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The Copyright Exception for Derivative Works and the Scope of Utilization†

CAROL A. ELLINGSON*

It has long been recognized that the author of an original copyrighted work may choose to exploit his work by transferring rights to produce and distribute a new "derivative work" based on the author's original work. It has also long been recognized that the derivative work created under such a transfer may itself be copyrighted separately. The recent revision to the Copyright Act continues to recognize the derivative work.

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1 The Copyright Act of March 4, 1909, ch. 320, 35 Stat. 1075 (current version at 17 U.S.C. §§ 1-32, 101-116, 201-216 (1976)) [hereinafter cited as 1909 Act] does not use the term "derivative works" but refers to "new works" in § 7 which provides: "Compilations or abridgements, adaptations, arrangements, dramatizations, translations, or other versions of works in the public domain or of copyrighted works when produced with the consent of the proprietor of the copyright in such works . . . shall be regarded as new works subject to copyright under the provisions of this title." The term "derivative work," rather than "new work," was preferred by commentators. See, e.g., 1 M. NIMMER, COPYRIGHT § 39, at 165-66 (1976).
2 The term "derivative work" is used in the 1976 Act and is defined as a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work." 1909 Act, supra note 1, § 7.
4 The term "derivative work" is used in the 1976 Act and is defined as a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."
and the right to a new copyright in it.\footnote{Under both the 1909 Act and the 1976 Act, the derivative work copyright is thought to protect only that new material contributed by the producer of the derivative work.}

A problem with this system can arise if, after a derivative work has been prepared, the copyright proprietor of the underlying work\footnote{The term "underlying work" is used herein to mean the pre-existing work upon which a derivative work is based.} terminates the transfer of rights to produce and distribute the derivative work.\footnote{See, e.g., Donald v. Zack Meyer's T.V. Sales & Serv., 426 F.2d 1027 (5th Cir. 1970), cert. denied, 400 U.S. 992 (1971) (1909 Act); 1976 Act, supra note 3, § 103.} The question becomes whether the proprietor of the underlying work may veto any further exploitation of the derivative work by withdrawing his permission to use the underlying material. Under the 1909 Act, a copyright could be renewed after the initial twenty-eight year term and, under certain circumstances, any transfer of rights for the renewal term could be terminated upon expiration of the initial term.\footnote{See notes 24-25 & accompanying text infra.}

Under the 1976 Act, the renewal system was abandoned but new termination of transfer provisions\footnote{1976 Act, supra note 3, §§ 203, 304.} were enacted to permit any transfer of rights under copyright to be terminated after a fixed period of time.\footnote{See notes 46-85 & accompanying text infra.}

The 1976 Act includes an express exception permitting the continued "utilization" of the underlying work after such a termination for derivative works prepared under the authority of a grant from the proprietor of the underlying work.\footnote{1976 Act, supra note 3, §§ 203(b)(1), 304(c)(6); see notes 169-86 & accompanying text infra.} In addition, a recent Second Circuit decision\footnote{Rohauer v. Killiam Shows, Inc., 551 F.2d 484 (2d Cir.), cert. denied, 431 U.S. 949 (1977); see text accompanying notes 135-46 infra.} recognized a judicial derivative works exception similar to that expressed in the 1976 Act.

Although the termination of transfer provisions, the 1976 Act's statutory derivative works exception and the Second Circuit's judicial exception have been the subject of scholarly review recently,\footnote{See, e.g., Curtis, Caveat Emptor in Copyright: A Practical Guide to the Termination-of-Transfers Provisions of the New Copyright Code, 25 BULL. COPYRIGHT Soc'Y 19 (1977); Nimmer, Termination of Transfer Under the Copyright Act of 1976, 125 U. PA. L. REV. 947 (1977); Nolan, A Brighter Day for the Magic Lantern: Thoughts on the Impact of the New Copyright Act of 1976, 56 F. L. REV. 71 (1981).} relatively little
attention has been given to the scope of the derivative works exception and to whether the uses possible under the exception affect its interpretation. This derivative works exception is potentially a powerful device for protecting derivative work proprietors as well as for implementing the copyright policy interest in making creative works and ideas publicly available. It is the thesis of this article that, even in construing the previous copyright statute which contained no express derivative works exception, the courts have been sensitive both to the position of the nature of the uses contemplated and to the public interest.

This article examines, first, the devices for terminating a transfer of the right to use an underlying work in a derivative work. Second, the article discusses the effect of termination on the exploitation of derivative works as judicially worked out under the 1909 Act's renewal provisions and as statutorily expressed in the 1976 Act. These first two sections seek to elucidate those policies motivating the judicial and legislative solutions. Finally, some specific underlying rights typically acquired for use in a theatrical motion picture will be examined to determine whether or not each will fall within the derivative works exception. The question at issue, ultimately, is: How can a derivative work be exploited, after rights to the underlying work have been terminated, without infringing the copyright in the underlying work? The conclusion advanced is that judicial opinions have consistently relied on distinctions between the termination devices employed and between the use of the derivative work contemplated to achieve a practical balance between the conflicting policies of author protection and public access. Since these distinctions were included in the 1976 Act, an understanding of their emergence and articulation is essential for any future development of the derivative works exception.


A detailed analysis of the workings of the termination provisions beyond that necessary to understand the scope of the derivative works exception will not be attempted.

The House Report accompanying the 1976 Act discusses the derivative works exception in terms of motion pictures. H.R. Rep. No. 1476, 94th Cong., 2d Sess. 127, reprinted in [1976] U.S. Code Cong. & Ad. News 5659, 5742 [hereinafter cited as H.R. Rep.]. Therefore, it seems particularly appropriate for the purposes of this article. Furthermore, it is with respect to motion pictures that litigation is most likely to arise; not only do movie producers absorb a large number of underlying works, but the sums of money involved in the resulting product also make litigation worthwhile.
TERMINATING CONSENT TO USE AN UNDERLYING WORK IN A DERIVATIVE WORK

A copyright owner must consent to use of his copyrighted work in a derivative work. Such consent may be terminated either by contract or by operation of law.

By Contract

By contract, the owner of a pre-existing work may grant the rights to create a derivative work for only a limited time. Under the 1909 Act, an author was permitted to grant for a limited period either a license or an assignment. In addition, it is clear that Congress intended that the 1976 Act would not only eliminate the notion of indivisibility of copyright, but would also permit a copyright owner to limit contractually the duration of grants to use his work. Contractual limitations on the duration of a grant are frequently seen in the various contracts by which movie producers acquire rights.

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17 See notes 1-5 & accompanying text supra.
18 Under the 1909 Act, supra note 1, the bundle of rights comprising a copyright was thought to be indivisible because the Act referred to a single "copyright." 2 M. Nimmer, supra note 1, § 119.1. Consequently a transfer of the entire bundle of rights was referred to as an assignment, and a transfer of anything less was a license. Id. Duration, however, was not thought to be an element of indivisibility. Kaminstein, Divisibility of Copyright in 1 Studies on Copyright 623, 635 (Copyright Soc'y U.S.A. ed. 1963).
21 See note 18 supra.
22 Section 201(d) of the 1976 Act states that "[t]he ownership of a copyright may be transferred in whole or in part by any means of conveyance." 1976 Act, supra note 3, § 201(d). The House Report states that nothing in the 1976 Act is intended to prohibit contractual grants for any limited period. H.R. Rep., supra note 16, at 142. If an agreement provides for a termination date earlier than that provided by statute or of a duration less than that permitted by law, or if it allows the author the right of cancelling or terminating the agreement under certain circumstances, the duration is governed by the agreement. Likewise, nothing in this section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in which an author may terminate a license, transfer or assignment.
Id. Furthermore, if "an agreement does contain provisions governing its duration—for example, a term of sixty years—and the author has not exercised his or her right of termination under the statute, the agreement will continue according to its terms—in this example, for only sixty years." Id.
23 For several such form contracts, see 1 J. Taubman, Performing Arts Management and Law 9-92 (1978); Stein, supra note 14, at 1162 & n.100.
By Operation of Law

Renewal Under the 1909 Act

The second method by which the transfer of rights can be terminated is by operation of law. Under the 1909 Act, the renewal system operated to terminate some grants. During the last year of the initial twenty-eight year term of copyright under the 1909 Act, an author is entitled to renew and extend his copyright for a further term of twenty-eight years. If the author dies before renewal rights vest, section 24 entitles certain statutory successors to possession of the renewal term.

This system was thought to protect the author against improvident sales of his copyright. The House Committee report accompanying the bill enacted as the 1909 Act stated:

Your committee . . . decided that it was distinctly to the advantage of the author to preserve the renewal period. It not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum. If the work proves to be a great success and lives beyond the term of twenty-eight years, your committee felt that it should be the exclusive right of the author to take the renewal term.

The Supreme Court stated that the "basic policy consideration underlying the renewal provision is to permit the author to sell his 'copyright' without losing his renewal interest." What was intended, it is clear, was to give authors a "second chance" to market their work again after an initial period of exploitation.

It can be argued, though, that the renewal system was also meant to serve the public interest by placing into the public domain many works of only limited further value; copyrights in such works are not renewed and the resulting duration of copyright in them is shorter than that of more enduring works. Proponents of this view argue that a work can continue to have scholarly, historical, or other value after

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1909 Act, supra note 1, § 24.

2 Generally speaking, the author's surviving family, executor or next of kin are included. Id.; see 2 M. NIMMER, supra note 1, § 115.


29 This "second chance" has been described by Curtis, supra note 14, at 20; Ringer, supra note 27, at 188; Note, supra note 26, at 640.

