



**ANALYSIS OF GAP GRANTS UNDER THE TERMINATION  
PROVISIONS OF TITLE 17**

**UNITED STATES COPYRIGHT OFFICE**

**DECEMBER 7, 2010**

*cited in Ray Charles Foundation v. Robinson, No. 13-55421 archived on September 25, 2015*

## I. Executive Summary

### A. Notice of Inquiry

On March 29, 2010, following consultations with songwriters and other stakeholders who reached out to the Copyright Office and some Congressional offices, the Copyright Office published a Notice of Inquiry in the Federal Register requesting comments on the applicability of the termination provisions in Title 17 to certain grants of transfers and licenses of copyrights made prospectively by authors, specifically those entered into before January 1, 1978 for works that were not created until January 1, 1978 or later (so-called “Gap Grants”). Gap in Termination Provisions Inquiry, 75 Fed. Reg. 15,390 (Mar. 29, 2010) (Attachment A).

In response to the Notice of Inquiry, the Copyright Office received sixteen initial comments, including comments from the Songwriters Guild of America and the Authors Guild, filing jointly; Columbia University legal scholar Jane C. Ginsburg; the Picture Council of America; attorney Kenneth D. Freundlich and UCLA legal scholar Neil W. Netanel, filing jointly; William Mitchell College of Law legal scholar Niels Schaumann; Wixen Music Publishing; EMI CMG Publishing; and other individuals. The number of works affected is not small, but may be difficult to quantify:

Hundreds and perhaps thousands of independent and staff songwriters were working under exclusive songwriter agreements in the mid to late 1970s that generally carried three-to seven year terms [and] nearly all books published in 1978, the vast majority of books published in 1979, and a substantial proportion of the books published in 1980 are affected by the ‘gap,’ since most book contracts are signed more than a year before book publication.

Charles J. Sanders and Jan F. Constantine, joint comments of the Songwriters Guild and the Authors Guild (Comment 14 at page 4).

The Office also received nine reply comments, including from the National Songwriters Association; the Society of American Archivists; the Future of Music Coalition; the Recording Industry Association of America (“RIAA”), Susan Butler Music Confidential; and individuals. *See, e.g.*, Tom Waits (Reply Comment 2 at page 1) (“Songwriters such as me who began their career prior to January 1, 1978 and continued writing after that date are particularly at risk of falling into the termination gap.”).

### B. Legal Background

Termination rights are set forth in sections 203, 304(c), and 304(d) of the 1976 Copyright Act, Title 17 of the United States Code. These provisions have an equitable function; they exist to allow authors or their heirs a second opportunity to share in the economic success of their works. The House Report accompanying the 1976 Copyright Act states that the provisions are “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.” H.R. REP. NO. 94–1476, AT 124 (1976). The Senate Report contains the same language. S. REP. NO. 94-473, AT 108 (1975).

The law provides for termination according to the timetable and prescription set forth in each respective section, including a number of formulaic requirements and mandatory, timely recordation with the Copyright Office. The provisions were heavily negotiated. As noted in the comments of the RIAA, “Sections 203 and 304 codify compromises that resolved what had been ‘the most explosive and difficult issue’ during the early stages of the general revision process” leading to the Copyright Act of 1976. (Reply Comment 9 at page 2.)

For reasons that are further explained below, section 203 is the relevant provision for Gap Grants. It provides for termination of the exclusive or nonexclusive grant of copyright (or any right under copyright)

executed on or after January 1, 1978. Termination may be exercised at any time during a period of five years beginning at the end of thirty-five years from the date of the grant, or if the grant covers the right of publication of the work, 35 years from the date of publication of the work under the grant or forty years from the date of execution of the grant, *whichever term ends earlier*. Unlike sections 304(c) and (d), the termination right in section 203 applies only to grants executed by authors. Notice must be served no *earlier* than 10 years before – and no *later* than two years before – the effective date of termination (as selected and stated by the author or heir). For example, if the termination date is February 15, 2013, notice may have been served as early as February 15, 2003, but could not be served any later than February 15, 2011.<sup>1</sup>

### C. Nature of Problem

Gap Grants have recently generated confusion in the marketplace because the particular fact pattern they present is not expressly referenced in the statute. An example involving singer-songwriter Charlie Daniels was reported in the Nashville Business Journal last spring. Daniels, a Southern rock icon, wrote “The Devil Went Down to Georgia” in 1979 pursuant to a 1976 songwriter agreement with Universal Music Publishing Group. The article posits that “Daniels, countless other writers from the 1970s and the publishers who worked with them are operating in uncharted territory,” because “an inconsistency in the law” makes it unclear whether the termination provisions apply.<sup>2</sup>

It is clear to the Copyright Office that sections 304(c) and (d) are inapplicable on their face, because they require a subsisting copyright as of January 1, 1978. Gap Grants by definition involve works created on or after this date. At the same time, the applicability of section 203 is confusing. It requires the grant to have been executed on or after January 1, 1978, but it does not explain what execution means or whether execution of the grant is (or at very least can be) different from the execution of a larger contract. Thus, Gap Grants raise a very technical question: Is it possible for an author to execute a grant prior to creating the work of authorship?

### D. Practices and Regulations of the Office

The question of Gap Grants implicates the Office's own practices and regulations. The Office is working to clarify some of these in order to provide optimal clarity and public guidance to stakeholders, including informing stakeholders that it will accept for recordation under section 203 a notice of termination of a grant agreed to before January 1, 1978 as long as the work that is the subject of the grant was not created before 1978.<sup>3</sup> The Office published a Notice of Proposed Rulemaking on this point on November 26, 2010.

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<sup>1</sup> The Copyright Office has been recording section 203 notices since 2003, the earliest year in which notice could be served on grantees in anticipation of a 2013 termination date.

<sup>2</sup> See Brian Reisinger, *Charlie Daniels' signature song at heart of copyright dispute*, Nashville Business Journal, March 26, 2010, available at [www.nashville.bizjournals.com/nashville/stories/2010/03/29/story2.html](http://www.nashville.bizjournals.com/nashville/stories/2010/03/29/story2.html). Daniels's representatives are among the stakeholders who have engaged the Copyright Office in past months, including in response to the Federal Register Notice. See Casey Del Casino, Nashville (Reply Comment 2) and Karyn Soroka, Soroka Music Ltd., New York (Comment 15).

<sup>3</sup> The RIAA expressed concern about the Office's recordation of Gap Grant terminations. “We understand that the Office may be asked to record documents submitted as notices of termination, the validity of which will ultimately depend upon the meaning of the term executed in Section 203. In the absence of a definitive judicial interpretation of that term, the Office should be cautious in its processing of such documents to avoid appearing to endorse an interpretation of existing law that it does not intend to embrace.” (Reply Comment 9, footnote 2 at page 4.)

The Office agrees that its role in the disposition of Gap Grants is important. However, the act of recordation by the Office and the refusal of recordation by the Office do not carry equal weight under the law. The latter may permanently invalidate a notice of termination that is otherwise legally sound. 17 U.S.C. § 203(a) (4) (A). This fact and Office's obligation to provide clear guidance in its practices and the regulations compel the Office to record rather than reject notices of termination filed under section 203.

Comments are due on December 27, 2010. Gap in Termination Provisions, 75 Fed. Reg. 72,771 (November 26, 2010) (Attachment B).

