate beginning at the end of 75 years from date of copyright. *Id.* Section 304(d).

The **Steinbecks** were trying to use this later period.

#### The Litigation

Well, **Penguin** did not care for this one bit and sought a declaratory judgment as to the validity of the termination. In 1994, **Elaine** had entered a new agreement with **Penguin** including all the works, some new **Steinbeck** works, and some works by **Elaine**. And with a much larger guaranteed annual advance. The language said it canceled and superseded the 1938 agreement.

The district court held against **Penguin**.

#### Going to the Next Level

The language of the 1994 agreement makes clear that the parties intended it to supersede the 1938 one. They agreed to a rescission and entered a new contract. *Jones v. Trice*, 202 A.D.2d 394, 395 (2d Dep't 1994).

The 1994 contract obligated **Penguin** to pay more money to **Elaine** and to keep more **Steinbeck** books in print. Termination rights under the *Copyright Act* are statutory, however, and not dependent on the intent of **Elaine** and **Penguin**. Those statutory rights are determined by the date a grant of rights was executed. And the pre-1978 grant of rights no longer existed.

No termination right was exercised before the 1994 contract, but the threat of termination was in the hands of **Elaine Steinbeck** when she negotiated. Thus the intent of the *Act* was observed.

#### "Agreement to the Contrary"

The *Copyright Act* says "[t]ermination

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of the grant may be effected notwithstanding any agreement to the contrary.” 17 U.S.C. § 304(c)(5).

*This is the inalienable right idea.*

The Second Circuit said don't read this too broadly.

Steinbeck heirs cited *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002) in which the author was “coerced” into recharacterizing an existing work as one “made for hire.” The after-the-fact relabeling eliminated an author's termination right, and this was an example of the “agreement to the contrary” the *Act* proscribed.

True, but the 1994 contract terminated and superseded the 1938 one and also eliminated the termination rights under the 1938 one. See *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1046 (9th Cir. 2005)(post-1978 agreement superseding pre-1978 agreement was of “the type expressly contemplated and endorsed by Congress” because heirs could renegotiate with full knowledge of market value of the works), *cert. denied*, 548 U.S. 904 (2006).

The *Act* does not suggest the author of heirs should have more than one shot at renegotiation. Elaine used and exhausted the single opportunity. See *Milne*, 430 F.3d at 1046.

*This is not too terribly hard to follow. What presents a difficulty is the Marvel case. A dispute between Simon and Marvel erupted over who created Captain America. This resulted in litigation and Simon agreeing to a settlement in which he acknowledged it as a work for hire.*

*No one had greater bargaining power. They were each represented by counsel. Simon could have gone to trial, but he chose to settle. There was no “coercion” in it.*

*I could see the result of “agreement to the contrary” if he had been clinging to a wretched job as cartoonist and agreed to give up his copyright in previously published work to keep his paycheck coming.*

*The case turns on equitable estoppel which is too weighty a topic for us to tackle at this point.* 🐾

## Questions & Answers — Copyright Column

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**QUESTION:** *A new faculty member at a state college (A) wants to place several articles on reserve in the library for her class. She accessed these articles through full-text databases at the library of the major state university (B) where she is enrolled as a graduate student. The faculty member has asked if she can send a PDF from (B)'s databases to the library staff at (A) to be placed on e-reserve. In the alternative, may she make paper copies that could then be scanned for e-reserve as long as she signs (A)'s agreement to seek copyright permission?*

**ANSWER:** This database of full-text articles are licensed to (B), and the use is probably restricted to (B)'s own faculty, staff and students. Although (A)'s new faculty member is also a student at (B), and therefore has access as a student for her own research and study, duplicating the articles in any format and putting them on either print or e-reserve at (A) likely is infringement. There is some possibility that (A), as an institution in the state system, is covered under the same license agreement, but not definitely so. This is a matter of contract law rather than of copyright. Whether the faculty member makes paper copies from the database or sends a PDF file, the issue is the same. The copying to put articles on reserve in another institution likely violates the (B)'s database license agreement.

**QUESTION:** *How long are libraries required to keep interlibrary loan paperwork? What must be retained? Lending records, borrowing records, what the library has charged or paid?*

**ANSWER:** Libraries are not required to retain ILL records by law, but Congress appointed a commission (CONTU) to develop ILL guidelines. The CONTU guidelines received serious support from Congress and were published in the *Conference Report* that accompanied the 1976 *Copy-*



*right Act.* The guidelines require that borrowing libraries retain records of titles borrowed for three calendar years. The records need be only by titles requested within each of the three calendar years. There is no requirement to keep payment or charge records.

**QUESTION:** *A teacher wants to use photographs and other material in a professional presentation for which he is not being paid. Is this the same as an “educational” presentation since it is an employment enhancing activity?*

**ANSWER:** The *Copyright Act* does not automatically exempt even educational presentations. The fair use exception sometimes permits use in a nonprofit educational institution for instruction, but not always. Section 110(1) covers classroom performances and displays which is a limitation on the exclusive rights of the copyright holder. Professional presentations may or may not be fair use, but they are not the same as use in a nonprofit educational institution and do not qualify under 110(1). If the presentation is live and no copies are distributed of the images, etc., it may be fair use, but not definitely. Often speakers use images without permission for such presentations and assume that they are fair use, which they may be. If the presentation is to be placed on a Website, then the presenter should remove the copyrighted works or seek permission to use the photographs and other materials.

**QUESTION:** *A librarian found my “When Works Pass into the Public Domain” chart reproduced on a Website dated 1998 ([www.unc.edu/~uncclng/public-d.htm](http://www.unc.edu/~uncclng/public-d.htm)) and asks the following. The chart states that works published before 1923 are now in the public domain. (1) Does it mean that now, in 2008, one can count that date as 1933? (2) If something is published before this date and then the copyright is renewed, does the renewal apply only to publications since the copyright renewal? For example, a U.S. publication dated 1906, is it public domain even if later publications have a renewed copyright notice in them?*

**ANSWER:** (1) No, it is still 1923 for works first published in the U.S. It will be the end of 2018 before the works from 1923 enter the public domain. (2) The 1906 work is public domain. Even if the 1906 work were renewed for copyright, it would have received only an additional 28 years, so the first term would have expired in 1934. The renewal of 28 years would have expired in 1962, so it is now in the public domain. If new editions of the original 1906 work are published, only the new material gets a new copyright date, and the term for that new material is measured from the publication date of new edition. 🐾