30 This argument is discussed by Ringer, supra note 27, at 187-88. She states that "about 15% of subsisting copyrights are being renewed." Id. at 187.
its commercial value is gone [and] it hampers free cultural and intellec-
tual interchange to have great numbers of ephemeral and non-
commercial works tied up for long periods of time, when no one is in-
terested in asserting rights in them.\textsuperscript{31}

The renewal provisions, then, illustrate the tension inherent throughout
copyright law. As the Supreme Court recently indicated:

The limited scope of the copyright holder's statutory monopoly, like
the limited copyright duration required by the Constitution, reflects a
balance of competing claims upon the public interest: Creative work
is to be encouraged and rewarded, but private motivation must ulti-
mately serve the cause of promoting broad public availability of
literature, music, and the other arts. The immediate effect of our
copyright law is to secure a fair return for an "author's" creative
labor. But the ultimate aim is, by this incentive, to stimulate artistic
creativity for the general public good.\textsuperscript{32}

An author's protection under renewal was weakened by the Supreme
Court's decision in Fred Fisher Music Co. v. M. Witmark & Sons.\textsuperscript{33} By
holding that an author may assign his renewal copyright before it has
vested and that such assignment will be binding on the author, the
Court refused to "impute to Congress the enactment of an absolute
statutory bar against assignments of authors' renewal interests."\textsuperscript{34}
Fisher has been criticized as disadvantaging only the powerless
author.\textsuperscript{35} Authors who possess sufficient bargaining power to effect a
favorable contractual transfer of their copyright need not rely on termi-
nation of their transfer by operation of law. Professor Nimmer argues,
though, that most authors lack such bargaining power because the eco-
nomic value of their work has yet to be proven.\textsuperscript{36} As a result, most
authors will agree to assign their renewal rights along with the original
term in order to effect a sale.\textsuperscript{37}

Although Fisher retains vitality for transfers by an author who lives
until the renewal term vests, the Supreme Court decided in Miller
Music Corp. v. Charles N. Daniels, Inc.,\textsuperscript{38} that when an assigning author
dies before commencement of the renewal period the renewal rights will
vest, not in the assignee, but in the section 24 successors, regardless of
the assignment. The Court stated that the renewal rights must be treated
as "expectancies until the renewal period arrives."\textsuperscript{39} Consequently, until

\textsuperscript{31} Id. at 187-88.
\textsuperscript{32} Twentieth Century Corp. v. Aiken, 422 U.S. 151, 156 (1975).
\textsuperscript{33} 318 U.S. 643 (1943).
\textsuperscript{34} Id. at 656.
\textsuperscript{35} See 2 M. Nimmer, supra note 8, § 9.06[B].
\textsuperscript{36} Id. § 9.02.
\textsuperscript{37} Id.
\textsuperscript{38} 362 U.S. 373 (1960).
\textsuperscript{39} Id. at 377.
the renewal period arrives, "assignees of renewal rights take the risk that the rights acquired may never vest in their assignors."4 The Court said that this deprives the assignee of nothing because, "[l]ike all purchasers of contingent interests, he takes subject to the possibility that the contingency may not occur."4

The policy of permitting an author to recapture in the future some of the increased value of his labor is, as a result of court interpretations of the 1909 Act, effectuated only when the author dies before renewal. As a result, producers of derivative works now regularly obtain assignments of renewal expectancies from identifiable statutory successors even before the author's death in order to protect themselves from possible termination.42 As Professor Kaplan noted,43 it is difficult to defend the distinction drawn between authors who live until the renewal vests and, therefore, earn no increased value from their work and those who die before renewal leaving the renewal term as a legacy.4 This seems to operate "in a peculiarly perverse way where on the faith of a transfer from the now-deceased author, the transferee has created a 'derivative work.'"45

Termination of Transfer Provisions Under the 1976 Act

In an effort to better effectuate the policy of protecting authors which underlies the renewal provisions of the 1909 Act, Congress enacted a new termination of transfer system in the 1976 Act in sections 203 and 304. These provisions are based on the premise that the reversionary provisions of the present section on copyright renewal (17 U.S.C. sec. 24) should be eliminated, and that the proposed law should substitute for them a provision safeguarding authors against unremunerative transfers. A provision of this sort is 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.46

The termination provisions are intended to represent "a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved."47

41 Id. at 378.
42 Id.
44 B. Kaplan, AN UNHURRIED VIEW OF COPYRIGHT (1967).
45 Id. at 112.
46 Id.
48 Id. at 124.
The 1976 Act substitutes a unitary copyright term, but confers on authors a right, which may not be waived, to terminate transfers under their copyrights after a specified period. Furthermore, recaptured rights may not, generally speaking, be retransferred until the previously granted rights are effectively terminated.

The right of termination in section 203 applies to any “exclusive or nonexclusive grant of a transfer or license” of a copyright or any right under a copyright “executed by the author on or after January 1, 1978.” The section 203(a) right of termination applies only to transfers executed after the effective date of the 1976 Act; the provisions “have no retroactive effect.” The right of termination under section 203 is limited to inter vivos transfers executed by the author and does not apply to transfers by the author’s successors in interest, his statutory successors or to bequests by the author. A work made for hire is not subject to the section 203 termination provision and termination of the rights in such a work “may be effected notwithstanding any agreement to the contrary, including an agreement ... to make any future grant.”

The right of termination cannot be waived. Since section 203(b)(4) provides that a subsequent grant of recaptured rights will be valid only if made after the effective date of termination, the practice of accumulating reversionary interests from potential statutory successors (here statutory terminators) should be effectively forestalled.

A reversion of rights might, therefore, occur under section 203 as well as under the renewal provisions of the 1909 Act with respect to some works. Works originally protected under the 1909 Act will be subject to section 203 with respect to grants executed after January 1, 1978 and subject to termination under the 1909 Act’s renewal provisions if in their first term of copyright on January 1, 1978. The section 203 right of termination may be exercised at any time during a five year period, beginning at the end of thirty-five years from the date of execution of the grant. Termination may be exercised by the author, if living, or

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48 This term endures for the life of the author, plus 50 years. 1976 Act, supra note 3, § 302(a).
49 Id. §§ 203, 304.
50 Id. §§ 203(b)(4), 304(c)(6)(D).
51 Id. § 203(a)(5).
53 Id.
54 1976 Act, supra note 3, § 203(a).
55 There is one exception—a regrant of rights back to the original grantee may be valid if made after notice of termination is given.
56 1976 Act, supra note 3, § 304(a).
57 Id. § 203(a)(3). Alternatively, if the grant “covers the right of publication of the work,” the termination period begins 35 years after publication of the work under the grant or 40 years from execution of the grant, whichever term ends first. Id.
58 Id. § 203(a)(1).
by enumerated statutory successors, if the author is dead. Special provisions are set out for effecting termination of joint works.

Termination is effected by serving a written notice in advance of the effective date of termination. Upon effecting termination, all rights under the 1976 Act “covered by the terminated grants revert to the author, authors, and other persons owning termination interests” under sections 203(a)(1) and 203(a)(2). Procedures for making further grants of the recaptured rights are set out in sections 203(b)(3), 203(b)(4) and 203(b)(5). Section 203(b)(5) emphasizes that only rights arising under the 1976 Act are affected by the termination provisions and “rights arising under any other Federal, State, or foreign laws” are unaffected. This means that only rights under a United States copyright are subject to termination. The final provision of section 203 states that unless termination is effected by the affirmative acts required under section 203(b) the grant continues in effect for the full unitary term of copyright.

Section 304 of the 1976 Act outlines recapture provisions for copyrights existing on January 1, 1978. Copyrights in their first term on that date are entitled to a renewal term which vests twenty-eight years after the copyright was originally secured. This apparently means that the renewal provisions under the 1909 Act govern the operation and effect of renewals under this section; only the length of the renewal term is altered by section 304(a).

The statutory terminators are the author’s surviving spouse, children or grandchildren. Id. § 203(a)(2).

Termination may be by a majority of the joint authors who executed the grant or, if any joint author is dead, by that author’s statutory terminators. Id. § 203(a)(1).

Procedural requirements for effecting the termination are set out at id. § 203(a)(4).

There is an express exception for derivative works prepared under the terminated grant which allows them to continue to be utilized. Id. § 203(b)(1). For a full discussion of the derivative works exception, see notes 169-87 & accompanying text infra.

Section 203(b)(4), 1976 Act, supra note 3, requires that any further grant of recaptured rights be executed by the same number and proportion of the owners as are required to terminate the grant. Section 203(b)(4) requires that any further grant be made only after the effective date of termination—except for regrants back to the original grantee. Section 203(b)(5) states that termination affects only rights under copyright.

Neither are these rights recaptured by operation of § 203. Id. § 203(b)(5).

Failure to affirmatively terminate the rights will not result in their continuation if the grant itself provides otherwise. Id. § 203(b)(6).

Id. § 304(a).

The 1976 Act does not expressly state that the 1909 Act’s renewal provisions will apply, but the House Report states that § 304(a) reenacts and preserves the renewal provision, now in section 24 of the statute, for all of the works presently in their first 28-year term. A great many of the present expectancies in these cases are the subject of existing contracts, and it would be unfair and immensely confusing to cut off or alter these interests. H.R. Rep., supra note 16, at 139.

The renewal term is extended to 47 years, i.e., a 19 year extension of the 1909 Act’s 28 year renewal term. 1976 Act, supra note 3, § 304(a).
The term of copyright for any copyright already in its renewal term on January 1, 1978 is extended to endure seventy-five years from the date it was originally secured—that is, for an extra nineteen years. A right of termination for this nineteen year extension is granted in section 304(c). It permits transfers executed before the effective date of the 1976 Act to be terminated fifty-six years after the date copyright was originally secured; thereafter, transfers of the nineteen year extension will be permitted.

Section 304(c) contains provisions similar to those in section 203 with respect to advance notice procedures, the content of terminable rights (i.e., rights under copyright only), the vesting of termination rights and effectuation of further grants. Section 304 also provides, as does section 203, that no waiver of termination rights will be effective, and, unless termination is affirmatively exercised, a grant of rights will continue in effect for the full extended renewal term. The two major differences between sections 304 and 203 concern grants made by statutory successors and grants executed by joint authors. A derivative works exception identical to that in section 203(b)(1) is enacted in section 304(c)(6)(A).

"For Hire" Exception

Since under both Acts there is special treatment afforded to works
made for hire, which has an impact on termination of grants, an examination of the "for hire" doctrine is necessary. First, both the 1909 and the 1976 Acts treat the employer as the author for copyright purposes; this results in the copyright vesting initially in the employer and not the employee who actually authored the work. Furthermore, under the 1909 Act, renewal rights to a work made for hire are not granted to the author but to the copyright proprietor—i.e., the employer and his successors in interest. The termination of transfer provisions in the 1976 Act expressly exempt works made for hire. Thus, grants of rights in a work made for hire are not terminable by operation of law under the 1976 Act. With respect to copyrights in their first term on January 1, 1978, the 1976 Act re-enacts the proprietor's entitlement to the renewal term.

While detailed analysis of this doctrine is beyond the scope of this article, it should be noted that the exemption for works made for hire may have the unfortunate, and certainly unintended, result of causing producers of such works as motion pictures to turn to even greater use of material produced by employees or by specially commissioned authors, instead of using previous works of independent authors. There is also a risk that a purchaser intent on evading the termination provisions will attempt to convert a previously independent author into an "employee for hire," either by hiring the author directly or by persuading the author to set up his own production company, which would then hire the author and license rights in the resulting work to the purchaser. Such rights would be perpetual, since they are exempted from the termination provisions. Even if such arrangements were determined to be spurious and ineffective for evading termination, a premium will still have been placed on legitimate employment arrangements. For example, the work of motion picture directors or producers who write their own scripts will be of increased value because those authors can legitimately avoid termination provisions, and thus offer a complete package of rights which are not terminable.

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79 1909 Act, supra note 1, § 26; 1976 Act, supra note 3, § 201(b).
80 1976 Act, supra note 3, § 201(a). The 1909 Act creates a presumption of copyright in the employer, and thus permits contractual arrangements to vest copyright in the employee. See 1 M. Nimmer, supra note 1, § 62.1.
81 1909 Act, supra note 1, § 24.
82 1976 Act, supra note 3, §§ 203(a), 304(c).
83 Id. § 304(a).
84 Curtis, supra note 14, at 37.
CONTINUED UTILIZATION OF A DERIVATIVE WORK AFTER TERMINATION

Under the 1909 Act

Most commentators have stated that under the 1909 Act the owner of a derivative work cannot continue to exploit his derivative work after termination of rights to the underlying work, whether termination is by operation of law or by contract. Professor Nimmer, for example, asserts that any such continued use by the derivative work proprietor is "contrary to the axiomatic copyright principle that a person may exploit only such copyrighted literary material as he either owns or is licensed to use." Another expert on the renewal section concurs, stating:

[If a motion picture company buys from an author all rights in a novel, it may validly copyright the motion picture photoplay in its own name and renew that copyright at the appropriate time. But if the author dies prior to the time for renewal of the basic work, the widow may renew this copyright and thus deprive the company of any right to continue to release the photoplay during the renewal term of the basic work.]

