Author's Right to Terminate a Copyright Transfer

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Background—The Copyright Act of 1976

In 1976, Congress enacted a new Copyright Act and extended the term of the exclusive rights beyond the 56 years provided by the 1909 Copyright Act. During the extended part of the term, the 1976 Act allowed authors to terminate a license or other transfer of copyright rights for works other than works made for hire "notwithstanding any agreement to the contrary" (17 U.S.C. §§ 203, 304). A similar provision under the 1909 Act, which allowed authors to renew a copyright after an initial 28-year term, had not included equivalent protection for authors against prior agreements to assign the renewal right.

The 1976 Act limited the author's right to terminate to specified periods or windows, and required that the author file certain statutory notices.

The 1976 Act also provided that for certain types of works called "works made for hire," the employer is considered the work's author and owns the related copyright rights (17 U.S.C. § 201). The act defines a "work made for hire" as either (1) "a work prepared by an employee within the scope of his or her employment" or (2) a work of certain limited types, such as an instructional text, atlas, or test, which a party orders or commissions and which the author and the party agree to call a work made for hire (17 U.S.C. § 101) (a discussion of authorship of a computer program for purposes of copyright may be found in our October 16, 2002 Internet and IP Law Alert).

Although the term "work made for hire" is a legally defined term, it is common for employers to insist that the actual author agree that a work is a work made for hire as a substitute for or in addition to language that the work is being assigned. If the employer is the "author" because the work is a "work made for hire," then the actual creator of the work cannot invoke termination under the 1976 Act. If the employer is merely the owner by assignment, then its rights will be subject to termination by the actual author. The importance of this distinction was highlighted in a recent ruling over rights to an icon of American comics, Captain America.

Captain America

When can the creator of a copyrighted work, who has transferred away his or her rights to the work, get those rights back? A recent appeals court decision highlights the extent of authors' rights to terminate grants of copyright rights despite earlier agreements to the contrary, and also discusses the concept of the work made for hire.

In *Marvel Characters, Inc. v. Simon*, the U.S. Court of Appeals for the Second Circuit addressed the question of whether an agreement that a work is a work made for hire supersedes the actual author's right to terminate a copyright license or other transfer of rights. The Second Circuit held that such an agreement does not supersede the actual author's termination rights. The decision suggests that in most cases, companies acquiring rights to works that are not by definition works made for hire cannot avoid the author's termination rights under the 1976 Act.

In December 1940, Timely published the first issue of "Captain America Comics." Simon alleged that he created the comic book as a freelancer before looking for a publisher and that he sold the story to Timely. He also claimed that he created the next nine issues of the comic on a freelance basis and that he assigned his interest in the comics and their main character to Timely. Timely registered the copyrights in these ten issues.

In the late 1960s at the time when the copyrights were due to be renewed,

Simon sued the owners of Timely alleging that he was the sole author of the "Captain America Comics." The parties eventually entered into a settlement agreement, under which Simon assigned his rights to Timely's owners and agreed that he did his work as an "employee for hire."

In 1999, Simon decided to act on the termination provisions of the 1976 Act, and filed notices of termination to reclaim his copyrights. Simon stated that the copyrighted works were not works made for hire (because if they were, the copyrights could not be terminated). Marvel Characters, Inc. (successor to the rights of Timely) sought a declaration from the federal courts that Simon's notice of termination of a transfer of copyrighted works was invalid and that Marvel owned the relevant copyrights. Marvel argued that Simon could not invoke the termination right because the settlement agreement stated that Simon did his work as an "employee for hire."

The federal district court ruled in favor of Marvel, but the Second Circuit reversed. The appellate court noted that the purpose of the termination provision under the 1976 Act was to provide a benefit to authors, especially to those who had poorly bargained their rights initially and later had a better idea of their works' worth. Congress intended to "prevent authors from waiving their termination right by contract," according to the court, and it would improperly thwart that intent to exclude settlement agreements from the scope of contracts subject to termination. A contrary ruling would allow companies in better bargaining positions to avoid termination by coercing authors to agree that a work was a work made for hire. The Second Circuit held that whether a work is a work made for hire depends not on the parties' description of their relationship but on the actual relationship between the parties.

Conclusions

The Marvel decision confirms authors' rights to terminate copyright grants under the 1976 Act, and clarifies that the mere recitation in an agreement—even an agreement settling a lawsuit between an employer and the work's

creator—that a work is a work made for hire will not guarantee that the employer will enjoy statutory rights as the "author" under the 1976 Act. Except for certain limited categories of works under the 1976 Act, unless a work is truly a work made for hire, a work's actual creator can exercise his or her right of statutory termination to end any prior agreement and reclaim the copyrights.

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