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United States Copyright Office
101 Independence Ave SE
Washington, DC 20540

April 28, 2010

Re: Request for Comments, 75 Fed. Reg. 15390

A. Introduction

These comments are submitted by the Intellectual Property Institute at William Mitchell College of Law, St. Paul, Minnesota, in response to the above-referenced Copyright Office request for comments regarding a possible "gap in termination provisions" contained in the Copyright Act of 1976, as amended (the "Act").

In particular, the Copyright Office requested comments on the following two examples (collectively, the "Examples"):

> Example 1: A composer signed an agreement with a music publisher in 1977 transferring the copyrights to future musical compositions pursuant to a negotiated fee schedule. She created numerous compositions under the agreement between 1978 and 1983, some of which were subsequently published by the publisher-transferee. Several of these achieved immediate popular success and have been economically viable ever since. The original contract has not been amended or superseded.
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> Example 2: A writer signed an agreement with a book publisher in 1977 to deliver a work of nonfiction. The work was completed and delivered on time in 1979 and was published in 1980. The book's initial print run sold out slowly, but because the author's subsequent works were critically acclaimed, it was released with an updated cover last year and is now a best seller. The rights remained with the publisher all along and the original royalty structure continues to apply.

The request for comments also provided specific questions for commenters. These are addressed in the remainder of this letter.

B. Experience

Founded in 1900, William Mitchell College of Law ("Mitchell" or "the College") is an independent law school in Minnesota. Mitchell is fully accredited by the American Bar Association and is a member of the Association of American Law Schools. The Intellectual Property Institute (the "Institute") is an entity within the College. Among the Institute's activities is advocacy for the responsible development of intellectual property law, including copyright law. One of the Institute's purposes is to raise issues and arguments in light of the public interest and the best interests of the copyright system as a whole. Although the Intellectual Property Clinic at the College (which is part of the Institute) represents clients, it has not represented clients in matters involving the termination of copyright. The Institute has neither exercised nor negotiated termination rights for pre-1978 grants of transfers or licenses for works that were created on or after January 1, 1978.

C. Interpretation

The Examples involve instruments of transfer signed before January 1, 1978, and works created after that date. In these cases, it can be difficult to determine which sections of the Act, if any, provide termination rights. Section 203 provides a termination right that applies to "transfer[s] or license[s] of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will...."[1] In both of the Examples, however, the instrument of transfer was signed before 1978, and not "on or after January 1, 1978." If the word "executed" as used in section 203 means "signed," then this section does not apply to the Examples.

Section 304 of the Act applies to transfers executed before January 1, 1978. So, if "executed" means "signed," then section 304 would seem to be the appropriate section to apply to the Examples. However, application of this section seems also to be problematic. Section 304(c) provides that

> "[i]n the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section, otherwise than by will, is subject to termination ...."[2]

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[1] 17 U.S.C. § 203(a). No termination right is provided in respect of works made for hire. *See id.*

[2] 17 U.S.C. § 304(c). This section also excludes works made for hire.

There are at least two problems in applying section 304 to the Examples:

(a) The section applies to copyrights in their "first or renewal" terms on January 1, 1978. In both Examples, the works in question were created after January 1, 1978; therefore, there were no copyrights subsisting in those works on that date.

(b) Transfers of copyright that may be terminated under section 304(c) are "transfer[s] or license[s] of the renewal copyright or any right under it ...." In both Examples, the works were created after January 1, 1978, and there is no renewal copyright in the works. Instead, copyright in the works subsists in a single, unitary term, measured by the author's life plus a period of years specified by Congress.[3]

The above analysis leads to the conclusion that neither section 203 (which applies only to transfers "executed" by the author on or after January 1, 1978) nor section 304 (which applies only to transfers of the renewal term) cover the transfers in question, which were signed before January 1, 1978, but did not involve any renewal term. If neither section provides a termination right, then neither of the transfers can be terminated.