Another commentator proposes that further exploitation of the derivative work should be permitted, but conditioned on the payment of additional royalties. The courts, however, have not evidenced complete agreement with the commentators. There are few cases on point, and even the leading cases are not free from ambiguity on this issue. The courts have taken two different approaches: One line of cases has held that the right to exploit a derivative work does not survive the termination of the license to use the basic work. The other line of cases relies instead on the "new property right" that springs into existence with the derivative work to hold that continued utilization is permissible. A third

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86 Hereinafter, the word "use" will be employed to connote a broad category of exploitation devices; the word "utilization" will be employed to mean only those noninfringing uses permitted under a derivative works exception. "Use," then, includes the subcategory "utilization." "Transfer" is used to mean any "assignment, mortgage, exclusive license or any other conveyance alienation, or hypothecation of a copyright" or of any right comprised in a copyright. See 1976 Act, supra note 3, § 101.

87 See, e.g., 1 M. NIMMER, supra note 8, § 3.07[A]; Bricker, Renewal and Extension of Copyright, 29 S. Cal. L. Rev. 23, 43 (1955); Ringer, supra note 27, at 169-70; Note, Derivative Copyright and the 1909 Act—New Clarity or Confusion?, 44 BROOKLYN L. REV. 905, 921-23 (1978).

88 1 M. NIMMER, supra note 8, § 3.07[A].

89 Bricker, supra note 87, at 43.

90 Note, supra note 26, at 637, 659-63.

91 Ringer notes that: "A problem that has thoroughly confused the courts in recent years arises when a new version has been made and copyrighted under an assignment or license that is no longer binding during the renewal term." Ringer, supra note 27, at 169.
possible approach, which is consistent with the judicial decisions and with the practical justifications underlying the decisions, emerges from an analysis of the courts' opinions.

The Theory of Nonsurvival

The first case to find that no right to continued use existed after termination was *Fitch v. Shubert*. In that case, the Shuberts, prominent theatrical producers, had acquired a license to produce a musical version of the Clyde Fitch play *Barbara Frietchie, The Frederick Girl* in 1925. They obtained the license to the original term of the underlying work's copyright, not from the author, who had died years earlier, nor from a statutory successor, but from the Actors' Fund of America, which had acquired the interest by bequest after Fitch's death. The resulting derivative work was Sigmund Romberg's operetta, *My Maryland*, first produced in 1927. The original term of Fitch's copyright expired in 1928 and Fitch's next of kin applied for renewal. In 1937, the next of kin sued the Shuberts for copyright infringement based on their new production of the operetta. The court asserted that the Shuberts' rights to use the Fitch play expired when the original term expired in 1928:

> It is evident therefore that all rights which the defendants acquired in 1925 to use the Fitch play as the basis of a musical operetta expired when the copyright for the original term expired in 1928 and when a new grantee appeared as owner of the Fitch play for the renewal term.\(^\text{20}\)

However, Fitch's next of kin was deemed to have licensed the rights to the renewal term because, subsequent to renewal, he had granted the Shuberts a performance license that specified no duration; by theatrical custom, a license silent as to duration was thought to grant the full remaining term. The Shuberts were permitted to continue producing the operetta.

The case involved a transfer of the original term only with renewal vesting by operation of law in a statutory successor. The Shuberts had not received any form of putative transfer of the renewal term before its vesting; at the time of their license, the author was already dead and the transferor owned rights only in the original term. The court, therefore, found that the Shuberts had no right to continue to utilize their derivative work but for the next of kin's license; it was able to permit


\(^{22}\) This fact does not clearly appear in the *Fitch* opinion, but is set out in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484, 490 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977).

\(^{24}\) 20 F. Supp. at 315.
continued use of *My Maryland* by finding a license of the renewal term. It was not necessary to terminate the right to perform the operetta.

The next and most frequently cited case expressing the idea that rights to exploit a derivative work do not survive termination was *G. Ricordi & Co. v. Paramount Pictures, Inc.* That suit was brought to determine which of the various holders of copyright interests in *Madame Butterfly* had the right to authorize a motion picture of Puccini’s opera. The opera was based both on John Luther Long’s novel *Madame Butterfly* and on David Belasco’s play version of the novel. In 1901, Long and Belasco granted exclusive rights to Ricordi to create a libretto for an opera of the play. No renewal rights were covered by this grant. The resulting Puccini opera was copyrighted in 1904 by Ricordi and renewal rights were acquired from Puccini’s son. Copyright on Long’s novel was renewed in 1925, but copyright on Belasco’s play was not renewed and it expired in 1945. In 1932, Paramount Pictures was granted motion picture rights in both the novel and the play. The case arose as a suit by Ricordi for judgment declaring that it owned motion picture rights in the opera. The court decided that Ricordi was not entitled to movie rights because the copyright was “restricted to what was copyrightable as new matter in its operatic version”—not general use of the underlying novel.

The opinion is somewhat vague. While there is language indicating that the owner of a derivative work has no right to continue exploiting his work after transfer of rights in the underlying work is terminated, the actual holding of the case is limited to Ricordi’s right to license a further derivative work. The opinion does not state that Ricordi could

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95 189 F.2d 469 (2d Cir.), cert. denied, 342 U.S. 849 (1951). The case is popularly referred to as the “Madame Butterfly case.”
96 Different people held the copyright interests in the book, the play and the opera. The book was copyrighted as J. LONG, *MADAME BUTTERFLY* (1897).
97 The play version was written in 1900 with Long’s consent.
98 189 F.2d at 471.
99 This is because § 7 expressly provides that a copyright on a derivative work does not affect the “force or validity of any subsisting copyright upon the matter employed or any part thereof,” nor does it “imply an exclusive right to such use of the original works.” 1909 Act, supra note 1, § 7.
100 The court says, for example:

It is true that the expiration of Long’s copyright of the novel did not affect the plaintiff’s copyright of so much of the opera as was a “new work” and entitled to be independently copyrighted as such. But the plaintiff has acquired no rights under Long’s renewal of the copyright on his novel and the plaintiff’s renewal copyright of the opera gives it rights only in the new matter which it added to the novel and the play. It follows that the plaintiff is not entitled to make general use of the novel for a motion picture version of Long’s copyrighted story; it must be restricted to what was copyrightable as new matter in its operatic version.

189 F.2d at 471.
not continue to license live performances of its opera or sell copies of its score, merely that Ricordi could not “make general use of the story of the novel for a motion picture version of its opera.” The court was not, of course, faced with the question of whether to prohibit further performances of the opera. Nevertheless, one can read the case most broadly to determine that “Ricordi was held to have lost the right to exploit the underlying material as contained in the derivative work notwithstanding the fact that the derivative work was created during a time when Ricordi had a valid license from the owner of the underlying work.” It would be more accurate to take the narrower view that Ricordi lost the right to authorize a second generation derivative work based on its first generation derivative work, notwithstanding the fact that the derivative work was created when Ricordi had a valid license from the owner of the underlying work.

It should also be noted that Ricordi did not lose its rights to the underlying work through operation of the renewal provisions, but because the agreement granting it rights to make the libretto was limited by its own terms to the original term of copyright. Ricordi was not denied the renewal rights by any operation of law; but by operation of its own contract, it never received any renewal rights.

A recent case which seems to support a broad reading of Ricordi is Bartsch v. Metro-Goldwyn-Mayer, Inc. The question in that case was whether the assignee of movie rights to the musical play Maytime could authorize a television broadcast of its copyright film. The issue was not whether the derivative work owner could continue to exhibit his movie after the transfer of rights to the underlying work was terminated, but rather whether the contract granting the derivative work proprietor rights to the underlying work permitted a television performance. It was not a case in which rights had been terminated, but a case to decide if they ever had been granted at all. The court indicated that this question involved a choice between

an approach that “a license of rights in a given medium (e.g., 'motion picture rights') includes only such uses as fall within the unambiguous core meaning of the term (e.g., exhibition of motion picture film in motion picture theaters) and excludes any uses which lie within the

102 Id. at 472. This reading of the case is noted in Engel, Importation and Protection of Works of American Authors Manufactured Abroad Via the U.C.C. Exemption from Formalities: How Now Sacred Cow?, 12 BULL. COPYRIGHT Socy 83, 119-20 & n.126 (1965).
103 1 M. Nimmer, supra note 8, § 3.07[A], p. 3-24.
104 Stoll, supra note 14, at 911 n.32, explains that the court in Rohauer v. Killiam Shows, Inc., 551 F.2d 484, 488 (2d Cir.), cert. denied, 431 U.S. 949 (1977), uses the term “second generation derivative work” to describe a new work using an existing derivative work as its underlying work and “thus borrowing from the original work.”
105 391 F.2d 150 (2d Cir.), cert. denied, 393 U.S. 826 (1968).
unambiguous penumbra (e.g., exhibition of motion picture film on television)" and another [approach] whereby the "license may properly pursue any uses which may reasonably be said to fall within the medium as described in the license."\textsuperscript{106}

It chose the broader approach, because, "if the words are broad enough to cover the new use, it seems fairer that the burden of framing and negotiating an exception should fall on the grantor."\textsuperscript{107}

Of most significance for this analysis was the court's adoption of the broader view because

it provides a single person who can make the copyrighted work available to the public over the penumbral medium, whereas the narrower one involves the risk that a deadlock between the grantor and grantee might prevent the work's being shown over the new medium at all. . . . The risk that some May might find the nation's television screens bereft of the annual display of "Maytime," interlarded with the usual liberal diet of commercials, is not one a court can take lightly.\textsuperscript{108}

This implies that if the original license did not include the right to authorize a telecast of the movie, then the derivative work proprietor would be unable to utilize his derivative work in such manner because to do so would infringe the underlying work's copyright.

Again, however, the court was not faced with prohibiting any use of the derivative work. For those uses falling within the "unambiguous core" there was clearly a grant of rights. The fact that the court's opinion was premised on making the derivative work as publicly available as reasonably possible suggests that it might have experienced difficulty had the decision required prohibiting any public performances of Maytime.

