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IN PRACTICE

INTELLECTUAL PROPERTY

Opening the Floodgates on Copyright Termination

Rights transferred in 1978 — by the likes of Ray Charles, Barbra Streisand and Bob Dylan — may now be recaptured

BY DAVID S. GOLD AND DAVID M. KOHANE

A growing number of artists have initiated the process of recapturing copyrights assigned or otherwise transferred decades ago. The impetus for this movement is Section 203 of the Copyright Act of 1976, which permits artists to terminate the transfer of copyrights 35 years after the transfer of those rights, as long as the rights were transferred on or after Jan. 1, 1978. Applying simple arithmetic, the window for artists to recapture their copyrights under Section 203 opened on Jan. 1, 2013. However, this is where the simplicity ends. What remains is a complex process that artists and their attorneys will have to navigate to recapture their copyrights.

Section 203

Section 203 was included in the Copyright Act of 1976 to safeguard artists against "unremunerative transfers." According to the accompanying House Report, a revised recapture provision was necessary to address the inadequacies of prior reversionary provisions and "the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited." In essence, Section 203 provides a second chance for artists and their heirs to exploit their works despite a prior transfer of lucrative copyrights to those with greater skill and resources in marketing and distributing those works to the public.

Under Section 203:

> [T]he exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by a will, is subject to termination ... at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

Section 203 generally applies to any "transfer of copyright ownership," which the Copyright Act defines as "an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright." The right of termination cannot be waived through agreement or other means. However, certain grants are expressly excluded. For example, Section 203 does not apply to "works made for hire," rights transferred under an artist's will (although grants by intestacy are permissible), foreign rights in a copyrighted work, or "derivative works." Section 203 also does not apply to grants executed before Jan. 1, 1978, which remain governed by the 56-year termination right set forth in Section 304 of the Copyright Act.

To properly effectuate termination under Section 203, notice of termination must be served upon the copyright grantee, or the grantee's successor in title, "not less than two or more than ten years before" the date of the termination. For example, a work transferred on Jan. 1, 1978, may be recaptured from Jan. 1, 2013, to Jan. 1, 2018, with notice sent as early as Jan. 1, 2003, but no later than Jan. 1, 2016. The earliest possible

Gold is an associate in the intellectual property and litigation departments of Cole, Schotz, Meisel, Forman & Leonard PA. Kohane is a member of the litigation department and chairman of the intellectual property department at the firm.

date of termination for a work transferred on Jan. 1, 1978, is January 1, 2013, with a corresponding notification date of Jan. 1, 2011. If proper notice is not sent within the applicable time period, the copyright will remain with the grantee through expiration.

The notice of termination must be in writing and include: (1) a statement that the termination is made under Section 203; (2) the name of each grantee whose rights are being terminated; (3) the date of execution of the grant being terminated and, if the grant covered the right of publication of a work, the date of publication of that work under the grant; (4) the title of the work and name of the author who executed the grant being terminated (and original copyright registration number, if available); and (5) a brief statement reasonably identifying the grant to which the notice of termination applies. Additional requirements exist for termination of a grant executed by one or more of the authors of a work where the termination is exercised by the successor(s) of a deceased author. A copy of the notice of termination (along with the applicable fee) must be recorded with the United States Copyright Office before the effective date of termination.

The Battle Over Termination

Publishers, record companies and other copyright grantees will fight fervently to maintain control of their lucrative catalogs. There are several obvious routes grantees may take in attempting to avoid Section 203 termination. Grantees may argue, for example, that the work being recaptured falls within one of the exceptions to Section 203, such as the "work made for hire" exception. Under this exception, Section 203 is not applicable to a work prepared by an employee within the scope of his or her employment, or a work specially ordered or commissioned for use as contribution to a "collective work." In such cases, the employer or commissioning party is considered the original author for purposes of copyright ownership. As is always the case in a "work made for hire" determination, it is the actual relationship, rather than the parties' description of that relationship, that is determinative.

The "work made for hire" argument is one of several being made in *The Ray Charles Foundation v. Raenee Robinson* (C.D. Cal. filed Mar. 29, 2012). There, the Ray Charles Foundation is attempting to prevent seven of Ray Charles' children from recapturing the copyrights to many of Charles' most profitable works. In March 2010, the children served Section 203 copyright termination notices on the assignees of many of Charles' works (the foundation receives royalties directly from these assignees). The children previously disavowed any rights under Charles' will in exchange for $500,000 irrevocable trusts. In response to the termination notices, the foundation filed suit seeking, among other things, a declaration that the songs were "works made for hire," written and recorded while Charles was an employee of Atlantic Records and Progressive Music Publishing, and therefore not subject to Section 203 termination. On Sept. 25, 2012, the court entered an order that preliminarily supported the children's "work made for hire" theory, although the court requested additional briefing on the subject.

Grantees may also attempt to shield themselves from Section 203 termination through novel interpretations of the statutory language. This was the approach taken by two music publishers upon receiving notice of termination from Victor Willis, the original lead singer of the Village People. In *Scorpio Music v. Willis* (S.D. Cal. May 7, 2012), the plaintiff publishers attacked Willis' notice of termination as invalid because Willis was the only member of the Village People who served a notice of termination. However, Willis was also the only member of the Village People who granted his copyright interests to the subject works. Section 203(a)(1) provides that "[i]n the case of a grant executed by one author, termination of the grant may be effected by that author[.]" In the case of a joint work, "termination of the grant may be effected by a majority of the authors who executed it[.]" The court held that the plain language of the statute permitted Willis to terminate his unilateral grants absent the consent of the other members of the Village People.

More creatively, grantees may try to create ambiguity as to the date a work was transferred in an effort to shift the effective date of termination or avoid termination altogether. For example, authors and musicians often enter into long-term contracts with publishers and record labels that require the delivery of a certain number of works over a several year period. These grantees could therefore argue that the original contract was the effective date of the grant rather than the date the work was actually delivered, or vice-versa depending on the date the copyright holder seeks to recapture their work.

Conclusion

The consequences of Section 203 termination can not be understated. To date, high-profile musicians such as Barbra Streisand, Brian Wilson, Bob Dylan, Charlie Daniels, Tom Petty, Kris Kristofferson and Tom Waits have publicly disclosed their intention to recapture their copyrights pursuant to Section 203. Similar efforts are being made in the literary world. For example, in 2010, the children of artist Jack Kirby initiated the process of recapturing the copyrights to Spiderman, The Incredible Hulk, Captain America and other characters created by their father (the United States District Court for the Southern District of New York subsequently held these characters to be "works made for hire" belonging to Marvel/Disney).

While organizations such as the Recording Industry of America continue to lobby Congress to change or limit the applicability of Section 203, these efforts have been staunchly opposed by prominent artists arguing the critical import of the termination right. As more artists and their heirs provide notice of termination, the lobbying efforts will intensify and Congress may be forced to revisit Section 203 to find a middle ground. Until then, the battle over the scope and application of Section 203 will be fought in the federal courts. ■