To be clear, the rulemaking is not a substitute for statutory clarification. Although authors must record the notice they serve on grantees as a condition of termination taking effect, the fact that the Office has recorded the notice does not mean that it is otherwise sufficient under the law. Recordation of a notice of termination by the Copyright Office is without prejudice to any party claiming that the legal and formal requirements for issuing a valid notice have not been met. 37 CFR § 201.10(f) (5).

#### **E. Recommended Clarification to Title 17**

In analyzing the Gap Grant issue, the Copyright Office considered three primary topics: (1) the plain meaning of the statute; (2) longstanding principles of copyright transfers at common law; and (3) the legislative intent of the termination provisions.

As explained in the following pages, the Office arrived at the conclusion that Gap Grants are terminable under section 203 as currently codified, because as a matter of copyright law a transfer that predates the existence of the copyrighted work cannot be effective until the work of authorship (and the copyright) come into existence. Notwithstanding this conclusion, the Office agrees with many stakeholders that it would be beneficial for Congress to clarify the statute. The marketplace requires certainty when it comes to copyright title, and clarification will prevent unnecessary and costly litigation, not only for the authors, songwriters and other creators who are the intended beneficiaries of the termination provisions, but also for the music publishers and other licensees who rely on the accuracy of copyright title in assessing the value of their copyright portfolios.

For the reasons stated above, which are discussed more fully in the pages that follow, the Office suggests the following amendment (underlined) to Title 17:

#### **§ 203. Termination of transfers and licenses granted by the author**

(a) CONDITIONS FOR TERMINATION. — In the case of any work other than a work made for hire, the 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 will, is subject to termination under the following conditions:

.....

(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. For purposes of this section, and without prejudice to the operation of any other provision in Title 17, the date of execution of the grant is no earlier than the date on which the work is created.

#### **F. Time Sensitivity**

The issues presented by Gap Grants are time-sensitive. As stated above, the termination window is open for a five-year period. Many licensees and other transferees are aware of the expiration dates. Authors who do not exercise termination (or who do not exercise it properly) within the statutory window lose the right to do so. Expiration under section 203 will begin January 1, 2011 (35 years from the effective date of the 1976 Act) and continue thereafter on a rolling basis. It is therefore important for Congress to consider the issues as soon as possible.

## II. Discussion

### A. Plain Meaning of the Statute

The first point of analysis is the plain meaning of the statute. See *Blum v. Stenson*, 465 U.S. 886, 896 (1984) (“Where...resolution of a question of federal law turns on a statute and the intention of Congress, we look first to the statutory language and then to the legislative history if the statutory language is unclear.”). Moreover, provisions of the statute must be read in context. See *Davis v. Michigan Dept. of Treasury*, 489 U.S. 803, 809 (1989) (“It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.”).

In analyzing the plain meaning of section 203, the Office considered three points: (1) there is no copyright interest until there is a work of authorship; (2) section 203 contains two provisions with express exceptions; and (3) grants of nonexclusive licenses can be accomplished without a written instrument. Each of these points is addressed below.

#### 1. Creation of Work of Authorship

Copyright under Title 17 requires a work of authorship fixed in a tangible medium of expression. Until such a work is created, there is no copyright interest, no transfer of that interest, and no author for whom exclusive rights (not to mention termination rights) can vest. 17 U.S.C. §§ 101, 102(a), 106 and 203. Under this analysis, Gap Grants do not suffer from an actual statutory gap. There is no black hole because the grant is not executed until the work is created (on or after January 1, 1978). Therefore section 203 applies.

The plain language of the statute is a strong theme among professors, authors’ organizations, music publishers and practitioners alike. It appears in the lion’s share of comments. See, e.g., Jane C. Ginsburg, Columbia University Law School (Comment 7 at page 1) (“[I]f the work does not exist at the time the agreement is entered into, there is no ‘grant of a transfer or license of copyright,’ because there is yet no copyright whose transfer or license can form the subject matter of the grant.”); Kenneth D. Freundlich, Freundlich Law, and Neil W. Netanel, UCLA Law School (Comment 13 at pages 5-6) (“[I]t would require a considerable stretch for the execution of a grant to be deemed to occur before the work is created and before there is an ‘author’ to execute a grant of transfer.”); Bart Herbison, National Songwriters Association (Reply Comment 7 at page 3) (“To more closely align Congressional intent with the actual language, it would appear necessary...to interpret the date of such ‘grant’ not as the date of the documentation evidencing the intent to make a future grant, but rather, when such grant achieves legal operation, namely, upon creation of the subject matter of the grant, which is the date of creation (or, more specifically, ‘fixation’) of the song.”); Randall D. Wixen, Wixen Music Publishing, Inc., Calabasas, CA (Comment 1 at 1) (“[T]he contemplated creation of a work is not the same as the actual creation of a work, and thus the rights in and to that work cannot be transferred until it actually exists .... [Any] other conclusion ... would be contrary to the obvious intent of the statute.”); Bill Gable, Law Offices of Bill Gable, Los Angeles, CA (Comment 3 at pages 2-3) (“The pre-1978 ‘grant’ in your example was executed by the songwriter, to be sure, but that person was not yet an ‘author’ under copyright law, so what federal copyright interest could he or she have ‘granted?’”); and Geoffrey Hull, Middle Tennessee State University (Comment 2 at page 1) (quoting 17 U.S.C. § 102, “‘Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression....’ If the work is not fixed the copyright does not subsist.”).

#### 2. Exceptions to Section 203

Another point raised in the comments is the fact that section 203 provides certain express exceptions to the right of termination. Subsection 203(a) excludes works made for hire as well as grants

executed by will. Subsection 203(b) excepts existing derivative works, allowing for their continued exploitation under the terms of a grant following its termination. 17 U.S.C. § 203(b) (1). Because these carve-outs are expressed clearly, it is reasonable to conclude that if Congress had wanted to exclude Gap Grants, it would have done so unambiguously. *See, e.g.*, Niels Schaumann, William Mitchell College of Law, St. Paul, MN (Comment 11 at page 4) (“Congress knew how to exclude categories of works from termination . . . . It would be surprising, to say the least, if at the same time Congress expressly excluded works for hire, it also ‘intended’ to exclude, *sub silentio*, all works transferred before, but created after, the effective date of the new statute.”); Kenneth Freundlich, Freundlich Law, and Neil Netanel, UCLA School of Law (Comment 13 at page 5) (“Given Congress’ expressed intent to favor authors and the hard fought compromise reflected in the termination provisions of the 1976 Act, it could not have been Congress’ intent to countenance exceptions to the ‘inalienable authorial right to revoke a copyright transfer’ other than those expressly enumerated in the Act.”).

### 3. Executed v. Signed

No one responding to the notice of public inquiry argued specifically that Congress intended to exclude Gap Grants. The primary question from RIAA was really on a different point—whether Congress in fact meant “signed” when it used the word “executed” in the termination provisions. There is no definition in the statute and no legislative history on point. However, in the context of section 203, the plain meaning suggests that “executed” means “concluded transaction,” not “signed.” The provision does not work otherwise, because nonexclusive licenses do not require written contracts or grants.<sup>4</sup>

Professor Ginsburg elaborated on this point in her comment, stating that “in U.S. contract law, an ‘executed’ agreement is ‘one in which nothing remains to be done by either party, and where the transaction is completed at the moment that the agreement is made,’ while ‘an executory contract is a contract to do some future act.’” *See also* Niels Schaumann, William Mitchell College of Law, St. Paul, MN (Comment 11 at page 4) (“Section 203 . . . should be read to refer to the date on which the transfer . . . is performed, meaning that there is both a transfer and a transferred work. In other words, the word ‘executed’ should be read to exclude transfers that are merely ‘executory.’”).