Another recent case suggesting that no use will be permitted after termination is Gilliam v. American Broadcasting Companies.\textsuperscript{109} It involved a group of British writers and performers who had prepared scripts for use in a British Broadcasting Corporation (BBC) television series. Their agreement prohibited the BBC from making any alterations in the programs once they were recorded. Subsequently, the BBC, as copyright proprietors of the derivative television shows, licensed the shows for broadcast on American television. The agreement executed between the BBC and the American transferee allowed the American broadcaster to edit the programs. After the first American broadcast of the edited programs, the script-writers brought suit to enjoin the American broadcaster from further broadcasts, claiming that the "mutilation" of the

\textsuperscript{106} 391 F.2d at 155 (quoting 2 M. Nimmer, The Law of Copyright § 125.3 (1964)).
\textsuperscript{107} 391 F.2d at 155.
\textsuperscript{108} Id.
\textsuperscript{109} 538 F.2d 14 (2d Cir. 1976). The case has been popularly referred to as the "Monty Python case."
programs violated the terms of their agreement with the BBC. The

court of appeals issued a preliminary injunction, agreeing with the

writers that “the recorded program was merely a derivative work taken

from the script in which they hold the uncontested copyright.” As a

result, the BBC's use of the recorded programs, even if it owned the

copyrights in them, was “limited by the license granted to BBC by Monty

Python for use of the underlying script.” Furthermore, the court said:

[...]any ownership by BBC of the copyright in the recorded programs

would not affect the scope or ownership of the copyright in the under-

lying script.

Since the copyright in the underlying script survives intact despite

the incorporation of that work into a derivative work, one who uses

the script, even with the permission of the proprietor of the deriva-

tive work, may infringe the underlying copyright.

Again, as in Bartsch, Gilliam did not involve a situation in which

rights had been terminated; rather, it was a case deciding whether

rights for a particular use of the derivative work had ever been granted

—a contract question. The agreement granting the BBC rights to the

scripts limited the uses to which the derivative work could be put. Even

though Bartsch and Gilliam contain language indicating that a deriva-

tive work cannot be used after a grant is terminated, their specific hold-

ings do not reach that far. Furthermore, Gilliam, like Ricordi, concerned

second generation works. Because they were alterations of the BBC pro-

grams, the American broadcaster's versions were a second generation

derivative of the first generation BBC programs, which were them-

selves based on the original scripts. Thus, Gilliam does not necessarily

require that a second generation work not be used after termination.

Another group of cases lends some support to the broad reading of

Ricordi by suggesting a further limitation on utilization of a derivative

work. These cases concern use of a derivative work when its renewal

copyright has not been obtained and it has entered the public domain.

Two recent cases are instructive. Filmvideo Releasing Corp. v.

Hastings and Russell v. Price both prohibit certain uses of a deriva-

tive film when the copyright in such film has expired.

In Filmvideo Releasing, the plaintiff sought a declaratory judgment

which would permit him to exhibit seventeen Hopalong Cassidy movies

on television. The movies, based on seventeen copyrighted books, had

[10] Id. at 19.
[12] Id. at 20.
been produced under agreements with the books' author. Renewal copyrights in each of the books had been obtained and were still in effect at the time of suit. Renewal copyrights in the films had not been obtained, however, and the films were, therefore, in the public domain.\(^{118}\) It is not clear whether or not the proprietor of the films' initial copyright still held rights to use the underlying work. The plaintiff had obtained negatives of the films but, apparently, had never been a proprietor of any copyright interest in the derivative work.\(^{117}\) He sought a declaration that the films were in the public domain and available for his unrestricted use regardless of any copyright in the underlying works. The proprietors of the underlying copyrights in the books counterclaimed for an injunction to restrain the plaintiff's use of the films. The court held that the counterclaim stated a cause of action because the underlying copyrights could be infringed by telecast of the public domain derivative films.

Similarly, \textit{Russell v. Price}\(^ {118}\) concerned exhibition of a derivative film, the copyright of which had not been renewed but which was based on underlying material which was still protected.\(^ {119}\) The defendant in \textit{Russell}, a film distributor not licensed by the underlying proprietor, was renting copies of the film without authorization from the underlying work proprietor, who sued for copyright infringement. The court found that "established doctrine prevents unauthorized copying or other infringing use of the underlying work or any part of that work contained in the derivative product so long as the underlying work itself remains copyrighted."\(^ {120}\)

In both \textit{Filmvideo Releasing} and \textit{Russell} the issue was not whether the underlying copyright proprietor could veto any exhibition of the derivative work by terminating his grant of rights. Instead, the issue was whether, because the derivative work had entered the public domain, a usurper could claim the right to exhibit the films in competition with any exhibition licensed by the underlying copyright proprietor.\(^ {121}\) Furthermore, the issue of competing claims by holders of conflicting copyrights in the same work was not at issue because the derivative

\(^{116}\) See 1 M. Nimmer, supra note 8, § 3.07[C].

\(^{117}\) He had a possessory interest in the negatives and had obtained them from a foreign distributor of the films. 426 F. Supp. at 692.

\(^{118}\) 612 F.2d 1123 (9th Cir. 1980), aff'g 448 F. Supp. 303 (C.D. Cal. 1977).

\(^{119}\) The underlying work, George Bernard Shaw's play \textit{Pygmalion}, copyrighted in 1913, was renewed in 1941. A motion picture version of the play was produced in 1938 under license from Shaw but the copyright was allowed to expire in 1966. It is not clear when or if the original film rights agreement had terminated, but the play proprietors had licensed an exclusive distributor for the film. \textit{Id.} at 1125.

\(^{120}\) \textit{Id.} at 1128 (footnotes omitted).

\(^{121}\) Indeed, in \textit{Russell} the underlying proprietor had licensed another to be the exclusive distributor and the case concerned competing exhibition. \textit{Id.} at 1125.
The New Property Right Theory

Three cases stand opposed to the theory that derivative works cannot be used after termination of the underlying transfer. Edmonds v. Stern first advanced what has been called the "new property right" theory. In Edmonds, the plaintiff had composed the lyrics and music of a song which he sold to the defendant. The defendant copyrighted the song and, with the composer's consent, used it as part of an operetta. With the composer's further consent, the defendant copyrighted separately an orchestral medley of the operetta music. This orchestral medley contained a version of the melody of the song. Several years later, the defendant, in settlement of some other litigation with the composer, conveyed back to him the copyright to the song in question. The defendant continued to sell copies of the orchestral medley, but apparently withdrew from sale the lyrics and music to the song. The composer sued, claiming that the sale of the orchestral arrangement infringed his copyright in the underlying song. The court disagreed, holding that there was no infringement because the parties did not intend by their transfer of the underlying copyright to "lessen or change defendant's enjoyment of the score copyright," and because the transfer back to the composer "had no effect whatever on the copyright of the operatic score theretofore taken out." In discussing the second ground, the court said that when the composer consented to use of his medley in the orchestration, "a right of property sprang into existence, not at all affected by the conveyance of any other right." It then decided that

128 The Russell court recognized this by stating:
[W]hatever place sympathy for the position of creators of derivative works might properly have, ... the defendants here can take advantage of none, having contributed nothing to the production of the film "Pygmalion".

Nor is it apparent ... that such sympathy should have any place at all when the independent copyright on the derivative work has been allowed to expire. For then there is no longer a conflict between two copyrights, each apparently granting "their proprietors overlapping 'exclusive' rights to use whatever underlying material ... had been incorporated into the derivative film."

Id. at 1127-28 (quoting Note, supra note 87, at 912).
129 248 F. 897 (2d Cir. 1918).
127 1 M. NIMMER, supra note 8, § 3.07[A], p. 3-23.
126 246 F. at 899.
127 Id.
128 Id.
defendants were entitled to continue selling the orchestral medley without limitation. There was, therefore, no need to reach the question of whether defendants were entitled to sell copies of the song printed before the assignment of the copyright.

*Edmonds* is precisely on point. The right to use the underlying work had been lost by the derivative work owner, but the derivative work had been prepared before the underlying rights were lost. Although the derivative work necessarily incorporated part of the underlying work, the court permitted the proprietor of the derivative work to continue to sell copies of the derivative work.

It is true that the alternate ground could have been sufficient to support the court's ruling. It appears that what the court meant by there being an intent "not to lessen or change defendant's enjoyment of the score copyright" is that the author had implicitly granted the defendant sufficient right to continue selling the orchestral medley. The court stated: "[T]he transaction by its nature is strong evidence of plaintiff's continued acquiescence, and approbation in defendant's ownership and enjoyment of the orchestral arrangement." Nevertheless, on either ground, the court was sensitive to the dilemma presented and refused to enjoin the continued, noninfringing use by the derivative holder.

The second case to support this view is *Sunset Securities Co. v. Coward McCann, Inc.* which involved a 1944 agreement transferring rights to make a movie from the novel *Prelude to Night* and limiting those rights to a term of ten years. The agreement stated that the rights would revert to seller at the end of the ten years unless the purchaser paid an additional $25,000. The movie rights could be obtained "in perpetuity" only upon payment of that $25,000. In 1948, a film based on the novel was produced and copyrighted; however, the $25,000 was never paid. The mortgagee of the film filed an action to quiet its title in the film, but the owner of the underlying work, relying on the 1944 agreement, sought a declaration that it was entitled to ownership of the film instead. The underlying owner's theory was that, since the $25,000 was not paid as agreed upon at the end of the ten year period, the motion picture rights automatically reverted to the owner of the original work's copyright. The court concluded that the purchaser, not the proprietor of the underlying work, had title to the film and the

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129 *Id.*

130 297 P.2d 137 (Cal. 1956), vacated on other grounds, 47 Cal. 2d 907, 306 P.2d 177 (1957).

131 The option stated that the rights would revert to the seller "unless Purchaser shall elect to pay to Owner on or before the expiration of . . . ten years, an additional sum of $25,000, in which event Purchaser shall acquire, absolutely and in perpetuity, all rights in and to the Property herein granted." *Id.* at 138.

132 *Id.* at 139.
film's copyright. The decision was based on two grounds: first, the separate copyright of the film could not revert to the underlying owner because it lasted longer than the ten year period; and second, even if the film rights reverted to the original owner after ten years, the defendant would not be entitled to possession of the film made pursuant to the agreement. The court said: "Not only did defendant not sell a film to American-International but nothing in the agreement suggests that the parties intended defendant to have any right, title or interest in and to any film made pursuant to the agreement." Furthermore, the court stated:

[T]he right to make additional films based on the novel reverts to defendant at the expiration of ten years. But since defendant originally conveyed only the right to make, copyright and exploit a film based on Prelude to Night, the rights in and to the film itself, together with the copyright to Ruthless and the right to exploit Ruthless remains in American-International and its successors without limitation as to time.

While the court seems to have confused ownership of the physical property, the film, with ownership of rights to exploit it, it is nevertheless true that the decision illustrates a profound sensitivity to the problem of prohibiting any further exploitation by the derivative work holder—especially since the rights were not terminated by operation of law but by contract.

