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# Stewart v. Abend: Derivative Work Users Beware

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# *STEWART V. ABEND:* DERIVATIVE WORK USERS BEWARE

## I. INTRODUCTION

It is common practice in the movie industry to create a motion picture based on a copyrighted novel.[1] This phenomenon occurs legally when the author of a copyrighted novel assigns the right or gives his consent to exploit his copyright by creation of a motion picture version of the novel.[2] The motion picture version is referred to as a derivative work and may itself be copyrighted,[3] while the novel is referred to as the underlying or preexisting work. This Comment examines a unique problem related to derivative works and underlying works: the validity of an author's assignment of exploitation rights for both the original term and the renewal term of copyright where the author dies prior to the commencement of the renewal term.[4]

The length of copyright for an original work or a derivative work created before January 1, 1978 is two twenty-eight year terms, referred to as the original copyright and the renewal copyright, respectively.[5] The two terms were provided to enable an author who had a poor bargaining position during the initial copyright term to renegotiate the exploitation of his work.[6] Thus, both the underlying work and the derivative work have the right to two terms of copyright. Given the unique situation of one copyright incorporating another, the remaining question is whether the rights of one copyright affect the rights of the other.

The United States Supreme Court recently addressed this very issue. In *Stewart v. Abend*,[7] the Court decided that the rights of the derivative work owner to use the underlying work during its renewal term are

1. Motion pictures based on preexisting literary works are a phenomenon as old as the motion picture medium and have figured importantly throughout film history. *See* Jasi, *When Works Collide: Derivative Motion Pictures, Underlying Rights, and the Public Interest*, 28 UCLA L. REV. 715, 719 n.8 (1981). Classic films such as *My Fair Lady* (Warner Brothers 1964), *The Sound of Music* (Twentieth Century Fox 1965), *Gone with the Wind* (Metro-Goldwyn-Mayer 1965), and *Doctor Zhivago* (Metro-Goldwyn-Mayer 1965) were all created by consensual agreements between the underlying work owner and the movie studio. *See* Melniker & Melniker, *Termination of Transfers and Licenses Under the New Copyright Law*, 22 N.Y.L. SCH. L. REV. 589, 612-13 n.118 (1977).

2. An author has the exclusive right to authorize another to publish his copyright, prepare derivative works based on it, merchandise it, perform it, or display it. *See* 17 U.S.C. § 106 (1988).

3. *See infra* notes 17-21 and accompanying text.

4. *See also* Note, *Assignment of Author's Renewal Interest*, 18 IND. L.J. 318 (1943); Note, *Rohauer v. Killiam Shows, Inc. and the Derivative Work Exception to the Termination Right: Inequitable Anomalies Under Copyright Law*, 52 S. CAL. L. REV. 635 (1979) [hereinafter Note, *Rohauer*]; Note, *Right of Author to Assign Renewal Rights*, 17 TEMP. L.Q. 299 (1943).

5. 17 U.S.C. § 304(a) (1988). The initial and renewal term of copyright were first set out in the 1909 Copyright Act and later preserved in the Copyright Act of 1976. *See infra* notes 30-31 and accompanying text.

6. *See infra* notes 12-15 and accompanying text.

7. 110 S. Ct. 1750 (1990).

extinguished when the author of the underlying work dies prior to renewing his copyright.[8] The Court concluded that until the renewal term commences, the author of an underlying work holds merely an expectancy to assign which is extinguished by his death. His family or statutory successor[9] can take the renewal term free of any prior assignments.[10]

This decision is significant because it declares that the derivative work author, who has been assigned the right to produce, distribute, and copyright a derivative work, may no longer use his derivative work without infringing upon the underlying renewal copyright. The *Abend* Court was sharply divided on this issue and its ruling is likely to have a significant commercial effect on the relationships of derivative work owners and underlying work owners.[11] This Comment will focus on the relationship between the renewal copyright owner and the derivative copyright owner, and on the significance of *Abend*, and it will attempt to reconcile the seemingly polar views of the Court.

## II. BACKGROUND

The renewal system and derivative work dichotomy reflect two deeply rooted policies of American copyright law.[12] The first of these policies is that an author who copyrights his work should have two chances at exploiting the work.[13] The 1909 Copyright Act (1909 Act), as amended,[14] gave authors and their successors this second chance by creating two terms of copyright in which each term was treated as a separate estate.[15] In other words, Congress intended that the author who assigns exploitation rights during the first (original) copyright term shall have a reversionary interest with respect to the second (renewal) term.[16]

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8. *Id.*

9. In the event the author dies prior to the commencement of the renewal term, the "statutory successor" is the party eligible to renew the copyright, which is the author's surviving spouse, children, executor, or next of kin, respectively. *See infra* note 31 and accompanying text.

10. *Abend*, 110 S. Ct. at 1759.

11. Prior to *Abend*, many motion picture companies relied on the holding of Rohauer v. Killiam Shows, Inc., 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977), which permitted the use of derivative works during the underlying work's renewal term. *See infra* notes 71-85 and accompanying text for a discussion of the *Rohauer* opinion.

12. Federal copyright law was first adopted in 1790 and later revised in 1831, 1870, 1909, and most recently in 1976.

13. For a general discussion on the policies behind the renewal copyright, see Bricker, *Renewal and Extension of Copyright*, 29 S. CAL. L. REV. 23 (1955); Note, *Copyright Renewal Rights*, 15 S. CAL. L. REV. 108 (1941).

14. Throughout this Comment, citation to the Copyright Act of 1909, ch. 320, 35 Stat. 1074, will be to the amended version set out in the Act of July 30, 1947, ch. 391, 61 Stat. 652, unless otherwise indicated. The 1909 Act was superseded by the Copyright Act of 1976, 17 U.S.C. §§ 101-901 (1988).

15. Courts treat the renewal term given to authors and their successors as an entirely new estate. This characterization has important implications on the transfer of renewal interests. *See* P. GOLDSTEIN, 1 GOLDSTEIN COPYRIGHT § 4.8.3, at 466 (1989).

16. The House Report on the 1909 Copyright Act observed:

> It not infrequently happens that the author sells his copyright outright for a comparatively small sum. If the work proves to be a great success . . . your committee felt that it should be the exclusive right of the author to take the renewal term,

The second of these policies is to give independent copyright protection to a derivative work.[17] Congress observed that many artistic developments are procured through use or adaption of previously copyrighted material.[18] Where an original work[19] based on a preexisting copyright is fixed in a tangible form of expression,[20] it is eligible for copyright protection.[21]

Thus, the conflicting rights of two statutory classes come to a head and present an important and recurring question concerning the meaning and application of the renewal copyright: Does the renewal copyright entitle the author's successor to nullify the derivative work owner's right to exploit his own independently copyrighted derivative work created with the author's consent? To reconcile these conflicting interests it is helpful to examine the historical development of the renewal system and derivative works.

