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Foreign Authors' Enforcement of U.S. Reversion Rights

Jane C. Ginsburg*

Thank you to all of the participants, and especially the first two panelists, for setting one part of the scene. I am going to talk about the United States' termination right and some Berne and private international law consequences or implications of the termination right.

First, however, I'd like to advert to the two goals Rebecca Giblin referenced in her talk. One is remuneration, the other is dissemination. Author-protective laws in other countries also address dissemination. As Séverine Dusollier mentioned, a number of national laws include an obligation to exploit the work: if the publisher does not exploit the work, the rights revert to the author. In the United States, the contractual out-of-print clause serves that purpose, but the out-of-print clause is a matter of private ordering. It has to be activated by the author and publishers lately have contended that as a result of print-on-demand, the work never goes out of print. If the book is available in the catalog, and somebody at some point wants a copy, then the publisher can provide that copy. Out of print clauses in the digital environment therefore, some publishers would argue, make no sense.¹ Mary Rasenberger accordingly mentioned some of the attempts of the Author's Guild to push back against the disappearance of the out-of-print clause.

The rest of my remarks will concern remuneration, rather than dissemination. As both Martin Senftleben and Séverine Dusollier pointed out, there exists a disparity in bargaining power: authors generally are the weaker party. Two broad techniques seek to remedy this problem. Previous speakers have addressed one of them, intervention by national laws with respect to the amount that the author gets paid, and with respect to the scope of the grant. Thus, in some countries, as Séverine Dusollier mentioned, the law prohibits the author's grant of modes of

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1. See Steve Gillen, *Reversion in the Digital Age: Is Out-of-Print Out of Style?*, INDEPENDENT BOOK PUBLISHERS ASSOCIATION ONLINE (2016), <https://perma.cc/2S9Y-6VPL>; Alison Flood and Katherine Rushton, *Is 'Out of Print' Outdated?*, THE BOOKSELLER ONLINE (Oct. 16, 2007) <https://perma.cc/NN4A-9AVQ>; Nutter McClennen & Fish LLP, *United States: Is 'Out of Print' Out of Date?*, MONDAQ ONLINE (Sept. 18, 2013), <https://perma.cc/89WG-MLJW>; *Electronic Publishing Rights: An Interview with Lloyd J. Jassin*, in JACK MCHUGH, *MANAGING PUBLISHING RIGHTS*, <https://perma.cc/R9QC-QXLN> (last visited Feb. 23, 2018).

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exploitation unknown at the time of the contract.² These laws effectively reserve new technology rights to the author. Other national laws require additional remuneration for new modes of exploitation,³ or for “bestsellers” whose authors’ remuneration becomes excessively disproportionate to the grantees’.⁴

The United States’ approach is different. It implements what used to be called the “new estate,”⁵ a concept dating back to the Statute of Anne—the very first copyright act—of 1710.⁶ When the Licensing Act⁷ expired in 1695, resulting in a statutory void, the guild of London publishers, the Stationers Company, lobbied for a renewal of the Licensing Act in order to preserve their monopolies on printing and publishing books.⁸ Parliament ultimately enacted something different: rather than reaffirming the guild’s monopolies, Parliament created the first genuine copyright law, vesting the exclusive rights in authors. Authors, who also lobbied Parliament, complained that they would bring their manuscript to the publisher, who would give them a lump sum, and then no matter how well the work sold, authors would not share in the subsequent success of the work. Authors therefore urged Parliament, as part of the Statute of Anne, to make some provision for authors’ participation in the success of the work.⁹ This advocacy led to Section 11 of the Statute of Anne—the very last provision—which provided that the term of copyright was for fourteen years, but if at the end of fourteen years the author were still living, then “the sole right shall revert to the author.”¹⁰ In other words, a new term of copyright was to begin, free and clear of all prior grants, and all the rights would revert to the author. Thus re-vested with the copyright, the author could start negotiating with a publisher anew, presumably in a better bargaining position, for if fourteen years later, the work were still selling, the author should have been able to get a better deal for its renewed exploitation.

The United States adopted this approach in its first copyright act (1790) and retained it through the 1909 Act. All these laws pegged the author’s reversion right

2. See, e.g., Belgian Law on Copyright and Neighboring Rights art. 3(1)(6) (only the clause is void, not the contract as a whole).