The first case to articulate a fully reasoned theory for permitting continued use is the recent and important Rohauer v. Killiam Shows, Inc. Rohauer concerned the right to televisé the Rudolph Valentino film The Son of the Sheik. Mrs. Edith Hull, author of the novel on which the film was based and owner of the novel's original term of copyright, granted movie rights to the predecessors in interest of defendant, Killiam Shows, Inc. She granted all movie rights in the novel, together with the sole and exclusive right to make a movie version of it, the right to secure copyright on the resulting film and the right to exploit the film. Mrs. Hull also agreed to renew the novel's copyright and to assign the renewal to the purchaser. The film was produced, copyrighted and renewed by Killiam's predecessors. Unfortunately, Mrs. Hull died before the renewal term of the novel's copyright vested. Copyright on her novel was renewed by her daughter and in 1965 her

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133 Id. at 140.
134 Id. at 140-41.
136 The film was released for exhibition in 1926. 551 F.2d at 486.
137 Killiam Shows was apparently a movie exhibitor or distributor. See id.
138 Id.
daughter assigned all movie and television rights to the plaintiff, Rohauer. In 1971, the Valentino film was shown on television, a print having been made available by Killiam. No license for this broadcast was obtained from Rohauer or Mrs. Hull's daughter. Rohauer claimed that Killiam no longer had any right to authorize exhibition of its film because the original term of copyright in the novel, upon which Killiam based his claim, had expired and Killiam had received no rights under the renewal term. Killiam, however, claimed that, though no new movie version could be made, the original grant entitled him and his predecessors to renew the film's copyright and continue exploiting it.

The court ruled in favor of Killiam, even though it conceded that the author's daughter was entitled to claim the renewal term. It found first that the "force or validity" clause of section 7 of the 1909 Act did not apply here. The Rohauer court next distinguished Fitch and Ricordi as dealing with rights expressly granted only for the first term; the agreements in those cases never purported to grant the renewal term. Therefore, the court said:

[W]e have been cited to no case holding that the inability of an author to carry out his promise to effect a renewal of a copyright because of his death prior to the date for obtaining renewal terminates as a matter of copyright law the right of a holder of a derivative copyright to continue to publish a derivative work copyrighted before the author's death on which the copyright was thereafter renewed.

In resolving the conflict between the derivative copyright granted in section 7 and renewals granted in section 24, the court relied on policy considerations, determining that the "equities lie preponderantly in favor of the proprietor of the derivative copyright." It recognized that "a person who . . . has created an opera or a motion picture film will often have made contributions literary, musical and economic, as great as or greater than the original author" and that a derivative user has no effective way to protect himself against the author's death before the renewal period.

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139 That clause provides: "[T]he publication of any such new works [i.e., derivative works] shall not affect the force or validity of any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works." 1909 Act, supra note 1, § 7.
140 The court stated that this clause was intended only to protect the proprietor of the underlying copyright against two specific risks: 1) the risk that a derivative copyright would be construed to grant exclusive rights to the derivative copyright holder (such were to be granted only by contract); and 2) the risk that the derivative copyright holder might let his work fall into the public domain and thereby impair the underlying copyright. 551 F.2d at 489.
141 Id. at 491.
142 Id. at 493.
143 Id.
144 The derivative user cannot tell who will be surviving statutory successors prior to the author's death.
This suggests that the court may have been troubled by two other considerations receiving only implicit recognition. The contributions of the author of the derivative work are most significant in terms of the public interest in continuing access to important works—derivative or original. Certainly, it would be unfortunate for the author of a derivative work to lose the reward for his work, but the greater loss is the public's if, in fact, the second author's contributions are "as great or greater" than the original author's.\textsuperscript{145}

The \textit{Rohauer} court's second implicit recognition concerns the fact that the derivative user is unable to protect himself because of the copyright law itself. Copyright law makes an author's transfer of renewal rights potentially ineffective, and thus removes any certainty that the derivative user's creative effort will be rewarded. Even if the derivative user tries to buy full protection for himself by purchasing renewal rights from the author and renewal expectancies from apparent successors, he may fail because the successors change through operation of the copyright law.\textsuperscript{146}

Theories for Harmonizing the Decisions

It is possible to reconcile those opinions holding that no right to use the derivative work survives termination of the underlying copyright grant with those holding that utilization of the derivative work is permitted. In effecting this reconciliation it is necessary to examine two distinctions being drawn by the courts; these distinctions are those drawn between the termination device employed and between the use of the derivative work that is contemplated. Underlying both distinctions is the attempt to resolve the basic tension between author protection and public access.

\textsuperscript{145} The court in \textit{Rohauer} was careful to distinguish between a transferee who "has done nothing more than print, publicize and distribute a copyrighted story or novel" and one who has created a new derivative work. 551 F.2d at 493. Professor Kaplan, speaking of the dual copyright interest in encouraging creation as well as disseminating ideas, has noted that "copyright has evidently more to do today with mobilising the profit-propelled apparatus of dissemination—publication and distribution—than with calling the signals into first unpublished existence." B. Kaplan, \textit{supra} note 43, at 75. As he notes, the serious danger from certain copyright policies is the danger of hobbling unduly the reception and enjoyment of the signals by their potential audience, or of clogging the utilization of the signals by other authors in the creation of further or improved signals for additional audiences . . . . Publication without easy access to the produce would defeat the social purpose of copyright already mentioned as primary. \textit{Id.}

\textsuperscript{146} Under § 24, if the author's spouse or children are not living, then his executors or, in the absence of a will, his next of kin shall be the statutory successors. 1909 Act, \textit{supra} note 1, § 24. If a derivative user obtains renewal expectancies from, for example, all known children, and another is born, the attempt to secure continuing rights may be defeated.
Courts are sensitive to the device used to terminate rights to exploit a derivative work. There are three ways in which a derivative user loses rights to exploit his work under the 1909 Act:

1) by operation of the contract granting him rights to the underlying work;
2) by his failure to renew the copyright on his derivative work and its consequential dedication to the public; and
3) by operation of the renewal provisions so as to vest the renewal copyright in a new proprietor and terminate any prior grants for the renewal period.

Fitch, Ricordi, Bartsch and Gilliam indicate that when rights to the underlying work are lost by operation of contract, the derivative work may not be exploited further. Filmvideo Releasing and Russell v. Price indicate that when a derivative proprietor fails to renew copyright in his work, a subsisting copyright in the underlying work will limit use of the derivative work. Rohauer stands for the proposition that when rights are lost because copyright law vests the renewal period in another, then the derivative work may be exploited further—at least, to an extent. The two cases which do not support this distinction are Sunset and Edmonds, both of which permitted continued use of the derivative works even though the rights were terminated by contract. Edmonds, of course, involved an alternate decisional ground, so it does not itself defeat this theory. Also, Edmonds did not involve a grant of rights which terminated the transfer by its own terms. Instead, the derivative work proprietor, owning the underlying copyright, transferred it back to the author. Even though the rights were lost by contract, they were not lost by operation of the original contract granting limited rights to create and exploit a derivative work. They were lost under a contract transferring the full underlying copyright. 

Sunset is more problematical because the opinion is confused. The case admittedly stands for the proposition that the owner of an underlying copyright does not obtain rights in a derivative work merely because rights to the underlying work are terminated; but that is not the issue. It is not clear that the case represents anything beyond the right to title in the film, since it was a quiet title action.

147 20 F. Supp. at 316; see notes 92-94 & accompanying text supra.
148 189 F.2d at 471; see notes 95-104 & accompanying text supra.
149 391 F.2d at 155; see notes 105-08 & accompanying text supra.
150 538 F.2d at 21; see notes 109-12 & accompanying text supra.
151 426 F. Supp at 685; see notes 113-17, 121-23 & accompanying text supra.
152 512 F.2d at 1128; see notes 118-23 & accompanying text supra.
153 551 F.2d at 494; see notes 135-46 & accompanying text supra.
154 297 P.2d 137; see notes 130-34 & accompanying text supra.
155 248 F. 897; see notes 124-29 & accompanying text supra.
In a sense, termination of the underlying rights through operation of contract and failing to obtain renewal in the derivative work involve conscious choice and volition on the part of the derivative proprietor. It can be assumed that failure to obtain full rights under the contract, as well as failure to renew, indicate a decision that the derivative work is or will be of little continuing value. The additional contribution of the derivative proprietor is likely to be minimal in such case. This is very different from the situation that arises when the derivative user is subject to the chance operation of the 1909 Act renewal provisions and has no way to avoid its operation.

The Rohauer court relies on this distinction\(^{156}\) and distinguishes Fitch and Ricordi on that basis.\(^{157}\) Furthermore, it asserts that the derivative rights purchaser has no protection under the 1909 Act's renewal provisions and that the provisions "may operate in a peculiarly perverse way where on the faith of a transfer from the now-deceased author, the transferee has created a 'derivative work,' say a movie based on the original novel."\(^{158}\) This suggests that it was the copyright law's involvement in terminating the derivative user's rights that concerned the court.

The distinction is not unprincipled. Copyright policy might dictate permitting an underlying owner to limit by agreement the uses to which his work may be put or the time period during which such use may be had. After all, copyright is still a monopoly favoring the original author's exploitation of his work. In addition, copyright policy might dictate an underlying proprietor's right to limit usurping uses of a derivative work which its proprietor failed to renew. On the other hand, copyright policy could also dictate permitting use of the derivative work when the original author did not attempt to limit his transfer and it is only copyright law that terminates the transfer. The distinction derives from copyright law's twin objectives of rewarding creative endeavor while ensuring public access to new ideas. Copyright policy can serve the reward function by permitting contractual limitations on derivative work use and by restricting usurpation of public domain derivative works. Any resulting "deadlock" that deprives the public of access is an unfortunate, but probably minimal, result of permitting the author's monopoly. Derivative works prepared under licenses subject to time and use limitations or dedicated to the public are much less likely to involve the significant extra effort and investment common in other

\(^{156}\) The Rohauer court was concerned by this, as is suggested by its emphasis on the fact that it was "as a matter of copyright law" that the rights to the underlying work were being terminated. 551 F.2d at 491-92.

\(^{157}\) Id. at 490.

\(^{158}\) B. Kaplan, supra note 43, at 112.
derivative works. However, when the copyright act itself, through its "peculiarly perverse" renewal provisions, operates to frustrate the public interest, copyright policy must reach a different result.\textsuperscript{159}

No court has actually prohibited all further exploitation of an important derivative work. Although \textit{Ricordi} and \textit{Fitch} suggested that prohibiting the use of the derivative work should follow, neither case reached that result in its holding. \textit{Filmvideo Releasing} and \textit{Russell} permitted utilization by the underlying proprietor. \textit{Rohauer}, the first case confronting the issue, permitted continued use.\textsuperscript{160} \textit{Gilliam} did not prohibit use of the derivative work itself; rather, that court would have permitted the American broadcaster to show the Monty Python series as originally recorded. What was prohibited was creating a second generation, "mutilated" version of the BBC programs. Thus, it seems that courts have been sensitive to the public access policy.