### A. *The Statutory Framework*

In the 1909 Act, Congress expressed its intent to provide economic incentive for the creation of artistic works.[22] To facilitate this policy, Congress provided authors or their statutory successors[23] with two terms of copyright: an initial term of twenty-eight years and, upon

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and the law should be framed as is the existing law, so that he could not be deprived of that right.

H.R. REP. No. 2222, 60th Cong., 2d Sess. 14 (1909).

17. A "derivative work" is a work based on one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, 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".

17 U.S.C. § 101 (1988).

18. *See generally* M. NIMMER & D. NIMMER, 1 NIMMER ON COPYRIGHT § 3.01 (1978).

19. The standard of originality does not include any requirement of novelty, ingenuity, or esthetics merit, and there is no intention to enlarge the standard of copyright protection to require them. H.R. REP. No. 1476, 94th Cong., 2d Sess. 51 (1976) (Notes of House Committee on the Judiciary, House Report 1476). Originality means that the work is independently created and not copied from other works. *See, e.g.*, Roth Greeting Card v. United Card Co., 429 F.2d 1106 (9th Cir. 1970) (copyright on greeting cards); 1 M. NIMMER & D. NIMMER, *supra* note 18, § 2.01[A].

20. The concept of fixation in a tangible form is important because it represents the dividing line between common law and statutory protection. An unfixed work of authorship, such as an improvisation or unrecorded performance would continue to be subject to protection under state common law or statute but not under federal copyright law. *See* H.R. REP. No. 1476, *supra* note 19, at 52.

21. 17 U.S.C. § 102 (1988). Works of authorship include, but are not limited to, literary works, musical works, dramatic works, pantomimes and choreographic works, pictorial, graphic, and sculptural works, motion pictures, and sound recordings. *Id.*

22. *See* Mazer v. Stein, 347 U.S. 201 (1954). "The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and useful Arts.'" *Id.* at 219.

23. The copyright clause of the Constitution vests Congress with the powers "[t]o promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

proper application, a second twenty-eight year renewal term free of any assignments or licenses made during the preceding twenty-eight year term.[24]

The 1909 Act's renewal provisions were based on three grounds.[25] First, each copyright term should be relatively long.[26] Second, most works will lose their commercial value and fall into the public domain by the end of the initial twenty-eight year term unless affirmative steps are taken to renew the copyright.[27] Third, a work that continues to be commercially valuable after twenty-eight years more likely owes its success to the creative efforts of the author, rather than the contributions of the derivative work.[28]

Under the 1976 Copyright Act (1976 Act), the renewal system was replaced by a termination mechanism.[29] For works existing in their first copyright term on or before January 1, 1978, however, the 1976 Act retained the renewal scheme of the 1909 Act, and extended the renewal term to forty-seven years.[30] Section 304(a) of the 1976 Act provides that a copyright may be renewed by the work's author if he is alive at the time the renewal right vests; by the author's surviving spouse or children if the author is not alive at the time the renewal right vests; by the author's executors if the author and the author's surviving spouse and children are not alive at the time the renewal right vests; and in the absence of a will, by the author's next of kin.[31]

The time of vesting is critical to the determination of renewal rights.[32] For example, where the author assigns his renewal rights but dies prior to the renewal date, the assignee will take nothing and the author's family, executor, or next of kin, respectively, will take all.[33] Thus, the 1976 Act generally codified the renewal provisions of the 1909 Act and continued the historical policy of allowing authors a second opportunity to "cash in" on their creative efforts.

The origins of the term "derivative work" are somewhat obscure.[34]

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24. 17 U.S.C. § 24 (1909) (amended 1976). Proper application was secured by filing an application for renewal within one year of the expiration of the first twenty-eight year term. *Id.*

25. *See* P. GOLDSTEIN, *supra* note 15, § 4.8.

26. *Id.* at § 4.8.

27. *Id.*

28. *Id.*

29. *See infra* notes 40-42 and accompanying text regarding the termination right.

30. 17 U.S.C. § 304(a) (1988). The 1976 Act codified the renewal provisions of the 1909 Act except for extending the renewal term for an additional nineteen years. *Compare* 17 U.S.C. § 304(a) (1988) *with* 17 U.S.C. § 24 (1988) (the 1976 Act codified the renewal provisions of the 1909 Act except for extending the renewal term for an additional nineteen years).

31. *Id.* § 304(a).

32. *See* P. GOLDSTEIN, *supra* note 15, § 4.8.1.

33. *See* 2 M. NIMMER & D. NIMMER, *supra* note 18, § 9.06[C]; P. GOLDSTEIN, *supra* note 15, § 4.8.1.

34. The term did not appear in the 1909 Act, which stated that "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, or works republished with new matter, shall be regarded as new works subject to copyright under the provisions of this title." Copyright Act of 1909, ch. 391, § 7, 61 Stat. 652 (1947).

Section 7 of the 1909 Act provided separate and independent copyright protection for "new works," including a new work that incorporated, to some extent, one or more copyrighted works.[35] This section was in effect reenacted in the 1976 Act as section 103, where the term "derivative work"[36] was substituted for the "new works" language.[37] Under section 103, the copyright in a derivative work "extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material."[38] For example, the derivative author who is licensed to produce a musical opera based on a copyrighted play is entitled to copyright only that which is original and in addition to the underlying play, and obtains no rights to the play itself.[39]

Under the 1976 Act, in certain circumstances, the author of a copyright may grant a license to exploit his copyright and at a later date terminate the license.[40] The 1976 Act also provides an exemption for the termination of derivative works.[41] Sections 203(b)(1) and 304(c)(6)(A) provide:

> 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.[42]

Thus, a motion picture based on a copyrighted novel may continue to be distributed after termination. Any remakes of the motion picture, however, would constitute infringement. The termination exception of the 1976 Act applies only to copyrights secured after January 1, 1978. The Act does not specifically treat the exception's impact on issues raised by

35. The "new work" copyright was limited in two respects. First, it extended only to new material and not the underlying work. *See, e.g.*, Donald v. Zack Meyer's T.V. Sales & Serv., 426 F.2d 1027, 1029 (5th Cir. 1970), *cert. denied*, 400 U.S. 992 (1971); Adventures in Good Eating, Inc. v. Best Places to Eat, Inc., 131 F.2d 809, 813 n.3 (7th Cir. 1942); Reyher v. Children's Television Workshop, 387 F. Supp. 869, 870-71 (S.D.N.Y. 1975), *aff'd*, 533 F.2d 87 (2d Cir.), *cert. denied*, 429 U.S. 980 (1976). Second, it was limited to the grant itself. Ricordi & Co. v. Paramount Pictures, Inc., 189 F.2d 469, 471 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951); Fitch v. Shubert, 20 F. Supp. 314 (S.D.N.Y. 1937). *See* Gilliam v. American Broadcasting Cos., 538 F.2d 14, 21 (2d Cir. 1976); Note, *Rohauer, supra* note 4, at 642. *But see* Rohauer v. Killiam Shows, Inc., 551 F.2d 484, 488, 494 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977); Edmonds v. Stern, 248 F. 897, 888 (2d Cir. 1918).