3. See, e.g. Dutch Copyright Contract Act art. 25c(6); French Code of Intellectual Property art. L131-6 (clause must expressly provide for new modes of exploitation and stipulate profit sharing).

4. See, e.g. Dutch Copyright Contract Act art. 25d (provides for additional compensation when “the agreed compensation is seriously disproportionate to the proceeds from the exploitation of the work,” and although the law does not define “seriously disproportionate, the German copyright law has long had such a clause, so case law under the provision provides guidance”).

5. See *Stewart v. Abend*, 495 U.S. 207, 208 (1990) (“The renewal provisions of the 1909 and 1976 Copyright Acts, their legislative history, and the case law interpreting them establish that they were intended both to give the author a second chance to obtain fair remuneration for his creative efforts and to provide his family, or his executors absent surviving family, with a ‘new estate’ if he died before the renewal period arrived.”).

6. Act for the Encouragement of Learning (Statute of Anne), 1710, 8 Ann., c. 19, § 11 (U.K.).

7. Licensing of the Press Act of 1662 (U.K.).

8. See, e.g., Lionel Bently & Jane C. Ginsburg, “*The Sole Right . . . Shall Return to the Authors*”: *Anglo-American Authors’ Reversion Rights from the Statute of Anne to Contemporary U.S. Copyright*, 25 BERKELEY TECH. L.J. 1475, 1489 (2010).

9. *Id.* at 1550.

10. See Statute of Anne, *supra* note 6.

to a second term of copyright.¹¹ These laws also conditioned the second term on fulfilment of the formality of registering the work. This formality avoided the problem Rebecca Giblin evoked: a work's copyright remains in force, but the work goes unexploited, perhaps because its owner can no longer be found. Under the previous system in the United States, if the work was not registered and the registration not renewed by the end of twenty-eight years from the first publication, the work fell into the public domain; it thus became available for anyone's exploitation. But if the author did renew the registration of copyright, then in theory all the rights returned to the author. Reversion gave the author a "new estate," enabling her to start all over again. There was an exception for works made for hire—that is, works made by employed authors in the scope of their employment, —entitling the employer to the renewal term.¹² Beyond that carve-out, judicial interpretation under the 1909 Copyright Act effectively eviscerated the author's reversion rights, because the Supreme Court upheld the validity of the author's grant of both the initial and renewal terms,¹³ at least when the author survived into the renewal term.¹⁴ As a result, the "and all renewals and extensions thereof" boiler plate contract language that Rebecca Giblin evoked compelled the author to transfer the renewal term rights back to the grantee. Thus, the author often did not retrieve her rights. In that respect, our courts really were no different from the courts in Great Britain, which much earlier had held that that second term of copyright was assignable.¹⁵

Congress in the 1976 Act fixed this problem by providing that the author's right to terminate contracts was enforceable "notwithstanding any agreement to the contrary."¹⁶ Thus, even if the author said "I assign you forever," "irrevocably" etc., the author nonetheless retained the right to terminate the contract. Notice the expression "terminate" rather than "reversion." Under the prior law's system of reversion upon renewal, the rights reverted automatically with the vesting of the new term of copyright—at least the rights reverted automatically, though the contract may have automatically reconveyed them to the publisher, but structurally the rights went back to the author. The reversion right was built on a two-term system of copyright. In the 1976 Act, however, the US adopted a unitary term of copyright, thus aligning itself with the international, Berne Convention minimum term of the life of the author plus fifty years.¹⁷ As a result, it was no longer

11. 1909 Copyright Act, 17 U.S.C. § 24 (repealed 1978); Act of May 31, 1790, ch. 15, § 1, 1 Stat. 124 (repealed 1802); Act to Amend the Several Acts Respecting Copy Rights of Feb. 3, 1831, ch. 16, § 2, 4 Stat. 436.

12. See 17 USC § 23.

13. *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 657 (1943).

14. *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373, 374 (1960).

15. Bently & Ginsburg, *supra* note 8, at 1480-82.

16. U.S. Copyright Act, 17 U.S.C. § 203 (a)(5) (2016) ("Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.").

17. Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, *as revised* July 24, 1971, *and as amended* Sept. 28, 1979, S. Treaty Doc. No. 99-27, 828 U.N.T.S. 221 [hereinafter Berne Convention].

possible to tie reversion rights to a “new estate,” that is, to a new term of copyright. Congress instead provided that thirty-five years after the grant, the author could terminate the grant to retrieve her rights, but the reversion was no longer automatic.