The second distinction drawn in these cases concerns the use to which the derivative work is put. They appear to distinguish, first, between copies and new derivative works. The two cases\textsuperscript{161} dealing with second generation uses denied such use to the derivative copyright holder. On the other hand, in all cases which dealt with a first generation use, some continued use was permitted. \textit{Ricordi} concerned authorization to make a movie version of the opera; such use was held unauthorized absent a continuing grant from the underlying copyright holder. \textit{Gilliam} enjoined performance of the "mutilated" version of the recorded Monty Python programs, while indicating that continued showing of the unaltered second generation programs was not prohibited.\textsuperscript{162} In contrast, the unchanged second generation works in \textit{Fitch}, \textit{Bartsch}, \textit{Edmonds} and \textit{Sunset} were allowed to be used as originally contemplated.\textsuperscript{163} Even though

\textsuperscript{159} It is particularly perverse because it operates even in the face of an author's expressed willingness to grant the renewal term. It could be argued that the Supreme Court has mandated the "peculiarly perverse" result by its holding in Miller Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373 (1960). There, the Court held that a purported grant of renewal rights may be invalid because it is only an expectancy. The Court said: "A purchaser of such an interest is deprived of nothing. Like all purchasers of contingent interests, he takes subject to the possibility that the contingency may not occur." \textit{Id.} at 378.

In reply, it can be argued that even if the Court mandated that the derivative user must take the risk that he may not be able to retain the full underlying bundle of granted rights (including rights to create new works as well as exploit previously prepared ones), the Court's holding does not require that the derivative user assume the risk that all uses of a completed work may be lost.

\textsuperscript{160} 551 F.2d 484 (2d Cir.), \textit{cert. denied}, 431 U.S. 949 (1977).


\textsuperscript{162} Of course, such usage of the recorded programs was clearly not a violation of the scriptwriters' agreement with the BBC, so this does not mean that continued showing of the second generation work would necessarily be permitted, absent a grant from the screenwriters.

\textsuperscript{163} The same may also be true in "Russell v. Price, 612 F.2d 1123 (9th Cir. 1980), and Filmvideo Releasing Corp. v. Hastings, 426 F. Supp. 690 (S.D.N.Y. 1976)."
Rohauer sanctioned some alteration in *The Son of the Sheik*, it only allowed the addition of a few subtitles and some new music.\textsuperscript{144} The court considered this insufficient to make it a new work.\textsuperscript{145} The decision can be interpreted to mean that, even with those small changes, the use permitted was only a copying. Of course, the line between a copy and a new derivative work is a fine one, but the distinction nevertheless appears to have influenced the courts.

An additional distinction deals with the medium in which the derivative work is to be exploited. The derivative works in *Rohauer* and *Bartsch*, though used without alteration, were used in a new medium, television, which, even if within the possible contemplation of the author when the underlying grant was made, was certainly not the main use which was contemplated—exhibition in motion picture theatres. The *Rohauer* court managed to bootstrap permissible use of the movie in a new medium into an argument for labeling the videotape version a copy and not a new derivative work. While agreeing that no new third generation version could be permitted, it held that there was no infringement in creating a videotape copy of the movie for television transmission.\textsuperscript{146} The court found that such copy was “necessary for television transmission”\textsuperscript{147} and, hence, not a new version of the film.

Despite this, it appears that cases permitting continued use of the derivative work do not intend that a portion of the underlying owner's copyright be thereby dedicated to the derivative work owner. It appears that they do intend either to define certain uses by the derivative work owner as noninfringing or to create a defense to a claim of infringement for certain uses. Derivative proprietors have not been allowed to exploit their derivative works by creating new derivative works, even though the original grant of rights permitted such further creation. This indicates that the rights under copyright originally granted to the derivative user are not being dedicated to him. Instead, the courts seem to be establishing a doctrine similar to the fair use doctrine under which acts which would ordinarily constitute infringement may be immune from liability even though the fair user has no claim to ownership of rights under the copyright.\textsuperscript{148}

\textsuperscript{144} The addition of new music may have been outside the purview of the underlying copyright anyway.

\textsuperscript{145} 551 F.2d at 494 n.12.

\textsuperscript{146} Id. at 494.

\textsuperscript{147} Id.

\textsuperscript{148} Under the 1909 Act, courts have long recognized that certain acts of copying are defensible under a judicial fair use defense. 3 M. Nimmer, supra note 8, § 13.05; see, e.g., Williams & Wilkins Co. v. United States, 487 F.2d 1345 (Ct. Cl. 1973). Nimmer has argued that “fair use is a defense not because of the absence of substantial similarity but rather despite the fact that the similarity is substantial.” M. Nimmer, supra note 8, § 13.05, p. 13-50. The fair use doctrine is now expressly recognized in the 1976 Act, supra note 3, § 107.
If, in fact, these distinctions have influenced court decisions, it is necessary to consider them in light of the new derivative works exceptions in sections 203(b)(1) and 304(c)(6)(A) of the 1976 Act, because the distinctions drawn in three cases closely parallel the statutory distinctions. Courts dealing with the 1909 Act seem to have reached the same solution Congress did in enacting the termination of transfer provisions and the derivative works exceptions. This suggests that, to the extent the 1909 Act must be relied on in the future, it is proper to continue the judicial derivative works exception, because it recognizes an increasingly troublesome practical problem never contemplated by the framers of the 1909 Act. Section 203(b)(1) and section 304(c)(6)(A) state:

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.

That this exception enacts the same distinctions made in cases under the 1909 Act is apparent from a comparison of those distinctions with the statutory exception.

First, the derivative works exception continues to distinguish between terminations brought about by operation of law and those resulting from their own terms or by failure to renew the derivative work. Transfers limited in time by their own terms are permitted under the 1976 Act and the House Report states: "If, for example, an agreement provides an earlier termination date or lesser duration, or if it allows the author the right of cancelling or terminating the agreement under certain circumstances, the duration is governed by the agreement." The derivative works exception is codified in sections 203 and 304, which deal with statutory terminations of transfers, not with contractual limitations. Since no derivative works exception is included for con-

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169 The Rohauer court, in fact, partially based its decision on the policy considerations embodied in the derivative works exception, finding in § 203(b)(1) "evidence of a belief on the part of Congress of the need for special protection for derivative works." 551 F.2d at 494.

170 1976 Act, supra note 3, §§ 203(b)(1), 304(c)(6)(A). The grant referred to is an "exclusive or non-exclusive grant of a transfer or license of copyright or any right under copyright." Id. § 203(a). The § 203 exception applies only to inter vivos transfers or licenses executed by the author, and not his successors. H.R. Rep., supra note 16, at 125. The § 304 exception applies to transfers and licenses executed by the author or renewal beneficiaries under the 1909 Act. Id. at 140.

171 The "transfer of copyright ownership" provision contained in § 101 applies "whether or not it [the transfer] is limited in time or place of effect." 1976 Act, supra note 3, § 101.

172 H.R. Rep., supra note 16, at 128. A virtually identical statement is made regarding § 304. Id. at 142.
tractual terminations, it can be inferred that none was intended. As the House Report states: "Nothing contained in this section [203] or elsewhere in this legislation is intended to extend the duration of any license, transfer or assignment made for a period of less than thirty-five years."173

The 1976 Act intends to permit no further use of a derivative work after a contractual loss of rights to the underlying work. Under the 1976 Act the problem of failing to obtain renewal of the derivative copyright will not arise because the renewal system is eliminated in favor of a unitary term.174 The 1976 Act does expressly permit continued "utilization" of a derivative work if rights to the underlying work are lost through operation of the termination of transfer provisions in the copyright law. This is consistent with the distinction explicitly drawn in Rohauer and implicit in the other cases dealing with the issue under the 1909 Act.

The enactment of a derivative works exception with respect to terminations occurring by operation of law suggests that Congress was sensitive to the deadlock problem recognized by the courts.175 The extent of this sensitivity can be measured by the scope of the derivative works exception. The 1976 Act neither tries "to effect any fine balance according to the importance of the derivative work or the degree to which it is based upon the earlier work,"176 nor attempts to describe the scope of "utilization" permitted under the derivative works exception. Congress did not limit the derivative works exception to important works or to marginally derivative works. This implies that Congress felt it more important to make derivative works available, regardless of their importance, than to restrict the exception.

173 Id.
174 Nolan states that "the right of termination was fought tooth and nail by the motion picture industry." Nolan, supra note 14, at 32. Furthermore, "to obtain industry support for at least some form of termination right, some concessions had to be made." Id. One of those concessions was the derivative works exception. This suggests that Congress had been made sensitive to the deadlock problem and intended some relief by enacting the derivative works exception. Curtis has characterized the derivative works exception as embodying a sensitivity to the problem, by stating:

The Code [1976 Act] thus recognizes that a "derivative work" frequently involves significant authorship by the derivative user and that it may be unfair to prohibit all further use of such work after termination or to subject its creator to the possibly exorbitant demands of the owner of an underlying work. Indeed, the derivative work thus lost to the public might be far more important than the underlying work (for example, an opera using the storyline of a long-forgotten novel).

Curtis, supra note 14, at 55.

Despite statutory language that derivative copyrights cover only new material, the 1976 Act exempts utilization of derivative works, including material from the underlying work. See Note, supra note 29, at 648. Compare 1976 Act, supra note 3, § 103(b) and id. § 203(b)(1) with id. § 304(c)(6)(A).

175 Curtis, supra note 14, at 55.
The policy of making derivative works accessible will depend on the meaning given to the phrase "may continue to be utilized." Congress explicitly recognized distinctions in the various uses to which a derivative work may be put in the statutory exception, which states: "[T]his privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant." The 1976 Act, then, distinguishes "utilization" and "preparation of other derivative works." This parallels the distinction between first and second generation works drawn by cases under the 1909 Act. The House Report offers little guidance to the scope of this distinction, but does state that "a film made from a play could continue to be licensed for performance after the motion picture contract had been terminated but any remake rights covered by the contract would be cut off." It apparently makes no difference that the permitted utilization may, after termination, directly compete with any new derivative use authorized by the terminating author. Curtis argues that this distinction prohibits preparation of new derivative works after termination "even though such new works may use nothing more of the author's work than the grantee's original derivative work." The cases under the 1909 Act do not seem to make this distinction either.

Since the derivative works exception in the 1976 Act embodies distinctions which courts interpreting the 1909 Act were also making, it is logical to refer to those decisions in interpreting the 1976 Act. It should be noted that in one context the solutions reached under the 1909 Act will still be law. Copyrights in their first term on January 1, 1978 will still be entitled to a renewal and extension of the copyright under section 304(a). Since the House Report said that section 304(a) "reenacts and preserves the renewal provision . . . in section 24 of the statute, for all . . . works presently in their first 28-year term," it

176 Act, supra note 3, §§ 203(b)(1), 304(c)(6)(A).
177 Id.
179 Curtis, supra note 14, at 56.
180 Id. at 57.
181 As the Rohauer court acknowledged in relying on the 1976 Act's policies and accommodations, the provisions of one act "cannot be read as varying clear provisions" of the other act in cases to which the former act does not apply. 551 F.2d at 494. But, where the two acts are not explicitly inconsistent, solutions reached and reasoning applied under one act may be particularly useful in interpreting the other.
182 This renewal and extension will, however, be for a term longer than the 28 year renewal provided under the 1909 Act. 1976 Act, supra note 3, § 304(a). As a result, such works may be subject to renewal terminations under § 304(a) as well as terminations of the extended renewal terms under § 304(c).
seems that prior decisions interpreting the 1909 Act renewal provisions will be binding.\(^{185}\)

Professor Nimmer argues that the 1976 Act fails to expressly provide for a continued utilization right in the renewal context and that this suggests that such was not intended under the current 1909 Act.\(^{186}\) Aside from the usual difficulties of reading any meaning into silence, there is the added problem that Congress could hardly have been concerned with altering the old law when it was rectifying apparent errors in a new law. Furthermore, Congress may have been relying on a perceived judicial works exception under the 1909 Act.