36. *See supra* note 17; *compare* 17 U.S.C. § 103 (1988) *with* 17 U.S.C. § 7 (1909) (amended 1976) (providing copyright for derivative works).

37. The term "derivative work" was substituted for "new works" to codify the usage preferred by judges and commentators. Note, *Rohauer, supra* note 4, at 638 n.21. *See, e.g.*, Nom Music, Inc. v. Kaslin, 343 F.2d 198, 200 (2d Cir. 1965); *Reyher*, 387 F. Supp. at 870.

38. 17 U.S.C. § 103 (1988).

39. *See* Gilliam v. American Broadcasting Cos., 538 F.2d 14 (2d Cir. 1976).

40. *See* 17 U.S.C. § 203 (1988). For an excellent discussion of the termination right see Melniker & Melniker, *supra* note 1; Stein, *Termination of Transfers and Licenses Under the New Copyright Act: Thorny Problems for the Copyright Bar*, 24 UCLA L. REV. 1141 (1977).

41. 17 U.S.C. §§ 203(b)(1), 304(c)(6)(A) (1988). The contours of the derivative work exception are unmarked and presently unclear. *See* Note, *Rohauer, supra* note 4, at 649 n.109.

42. 17 U.S.C. §§ 203(b)(1), 304(c)(6)(A) (1988).

continued utilization of a derivative work during the renewal term of the underlying copyright secured prior to January 1, 1978.[43]

B. *The Case Law*

The conflicting rights of underlying work owners and derivative work owners regarding the renewal copyright have been a continuing source of litigation.[44] One of the first cases to address this conflict was the landmark case *Fred Fisher Music Co. v. M. Witmark & Sons*,[45] where the Supreme Court held that the assignment by an author of renewal rights is valid "against the world," if he is alive at the commencement of the renewal term.[46] In *Fisher*, the author of the song, "When Irish Eyes Are Smiling," assigned all rights, title, and interest in the song, including the renewal copyright, to Witmark.[47] Subsequently, the author applied for the renewal copyright and assigned the rights to Fisher.[48] Witmark sued Fisher for copyright infringement.

In *Fisher*, the petitioner argued that the reversionary policy of the renewal term precluded any assignment of renewal interests during the initial copyright term.[49] The Court acknowledged the legislative intent to provide authors two chances at exploiting their works, but rejected the idea that an author could completely avoid any assignments made during the original copyright period.[50] The Court observed:

> It is one thing to hold that the courts should not make themselves instruments of injustice by lending their aid to enforcement of an agreement . . . . It is quite another matter to hold, as we are asked in this case, that regardless of the circumstances surrounding a particular assignment, no agreements by authors to assign their renewal interests are binding.[51]

The Court held, as a matter of law, that an author may assign the rights to the renewal copyright before the expiration of the original copyright.[52]

In a later decision, *Miller Music Corp. v. Charles N. Daniels, Inc.*,[53] the Court expanded the scope of renewal rights. In *Miller Music*, the co-author of the song, "Moonlight and Roses," assigned all rights in the

43. *Compare* 17 U.S.C. § 304 (1988) *with* 17 U.S.C. § 103 (1988) (the 1909 Act renewal provisions are not addressed).

44. *See generally* Jasi, *supra* note 1.

45. 318 U.S. 643 (1943).

46. *See infra* note 53, at 375.

47. *Fisher*, 318 U.S. at 645.

48. *Id.* at 646.

49. *Id.* at 645.

50. *Id.* at 655-57. The Court reasoned nobody would buy what an author could not sell, and to prohibit an author from making an effective assignment is not consistent with providing economic incentive for the author.

51. *Id.* at 656-57 (citations omitted).

52. *Id.* at 657. While the explicit language of the Copyright Act gives the author an unqualified right to renew his copyright, the Court did not view this as congressional intent to nullify agreements by authors to assign their renewal interests. *See id.* at 655-56.

53. 362 U.S. 373 (1960).

song, including the renewal copyright, to Miller Music.[54] The author died prior to the commencement of the renewal period without a surviving spouse or child.[55] The executor of his estate renewed the copyright and distributed the renewal rights to the author's legatees.[56] The legatees assigned the renewal rights to Daniels.[57] Miller Music sued Daniels for copyright infringement.

The Court held that when an author dies prior to the renewal period his interest in the renewal copyright does not vest, and his statutory successor is exclusively entitled to the renewal copyright.[58] The Court reasoned that any purchaser of a contingent interest takes the risk that the contingency may not occur, and is thereby "deprived of nothing."[59]

Under the *Fisher* and *Miller Music* doctrines, then, the critical determination is whether or not the renewal copyright has vested in the author. Where the author survives to the renewal term, the copyright vests, and his original intention to assign is controlling. If the author dies before the renewal term commences, however, any interest he purported to assign is terminated because all he held was an expectancy.

It has been suggested that when a derivative work is created with consent of the underlying work proprietor, "a right of property [springs] into existence"[60] and the derivative work owner may continue to use the underlying work, as contained in the derivative work, without infringing the rights of the underlying renewal copyright.[61] In one of the earlier cases which treated this subject, *G. Ricordi & Co. v. Paramount Pictures, Inc.*,[62] the Court of Appeals for the Second Circuit effectively repudiated the "new property doctrine."