The 1976 Copyright Act’s provisions on authors’ reversion or termination rights were the object of ferocious lobbying on the part of both authors and exploiters. Many exploiters disputed any need for a reversion right because many authors now received royalties rather than a lump sum; royalties provide authors a proportionate remuneration so that the more successful the work, the more royalties the author gets. (Of course, if the royalty is extremely low, the author’s compensation, albeit a proportion of the revenues, may be trivial.) Be that as it may, after much lobbying the compromise issued that after thirty-five years, the author could get the rights back, but not automatically. Rather, Congress put in place a “use it or lose it” mechanism: if the author fails properly to notify the grantee, or does not record the notification in the copyright office within the statutory deadlines, then author loses her termination right.¹⁸ Works made for hire continue to be excluded from the scope of termination.

In addition, there is a significant carve-out for already-created derivative works, to which Rebecca Giblin has also alluded.¹⁹ Thus, suppose the author has written a novel and has granted the right to make motion pictures, television versions, video games, all kinds of spinoffs and adaptations of the novel; to the extent the grantee has in fact produced any of these, the author’s termination of the grant does not prevent the grantee’s continued exploitation. As to any new versions or spin-offs that the grantee has not yet created prior to termination, however, the author does retrieve her rights, and the grantee may no longer produce new versions or spinoffs.²⁰ This carve-out may have been necessary to passage of the 1976 Copyright Act’s termination provisions, given derivative work creators’ (particularly Hollywood’s) unhappiness with the idea that the author could pull back the rights in the underlying work, disabling former grantees from exploiting the derivative work, as had been the case under the 1909 Act reversion right.²¹ The motion picture industry invoked the substantial commercial value added by the derivative work, independently of the underlying work, urging the unfairness of holding the movie hostage to an underlying literary work whose contribution to the film’s success may well have been overshadowed by the contributions of the director and the actors.²² Hence the legislative compromise accommodating

18. 17 U.S.C. § 203 (providing for “[t]ermination of transfers and licenses granted by the author”).

19. Rebecca Giblin, *A New Copyright Bargain? Reclaiming Lost Culture and Getting Authors Paid*, 41 COLUM. J. L. & ARTS 369 (2018).

20. 17 U.S.C. § 203(b)(1) (“A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.”).

21. See, e.g., *Stewart v. Abend*, *supra* note 5.

22. See, e.g., H.R. 11947, 88th CONG., 2D SESS. (1964), Part 4, at 34 (remarks of Horace Manges, American Book Publishers Council); Part 3, at 283 (remarks of Julian Abeles, Music Publishers’

already-produced derivative works. The compromise may have produced a certain incentive to the grantees of derivative works to get them made before the author serves a notice of termination. If so, then perhaps the termination right has promoted the making of derivative works, though the issue warrants empirical inquiry.

Back to the role of contracts. Congress legislatively overruled the Supreme Court decision that effectively eviscerated the 1909 Act reversion right, because the 1976 Act voids any agreement to the contrary or the author's exercise of her termination right.²³ However, it is nonetheless possible to elude the exercise of the termination right. Rebecca Giblin has mentioned one of these kinds of avoidance: the law does not prohibit the parties getting together before the termination period vests and agreeing to rescind the prior contract and start all over again.²⁴ This gambit can favor authors, to the extent that the author might get some more money for rescinding earlier, rather than waiting thirty-five years. On the other hand, that new agreement starts another thirty-five year period running, so in effect the author is choosing between getting some more money now, against the prospect of perhaps getting more money later—she is effectively betting that, when the initial termination period would have come due, the work would no longer have as much commercial value as when she takes the deal to rescind the agreement earlier and roll it over.²⁵ Congress contemplated the possibility that the Sword of Damocles risk of termination hanging over the head of the grantee might make the grantee willing to give the author a better deal sooner in order to prolong its rights by this rescission and rollover technique.²⁶ Its consistency with the policy underlying the termination right depends on how much of a better deal the author gets for that rescission and rollover.

A different concern over contractual avoidance of the termination right brings us into the international arena and matters of private international law. The termination right applies to U.S. rights.²⁷ A contract granting rights “for the entire universe” remains subject to the US termination right with respect to exploitations in the US. Moreover, because of the rule of national treatment, foreign authors enjoy the same rights as U.S. authors to retrieve their rights—for the U.S.—even if they have signed a contract that is governed by foreign law.²⁸ To take an actual

Protective Association); Part 2, at 87-88 (remarks of Joseph Dubin, Universal Pictures Co.), 104 (remarks of Thomas Robinson, Motion Picture Association of America).