**ACTIVITIES CONSTITUTING NONINFRINGEMENT “UTILIZATION”**

Determining whether a movie producer will be permitted to exploit his derivative work in a particular way after termination of the author’s transfer to him requires answering three questions: first, does the use involve a right under copyright?; second, does the use constitute preparation of a new derivative work?; and third, does the contemplated use constitute continued “utilization” of the derivative work?

The first requirement, that the right at issue be a right under copyright, is not a requirement of the derivative works exception itself, but of the termination of transfer provisions. Section 203(b)(5) and section 304(c)(6)(E) state that “termination of a grant under this section affects only those rights covered by the grants that arise under this title.” Section 203(b) says that all rights “under this title” and covered by the terminated grants will revert; section 203(a) indicates that the exclusive or nonexclusive grant of “any right under a copyright” is subject to termination. Section 304(c) provides that the renewal copyright or “any right under it” are terminable. There is some ambiguity as to whether the phrases “under this section,” “under this title” and “under a copyright” connote anything different from the phrase “right comprised in a copyright” used elsewhere in the new Act,\(^{187}\) but this discussion assumes that if a particular right has been considered a contract right rather than a copyright under prior law and that no change is indicated in the 1976 Act, then it will be nonterminable.

If the right granted is a right under copyright, then two questions must be considered. The first question is whether the contemplated use

\(^{185}\) The only change in the § 304 renewal provisions tracking § 24 of the 1909 Act concerns the definition of a “posthumous work.” *Id.* at 139. Therefore, decisions concerning the effect of § 24 on the use of a derivative work created under a grant which purported to include renewal rights as well should remain law.

\(^{186}\) 1 M. Nimmer, *supra* note 8, § 3.07[A], p. 3-31.

\(^{187}\) See 1976 Act, *supra* note 3, § 201(b) (works made for hire); *id.* § 101 (definitions).
of the derivative work constitutes preparation of a new derivative work based on the underlying work. This requirement is found in the second clause of the derivative works exception, which states that the right to utilize after termination "does not extend to the preparation after termination of other derivative works." Of course, if a new work is prepared based on the derivative work but using no part of the underlying work, it would be permitted since it would not be derived from the original work.

Second, it is not clear whether "utilization" and "preparation of another derivative work" are meant to be mutually exclusive categories but, as the law is written, both questions must be answered correctly to continue the use. If the use involves creation of a new derivative work or if the use is not deemed a "utilization," it will be prohibited. As noted above, the Rohauer court bootstrapped a use deemed not to create a new derivative work into a permissible "utilization." Such an argument is also possible under the 1976 Act.

Following is a discussion of various important rights typically acquired by a movie producer for production of a derivative work. The rights are examined to determine if specific uses deriving thereunder will be permitted regardless of termination. This discussion assumes that the rights have been clearly granted to the producer; ambiguous grants are not implicated. The question is whether termination alone will prohibit further use.

Production Rights

Synchronization Rights

A movie producer who wishes to use music on a soundtrack must acquire two rights in the music: first, the right to perform publicly the music recorded on the soundtrack (a performing right); and second, the right to record the music onto the soundtrack in synchronization or timed relation to the visual aspect of the movie (a synchronization right). The synchronization right was not referred to in the 1909 Act and its statutory source is not clear. However, two courts have interpreted section 1(e) of the 1909 Act as granting the copyright owner of a

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184 Id. §§ 203(b)(1), 304(c)(6)(A).
185 See text accompanying note 166 supra.
187 See Nolan, supra note 14, at 22-23.
song the exclusive right to record his music on a soundtrack. The synchronization right also falls within the 1976 Act's exclusive right to reproduce provision contained in section 106(1). Since the synchronization right is a right under copyright, it is terminable.

The effect of termination is not obvious, because it is not clear whether the synchronization right is implicated every time a print of the movie is made, or only once, at the outset, when the master soundtrack is first constructed. If the synchronization right is required only to lay down the master soundtrack, then the synchronization license from the music owner is a one time license and termination of the license will be irrelevant to continued use of the movie. If synchronization is a one time right, prints of the movie soundtrack produced after termination of the synchronization license cannot infringe the copyright in the synchronized music because manufacture of these copies does not require resynchronization of the music.

If, on the other hand, the right to synchronize is implicated every time any print of the soundtrack is made then the synchronization license is a continuing license and termination of the grant could require that no further prints of any kind be made of the soundtrack. That is,

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192 Foreign & Domestic Music Corp. v. Licht, 196 F.2d 627, 629 (2d Cir. 1952); Famous Music Corp. v. Metz, 28 F. Supp. 767, 769 (W.D. La. 1939).
193 This provision grants a copyright owner the exclusive right to "reproduce the copyrighted work in copies or phonorecords." 1976 Act, supra note 3, § 106(1).
194 This would be a problem only if the master soundtrack had not been recorded before termination was effective, that is, if the licensee had never exercised his one time use. Of course, in such case, no derivative work (soundtrack) will have been created either.
195 There is no case law on these issues. It seems to follow automatically that if the synchronization right is required only to lay down the master soundtrack then prints of the track onto film do not constitute a resynchronization. It is not clear, though, that making copies in other media, such as videotapes of a film, should also not require an additional synchronization license. Rohauer may be dispositive of the question. The Rohauer court expressly held that a videotape of a movie for television transmission was not a new version of the original film and, hence, copying the film onto videotape did not constitute an infringement. 551 F.2d at 494-95 & n.13. This implies that copying a film's soundtrack onto a videotape does not infringe the synchronization right of the underlying music's owner. Since the film involved in Rohauer was a silent film, though, it is not clear that the opinion can be read to involve soundtrack synchronization rights. Motion picture studios apparently assume that synchronization is a one time right and operate accordingly.
196 The question involved here is not merely academic. Scores are specially composed for many films by a composer employed by the producer. In such case, the resulting music is a work for hire and all rights under copyright in the music vest in the producer under §§ 24 and 26 of the 1909 Act, supra note 1, and § 201(a) of the 1976 Act, supra note 3. No synchronization license problems arise with respect to such works because the rights are not terminable.

However, incidental music is unlikely to be specially composed for the movie. Instead, synchronization and performance rights in the music will be obtained from the proprietor of the specific song desired. Furthermore, some movie soundtracks are made of a series of popular songs each of which requires separate synchronization and performance licenses. For such soundtracks, termination could be a serious problem which might necessitate limiting exploitation of the movie, paying additional expensive royalties or bearing the risk
it can be argued that each time a print of the film and soundtrack are made, the music is resynchronized onto the film and, hence, a continuing license for such copying is required. Under this theory, termination could have a serious impact, so that the derivative works exception must be examined.

If copying a film's master soundtrack onto new prints constitutes preparation of a new derivative work, then termination of the synchronization right would require that only copies of the soundtrack prepared prior to termination be used thereafter; copies prepared after termination would infringe the music copyright owner's right of reproduction. Alternatively, one could argue that so long as the master soundtrack remains unaltered, prints thereof are not new derivative works; they are only copies of the existing derivative work. Under this theory, even if the synchronization license were terminated, further prints of the soundtrack might be permitted as a continued utilization of the basic derivative work.

The second view is preferable since unaltered copies of the master soundtrack are not further derivative works, but are necessary to continue performance utilization through theatrical exhibition. Because continued performance utilization of movies is clearly intended by the authors of the 1976 Act, making the copies necessary for such exhibition should not constitute creation of a new derivative work in violation of the derivative works exception.

Script Rights

The right to record the script is, as are music synchronization rights,
a right of reproduction. Virtually all film scripts are either works for hire or commissioned works and, therefore, exempt from termination.

For those outside the works for hire doctrine, the analysis is similar to that under synchronization rights.

Character and Sequel Rights

Typically, a motion picture rights agreement for use of a copyrighted literary work will include a grant of rights to use the characters represented in the literary work and to make sequel versions of the underlying story. These rights are interrelated, since sequel rights are generally thought to be in the nature of character rights. It is with respect to such grants that the most interesting problems involving the derivative works exception are likely to arise. The first problem is that it is not at all clear that characters are copyrightable. Second, it is in this area that draftsmen are likely to make the greatest efforts to protect the underlying work owner from losing very valuable rights through operation of the derivative works exception.

Since courts disagree about whether characters are copyrightable, such rights may not be terminable under sections 203 and 304 because they are not rights under copyright. Grants of those rights may be subject to the contract terms of the grant only. If character and sequel rights are not rights under copyright, they will be terminable only if so stated in the rights agreement. If such rights are rights under copyright, the termination provisions will apply and the questions of creating a new derivative work and continued utilization arise.

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199 It must be noted that Congress did not intend that use of previously prepared works in a derivative work would thereby convert the derivative work into a joint work and make the authors of the underlying works coauthors of the movie. The House Report states: "In this case, the motion picture is a derivative work . . . and section 103 makes plain that copyright in a derivative work is independent of, and does not enlarge the scope of rights in, any pre-existing material incorporated in it." H.R. Rep., supra note 16, at 120.


201 See J. Taubman, supra note 23, at 10; Stein, supra note 14, at 1160.

202 See supra note 8, § 2.12.

203 Compare, e.g., Nichols v. Universal Pictures Corp., 45 F.2d 119 (2d Cir. 1930) with Warner Bros. Pictures, Inc. v. Columbia Broadcasting Sys., Inc., 216 F.2d 945 (9th Cir. 1954) (the "Sam Spade case"). See also 1 M. Nimmer, supra note 8, § 2.12.

204 This suggests that differences of interpretation among jurisdictions will affect rights agreements and the resulting permissible utilization of derivative works. The same contract language may have vastly different consequences for the derivative user in different jurisdictions.
Because of the confusion, agreements granting such rights usually spell out in detail the precise limits on the grant to ensure that, contractually, the parties are protected. It has been suggested that careful drafting of the rights agreement necessitates inserting a broad reversionary clause "conditioning the vitality of all granted rights other than those arising under the Copyright Act upon the continued ownership of the rights arising under copyright in the purchaser." That is, to avoid the consequences of a judicial decision that sequel and character rights are nonterminable because they are contract rights only, owners of underlying works will insist on contract provisions to recapture noncopyright rights as well. As noted above, such a clause is permitted under the 1976 Act.

To avoid conflicts with the derivative works exception permitting continued utilization, Stein suggests that a further contract provision clearly specifying that recapture of the noncopyright rights will take place "notwithstanding the retention by the purchaser of certain derivative work rights under section 203(b)(1)" is necessary to protect the underlying owner. This provision is designed to permit continued "utilization" of the derivative work but recapture all other motion picture rights regardless of their source. It would not, therefore, seem to conflict with the congressional purposes behind sections 203 and 304, since the provision intends the statutory allocation of interests in a contract context.