In *Ricordi*, the author of a novel[63] assigned a playwright the rights to produce a play based on the novel and to retain the title.[64] The author and the playwright then assigned Ricordi the right to create a derivative work opera based on the play, but did not include the renewal term.[65] After producing the opera, Ricordi wanted to create a motion picture based on the opera.[66] However, the author renewed his copyright in the

54. *Id.* at 373-74.
55. *Id.* at 374.
56. *Id.*
57. *Id.*
58. *Id.* at 375. The Court reasoned that this result follows not because the author's assignment is invalid, but because he only had an expectancy to assign. *See id.* at n.1.
59. *Id.* at 378.
60. Edmonds v. Stern, 248 F. 897, 898 (2d Cir. 1918). *See* Rohauer v. Killiam Shows, Inc., 551 F.2d 484 (2d Cir.) *cert. denied*, 431 U.S. 949 (1977). *But see* Stewart v. Abend, 110 S. Ct. 1750 (1990).
61. The "new property doctrine" was limited to use of the underlying work as incorporated in the derivative work and any remake, sequel, or other exploitation of the underling work was prohibited. For a general discussion of the "new property doctrine" see 1 M. NIMMER & D. NIMMER, *supra* note 18, § 3.07[A]; Jasi, *supra* note 1.
62. 189 F.2d 469 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951).
63. J. LONG, MADAME BUTTERFLY (1897).
64. *Id.* at 470.
65. *Id.* at 470. Since the assignment did not include the renewal term, the court viewed it as limited to the original term of copyright. *Id.* at 471.
66. *Id.* at 471.

novel and assigned such rights to Paramount Pictures, who also wanted to make a motion picture, but based upon the novel.[67] Ricordi sued Paramount for a declaratory judgment.

The court concluded that Ricordi did not have any rights to the novel during the renewal term and therefore could not make a motion picture version of his opera which necessarily must include the novel.[68] This holding was contrary to the "new property right" theory, since Ricordi was held to have lost his rights to exploit the underlying work, and could not exploit his own derivative work.[69] Notwithstanding the fact that *Ricordi* and subsequent cases[70] repudiated the "new property right" doctrine, the concept was dramatically revived in the case of *Rohauer v. Killiam Shows, Inc.*[71]

In *Rohauer*, the author of a novel[72] assigned the motion picture rights in the novel to a production company and agreed to renew the copyright and thereupon assign the renewal rights to the movie company.[73] The movie company created and copyrighted a motion picture based on the novel and thereafter assigned all rights to Killiam.[74] In the meantime, the author of the novel died prior to the renewal period, and the copyright was renewed by the author's daughter, who assigned all her "rights, title, and interest" in the novel to Rohauer.[75] Killiam distributed the movie during the renewal term of the novel, and Rohauer sued for copyright infringement.[76]

The Second Circuit held that the continued distribution of the film did not infringe the renewal copyright in the underlying work.[77] The court acknowledged the *Miller Music* doctrine,[78] in which a purported grant of renewal rights is ineffective where the owner does not survive until the renewal term commences.[79] The court justified its decision, however, by pointing to the copyright in the derivative work itself and the express language of the 1909 Act.[80] Section 7, as amended, provides that a "copyright under the provisions of this title" shall extend to

67. *Id.*

68. *Id.* at 471-72 ("A copyright renewal creates a new estate, . . . clear of all rights, interests or licenses granted under the original copyright [citations omitted]."). *See* Fox Film Corp. v. Knowles, 274 F. 731, 732 (D.N.Y.), *aff'd*, 279 F. 1018 (2d. Cir. 1922), *rev'd on other grounds*, 261 U.S. 326 (1923); Fitch v. Shubert, 20 F. Supp. 314, 315 (S.D.N.Y. 1937); H. BALL, LAW OF COPYRIGHT AND LITERARY PROPERTY 535 (1944).

69. *See* 1 M. NIMMER & D. NIMMER, *supra* note 18, § 3.07[A].

70. *See* Gilliam v. American Broadcasting Cos., 538 F.2d 14 (2d Cir. 1976) (ownership of the derivative copyright does not affect the scope of ownership of the underlying copyright); Bartsch v. Metro-Goldwyn-Mayer, Inc., 391 F.2d 150 (2d Cir. 1968).

71. 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977). For an excellent discussion of the *Rohauer* opinion see Note, *Rohauer*, *supra* note 4.

72. E. HULL, THE SONS OF THE SHIEK (1925).

73. *Rohauer*, 551 F.2d at 486.

74. *Id.*

75. *Id.*

76. *Id.* at 486-87.

77. *Id.* at 494. However, new or "second generation" derivative works could not be made. *Id.* at 488.

78. *See supra* notes 53, 58-59 and accompanying text.

79. *Miller Music Corp. v. Charles Daniels, Inc.*, 362 U.S. 373, 375 (1960).

80. *Rohauer*, 551 F.2d at 487-90. The court distinguished *Miller Music* and other cases

"new works."[81] The implicit authority was that the "copyright" conferred by section 7 encompasses the entire derivative work, including the one or more underlying works, and therefore continued use is not infringement.[82]

In addition, the court placed great emphasis on the policy considerations relating to underlying work owners and derivative work owners:

> [T]he equities lie preponderantly in favor of the proprietor of the derivative copyright. In contrast to the situation where an assignee or licensee has done nothing more than print, publicize and distribute a copyright story or novel, a person who with the consent of the author 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.[83]

Furthermore, the court observed that the derivative work owner "has no truly effective way of protecting himself against the eventuality of the author's death before the renewal period" or knowing who the surviving spouse, child, executor, or next of kin will be.[84]

The *Rohauer* case, decided in 1977, served as a guide to derivative work owners who continued to use their derivative works during the renewal term of underlying works.[85] In 1988, this issue was presented to the Court of Appeals for the Ninth Circuit in the case of *Abend v. MCA, Inc.*[86] The Ninth Circuit rejected the *Rohauer* approach,[87] and held that the continued distribution of a derivative work during the renewal term of the underlying work was infringement where the author died prior to the renewal term.[88] The holding in *Abend v. MCA* directly conflicted with decisions in other circuits and led to the grant of *certiorari* in *Stewart v. Abend*.[89]

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in that they were concerned only with the reconciliation between a derivative *copyright* and the underlying renewal copyright. *Id.* at 490.

81. 17 U.S.C. § 7 (1909) (amended 1976). The court found that the thrust of section 7 was to protect derivative works, and the "force and validity" language regarding the underlying copyright had no bearing on the right of the derivative work user to continue using his derivative work during the copyright renewal term of the subsisting work. *Rohauer*, 551 F.2d at 487-90.

82. *But see* 1 M. NIMMER & D. NIMMER, *supra* note 18, § 3.07[A], at 3-37, 3-38 (declaring the assumption erroneous).

83. *Rohauer*, 551 F.2d at 493.

84. *Id.* at 493. The court found support for this policy consideration in the derivative work exceptions set out in sections 203(b)(1) and 304(c)(6)(A) of the 1976 Act. *See supra* note 42.

85. *See* Mills Music, Inc. v. Snyder, 469 U.S. 153, 183 n.7 (1985) (White, J., dissenting) (characterizing the holding of *Rohauer* as the "prevail[ing] view").

86. 863 F.2d 1465 (9th Cir. 1988).