23. 17 U.S.C. § 203(a)(5).

24. Giblin, *supra* note 19.

25. 17 U.S.C. § 203(a)(3) (“Termination of the grant may be effected 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.”).

26. H.R. Rep. No 94-1486, 94th Cong. 2d Sess. at 127 (1976).

27. 17 U.S.C. § 203(b)(5) (“Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.”).

28. Berne Convention, *supra* note 17, art. 19 (“The provisions of this Convention shall not preclude the making of a claim to the benefit of any greater protection which may be granted by

case, *Corcovado v. Hollis Music*,²⁹ decided in 1993, involved a work by a Brazilian author, first published in Brazil (hence a work whose country of origin was Brazil) that was subject to a Brazilian contract that granted rights for the full term of copyright for the whole world. The Court of Appeals for the Second Circuit although acknowledging that the contract was governed by Brazilian law, had a Brazilian choice of forum clause, and purportedly granted all rights forever, nonetheless held that when the famous composer, Antonio Carlos Jobim (whose best-known work to US audiences was “The Girl from Ipanema”) assigned the US renewal term copyright in a song called “Desafinado” to another publisher, US copyright law applied to validate the transfer of US renewal term rights. The US assignee of the original Brazilian publisher-grantee of worldwide rights had claimed that under the Brazilian contract, Jobim had no rights to grant to any other publisher.³⁰ The Second Circuit rejected the application of Brazilian contract law, ruling that U.S. law determines whether or not the Brazilian contract effectively granted rights for the second term of US copyright. Under US law, said the court, the renewal term was assignable, but the contract had to specify its grant of the renewal term; a general grant for the copyright term would not suffice. Because Jobim’s Brazilian contract did not specifically reference the US renewal term, it did not properly assign renewal term rights. As a result, Jobim could get his rights back for the United States and grant them to another publisher.³¹

The other case, much more recent and still ongoing, shows why forum shopping can be determinative. The case involves the pop music group Duran Duran.³² Their story exemplifies the rationale for termination rights. When the group’s members were mere tots in their late teens in Britain, they signed a very wide-reaching contract.³³ Its language, somewhat shortened, reads:

legislation in a country of the Union.”). See also Paul Edward Geller, 1 INTERNATIONAL COPYRIGHT LAW AND PRACTICE INT § 5 (2017) (“In Article 19 of its Paris Act, the Berne Convention allows an adhering country to apply any domestic provision of law to a Berne-qualifying work if such law extends greater protection than any Berne provision does on any given issue. For example, if a work qualifies for unilateral protection in a country, often enough it is protected without any Berne exception to national treatment. On such a point, the more protective domestic law applies.”).

29. *Corcovado Music Corp. v. Hollis Music, Inc.*, 981 F.2d 679 (2d Cir. 1993).

30. *Id.* at 681-82 (“It is true, as defendants argue, that plaintiff Corcovado could receive a renewal term copyright from Jobim only if Jobim had something left to give.”).

31. *Id.* at 685 (“Factors arguing for the application of United States law include the following: United States renewal copyrights reflect a vital policy of United States copyright law; the forum in which the Jobim-Arapua contracts are to be construed is in the United States (for reasons set forth above); and the place of performance of the contracts is also the United States. Under these circumstances, we believe that United States law is applicable.”); *Id.* at 684 (“In the present case, Jobim’s 1958 and 1960 contracts with Arapua were silent as to renewal rights. Accordingly, under federal copyright law Jobim retained renewal rights to the Five Songs and could validly assign them to Corcovado.”).

32. *Gloucester Place Music Ltd. v. Le Bon and others*, [2016] EWHC 3091 (Ch), <https://perma.cc/78K3-WXNC>.

33. *Id.* at ¶2 (“On 28 July 1980 each of the five members of Duran Duran . . . entered into a music publishing agreement . . . with the Claimant . . . which contained a worldwide assignment of copyright in works written or composed by the Group Member during the term of the Agreement in return for the payment of advances and royalties.”).