In at least one context, though, a conflict may arise, that is, with respect to continuing derivative uses. If an author grants all motion picture and television rights in his best-selling novel to a producer and the agreement contains both a broad reversionary clause and a derivative work exception clause and if the producer makes a hit movie, it is likely that the producer may subsequently produce or license a television series based on his movie. The television show will be both a sequel and a derivative work involving characters from the movie and the novel in completely new stories. If we assume that termination is effected, but that the television series is produced and broadcast for the first time during the two years before the effective date of termination, then a problem arises concerning the ability to continue producing and broadcasting the series after termination. If the show has a predicted life of seven years, could the entire series be considered a continuing derivative work and, therefore, throughout its life be exempt from termination and utilizable? Or, would all production after the first two years be

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205 Stein, supra note 14, at 1163.
206 The contract provision would become operative if a termination of the other rights is effected.
207 See text accompanying notes 171-72 supra.
208 Stein, supra note 14, at 1164.
a breach of contract and infringement of the recaptured copyrights because new derivative works are being prepared? The problem arises as both a copyright and a contract question. If character and sequel rights are copyrights and are, therefore, terminable, it is a problem of statutory interpretation; if such rights are purely contractual, it is still a problem of interpretation of the derivative works exception because under this agreement both copyright and contract rights are recaptured after statutory termination.

A conflict arises between the statute's cutting off rights to make new derivative works while permitting "utilization" of works prepared under the grant. Resolution of the conflict will have both statutory and contractual implications; it is not at all clear what the answer should be. The choice is whether to leave all rights to continue producing and broadcasting the series with the producer, or to return all such rights to the termination proprietor for relicensing. The practical choice seems to be whether to permit the underlying work proprietor or the derivative work proprietor to profit from the increased value accruing from the series and resulting probably from both the hit movie and the television series. If a deadlock were to result, it seems likely courts would leave the rights with the producer as the entity most likely to further the public interest in access to the series. The question is complicated by the fact that the mere use of character or sequel rights deriving from the underlying novel weakens the author's claim—his contribution to the series is minimal in comparison to the producer's. Also, the fact that the ultimate claim may be a contract claim rather than a copyright claim may be determinative. If production and broadcast of the television series implicates only the sequel or character rights, all other rights being recaptured, only a contractual claim will prevent broadcast and production in the future.

Titles

Under the dominant theory, titles are not copyrightable. They are not, therefore, terminable and underlying work proprietors must attempt to protect their titles by contract or by other legal theories. The problems discussed above with respect to a continuing derivative work may arise if proprietors attempt to protect titles through contract language, conditioning retention on nontermination. Such problems are less intrusive for titles, because the public interest in access to works under a particular title is weak.

209 See cases cited in 1 M. Nimmer, supra note 8, § 2.16.
210 For example, titles may be protected under the theory of unfair competition.
211 See text following notes 208-09 supra.
Remakes and Other Adaptations

The rights to create a movie version usually include not only the right to make a movie adaptation of the basic work, but also rights to produce a script for preparation of the final movie form, to produce foreign language movie versions and to produce other movie versions, such as a movie musical or remakes. These rights are in addition to performance rights and authorize the movie producer to prepare and record the movie which he will later exhibit.

Such rights are clearly rights under copyright. They are subsumed under two separate copyright theories since they involve rights to copy or reproduce the underlying work as well as the right to make other versions. An exclusive right to copy is granted in section 1(a) of the 1909 Act; this protects against movie versions copied from the underlying work even though the copy exists in a different medium. Section 1(b) of the 1909 Act grants the exclusive right to make dramatizations of a nondramatic work or other versions of a copyrighted literary work. The Supreme Court held that a movie version of a novel constitutes a dramatization of the novel and, if unauthorized, an infringement of the right of dramatization held by the copyright proprietor of the novel. Hence, under the 1909 Act a grant of movie rights with respect to almost any work will implicate both the right to copy and the right to make other versions.

The 1976 Act continues this pattern. Section 106(1) recognizes an exclusive right to reproduce the underlying copyrighted work in copies. “Copies” are defined in section 101 as “material objects . . . in which a work is fixed . . . and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” This definition encompasses movie versions. Furthermore, under the 1976 Act the right to prepare derivative works is an exclusive right granted to the owner of the copyright. The section 101 definition of “derivative work” includes motion picture versions. Therefore, as in the 1909 Act, motion picture rights almost always involve both the right of reproduction and the right to prepare derivative works.

218 One example would be updated movie versions made subsequent to a first movie version but presenting the same story.
219 Sheldon v. Metro-Goldwyn Pictures Corp., 81 F.2d 49 (2d Cir. 1936).
221 1976 Act, supra note 3, § 106(1).
222 Id. § 101.
223 Id. § 106(2).
224 The House Report explicitly recognizes this by pointing out that the right to prepare derivative works overlaps the exclusive right of reproduction to some extent. It is broader than that right, however, in the sense that reproduction requires fixation in copies.
Under both Acts, basic motion picture rights are rights under copyright and, hence, terminable under sections 203 and 304. The effect of termination should not depend on which theory is used since, practically speaking, whenever the right to copy is infringed, the right to prepare a derivative work will also be infringed.\textsuperscript{219}

The House Report indicates that after termination, even though a film could still be licensed for performance, "any remake rights covered by the contract would be cut off."\textsuperscript{220} There seems little room for argument that such use should be permitted; exercise of the remake right is, by definition, both the creation of a new derivative work and an impermissible utilization under sections 203(b)(1) and 304(c)(6)(A). It is also difficult to argue that re-editing should be permitted after termination; re-editing is so close to producing a remake that it should be considered a creation of a new derivative work.

Using film clips from an already prepared movie in a new movie or television production, or in new theatrical or television "trailers"\textsuperscript{221} is not so clearly impermissible. It can be argued that advertising is necessary to effectively release the film for further theatrical or television exhibition, and, therefore, to "utilize" the film. However, this argument may be countered by noting that trailers prepared before termination may still be used for advertising. Alternatively, trailers using no clips from the film could be produced. Using clips in a new movie or television show is even less likely to be permissible, since it is not possible to argue that this use is necessary for effective utilization.

Dubbing in a foreign language soundtrack or superimposing foreign language subtitles on the already prepared movie after termination goes one step further. This could be considered a use necessary for utilization in foreign countries and, hence, not a new derivative work. On the other hand, writing and recording a translation of the fixed movie are separate creative acts which may result in the creation of a new derivative work.\textsuperscript{222} Since both the 1909 and 1976 Acts consider translator phonorecords, whereas the preparation of a derivative work, such as a ballet, pantomime, or improvised performance, may be an infringement even though nothing is ever fixed in tangible form.


It seems logical that remakes and musical versions be considered the equivalent of basic motion picture rights because they are merely more specific repetitions of those rights (at a later time or by the addition of music). Foreign language versions need not be analyzed differently from basic movie rights. This is because under the 1909 Act, they should constitute either a dramatization, another work or a translation (all rights under § 1(b)) and under the 1976 Act, they fall within the definition of a derivative work in § 101.

\textsuperscript{219} See 2 M. Nimmer, supra note 8, § 9.07.


\textsuperscript{221} An example would be short "coming attraction" advertisements.

\textsuperscript{222} The problem is probably academic because derivative work owners will have the entire period (at least two and up to ten years) after notice of termination, but before termina-
tion to be an act resulting in new derivative works, it seems likely that dubbing or superimposing titles will also be deemed creation of a new derivative work. It would require a unique fact situation to justify any argument that a new foreign language version is necessary for utilization.

The right to utilize the remake right is most forcefully presented with respect to making new prints from the original negative. This could be considered creation of new derivative work, but the better view is that the new prints, if unaltered, are merely copies necessary for utilization.

Performance Rights

Performance rights are most clearly within the derivative works exception. Such rights are rights under copyright; section 106(4) states that the right to perform a literary, musical or dramatic motion picture or other audio-visual work is an exclusive right under copyright. Performance of the recorded film does not, by itself, create a new derivative work. Congress intended that continued utilization by theatrical exhibition be permitted under the derivative works exception.

Problems will most likely arise with respect to performances in new media or media not specifically provided for in the grant of performance rights. The issues raised by such performances are not whether they constitute "utilization" or the preparation of a new derivative work, but rather, whether the original contractual terms included such use. If the contemplated use was never granted to the derivative user, then it may not be exercised after termination—not because it is outside the scope of continued utilization, but because it was never the derivative work owner's to exercise in the first place. It is unlikely that agreements...
DERIVATIVE WORKS

will change significantly with respect to the scope of media licensed as a result of the derivative works exceptions. Provisions covering licensed media were revised after the advent of television so that rights in unknown media are now clearly spelled out.

CONCLUSION

Obviously, this exception to the rights of underlying owners will require further judicial elaboration and practical drafting experience before its ramifications are clear. The problems discussed are immediate and important. In changing the 1909 Act's renewal system, Congress recognized that the "tremendous growth in communications media has substantially lengthened the commercial life of a great many works." The growth of the communications industry has also changed the nature of copyright. Artistic works are no longer merely published, they are merchandised; they are subdivided into component parts and derivative rights, and are exploited on that basis. As the brief analysis of permitted uses demonstrates, derivative works today are derived from a host of copyright and contractual rights of great complexity.

Congress recognized the pressing need for some protection, both for the public and the derivative user, of works spun off a basic work. The need is especially pressing in view of the 1976 Act's increased term of copyright. The period during which a derivative work may be deadlocked now covers more than two generations. The change was necessary because the 1909 Act was increasingly unable to cope with the problem.

The accommodation reached by the Rohauer court, which closely parallels the statutory provisions, is necessary and desirable. The accommodation may sully the pristine purity of copyright theory, but it definitely reaches a result desirable from the public's viewpoint without inflicting undue harm on authors of underlying works. The judicial derivative works exception begun by the Rohauer court should be expanded along the lines of the statutory exception in order to bring the next twenty-five years of the renewal provision's operation in line with another medium falls outside the scope of the medium licensed in the grant, then such use is infringing regardless of termination of the grant and regardless of the derivative works exception. Such use is infringing because rights thereto never vested in the derivative copyright holder.

The statutory derivative works exception in § 203 will be of no importance until the year 2013, since grants executed after January 1, 1978 may not be terminated until that date. The exception in § 304, however, is immediately important since grants under that section may be subject to termination now. Furthermore, terminations occurring as a result of failure of renewal vesting under the 1909 Act, supra note 1, will be of importance for another 25 years or so.

modern copyright necessities. This would, of course, serve to elaborate many of the distinctions required for analysis and operation of the 1976 Act's exceptions.

Professor Kaplan has observed that we "ought to recognize clearly that any increment of benefit to the author and publisher achieved by prolonging the period of protection is quite soon outrun by the burden imposed on others." The same is true of the scope of rights granted by copyright. The derivative works exception may, if broadly interpreted, be a very powerful tool for lifting the burden imposed on the public and on derivative users.

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21 B. Kaplan, supra note 43, at 115.