87. *Id.* at 1472-78.

88. *Id.* at 1478. Although the Ninth Circuit held for the underlying work owner, the court recognized the substantial investment, efforts and talent of the derivative work owner, and directed the district court to fashion a remedy accordingly. *Id.*

89. 110 S. Ct. 1750 (1990).

## III. *STEWART V. ABEND*

### A. *Facts*

Stewart Abend, doing business as Authors Research Company (respondent), brought suit to enjoin continued distribution of the classic 1954 Alfred Hitchcock motion picture, *Rear Window*[90] (the motion picture), starring James Stewart and Grace Kelly, by MCA, Inc., Universal Film Exchanges, Inc., James Stewart and the co-trustees of Alfred Hitchcock's estate (petitioner).

In 1945, author Cornell Woolrich agreed to assign the motion picture rights to several of his stories, including one incorporated in the motion picture at issue,[91] to a production company (predecessor-in-interest).[92] Woolrich also agreed to renew the copyright in the stories at the appropriate time and to assign the same motion picture rights to the predecessor-in-interest for the twenty-eight year renewal term provided by the 1909 Act.[93] In 1953, the predecessor-in-interest assigned the motion picture rights to petitioner.[94] *Rear Window* was produced, copyrighted, and distributed by petitioner in 1954.[95]

In 1968, Woolrich died without a surviving spouse or child and before he could renew the short story copyright.[96] His statutory successor renewed the copyright and assigned the renewal rights to respondent.[97] In 1982, petitioner renewed the copyright in the motion picture, and in reliance on the 1977 *Rohauer* decision, re-released the film.[98] Respondent brought suit for copyright infringement in district court.

The district court granted summary judgment for petitioner on the alternative grounds that continued distribution of the film was permitted by: (1) the *Rohauer* rule,[99] and (2) the "fair use" doctrine.[100] The Ninth

90. *Rear Window* (Universal Studios 1954).

91. The short story "It Had To Be Murder" was first published in the February 1942 issue of *Dime Detective* magazine and served as the basis for the 1954 film *Rear Window*.

92. *Id.* at 1755. B.G. De Sylva Productions originally obtained the film rights and later assigned the rights to petitioner's parent, Patron, Inc. *Id.*

93. *Id.*

94. *Id.*

95. *Id.* at 1752.

96. *Id.* at 1755.

97. *Id.* at 1756. As executor of the Woolrich estate, Chase Manhattan Bank renewed the copyright in "It Had To Be Murder" pursuant to 17 U.S.C. § 24 and assigned the renewal rights to respondent. *Id.*

98. *Id.*

99. *See supra* notes 71, 77-84 and accompanying text.

100. 17 U.S.C. § 107 (1988). The Copyright Revision Act of October 19, 1976, P.L. 94-553, 90 Stat. 2546, codified the fair use doctrine into section 107. The text provides:

> Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or such or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include-

Circuit reversed,[101] holding that petitioner's use of the Woolrich story in its film was not fair use and rejected the reasoning of *Rohauer*.[102] The Supreme Court granted *certiorari*.

B. *Supreme Court Decision*

1. Majority Opinion

The Supreme Court held that the distribution and publication of the derivative work (the film *Rear Window*) by petitioner, during the copyright renewal term of the underlying work (the short story), infringed upon the rights of the respondent when the author of the underlying work agreed to assign the rights in the renewal term to the derivative work owner, but died before the commencement of the renewal term.[103] The Court also held the unauthorized use of the Woolrich story by petitioner was not fair use.[104]

The first issue before the Court was whether the death of the prior work's author, before commencement of the renewal period, extinguished the right of the derivative work owner to use the underlying work. The Court held in the affirmative, reasoning that the renewal provisions of the 1909 and 1976 Copyright Acts, their legislative history, and the case law interpreting them established that they were intended to give the author a second chance to obtain fair remuneration for his creative efforts, and to provide the author's family or statutory successor (absent a surviving spouse or child) with a "new estate" if the author died before the renewal term commenced.[105]

The Court next considered whether the right of the underlying work owner to sue for infringement was extinguished by creation of the derivative work.[106] The Court held that this right was not extinguished, and that petitioner's contention was unsupported by the Act and contrary to the axiomatic principle that a person may exploit only such copyrighted material that he either owns or is licensed to use.[107]

The third issue was whether the termination provisions of the 1976 Act may, under the facts of this case, prevent the owner of a preexisting work from enjoining distribution of a derivative work. The Court held

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(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit education purposes;
(2) the nature of the copyrighted work;
(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
(4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107.

101. Abend v. MCA, Inc., 863 F.2d 1465 (9th Cir. 1988).

102. *Id.*

103. Stewart v. Abend, 110 S. Ct. 1750, 1760 (1990).

104. *Id.* at 1768.

105. *Abend*, 110 S. Ct. at 1758-60.

106. Petitioners argued that the creation of the "new" derivative work under section 7, extinguishes any rights the preexisting work owner may have to sue. *Id.* at 1761.

107. *Id.* at 1761. *See supra* notes 35-39 and accompanying text regarding the scope of a derivative work.

that the termination provisions do not effect the underlying work owner's right to sue for infringement and that the express language of the termination provision indicates that Congress assumed the underlying work owner had such a right.[108]

The fourth issue was whether the holding in *Rohauer v. Killiam Shows, Inc.*[109] controlled. The Court held that the *Rohauer* theory was not supported by either the 1909 or 1976 Acts and was not the "bright line rule," but was instead merely an "interest balancing approach."[110]

The fifth issue was whether the rule announced by the court of appeals would undermine a policy of the Copyright Act to ensure the dissemination of creative works. The Court, exercising judicial restraint, decided that this argument was better addressed by Congress than the courts.[111]

The final issue was whether the distribution of *Rear Window* by petitioner was fair use of respondent's underlying copyright. The Court concluded it was not.[112]

Petitioner argued that a derivative work is independent of the underlying work and not subordinate to the rights of the underlying work owner during the renewal term.[113] Petitioner asserted that its theory of the case was supported by reading together sections 3, 7 and 24 of the 1909 Act and the termination provisions of the 1976 Act.[114] The Court rejected this "overarching" interpretation of the Act.[115]

Contrary to petitioner's contention, the Court concluded that read together, the various sections of the 1909 and 1976 Acts actually favored respondent. The Court observed that the plain language of the relevant statutory sections supported not only the underlying work owner's right to the renewal term free of any assignments made by the prior author,[116] but also that the termination exception for derivative works in the 1976 Act had no effect regarding the renewal rights of the underlying work owner.[117]

