

With termination of copyright grants, disco lives

Timothy J. Lockhart
Willcox Savage

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A little-known provision of the Copyright Act of 1976 (Act) may soon acquire major importance. Under Section 203 of the Act (17 U.S.C. § 203) a copyright assignment or license may, under certain circumstances, be terminated 35 years after being granted.

Because the Act became effective on January 1, 1978, the first date on which such termination can be effective is January 1, 2013. As illustrated by the ongoing case of *Scorpio Music S.A. v. Willis*, No. 3:11-cv-01557-BTM-RBB (S.D. Cal. filed July 14, 2011)—involving disco hits by the Village People—disputes over Section 203 terminations have already begun and will likely increase as more authors become aware of their termination rights.

Section 203 permits an author or his or her heirs to terminate the author's "exclusive or nonexclusive grant of a transfer or license of copyright or any right under a copyright" made on or after January 1, 1978, provided that the termination right is exercised within five years after the end of the 35-year period.

If the grant covers the right to publish a work, the termination period begins at the earlier of (a) 35 years after publication under the grant or (b) the end of 40 years after execution of the grant.

The right is permanently lost if not exercised within that five-year window. The person(s) exercising the termination right must give proper notice to the grantee or its successor at least two but not more than 10 years before the termination date.

The termination right expressly does not apply to works made for hire, which consist of (1) works created by employees within the scope of their employment and (2) works created by independent contractors if the works (a) are subject to a written agreement classifying them as being made for hire and (b) fall into one of nine categories listed in the Act - for example, instructional texts, tests, and answers for tests.

Thus, the right applies only to grants by individuals, not to grants by entities other than natural persons. Also, the termination right does not apply to copyright interests transferred according to an author's will or to those arising under foreign law. However, the right does apply even if there is an agreement to the contrary.

The intent of Congress in enacting the termination provision seems to have been to give literary authors, musicians, painters, and other artists the ability to recapture their

copyrights in works sold or licensed when those works were less valuable than 35 years later.

Stories are commonplace of young “starving artists” who sell or license their works for nominal amounts only to see others making millions from those works decades later.

Now such artists may have a legal tool to redress the situation. Technically, the termination right also applies to authors’ grants of copyrights in software, but the rapidly changing pace of technology means the right to terminate such grants is much less valuable than with respect to artistic works.

Scorpio Music S.A. v. Willis is a lawsuit over the attempt of Victor Willis, the original lead singer of the Village People (he played the police officer and the Navy officer), to terminate his grants of copyrights in 33 songs, including the hits “Y.M.C.A.” and “In The Navy.”

In January 2011, Willis served a termination notice on Scorpio Music S.A., a French music publisher, and Can’t Stop Productions, Inc., Scorpio’s exclusive U.S. sub-publishers and administrator. Those two companies filed suit against Willis in July 2011.

The plaintiffs challenged the validity of the termination notice, arguing that Willis should have to withdraw it and make no further claims to the copyrights in question. Alternatively, the plaintiffs sought to have Willis’s reversion of rights limited to an ownership percentage equal to the royalty percentage he receives under prior agreements with the plaintiffs and to have Willis enjoined from terminating any licenses or derivative works that the plaintiffs authorized in connection with any of the 33 songs.

On May 7, 2012, the court granted Willis’s motion to dismiss the plaintiffs’ complaint for failure to state a claim upon which relief could be granted. The court found that, contrary to the plaintiffs’ assertion, the language of Section 203 entitles a single author to terminate his or her copyright grant even if, as in *Scorpio Music*, a work is a joint work, provided that the author seeking termination made the grant separately from the other author(s) of the joint work. However, a majority of authors is required to terminate a grant if two or more authors of a joint work jointly granted their copyright interests.

The court also found that Willis would, if entitled to terminate his copyright grants, reclaim what he had transferred—that is, his undivided interest, equal to the undivided interests of his joint authors, in the copyrights as a whole.

The court rejected the plaintiffs’ argument, for which they cited no legal authority, that Willis’s ownership interest should be tied to his royalty percentage.

In addition, the court found that because Willis did not dispute that if he terminated his copyright grants, the plaintiffs could continue to exploit their existing licenses and derivative works, there was no controversy on that point. Section 203 expressly provides that a grantee may continue to use derivative works prepared under a

subsequently terminated grant; however, this right does not extend to the preparation of new derivative works.

The court granted the plaintiffs leave to file an amended complaint, and they did so on June 5, 2012. The case continues, with an attorneys-only settlement conference scheduled for January 15.

The *Scorpio Music* case demonstrates that authors need to be aware of their right to terminate copyright grants under certain circumstances. The case also demonstrates that authors can benefit from legal advice given by lawyers familiar with Section 203 as well as with the regulations (set forth at 37 C.F.R. § 201.10) that implement it.

Likewise, copyright assignees and licensees need to understand the potential effects of receiving a termination notice—what rights will or will not be affected—and how to ensure that the notice fully complies with all the requirements of the statute and the regulations.

Timothy J. Lockhart is Head of the Intellectual Property Group at Willcox Savage. He can be reached at 757-628-5582 and tlockhart@wilsav.com.