This outcome is problematic. It suggests that the termination provisions exclude the entire category of works transferred before 1978 but created on or after 1978, without any apparent basis in logic or policy. Moreover, this result is entirely inconsistent with Congress's intent to include in the Act "a provision safeguarding authors against unremunerative transfers."[4] It is difficult to understand why Congress would choose to exclude works transferred before January 1, 1978, but only if they were created after that date. Nor does the legislative history of section 203 offer any explanation.[5]

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[3] *See* 17 U.S.C. § 302.

[4] House Report 94-1476, at 124.

[5] House Report No. 94-1476 at 124-25:

> The provisions of section 203 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. Section 203 reflects a practical compromise that will further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved.
> ....
> The right of termination would not apply to 'works made for hire,'

Congress knew how to exclude categories of works from termination. It did so, in the case of works for hire.[6] It would be surprising, to say the least, if at the same time Congress expressly excluded works for hire, it also "intended" to exclude, *sub silentio*, all works transferred before, but created after, the effective date of the new statute.

D. Recommendations

The difficulties outlined above result from reading the word "executed" in section 203 to mean "signed." The Institute urges a different reading of the 1976 Act: Section 203, when it refers to "the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, *executed* by the author on or after January 1, 1978,"[7] should be read to refer to the date on which the transfer of a license or copyright interest is *performed*, meaning that there is both a transfer and a transferred work. In other words, the word "executed" should be read to exclude transfers that are merely "executory." Transfers that are executed are complete, not executory; they are "performed," rather than merely "signed," by the transferor.

If this reading were adopted, termination rights in all works created under the 1976 Act (on or after January 1, 1978) would be considered executed–performed–on or after January 1, 1978, and therefore governed by section 203. Even if a transfer of an interest in the work was

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> which is one of the principal reasons the definition of that term assumed importance in the development of the bill.

See also Supplementary Register's Report on the General Revision of the U.S. Copyright Law at 23 (1965):

> Under the present law, the renewal copyright after the first term of 28 years reverts in certain situations to the author or other specified beneficiaries. The bill drops the renewal device, but section 203 would permit the author or his widow and children to terminate any grant he himself had made of his rights after 35 years (or up to 40 years in certain situations). The termination would not be automatic, but could be effected by serving an advance written notice on the grantee within specified time limits.

[6]Section 203 begins with the phrase, "In the case of any work other than a work made for hire...." 17 U.S.C. § 203. The legislative history acknowledges this exclusion: "The right of termination would not apply to 'works made for hire,' which is one of the principal reasons the definition of that term assumed importance in the development of the bill." House Report No. 94-1476 at 125. Similar limiting language appears in section 304(c). See 17 U.S.C. § 304(c) ("In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire ... the grant of a transfer or license ... is terminable ....")

[7]17 U.S.C. § 203.

signed by the author before January 1, the transfer would be executory until the work was completed and there was an interest to transfer. This is fully consistent with Congress's intention to provide an alternative to the renewal right for all works that are not works for hire.

Furthermore, under this reading, the termination rights in works that fall within section 303–that is, works created but not published before January 1, 1978–would also be governed by section 203. These works were not subject to federal copyright before the new Act took effect. For these works, too, any transfer of a federal copyright interest before January 1, 1978, was merely executory. Until the work was subject to federal copyright, no transfer of a federal copyright interest could be executed.

The termination interest in works created and copyrighted under the 1909 Act (that is, before January 1, 1978) would remain governed by section 304, which specifies the circumstances in which the transfer of an interest in the renewal term may be terminated by the transferor or her statutory successors.[8]

This reading gives full effect to Congress's intention to permit terminations of transfer of all works except works for hire, and it does so without doing violence to the language chosen by Congress. We submit that this is the best reading of the 1976 Act in that it effectuates Congress's intent and does not result in a "termination gap" for which there is no basis in law or policy.

Respectfully submitted,

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INTELLECTUAL PROPERTY INSTITUTE

by,

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[8]See 17 U.S.C. § 304(c), (d).