The Court found ineluctable authority in the case of *Miller Music*

108. *Abend*, 110 S. Ct. at 1762-63.
109. *See supra* note 71.
110. *Abend*, 110 S. Ct. at 1763.
111. *Id.* at 1763-65.
112. *Id.* at 1768-69. Fair use has been defined as "a privilege in others than the owner of the copyright to use the copyrighted material in a reasonable manner without his consent, notwithstanding the monopoly granted to the owner by the copyright." Rosemont Enters., Inc. v. Random House, Inc., 366 F.2d 303 (2d Cir.), *cert. denied*, 386 U.S. 1009 (1966) (quoting H. BALL, THE LAW OF COPYRIGHT AND LITERARY PROPERTY 260 (1944)). *See also* Annotation, *Extent of Doctrine of "Fair Use" Under Federal Copyright Act*, 23 A.L.R. 3d 130 (1969). *See generally* Yankwich, *What is Fair Use?*, 22 U. CHI. L. REV. 203 (1954); Note, *Fair Use: A Controversial Topic in the Latest Revision of Our Copyright Law*, 34 U. CIN. L. REV. 73 (1965).
113. 110 S. Ct. at 1758, 1761.
114. *Id.* at 1761-63.
115. *Id.* at 1753.
116. *Id.* at 1759-60.
117. *Id.* at 1763. Congress specifically declined to apply the derivative works exception of the new termination provisions retroactively, or otherwise alter renewal rights as to existing works. *See* H. REP. No. 1476, *supra* note 19, at 139; Note, *Derivative Copyright and*

*Corp. v. Daniels, Inc.*[118] Following *Miller Music*, the Court concluded, *a fortiori*, that the assignee of a portion of the renewal rights, for example, the right to create and distribute a derivative work, must also hold nothing.[119]

The Court compared *Rohauer* to other factual simulations and found the approach set forth in *Rohauer* to be problematic.[120] It observed that "while in some cases *Rohauer* might make some sense in some contexts, it makes no sense in others."[121] The Court concluded that *Rohauer* did not announce a rule but merely a balancing approach.[122]

The Court weighed amici[123] and the public interest in having access to derivative works.[124] Amici argued that owners of underlying works would be able to retire their copyrights or to make such exorbitant demands for future use that it would be economically impossible to further distribute derivative works.[125] The Court dismissed these arguments as better addressed by Congress than the courts.[126]

Finally, the Court determined that the unauthorized use of respondent's preexisting copyright in petitioner's derivative work was not fair use.[127] It noted that the film neither fell into any of the categories of fair use enumerated in section 107 nor met any of the nonexclusive criteria that section 107 requires a court to consider.[128]

2. Concurring Opinion

Justice White concurred that the result reached in *Miller Music* required the result reached by the Court.[129] He disagreed, however, that the decision in *Miller Music* was required by the Copyright Act.[130]

3. Dissenting Opinion

In a strong dissent, Justice Stevens, joined by Chief Justice Rehnquist and Justice Scalia, argued that section 7, by its plain language, creates an independent copyright in the entire derivative work, entitled to

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*the 1909 Act—New Clarity or Confusion?*, 44 BROOKLYN L. REV. 905, 930-31 (1978) [hereinafter Note, *Derivative Copyright*]; Note, *Rohauer*, *supra* note 4, at 646.

118. 362 U.S. 373 (1960) (assignee of all rights during the renewal term holds nothing if the assignor dies prior to the renewal term). *See supra* notes 53-59 and accompanying text for a discussion of the *Miller Music* decision.

119. *Abend*, 110 S. Ct. at 1760.

120. *Id.* at 1763. The court used the example of a condensed book, where the contribution of the derivative author is little and that of the original author is great. *Id.*

121. *Id.* at 1763.

122. *Id.*

123. Various motion picture companies submitted amicus curiae briefs in support of petitioner, while the Copyright Register, the American Songwriters Guild and the Committee for Literary Property Studies submitted briefs in support of respondent.

124. The petitioner and supporting amici briefs argued that the court of appeals decision would lead to fewer works reaching the public. *Abend*, 110 S. Ct. at 1763-64.

125. *Id.* at 1764.

126. *Id.*

127. *Id.* at 1768-69. *See supra* notes 100 & 112 regarding the "fair use" doctrine.

128. *Abend*, 110 S. Ct. at 1768.

129. *Id.* at 1769 (White, J., concurring).

130. *Id.*

equal treatment with the preexisting work under the renewal and duration provisions of section 24.[131] In other words, once the derivative work obtained copyright, it was entitled to its own two terms of twenty-eight year protection without limitation. The dissent argued that the legislative history supported the contention that a derivative copyright, made with the consent of the underlying work proprietor, creates a completely independent work entitled to the same monopoly privileges of the original work.[132]

Justice Stevens further argued that once consent had been obtained, and the derivative work was created and copyrighted in accord with that consent, "a right of property springs into existence."[133] He reasoned: "[t]he original copyright may have relatively little value because the creative contribution of the second artist is far more significant than that of the original contribution,"[134] and Congress intended for such "new works" to receive independent copyright protection.[135] The dissent focused on the consent of the original author and argued that the "agreement to permit use of the underlying material during the renewal term does not violate section 24 because at the moment consent is given and the derivative work is created and copyrighted, a new right of property comes into existence independent of the original author's copyright estate."[136]

Finally, the dissent criticized the majority's implicit endorsement of *Miller Music*.[137] Justice Stevens distinguished *Miller Music* by focusing on the form of the assignment. Where an author merely assigns the right to copy and vend his work, the reasoning of *Miller Music* is valid. He asserted, however, that where the author expressly consents to production of a derivative work under section 7, the copyright on such derivative work gives the proprietor a superior right.[138]

## IV. COMMENTS

The result in *Abend* merely reaffirms the axiomatic principle that an author or his family should have two chances to seek fair remuneration for his creative efforts. This basic principle of copyright law has been

131. *Id.* at 1769-72 (Stevens, J., dissenting).

132. *Id.* at 1772-75. "The legislative history confirms that the copyright in derivative works not only gives the second creative product the monopoly privileges of excluding others from the uncontested use of the new work, but also allows the creator to publish his or her own work product." *Id.* at 1775.

133. *Id.* at 1775 (quoting Edmonds v. Stern, 248 F. 897, 898 (2d Cir. 1918)). *See supra* notes 60-61 and accompanying text for the "new property right" doctrine.

134. *Abend*, 110 S. Ct. at 1775.

135. *Id.* "By designating derivative works as 'new works' that are subject to copyright and accorded the two terms applicable to original works, Congress evinced its intention the derivative copyright not lapse upon termination of the original author's interest in the underlying copyright." *Id.* at 1776.

136. *Id.* at 1777.