The writer hereby assigns to the publishers all copyrights and all other rights whatsoever and howsoever throughout the world, and the right to renew and extend such copyrights and other rights and the ownership of such renewed and extended copyrights and other rights as may now and hereafter be conferred by the laws of any territory, so that the entire copyrights and all other rights in the said work shall be vested in the publishers absolutely free from the adverse claims of any third party.³⁴

Almost thirty-five years later Duran Duran served a notice of termination of its US rights on the English publisher, and filed the notice in the Copyright Office, as required by US law.³⁵ The English publisher brought a declaratory judgment action in Britain, invoking the UK contract's British forum selection clause and choice of English law clause, and asserting that Duran Duran's termination of its U.S. rights was an impermissible interference with the rights granted under the contract.³⁶ The contract provided that the members of Duran Duran "will not grant transfer or assign any interest in the copyright or such other rights in the said works or any of them or any part thereof to any person firm or corporation. . . ."³⁷ Accordingly, the English publisher sought an injunction against Duran Duran's exercise of its termination right in the United States. Unfortunately, the case was not terribly well litigated; the judge even complained that he was not adequately instructed on the nature and operation of the U.S. termination right.³⁸

As a result, and "not without hesitation," Judge Arnold awarded the injunction.³⁹ But he indicated that if one were to conceive of the inalienability of the U.S. termination right as part and parcel of the right itself, then the outcome might have been otherwise.⁴⁰ Characterizing the termination right as a matter of substantive copyright law⁴¹ submits it to the principle of territoriality: copyright is territorial;

34. *Id.* at ¶6.

35. *Id.* at ¶4 ("The Notices were served by letters from the Defendants' representatives dated 11 March 2014 and 24 June 2014. The Notices specify various effective dates of termination for the purposes of section 203(a)(4) of the US Copyright Act in respect of the Compositions. For some of the Compositions, these dates have now passed; for others, the specified effective dates fall between now and 2020.").

36. *Id.* at ¶1 ("In these proceedings the Claimant seeks declarations that the Defendants, who comprise the current or former members of the pop group Duran Duran and their service companies, have acted in breach of various music publishing and associated agreements . . . by serving a series of notices under section 203 of the United States Copyright Act 1976 . . . terminating assignments to the Claimant of the US copyrights in 37 Duran Duran songs, or will be in breach if the Notices are not withdrawn. The Defendants deny that the Claimant is entitled to such declarations.").

37. *Id.* at ¶8.

38. *Id.* at ¶13, 34 ("It should be noted, however, that no expert evidence as to US law was adduced by either party. . . . In my view it is not possible to determine who is right about this [a dispute over the proper construction of a specific clause] in the absence of evidence as to US copyright law[.]").

39. *Id.* at ¶44-45 ("In the end, and not without hesitation, I have come to the conclusion that the Claimant's interpretation of the Agreements is the correct one for the following reasons. . . . For the reasons given above, I conclude that the Defendants have acted in breach of the Agreements by serving the Notices or, where they have not yet taken effect, will do so if they are not withdrawn.").

40. *Id.* at ¶44.

41. For an analysis that characterizes sec. 203(a)(5) as a matter of contract law, rather than of substantive copyright law, see Paul Torremans, *The Duran Duran Case in Private International Law: Copyright, Copyright Contracts and the Question Whether Section 203 US Copyright Act Involves a Form of Reversionary Copyright*, 254 RIDA 81 (2017).

one can grant only those rights that the territory for which you are granting rights permits to be granted. For example, as Séverine Dusollier mentioned, because French law makes moral rights inalienable, no contract, whatever law governs it, can enforceably grant moral rights with respect to the work's exploitation in France.⁴² By the same token, the argument for Duran Duran's preservation of its U.S. termination right would urge that US law's invalidation of "any agreement to the contrary" means that any grant of U.S. rights is inherently bounded and conditioned by the author's inalienable termination right. As a result, what Duran Duran granted to the British publisher should be conceptualized as the US exploitation rights, subject to the possibility—the inalienable possibility—of the authors to get their rights back. The case is on appeal, we will see.⁴³

Thank you.

42. Séverine Dusollier, *EU Contractual Protection of Creators: Blind Spots and Shortcomings*, 41 COLUM. J. L. & ARTS 435 (2018).

43. Daniel Fisher, *Duran Duran To Appeal UK Decision That Spurred McCartney Suit*, FORBES (Feb. 3, 2017), <https://perma.cc/47FV-P9RZ>.