RIAA urged caution on this point, however, in order “to evaluate evidence that, at least in the case of a written grant, Congress may have intended the term to mean signed.” (Reply Comment 9 at page 3.)<sup>5</sup> This is an interesting supposition, but the Copyright Office thinks it is ultimately unlikely and difficult to support. It would mean that Congress intended one four-word phrase (“executed by the author”) in the first sentence of section 203 to have two distinct meanings, depending on whether the grant at issue was concluded orally or in writing.

### B. Decisions at Common Law

Although the plain meaning of the statute is sufficient to construe a termination right for Gap Grants, the longstanding principles and decisions of common law copyright lend further support for the analysis of the Office and the position of most commenters, particularly for the premise that one cannot sell, assign or otherwise transfer what one does not yet own. Commenters Freundlich and Netanel highlight this in the context of copyright law, quoting the 1915 case, *T.B. Harms & Francis, Day & Hunter v. Stern*, 229 F. 42, 49 (2d Cir. 1915), in which the Second Circuit considered the legal effect of a contract that transferred rights to compositions the composer “might write” during a period of five years.

<sup>4</sup> *See Korman v. HBC Florida*, 182 F.2d 1291, 1294 (11th Cir. 1999) (“Executed” means “carried into full effect,” [and] nothing in section 203 or elsewhere in the Copyright Act requires that nonexclusive licenses be in writing before they can be carried into full effect.”).

<sup>5</sup> *But see id.* (stating that the existence of a writing requirement in section 204 (to effect transfers of copyright) shows that “Congress knows how to impose such a requirement when it wants to do so. Congress did not do so in section 203.”).

(Comment 13 at pages 6-7) (“At law one cannot transfer by a present sale what he does not own, although he expects to acquire it. But, while the contract was without effect at law as a contract of sale, it operated as an executory agreement to sell.”). See also *Associated Newspapers v. Phillips*, 294 F. 845 (2d Cir. 1923) (“journalist’s agreement to furnish ‘six articles per week’ could not constitute a contract to sell the articles because they did not yet exist”); and *Buck v. Virgo*, 22 F. Supp. 156, 157 (D.N.Y. 1938) (“unwritten musical compositions may be sold and the equitable title to the composition attaches when the composition comes into existence and vests in the grantee”).

The same principle is evident in the disposition of renewal copyrights under the 1909 Act. Renewal copyrights could not vest in assignees or transferees with whom the author had earlier contracted unless the author lived to see the renewal date; if the author did not live, the new term of copyright could not vest and the grantees could not cash in on their expectancy. See *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 656 (1943); see also *Stewart v. Abend*, 495 U.S. 207, 236 (1990). This point was made in the comments. See Randall Wixen, *Wixen Music Publishing* (Comment 1 at page 1) (“Pre-1978 copyright renewal rights are not validly assignable if the writer doesn’t live until the renewal period. This is because the renewal right is only hypothetical to the author...Likewise, the contemplated creation of a work is not the same as the actual creation of the work.”); and Geoffrey Hull, *Middle Tennessee State University* (Comment 2 at page 1) (stating that because the author had no renewal rights to transfer until the 28<sup>th</sup> year, “the most the publisher had was an expectation of getting the rights in the renewal term.”).

### C. Legislative History

The legislative history of the termination provisions is important to the analysis of the Copyright Office, not because it mentions Gap Grants, per se, but because it shows that Congress strongly intended that authors should have enforceable termination rights. The general purpose of the termination provisions is clearly and unambiguously laid out in the report language.<sup>6</sup> The legislative history has also been summarized by multiple courts. The court in *Korman v. HBC Florida* states that the purpose of the termination provisions is to “help authors, not publishers or broadcasters or others who benefit from the work of authors.” 182 F.3d 1294, 1296 (11th Cir. 1999). See also *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172-73 (1985) (citing the House Report about section 203 as authority for the proposition that “a comparable termination provision” in a related section of the same legislation was intended “to relieve authors of the consequences of ill-advised and unremunerative grants...”).

The view that Congress could not possibly have intended to create a gap is invoked repeatedly in the comments. See, e.g., Charles J. Sanders and Jan F. Constantine, joint comments of the Songwriters Guild and the Authors Guild (Comment 14 at page 1) (“There is no logical policy reason to exclude from th[e] benefit [of recapture rights] certain works that were created after [January 1, 1978] but rights in which were transferred prior to such date.”); Casey Del Casino, Adams and Reese, LLP, Nashville, TN (Reply Comment 3 at page 1) (“It is impossible to fathom that Congress would go to such great lengths to include the termination right provision for post-1978 transfers of copyright, as well as pre-1978 works, and then inexplicably exclude a whole class of works...”); Bill Gable, Law Offices of Bill Gable, Los Angeles, CA (Comment 3 at page 2) (“[T]hat Congress intended to exclude grants covering 1976 Act works such as those in your example ... is unthinkable and unsupportable, given the legislative history and statutory intent of Congress in enacting termination provisions...”); Jane C. Ginsburg, Columbia University Law School (Comment 7 at page 3) (“The text of the statute and its legislative history amply demonstrate Congress’ intent that authors should enjoy enforceable termination rights. The statute should be interpreted to cover as many works as possible (other than works made for hire.)”); Neils Schaumann, William Mitchell College of Law, St. Paul, MN (page 11 at 3) (“[To] exclude the entire category of works

<sup>6</sup> H.R. REP. NO. 94-1476, *supra*, AT 124; S. REP. NO. 94-473, *supra*, AT 108.

transferred before 1978 but created on or after 1978...is entirely inconsistent with Congress's intent to include in the Act 'a provision safeguarding authors against unremunerative transfers.'"); Nancy Wolff, Picture Council of America (Comment 12 at page 2) ("Congress' clear intention in enacting the termination provisions, then, was to protect creators with little or no leverage or negotiation skills from living with the consequences of bad deals into which they unsuspectingly entered. In light of these aims, Congress surely could not have intended that this very particular group of authors, whose only distinctive feature is bad timing, should be singled out as not having termination rights."); and Kenneth D. Freundlich and Neil W. Netanel (Comment 13 at page 9) ("Certainly, the windfall that would inure to publishers if authors had no right to terminate [Gap Grants] would fly squarely in the face of the 1976 Act termination provisions and Congress' intent in enacting them.").

The Copyright Office does not believe that Congress spent any time specifically considering Gap Grant scenarios when it was adopting the termination provisions. If Congress had, it might have realized that section 203 turns on the operation of executed grants in an industry that frequently conducts business through advance contracts or oral agreements or both. Indeed, for many transactions that are put in writing, the contract is much larger than the grant of copyright because it contains, for example, financial allocations, delivery requirements and plans for promotion of the book or song. The only issue is at what point the grant language within the contract (oral or written) is effective as a matter of law. The Copyright Office believes that had Congress focused on the issue of Gap Grants, it would have been concerned about the marketplace and wanted more certainty in the statute.