137. *Id.* at 1778. *See supra* notes 53-59 and accompanying text for a discussion of *Miller Music*.

138. *Abend*, 110 S. Ct. at 1778. "The possession of a copyright on a properly created derivative work gives the proprietor rights superior to those of a mere licensee." *Id.*

accepted and relied upon since the inception of the 1909 Act.[139] The decision in *Abend* should have been unanimous.[140]

The dissent trivialized the Court's reliance on the plain reading of the statute. It creatively argued that the statutory provisions and their congressional intent were something else.[141] According to the dissent, reading section 7 in conjunction with section 24 of the Act gives the derivative work copyright two full terms of protection in the *entire* derivative work, when the original work is used with the consent of the author and when the original work is in the public domain.[142] In other words, the dissent maintains that the derivative copyright extends beyond the original contribution of the derivative author and includes the underlying work itself.[143]

The dissent read into the Act a provision which does not exist, explicitly or implicitly, in the statutes.[144] In addition, its contentions "fly in the face" of both section 103(b) and the courts' consistent interpretation of the scope of derivative work protection, which explicitly state that a copyright in a derivative work "extends only to the material contributed by the author of such work, as distinguished from the pre-existing material employed in the work."[145]

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139. *See, e.g.*, Miller Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373 (1960) (an author's assignment of rights in the renewal copyright is unenforceable as against the author's executor who obtained the renewal copyright at the author's death); Fox Film Corp. v. Knowles, 261 U.S. 326 (1923) (a deceased author's executor is entitled to the renewal copyright); M. Witmark & Sons v. Fred Fisher Music Co., 38 F. Supp. 72 (S.D.N.Y. 1941) (if the author dies prior to obtaining renewal copyright, his agreement to convey rights in the renewal copyright is ineffective); L. FROLICH & C. SCHWARTZ, THE LAW OF MOTION PICTURES INCLUDING THE LAW OF THE THEATRE 549 (1918) (an author's agreement to distribute a motion picture version of his work during the renewal term is worthless if the author dies prior to renewal); Brown, *Renewal Rights in Copyright*, 28 CORNELL L.Q. 460, 470 (1943) (the renewal term is a highly speculative venture); Chafee, *Reflections on Copyright Law: II*, 45 COLUM. L. REV. 719, 726 (1945) (the 1909 Act provides a veto power for the surviving relatives in respect to the renewal copyright).

140. *Abend* has not gone without criticism. *See* B. KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 112 (1967) (the statutory interpretation of the Court may have a "peculiarly perverse" effect); S. SPRING, RISKS & RIGHTS IN PUBLISHING, TELEVISION, RADIO, MOTION PICTURES, ADVERTISING, AND THE THEATER 95 (1956) (may have an "odd and complicated" effect); Kupferman, *Renewal of Copyright-Section 23 of the Copyright Act of 1909*, 44 COLUM. L. REV. 712, 724 (1944) (using the words "an anachronism"); Note, *Abend v. MCA*, COPYRIGHT L.J. 14, at 16-17 (Feb. 1989) (the Ninth Circuit opinion "does not make sense"); Note, *Renewal Rights, A Statutory Anachronism*, 10 W. RESERVE L. REV. 263, 272 (1959) (describing the concept as "anomalous").

141. The dissent reasoned that

> [t]he Copyright Act of 1909 elsewhere accords protection to all the writings of an author . . . . Congress would hardly have needed to provide for the copyright of derivative works, including the detailed provisions on the limit of that copyright, if it intended only to accord protection to the improvements to an original work of authorship.

*Abend*, 110 S. Ct. at 1772.

142. *Id.* at 1772 n.6 (Stevens, J., dissenting).

143. The dissent noted that the early drafts of the 1909 Act determined that the extent of copyright protection rests "upon the nature of the work as a whole rather than the original expression contributed by the copyright author." *Id.* at 1774.

144. *Compare* 17 U.S.C. § 7 (1909) (amended 1976) *with* 17 U.S.C. § 24 (1988) (the derivative work and underlying dichotomy is not addressed).

145. 17 U.S.C. § 103(b) (1988). *See* Russell v. Price, 612 F.2d 1123, 1128 (9th Cir.

Congress, in its legislative wisdom, decided not to tamper with the renewal system,[146] and instead implemented a termination mechanism.[147] This termination scheme did not limit the reversionary interest held by authors and their successors to the renewal copyright.[148] It is true that the derivative work exception to the termination provisions is indicative of Congress' belief in the need for special protection of derivative works.[149] The countervailing and dominant congressional policy, however, is to protect an author or his statutory successor from unremunerative transfers.[150]

The dissent in *Abend* attempted to sidestep the prevailing policy of protecting the original work by arguing that the derivative work owner has "no truly effective way of protecting himself,"[151] and that the inequity of the situation supports its view that Congress intended the derivative work copyright owner receive independent protection despite the intrusion upon the renewal copyright owner's rights.[152] This contention merely serves one interest group over another and furthermore implies the existence of a provision in the Copyright Act that it expressly rejects. The dissent, however, seeks to justify its theory in the *Rohauer* doctrine,[153] that a derivative copyright is an independent property interest entitled to its own two terms of copyright without limitation.[154]

In *Rohauer*, the central argument, as pointed out by the dissent, was the inequity in denying a derivative work owner the rewards of his investment.[155] The legislature recognized this relevant policy considera-

1979); Gilliam v. American Broadcasting Cos., 538 F.2d 14, 20 (2d Cir. 1976); Reyher v. Children's Television Workshop, 533 F.2d 87 (2d Cir. 1976).

146. HOUSE COMM. ON THE JUDICIARY, 87TH CONG., 1ST SESS., COPYRIGHT LAW REVISION: REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE UNITED STATES COPYRIGHT LAW 53, 57 (Comm. Print 1961); Note, *Rohauer*, *supra* note 4, at 658.

147. 17 U.S.C. § 103(b) (1988). *See supra* notes 40-43 and accompanying text regarding the termination right.

148. The termination provision of the 1976 Act evidenced a compromise between authors, movie companies, and the Register of Copyrights. *See* H.R. REP. No. 83, 90th Cong., 1st Sess. 90 (1967). *See also* Ringer, *First Thoughts on the Copyright Act of 1976*, 13 COPYRIGHT 187, 188-89 (1977); Note, *Derivative Copyright*, *supra* note 117, at 930-31; Note, *Rohauer*, *supra* note 4, at 647.

149. *See* S. REP. No. 473, 94th Cong., 1st Sess. 111 (1975). An important limitation on the rights of a copyright owner under a terminated grant is specified in section 203(b)(1). This clause provides that notwithstanding a termination, a derivative work prepared earlier may continue to be utilized under the conditions of the terminated grant; the clause adds, however, that this privilege is not broad enough to permit the preparation of other derivative works. *Id.*

150. *See supra* notes 13, 15-16 and accompanying text.