The legislative history contains nothing that is directly contrary to or inconsistent with the Copyright Office's interpretation. Of possible minor consequence is one example of a book contract that appears in the discussion of section 203 in the House Report. The example does not involve Gap Grants, but it does use the date of the contract as the operative date for effecting termination.<sup>7</sup> To put it in perspective, the reference is included as a brief illustration of the operation of section 203 and does not include any legal analysis. The Copyright Office does not find the inclusion of an illustration particularly surprising, as the termination provisions were new and notably complex.<sup>8</sup>

<sup>7</sup> See H.R. REP. NO. 94-1476, AT 126 (1976). This example is unclear. It involves a contract signed in 1980 and a book published in 1987. The book may have already been created at the time of the contract or it may have been created sometime after the contract was signed.

<sup>8</sup> There are also two references from within the Copyright Office, one of which captures a Gap Grant, but neither of which provides insight into or confirmation of Congressional intent to exclude Gap Grants from termination. See Copyright Office, Library of Congress, *General Guide to the Copyright Act of 1976*, at 6:6 (1977); and Copyright Office, Library of Congress, *Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill*, at 74-75 (1965).

In setting out a hypothetical for how termination provisions would work, the *Guide* refers to a fact pattern that seems to fit the Gap Grant scenario (a contract made in 1977 and a book written in 1979) and concludes that section 203 does not apply. The *Guide* is an informational publication that was developed internally as a training resource to teach Copyright Office staff the "new law." It states in its preface that it is not an official summary of the law and does not offer legal advice.

The *Supplementary Report of the Register* provides an example of a work that was created pursuant to a prospective contract. Because the work was created prior to 1978, it does *not* involve a Gap Grant, but in any event the Register seems not to have considered the possibility that execution of the grant could not predate the work. Melville Nimmer ponders this point in a law review article from the period, in which he highlights the possible difference between execution of the agreement and execution of the grant of transfer.

The Register's Report accepts the publisher's rationale, which suggests that the Copyright Office may believe that the termination period of a grant should be calculated from the date that the



#### D. Forward Reach of Interpretation

Resolving Gap Grants based on the date of creation will have ongoing implications because contracts to create works in the future are still commonplace today, including for many books, songs and artworks. In its reply comment, RIAA observes that not all authors may appreciate or benefit from a reading of section 203 that conditions execution of the grant on creation because the interpretation will delay the date of termination for some grants. (Reply Comment 9 at page 4.)

The Office thinks this is an accurate observation, but one that cannot be avoided because going forward section 203 must be read consistently for all grants. Ensuring that section 203 operates based on date of creation is also fairest to grantees. Any other reading would deprive publishers and other grantees of the full benefit of their contractual bargain in cases where works are created after (sometimes years after) the promise is made. This is especially clear where multiple works are at issue, as when a songwriter creates multiple works for the grantee over the span of several years, or a book author is bound to deliver sequels or subsequent editions on an unspecified timetable.

Nonetheless, the determination that contracts are executed upon the date of creation presents practical challenges that are likely to be more far reaching than originally anticipated by some stakeholders and by the Office itself. How does one determine the date of creation for a work authored 35-40 years ago, especially if there is no supporting written documentation? The task is difficult but not entirely new.

Under Title 17, “a work is 'created' when it is fixed in a copy or phonorecord for the first time: where a work is prepared over a period of time, the portion of it that has been fixed at any particular time

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agreement is executed and not that the copyright interest is transferred. For unwritten (or otherwise unfixed) works this makes sense because the date that the work is fixed (and copyright is created and transferred) will be impossible to determine.

Melville Nimmer, *Termination of Transfers Under the Copyright Act of 1976*, 125 U.P.A. L.REV. 947, 975 (1977).

In using the phrase “publishers rationale,” Nimmer is likely referring to the grant-publication differential in section 203, which according to the *Supplementary Report* was a compromise, in part, for book publishers who were worried about prospective contracts:

The basic 35-year figure represents a compromise which, we believe, is short enough to be of benefit to authors and long enough to avoid unfairness to publishers and other users. The book publishers, among others, have argued that in many cases a straight period of 35 years from the execution of the grant would be illusory, since a number of publication contracts are signed before the work is written, and it may be years before it is completed and published. For this reason we have added 40 years from execution, thus, in effect, adding up to 5 years to the operative period in cases where the contract is signed long before publication.

*Supplementary Report* at 75.

For purposes of Gap Grants, the example used by the Register poses an interesting question of whether the issue of Gap Grants is as much a problem for published works as it is for unpublished works. In the case of published works, any uncertainty about the date of execution of the grant can be overcome by using the publication date instead. In other words, the lack of certainty, if any, among the parties will not prevent termination. At worst, it will merely delay it 5 years. In the case of unpublished works, there is no alternative trigger for termination. The parties have no choice but to figure out the date of the grant. The legislative recommendation proposed by the Office does not distinguish between published and unpublished works. Rather, it preserves the ability of stakeholders to choose between grant or publication date as the trigger.

constitutes the work as of that time, and where the work has been prepared in different versions, each version constitutes a separate work.” 17 U.S.C. § 101. Moreover, termination applies to grants of both exclusive and nonexclusive rights, the latter of which do not require a signed writing. 17 U.S.C. § 204. Thus certain authors are already familiar with the need to identify the month, day and year on which creation, delivery, a handshake, or some other reasonable conduct occurred for the execution of a license under the law. *See also* Jane Ginsburg (Comment 7 at page 3, footnote 6) (noting that copyright registrations under section 409 (7) of Title 17 require applicants to provide the year in which the work was completed).

### **E. Consideration of Takings Issue**

On a different point, RIAA asked the Office to consider whether Constitutional restraints in the form of the Takings Clause of the Fifth Amendment might prevent the retroactive application of the termination provisions to Gap Grants. *See* RIAA (Reply Comment 9 at pages 2, 5) (quoting the Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, “The Register’s report...indicates that to avoid upsetting settled expectations, ‘[t]he right of termination would not be retroactive’” and noting that “Congress’ power to change the Copyright Act’s termination provisions retroactively may be limited.”

Takings are an important consideration. Copyrights are property interests protected by the due process and just compensation clauses of the Constitution. *See* 3 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT, § 1.11 (1982) (“Nimmer”). Although the Office does not know of any cases in which courts deemed Congress’ copyright revisions to be takings, it does not discount the possibility.<sup>9</sup> In the context of the 1976 Act, to remove the grantee’s expectation of a longer grant, on the one hand, or the author’s expectation of recapture, on the other hand, raises complicated questions of private contract, federal preemption, and public policy. In any event, the Copyright Office does not believe the takings issue is relevant to the issue of Gap Grants because Congress need not enact a retroactive change to section 203. On the contrary, the Office has concluded there is no statutory gap and Congress need only clarify the existing language. *See also* Jane Ginsburg (Comment 7 at page 2, footnote 5) (observing that the Register’s view (in 1965) that section 203 termination would apply only to transfers and licenses after the new law comes into effect does not address the core question of when the transfer becomes effective.).

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<sup>9</sup> RIAA cites two takings cases, *Roth v. Pritikin*, 710 F.2d 934 (2d Cir. 1983) and *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1000-1016 (1984), regarding copyright and trade secrets, respectively, but neither expressly holds that copyright revisions are takings. In the first case, Appellant Roth sought the invalidation of an oral agreement she had executed with a medical writer (McGrady) and collaborator (Pritikin), under which she created and delivered recipes in 1977 for use in a forthcoming diet and exercise book. The book was published in 1979 and became a best seller. Unhappy with the fee she had been paid, Roth argued that the section 301 preemption provisions of the 1976 Copyright Act displaced the copyrights at issue in the original agreement, creating new rights as of January 1, 1978 and effectively requiring a new negotiation between the parties. In dismissing Roth’s interpretation of section 301, the court proffered, in passing, that “a subsequently enacted statute which purported to divest Pritikin and McGrady of their interest in the copyright by invalidating the 1977 agreement could be viewed as an unconstitutional taking.”

The court did not address the issue on the merits, however, and it is not clear from the context whether the court was focused on the copyright to the recipes (which Roth licensed on a nonexclusive basis but could not have transferred in the absence of a signed instrument) or to the book (which would have vested in Pritikin and Grady, subject to any licenses). *Roth* at 939. The 1977 license granted by Roth is an “old law” license terminable under section 304 beginning 56 years from the date copyright was secured, or the year 2033.

*See also Ruckelshaus* at 1000-1016 (property interests in trade secrets protected by the Takings Clause of Fifth Amendment; government use and disclosure of certain trade secrets may constitute a taking).

## F. Reasons to Clarify the Statute

To restate, the reasonable interpretation of Gap Grants is that they are terminable under section 203 as it is currently codified. However, many stakeholders who responded to the Notice of Inquiry expressed a desire for guidance on the issue of Gap Grants, not only because ambiguity could prove costly for authors but because certainty in commercial transactions is essential. *See, e.g.*, Michael Perlstein, Fischbach, Perlstein, Lieberman & Almond LLP, Los Angeles, CA (Comment 9 at page 3) (“The Copyright Office should promote legislation or promulgate a regulation to close the gap for at least two reasons: (1) insure the rights of members of the termination class to the classic second bite at the apple and (2) insure certainty in commercial transactions.”). Indeed, the issue of certainty in copyright title cannot be underestimated. Copyright represents 6% of the gross domestic product of the United States and is an enormous force in the world economy.<sup>10</sup> Certainty as to what one owns is essential for doing business, whether one is the author or the publisher – the grantor or the grantee.

The Future of Music Coalition made a broader point, speaking to the potential impact on new markets. “This ‘second bite at the apple’ is even more important in an environment where product and broadcast spectrum scarcity has far less bearing on whether a musical work finds an audience. As more copyrights become eligible to revert back to creators, we may find that the artists themselves exploit their works in novel ways that could be beneficial to the overall health of the music marketplace.” (Reply Comment 8 at page 2.)

The Copyright Office believes there is real and potential confusion among stakeholders with respect to application of section 203 to Gap Grants (as well as other grants made on a prospective basis), with large numbers of authors potentially affected. The Authors Guild estimates that as many as 100,000 authors could have works implicated by Gap Grants. (Comment 14 at page 4.) Neither authors nor their transferees or licensees are confident about how to proceed. *See, e.g.*, Lewis Anderson (Comment 5 at page 2) (“[T]he publisher took the position that the termination rights were undefined – a “black hole”.... Faced with this, my client decided that, rather than try to set a precedent by filing a lawsuit against the deep pockets of the corporate publisher, he would wait [for] litigation or legislation.”); *see also* Michael Perlstein (Comment 9 at page 2) and Casey Del Casino (Reply Comment 3 at page 1) (describing struggles of clients with Gap Grants).

Lack of clarity will likely result in costly delays, the prospect of inconsistent or unfavorable court decisions, or a state of play where termination rights are left unexercised, all of which could undermine the clear intent of Congress to ensure that authors have enforceable termination rights. *See, e.g.*, Casey Del Casino, Adams and Reese, Nashville, TN (Reply Comment 3 at page 2) (“Frankly, it would seem to be in the interest of any party that is served with a termination notice letter for a work that falls in the “gap” of the termination provisions to litigate the issue.”); Charles J. Sanders and Jan F. Constantine (Reply Comment 5 at page 2) (“Unfortunately, being “right on the law” is frequently cold comfort for authors and creators if economically powerful interests take a contrary legal position .... [T]he mere cost of litigation of this issue would be sufficient to defeat the termination interests of some authors and songwriters who do not have the legal or financial resources to take on a well-financed publisher advancing a contrary view. Any legal ambiguity...is likely to be exploited by parties whose economic interests are threatened by the termination right.”). *See also* Comment of Bill Gable, Law Offices of Bill Gable (Comment 3 at pages 1 and 3) (“This issue has enormous commercial significance and, as these provisions are drafted, no thoughtful attorney can truly discern how to comply with the

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<sup>10</sup> *See* INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE, FACT SHEET, COPYRIGHT INDUSTRIES IN THE ECONOMY: THE 2003-2007 REPORT (2009), <http://www.iipa.com/pdf/IIPA2009Report2PageSummary.pdf> (“In 2007, the value added by the core copyright industries was \$889.1 billion, approximately 6.44% of U.S. GDP.”) (emphasis in original).

statute....” and “Leaving the matter to state law could very well lead to different results under various states’ law, to litigation, and to further confusion. One way or another, this problem appears to cry out for a federal solution....”).

Moreover, the Gap Grant question poses serious time pressures. As stated in the Executive Summary, the provisions of section 203 will be ripe for the first time on January 1, 2013, triggering a five-year window during which grants executed in 1978 may be terminated. The window is a built-in safety net for authors, designed to give them a reasonable period of time to exercise termination and a cushion for error should they make a mistake.

For some authors, every day delayed could be money lost. *See, e.g.*, Karyn Soroka, Soroka Music Ltd., New York (Comment 15 at page 2) (“In the case of a hit song or catalogue of songs, whether or not a song can be terminated can have major financial implications for a writer and seriously affect their financial planning for their and their family’s future. We need to have these questions resolved so that both sides know what to expect...so as not to let any rights be lost or diminished by a delay.”); and Casey Del Casino, Letter to the Copyright Office, Feb. 19, 2010 (“[Y]ou may find that many publishers will appreciate more certainty as to whether terminations are effective, not only so they can respond accordingly to terminations served on them but so they can properly assess the value of their copyright portfolios.”). *See also* RIAA (Reply Comment 9 at page 5) (“The economic effects of the competing terminations are difficult to quantify, but significant money is clearly at stake, because many works remain commercially important 35 years after their publication and many works are first published more than five years after the relevant contract is signed.”). *But see* Susan Butler, “In the Vault,” *Billboard Magazine* Article, Aug. 12, 2006 (submitted as Reply Comment 1 at page 1) (“Behind closed doors, top music lawyers predict there will be a state of chaos in 2013 when artists, under the 1976 Copyright Act, start making demands.”).

The Copyright Office has recently undertaken a general review of its termination practices and regulations, including the reexamination of Gap Grants.<sup>11</sup> However, while the Office's attention to its practices will help to provide some practical guidance to stakeholders, it will not necessarily reduce the threat of litigation or lack of confidence in rights to copyright titles for authors or their grantees. Therefore, the Office believes a statutory clarification is necessary to ensure the policy objectives of the provisions.

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<sup>11</sup> For example, the Office will also need to consider the fact that some publishers required follow-up contracts (e.g., “short form assignments” or “single song agreements”) typically upon the author’s creation and/or delivery of the work. These operated as “belts and suspenders” and, therefore, at the very least could offer reasonable confirmation of the date of creation. In some instances, they may even operate as the grant itself, depending quite specifically on the nature of the language of the agreement and its interaction with the parties’ prior contracts.