151. *Abend*, 110 S. Ct. 1750, 1778 at n.22 (1990) (quoting Rohauer v. Killiam Shows, Inc., 551 F.2d 484, 493 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977) (citing Bricker, *Renewal and Extension of Copyright*, 29 S. CAL. L. REV. 23, 33 (1955))).

152. "Unless § 24 is to overwhelm § 7, the consent of the original author must be given effect whether or not it intrudes into the renewal term of the original copyright." *Abend*, 110 S. Ct. at 1777 (Stevens, J., dissenting).

153. *See supra* notes 71, 77-82 and accompanying text.

154. *Abend*, 110 S. Ct. at 1772.

155. *Abend*, 110 S. Ct. at 1778 n.22. "[A] person who with the consent of the author 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." *Id.* (Stevens, J., dissenting) (quoting *Rohauer*, 551 F.2d at 493).

tion by providing derivative works with their own two terms of copyright.[156] This argument not only begs the question why have a renewal term, but also flatly ignores section 103 which expressly states that the derivative copyright cannot include the underlying copyright.[157] *Rohauer* has been extensively criticized in past years[158] and under materially identical facts the Supreme Court has rejected its reasoning![159]

Undeniably the dissent makes a point; neither the 1909 Act nor the 1976 Act effectively treat the derivative work/renewal term scenario.[160] This congressional oversight does not justify distortion of the Copyright Act, however. Until Congress amends the Act to specifically treat this issue, courts must construe the Act as it is written.

One commentator has suggested a statutory amendment in which royalties automatically accrue to the underlying work owner when the derivative work is exploited during the renewal term of the underlying work.[161] While this suggestion is a step in the right direction, it is also problematic. It assumes that the renewal copyright owner will always seek monetary compensation. For example, the renewal copyright owner who, for his own reasons, wishes to retire his copyright, will be precluded from doing so by the continued use of the derivative work.

At first glance, the reversionary interest of the renewal term seems to cut against traditional notions of free enterprise, freedom of contract and free alienability of property. In the unique case of the renewal copyright, however, it actually "thickens the plot" and furthers such traditional notions by providing additional opportunities to negotiate and assume risks. Additionally, the upshot of *Abend* may actually be more favorable to the derivative work owner than *Rohauer*.[162]

Under *Rohauer*, the renewal of the derivative work was also, *pro tanto*, a renewal of the original work. When a copyright is owned jointly by several individuals, renewal by one such individual suffices to renew the

156. "By designating derivative works as 'new works' . . . and accord[ing] the two terms applicable to original works, Congress evinced its intention that the derivative copyright not lapse upon termination of the original author's interest in the underlying copyright." *Id.* at 1776.

157. *Compare* 17 U.S.C. § 103(b) (1988) *with* 17 U.S.C. § 24 (1909) (amended 1976) (the sections are diametrically opposed).

158. Professor Nimmer has stated that the *Rohauer* decision is "plainly wrong." 1 M. NIMMER & D. NIMMER, *supra* note 18, § 3.07[A], at 3-40. *See* Jasi, *supra* note 44, at 791; Mimms, Jr., *Reversion and Derivative Works Under the Copyright Acts of 1909 and 1976*, 25 N.Y.L. SCH. L. REV. 595, 608-09 (1980); Note, *Derivative Copyright*, *supra* note 117, at 919-21.

159. *See Abend*, 110 S. Ct. at 1763 (concluding that neither the 1909 Act nor the 1976 Act provides support for the theory in *Rohauer*).

160. The 1976 Act does not specifically address the issues raised by the continued utilization of a derivative work during the renewal term of the underlying copyright. *Compare* 17 U.S.C. § 103 (1988) *with* 17 U.S.C. § 304 (1988) (the 1976 Act does not specifically address the issues raised by the continued utilization of a derivative work during the renewal term of the underlying copyright).

161. *See* Note, *Rohauer*, *supra* note 4, at 659-62.

162. *See* 1 M. NIMMER & D. NIMMER, *supra* note 18, § 3.07[A], at 3-49.

interest of all.[163] Therefore, the heirs, as fellow owners, do not lose their rights in the underlying work by failing to renew the copyright and the studio is prevented from producing a remake, sequel, or other exploitation of the underlying work.[164] Under *Abend*, by contrast, the heirs lose any rights they have in the underlying work from failure to renew, and the motion picture studio is free to exploit the underlying work as it pleases.[165]

The decision in *Abend* is a very principled and workable decision which flows inexorably from the Copyright Act. Any potential inequity that may arise from the use of a derivative work during the renewal term of the underlying work is a matter better left to Congress than to the courts.

## V. CONCLUSION

The confusion surrounding the renewal copyright and the derivative work copyright will, in time, subside. The 1976 Act expressly provides an exception for derivative works.[166] For works copyrighted prior to January 1, 1978, however, the exclusive right to the renewal term remains.[167] Until the year 2005,[168] absent legislative amendment, courts will continue to apply the renewal system of the 1909 Act together with the termination scheme of the 1976 Act.

The Supreme Court has decided that the rights of the renewal copyright owner are superior to the rights of the derivative work copyright owner.[169] Thus, where the author of the underlying copyright dies prior to the commencement of the renewal term, the derivative work owner no longer has any right to exploit the underlying work. In light of this decision, the motion picture industry, as well as other users of derivative works, will be well advised to secure the consent of the *current* renewal copyright owner, or risk possible exposure to infringement suits, declaratory actions, injunctions, or other forms of liability.

*Clark L. McCutchen*

163. 2 M. NIMMER & D. NIMMER, *supra* note 18, § 9.05[E], at 9-64, 9-65.

164. 1 M. NIMMER & D. NIMMER, *supra* note 18, § 3.07[A], at 3-48, 3-49.

165. The public is also free to exploit the underlying copyright because the failure to renew causes the copyright to fall into the public domain. *Id.*

166. 17 U.S.C. § 103(b) (1988).

167. *Id.* § 304(a) (preserving the 1909 Act's two-tier renewal system for all works that were in their initial copyright term as of January 1, 1978).

168. The ultimate owner of the renewal copyright will not be known until twenty-eight years after commencement of the initial copyright which potentially is January 1, 2005.

169. Stewart v. Abend, 110 S. Ct. 1750 (1990). This is true only if the author dies prior to the renewal term, otherwise his original intentions to assign are controlling. *See* Fred Fisher Music Co. v. M. Witmark & Sons, 318 U.S. 643 (1943).