### III. Issues Not the Focus of This Analysis

Some commenters highlighted areas of concern regarding the termination provisions that are separate from the question of Gap Grants. One issue cited several times involves the application of the termination provisions to works that were created but unpublished and unregistered before the 1976 Act took effect. Professor Ginsburg wrote that section 203 should also govern, because the works achieved federal copyright on January 1, 1978, in turn vesting the grant of statutory copyright (Comment 7 at page 4) (“Section 203 turns on the date of the grant, not the date of the work . . . . The ‘grant’ . . . pertains to federal copyright, which in these works attached on January 1, 1978. The ‘execution date’ for the contract thus becomes January 1, 1978, and the termination time clock would run from that date.”).<sup>12</sup>

Attorney Lisa Alter suggested a similar position with respect to a work that was created and assigned to a third party prior to January 1, 1978 but not registered, published, or released on a sound recording prior to that date. She suggested that because these works become automatically protected as of January 1, 1978 under section 303(a), the date of transfer must coincide with the date of copyright and fall within the reach of section 203. (Comment 10 at page 3.) *See also* Lewis Anderson, Legacyworks, Nashville, TN (Comment 5 at page 3). *But see* Society of American Archivists (Reply Comment 4 at page 2) (“[T]he issues associated with the termination of copyright [in] unpublished works created and transferred before 1978 are complex. We hope . . . that you undertake the same type of thoughtful investigation and study to these works that you have applied to the issue of “gap” works . . . but want to make sure that in [seeking a solution to the “gap” works problem], you do not inadvertently create bigger problems for most unpublished works.”).

Another commenter addressed the recent Ninth Circuit decision *Richlin v. Metro-Goldwyn-Mayer Pictures, Inc.*, 531 F.3d 962 (9th Cir. 2008). *See* E. Randol Schoenberg, Burris, Schoenberg & Walden, LLP, Los Angeles, CA (Comment 4 at page 1). Maurice Richlin authored the underlying Pink Panther story in 1962 (with Blake Edwards) and assigned it to the producer of the film (for whom he and Edwards then worked under a work for hire agreement). Although the film was published with a copyright notice, the underlying story was not separately published or registered and enjoyed no independent, statutory copyright. The Court held that Richlin’s heirs held no renewal rights in the underlying story, discounting the position that it was partially published in the derivative works, the “Pink Panther” films. Schoenberg suggests that “the heirs are in an unforeseen limbo between the 1909 and 1976 acts, neither protected by the renewal provisions of the 1909 act, nor the termination provisions of the 1976 act.” *Id.* at 2. In Nimmer’s view the *Richlin* ruling “represents an upheaval that carries terrible policy implications.” 1-4 Nimmer § 4.12[B][4] at 9.

Finally, the Songwriters Guild and the Authors Guild encouraged the Copyright Office to review recent litigation, including specifically the case of *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008), where “the Second Circuit allowed a publisher to frustrate the termination rights of the famous writer John Steinbeck.” (Comment 14 at page 6.)

As these comments are not directly related to the Gap Grants inquiry, the Copyright Office has simply summarized them here without further analysis.

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<sup>12</sup> *But see* 3-11 Nimmer § 11.02[A][1] (“[A] grant of common law copyright (by hypothesis made before January 1, 1978) that purports to include a grant of renewal rights when and if such rights vest will not be subject to termination if the work in which this interest is granted remained in common law copyright until January 1, 1978, when it became subject to statutory copyright by reason of federal pre-emption. Such a grant will not be subject to termination under Section 203(a), because it was not executed “on or after January 1, 1978.”).

# Attachment A

*cited in Ray Charles Foundation v. Robinson, No. 13-55421 archived on September 25, 2015*

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**LIBRARY OF CONGRESS**

**Copyright Office**

**37 CFR Part 201**

**Gap in Termination Provisions; Inquiry**

**AGENCY:** Copyright Office, Library of Congress.

**ACTION:** Notice of public inquiry; request for comments.

**SUMMARY:** The Copyright Office is seeking comments regarding the application of Title 17 to the termination of certain grants of transfers or licenses of copyright, specifically those for which execution of the grant occurred prior to January 1, 1978 and creation of the work occurred on or after January 1, 1978. The Copyright Office is seeking comments at this time because the deadlines for serving notices of termination for 1978 grants will begin to expire in 2011 and some stakeholders have raised questions with the Office and some Congressional Offices.

**DATES:** Initial comments on the Notice of Inquiry and Requests for Comments are due on or before April 30, 2010. Reply comments are due on or before May 14, 2010.

**ADDRESSES:** The Copyright Office strongly prefers that comments be submitted electronically. A comment page containing a comment form is posted on the Copyright Office Web site at <http://www.copyright.gov/docs/termination>. The Web site interface requires submitters to complete a form specifying name and organization, as applicable, and to upload comments as an attachment via a browse button. To meet accessibility standards, all comments must be uploaded in a single file in either the Adobe Portable

Document File (PDF) format that contains searchable, *accessible* text (not an image); Microsoft Word; WordPerfect; Rich Text Format (RTF); or ASCII text file format (not a scanned document). The maximum file size is 6 megabytes (MB). The name of the submitter and organization should appear on both the form and the face of the comments. All comments will be posted publicly on the Copyright Office Web site exactly as they are received, along with names and organizations. If electronic submission of comments is not feasible, please contact the Copyright Office at 202-707-1027 for special instructions.

**FOR FURTHER INFORMATION CONTACT:** Maria Pallante, Associate Register, Policy and International Affairs, by telephone at 202-707-1027 or by electronic mail at [mpall@loc.gov](mailto:mpall@loc.gov).

**SUPPLEMENTARY INFORMATION:**

**Background**

The Copyright Act gives authors (and some heirs, beneficiaries and representatives who are specified by statute) the right to terminate certain grants of transfers or licenses, subject to the passage of time set forth in the statute and the execution of certain conditions precedent.

Termination rights (also referred to as "recapture rights") are equitable accommodations under the law. They allow authors or their heirs a second opportunity to share in the economic success of their works. Codified in sections 304(c), 304(d) and 203 of Title 17, respectively, they encompass grants made before as well as after January 1, 1978 (the effective date of the 1976 Copyright Act). (The provisions do not apply to copyrights in works made for hire or grants made by will.)

This inquiry concerns a narrow set of facts that some authors and their representatives have brought to the attention of the Copyright Office and some Congressional Offices. Specifically, the Office is interested in whether or how the termination provisions apply in circumstances where the grant was executed prior to January 1, 1978, but the work was created on or after January 1, 1978. For such works, there appears to be some confusion and possible disagreement among some stakeholders as to whether termination rights are exercisable in the first place and, if they are, which statutory provision applies. In seeking comments, the Office is aware that termination rights may only be exercised during the window of time specified by statute and the deadlines

cited in Ray Charles Foundation v. Copyright No. 13-55421 archived on September 25, 2015

for grants made in 1978 will begin to expire next year.

Termination provisions provide authors with a long-term insurance policy on the value of their copyrights. The House Report accompanying the 1976 Copyright Act states that the provisions are "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." H.R. Rep. No. 94-1476, at 124 (1976). Termination rights are put in motion by serving notice on the grantee. The notice must state the effective date of the termination and must be served on the grantee not less than two or more than ten years before that date. 17 U.S.C. 304(c)(4)(A); 304(d)(1); 203(a)(4)(A). The Register of Copyrights, through regulations, has set forth additional core elements that must be included in the notice, among them a statement as to whether termination is being made under section 304(c), 304(d) or 203. 37 CFR 201.10(b)(1)(i) and (b)(2)(ii).

Section 304 (c) governs older works, specifically works in which a copyright was subsisting in its first or renewal term as of January 1, 1978. It provides for termination of the exclusive or nonexclusive grant of a transfer or license of the renewal copyright (or any right under it) executed before January 1, 1978. Termination may be exercised at any time during a five-year period beginning at the end of fifty-six years from the date copyright was originally secured. Section 304(d) governs a smaller subset of pre-78 works for which the termination right under section 304(c) expired (and was not exercised) on or before the effective date (October 27, 1998) of the "Sonny Bono Copyright Term Extension Act," which extended copyright terms by 20 years. It provides for termination of the exclusive or nonexclusive grant of a transfer or license of the renewal copyright (or any right under it) at any time during a five-year period beginning at the end of 75 years from the date copyright was originally secured.

Section 203 governs grants made under the "new law." It provides for termination of the exclusive or nonexclusive grant of copyright (or any right under copyright) executed on or after January 1, 1978 (regardless of whether the copyright was secured prior to or after 1978). Termination may be exercised at any time during a period of five years beginning 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 is earlier. Unlike section 304, the termination right in

section 203 applies only to grants executed by authors. Section 203 terminations may be exercised as of January 1, 2013, provided notice has been served no less than two years prior.

Once the notice is served, a copy of the notice must be recorded with the Copyright Office prior to the effective date of termination. 17 U.S.C. 304(c)(4)(A); 304(d)(1); 203(a)(4)(A). Upon receipt of the notice, the Copyright Office undertakes a review of certain facts, including whether the notice has been executed in a timely manner. Because lateness is a fatal mistake<sup>1</sup> under the law, the Office reserves the right to refuse recordation of a notice of termination if, in the judgment of the Office, such notice of termination is untimely.<sup>2</sup> 37 CFR 201.10(f)(4).

#### Subject of Inquiry

The Copyright Office seeks comment on the question of whether and how Title 17 provides a termination right to authors (and other persons specified by statute) when the grant was made prior to 1978 and the work was created on or after January 1, 1978. For purposes of illustration, please note the following examples:

*Example 1:* A composer signed an agreement with a music publisher in 1977 transferring the copyrights to future musical compositions pursuant to a negotiated fee schedule. She created numerous compositions under the agreement between 1978 and 1983, some of which were subsequently published by the publisher-transferee. Several of these achieved immediate popular success and have been economically viable ever since. The original contract has not been amended or superseded.

*Example 2:* A writer signed an agreement with a book publisher in 1977 to deliver a work of nonfiction. The work was completed and delivered on time in 1979 and was published in 1980. The book's initial print run sold out slowly, but because the author's subsequent works were critically acclaimed, it was released with an updated cover last year and is now a best seller. The rights remained with the publisher all along and the original royalty structure continues to apply.

<sup>1</sup> By contrast, the regulations provide accommodations for certain harmless errors. 37 CFR 201.10(e)(1)-(2).

<sup>2</sup> If a document is submitted as a notice of termination after the statutory deadline has expired, the Office will offer to record the document as a "document pertaining to copyright" pursuant to § 201.4(c)(3), but the Office will not index the document as a notice of termination. Whether a document so recorded is sufficient in any instance to effect termination as a matter of law shall be determined by a court of competent jurisdiction.

#### Questions

In order to better understand the application of sections 304(c), 304(d) and 203 to the grants of transfers and licenses discussed above, the Copyright Office seeks comments as follows:

*A. Experience.* Please describe any experience you have in exercising or negotiating termination rights for pre-1978 grants of transfers or licenses for works that were created on or after January 1, 1978.

*B. Interpretation.* Are the grants of transfers or licenses discussed above terminable under Title 17 as currently codified? If so, under which provision? What is the basis for your determination? Are there state or federal laws other than copyright that are relevant? Is delivery of the work by the grantor to the grantee relevant to the question of termination? Is publication relevant?

*C. Recommendations.* Do you have any recommendations with respect to the grants of transfers or licenses illustrated above?

*D. Other Issues.* Are there other issues with respect to the application or exercise of termination provisions that you would like to bring to our attention for future consideration?

Dated: March 24, 2010.

**Marybeth Peters,**

Register of Copyrights, U.S. Copyright Office.

[FR Doc. 2010-6936 Filed 3-26-10; 8:45 am]

BILLING CODE 1410-30-P



# Attachment B

*cited in Ray Charles Foundation v. Robinson, No. 13-55421 archived on September 25, 2015*

**LIBRARY OF CONGRESS****Copyright Office****37 CFR Part 201**

[Docket No. RM 2010-5]

**Gap in Termination Provisions****AGENCY:** Copyright Office, Library of Congress.**ACTION:** Notice of proposed rulemaking; request for comments.

**SUMMARY:** The Copyright Office is proposing to amend its regulations governing notices of termination of certain grants of transfers and licenses of copyright under section 203 of the Copyright Act of 1976. The amendments are intended to clarify the recordation practices of the Copyright Office regarding the content of section 203 notices of termination and the timeliness of their service and recordation, including a clarification that the Office will accept for recordation under section 203 a notice of termination of a grant agreed to before January 1, 1978 as long as the work that is the subject of the grant was not created before 1978. Whether such notices of termination fall within the scope of section 203 will ultimately be a matter to be resolved by the courts.

**DATES:** Comments on the Notice of Proposed Rulemaking and Requests for Comments are due on or before December 27, 2010.

**ADDRESSES:** The Copyright Office strongly prefers that comments be submitted electronically. A comment page containing a comment form is posted on the Copyright Office Web site at <http://www.copyright.gov/docs/termination>. The Web site interface requires submitters to complete a form specifying name and organization, as applicable, and to upload comments as an attachment via a browse button. To meet accessibility standards, all comments must be uploaded in a single file in either the Adobe Portable Document File (PDF) format that contains searchable, accessible text (not an image); Microsoft Word; WordPerfect; Rich Text Format (RTF); or ASCII text file format (not a scanned document). The maximum file size is 6 megabytes (MB). The name of the submitter and organization should appear on both the form and the face of the comments. All comments will be posted publicly on the Copyright Office Web site exactly as they are received, along with names and organizations. If electronic submission of comments is not feasible, please contact the

cited in Ray Charles Foundation v. Robinson, No. 13-55421 archived on September 25, 2015

Copyright Office at 202-707-8125 for special instructions.

**FOR FURTHER INFORMATION CONTACT:** Amanda Wilson Denton, Counsel for Policy and International Affairs, by telephone at 202-707-8125 or by electronic mail at [amwi@loc.gov](mailto:amwi@loc.gov).

**SUPPLEMENTARY INFORMATION:**

**Background**

The Copyright Act gives authors (and some heirs, beneficiaries and representatives who are specified by statute) the right to terminate certain grants of transfers or licenses within the time frames set forth in the statute and subject to the execution of certain conditions precedent. Termination rights (also referred to as “recapture rights”) are equitable accommodations under the law. They allow authors or their heirs a second opportunity to share in the economic success of their works. Codified in sections 304(c), 304(d) and 203 of Title 17, respectively, they encompass grants made before as well as after January 1, 1978 (the effective date of the 1976 Copyright Act).

However, the provisions do not apply to copyrights in works made for hire or grants made by will. Sections 304(c) and 304(d) establish termination rights for works subject to grants of transfers or licenses of copyright (or of any right under a copyright) made before January 1, 1978, the effective date of the 1976 Copyright Act. Section 203, which is the subject of this proposed rulemaking, establishes termination rights for works subject to grants of transfers or licenses executed by the author on or after the effective date of the 1976 Copyright Act.

This proposed rulemaking is intended to address a narrow fact pattern that was the subject of a notice of inquiry after some authors and their representatives brought concerns to the attention of the Copyright Office and some Congressional Offices. In a **Federal Register** Notice dated March 29, 2010 (75 FR 15390), the Office sought comments as to whether or how the termination provisions apply in circumstances where a grant was agreed to prior to January 1, 1978, but the work in question was created on or after January 1, 1978. In response to the Notice of Inquiry, the Copyright Office received sixteen initial comments and nine reply comments. These comments are available online on the Copyright Office Web site, at <http://www.copyright.gov/docs/termination/>.

Several of those commenters took the position that the termination right provided in section 203 of the Copyright Act should be available under the circumstances in question. They based this position on a number of legal and policy arguments, prominent among which was the argument that a grant is not fully executed under the law until the relevant work has been created. Therefore, pre-1978 grants for works not created until January 1, 1978 or later should be subject to termination under section 203. See, e.g., Comment of Jane C. Ginsburg, Columbia University Law School at page 1; and Comment of Kenneth D. Freundlich, Freundlich Law, and Neil W. Netanel, UCLA Law School, at pages 5–6. This argument is closely related to the idea that the rights created by title 17 can vest only in actual works of authorship, making the creation date of the work central to the point in time at which any right under the Copyright Act, including the termination right, may be transferred. See, e.g., Comment of Randall D. Wixen, Wixen Music Publishing, Inc., at 1. Several commenters also cited the legislative history of the 1976 Copyright Act and the express exceptions that are found within the termination provisions as evidence that Congress did not intend to preclude termination of pre-1978 grants of works created on or after January 1, 1978. See, e.g., Comment of Bill Gable, Law Offices of Bill Gable, at page 2; and Comment of Niels Schaumann, William Mitchell College of Law, at page 4.

At least one comment, however, expressed skepticism that section 203 should apply to any fact patterns in which grants were made prior to January 1, 1978. It observed that there is some evidence that “Congress may have intended the term executed to mean signed” in other sections of the Copyright Act and that prior to the enactment of the Copyright Act of 1976, publications by the Copyright Office had expressed views consistent with the conclusion that a grant should be considered to be executed on the date the grant was signed. See Reply Comment of the Recording Industry Association of America, Inc. (“RIAA”), at pages 2–3.

Based on the comments received, the Copyright Office believes that there are legitimate grounds to assert that, in the case of a grant signed (or, in the case of an oral license, agreed to) before January 1, 1978 regarding rights in a work not created until January 1, 1978 or later, such a grant cannot be “executed” until the work exists. Therefore, the Office will record a notice of termination in such a case so long as the notice states that the grant was executed on a specified date that is on or after January 1, 1978. A person serving and submitting a notice of termination based on the rationale described above would be justified in including in the notice, as the date of execution of the grant, the date that the work was created. For purposes of clearly identifying the grant being terminated, it may be useful also to state the date the grant was signed. The Office’s recordation of such notices of termination is without prejudice as to how a court might ultimately rule on whether the document is a notice of termination within the scope of section 203. See 37 CFR 201.10(f)(5).

Through the proposed regulatory amendments, the Office seeks to provide immediate practical guidance in light of the fact that the first deadlines for serving notices of section 203 terminations for grants executed in 1978 (if the terminating party wishes to terminate on the earliest possible date) will begin to expire next year. The amendments clarify that, consistent with existing recordation practices, the Office reserves the right to refuse a document for recordation as a section 203 notice of termination if the date of execution of the grant, as reflected in the document submitted as a notice of termination, falls before January 1, 1978. This practice is consistent with the law (17 U.S.C. 203(a)) and the existing regulations (37 CFR 201.10(b)(2)). The proposed amendments to the regulations underscore the consequences of failure on the part of an author or his heirs to comply with this aspect of section 203(a) of the Copyright Act, which can prevent recordation of the document as a notice of termination. Failure to record a notice of termination in a timely manner is a fatal error that will prevent termination from taking effect.

The Office also takes the opportunity in this proposed rulemaking to clarify certain circumstances under which the Office will refuse to index as notices of termination documents submitted under section 203, for reason of certain procedural failures drawn from the clear language of the Copyright Act. These circumstances include a date of execution of the grant that falls before January 1, 1978 (as discussed above), an effective date of termination that does not fall within the allowed statutory period (17 U.S.C. 203(a)(3)), improperly timed service of the notice of termination (17 U.S.C. 203(a)(4)(A)), or submission of documents for recordation as notice of termination on or after the effective date of termination (17 U.S.C. 203(a)(4)(A)). These circumstances are not intended to be an exhaustive list of procedural failures that may result in failure to record notices of termination.

The Office also takes the opportunity in this proposed rulemaking to clarify certain circumstances under which the Office will refuse to index as notices of termination documents submitted under section 203, for reason of certain procedural failures drawn from the clear language of the Copyright Act. These circumstances include a date of execution of the grant that falls before January 1, 1978 (as discussed above), an effective date of termination that does not fall within the allowed statutory period (17 U.S.C. 203(a)(3)), improperly timed service of the notice of termination (17 U.S.C. 203(a)(4)(A)), or submission of documents for recordation as notice of termination on or after the effective date of termination (17 U.S.C. 203(a)(4)(A)). These circumstances are not intended to be an exhaustive list of procedural failures that may result in failure to record notices of termination.

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**List of Subjects in 37 CFR Part 201**

Copyright.

**Proposed Regulations**

In consideration of the foregoing, the Copyright Office proposes to amend part 201 of 37 CFR, as follows:

**PART 201—GENERAL PROVISIONS**

1. The authority citation for part 201 reads as follows:

**Authority:** 17 U.S.C. 702; Section 201.10 also issued under 17 U.S.C. 203 and 304.

2. Amend § 201.10 by revising paragraph (f)(4) as follows:

**§ 201.10 Notices of termination of transfers and licenses.**

\* \* \* \* \*

(f) \* \* \*

(4) Notwithstanding anything to the contrary in this section, the Copyright Office reserves the right to refuse recordation of a notice of termination as such if, in the judgment of the Copyright Office, such notice of termination is untimely. Conditions under which a notice of termination will be considered untimely include: the date of execution stated therein does not fall on or after January 1, 1978, as required by section 203(a) of title 17, United States Code; the effective date of termination does not fall within the five-year period described in section 203(a)(3) of title 17, United States Code; or the documents submitted indicate that the notice of termination was served less than two or more than ten years before the effective date of termination. If a notice of termination is untimely or if a document is submitted for recordation as a notice of termination on or after the effective date of termination, the Office will offer to record the document as a "document pertaining to copyright" pursuant to § 201.4(c)(3), but the Office will not index the document as a notice of termination. Any dispute as to whether a document so recorded is sufficient in any instance to effect termination as a matter of law shall be determined by a court of competent jurisdiction.

\* \* \* \* \*

Dated: November 19, 2010.

**Marybeth Peters,**

*Register of Copyrights.*

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**BILLING CODE 1410-30-P**

Copyright Clearance Center, Inc. v. International Society for Music, No. 13-55421 archived on September 25, 2015