

1 UNITED STATES COURT OF APPEALS

2 FOR THE SECOND CIRCUIT

3 August Term, 2007

4 (Argued: January 23, 2008

Decided: August 13, 2008

5 Errata Filed: September 10, 2008)

6 Docket Nos. 06-3226-cv, 06-3696-cv

7 -----
8 PENGUIN GROUP (USA) INC.,

9 Plaintiff-Appellant,

10 WAVERLY SCOTT KAFFAGA, individually as Executor of the Estate of
11 ELAINE ANDERSON STEINBECK, DAVID SCOTT FARBER, ANDERSON FARBER
12 RUNKLE, JEBEL KAFFAGA, BAHAR KAFFAGA and JEAN ANDERSON BOONE,

13 Defendants-Counterclaim-Plaintiffs-Appellants,

14 - v. -

15 THOMAS STEINBECK and BLAKE SMYLE,

16 Plaintiffs-Counterclaim-Defendants-Appellees,

17 NANCY STEINBECK,

18 Intervenor-Plaintiff,

19 MCINTOSH & OTIS, INC., THE STEINBECK HERITAGE FOUNDATION, EUGENE
20 H. WINICK, SAMUEL PINKUS and STEVEN FRUSHTICK,

21 Defendants-Counterclaim-Plaintiffs,

22 FRANCIS ANDERSON ATKINSON and DOES 1-10,

23 Defendants.

24 -----
25 Before: SACK, KATZMANN, and RAGGI, Circuit Judges.

26 Appeal from an order of the United States District
27 Court for the Southern District of New York (Richard Owen, Judge)

1 granting summary judgment to the appellees Thomas Steinbeck and
2 Blake Smyle on the grounds that a notice purporting to terminate,
3 pursuant to the Copyright Act, 17 U.S.C. §§ 304(c) and (d), a
4 1938 agreement granting licenses for publication of certain works
5 of the author John Steinbeck, was valid. Because a subsequent
6 agreement entered into in 1994 terminated and superseded the 1938
7 agreement, sections 304(c) and (d) are inapplicable; the notice
8 of termination is therefore invalid, and the 1994 agreement
9 remains in effect.

10 Reversed and remanded.

11 RICHARD DANNAY, Cowan, Liebowitz &
12 Latman, P.C. (Thomas Kjellberg, of
13 counsel), New York, NY, for Plaintiff-
14 Appellant Penguin Group (USA) Inc.

15 SUSAN J. KOHLMANN, Jenner & Block LLP
16 (Carolina A. Fornos, of counsel), New
17 York, NY, for Plaintiffs-Appellants
18 Kaffaga et al.

19 MARK S. LEE, Manatt Phelps & Phillips,
20 LLP (Benjamin G. Shatz and Alon G.
21 Markowitz, of counsel), Los Angeles, CA,
22 for Defendants-Appellees.

23 SACK, Circuit Judge:

24 This is an appeal from an order of the United States
25 District Court for the Southern District of New York (Richard
26 Owen, Judge) granting summary judgment to the appellees Thomas
27 Steinbeck and Blake Smyle based on the court's conclusion that a
28 "notice of termination" given in 2004 that purported to
29 terminate, pursuant to the Copyright Act, 17 U.S.C. § 304(c) and
30 (d), the 1938 grant of copyright licenses by the author John

1 Steinbeck, was valid. We consider on appeal whether an agreement
2 entered into in 1994 between Steinbeck's widow and the publisher
3 terminated and superseded the 1938 agreement, and, if so, whether
4 the termination notice is therefore ineffective. Because the
5 termination right provided by section 304(d) pursuant to which
6 the 2004 termination notice was issued applies only to pre-1978
7 grants of transfers or licenses of copyright, and because the
8 1994 agreement left intact no pre-1978 grant for the works in
9 question, we conclude that the 2004 notice of termination is
10 ineffective. The 1994 agreement remains in effect.

11 **BACKGROUND**

12 Grants of Licenses of Copyright

13 On September 12, 1938, the author John Steinbeck
14 executed an agreement with The Viking Press (the "1938
15 Agreement") that established the terms for the latter's
16 publication of some of Steinbeck's best-known works, including
17 The Long Valley, Cup of Gold, The Pastures of Heaven, To A God
18 Unknown, Tortilla Flat, In Dubious Battle, and Of Mice and Men,
19 in all of which Steinbeck held the copyright. In 1939, the
20 agreement was extended to apply to four later works, including
21 The Grapes of Wrath, through the operation of an option clause in
22 the agreement. The rights granted by the 1938 Agreement were
23 later assigned by Viking to plaintiff-appellant Penguin Group
24 (USA) Inc. ("Penguin"), and the duties thereunder assumed by
25 Penguin. The 1938 Agreement provided to the publisher, who
26 agreed to take out copyrights in the covered works in Steinbeck's

1 name, the "sole and exclusive right" to publish the works in the
2 United States and Canada, with Steinbeck receiving royalties
3 based on net sales. The agreement would terminate if any of the
4 covered works were not kept in print. The agreement was "binding
5 upon [John Steinbeck's] heirs, executors, administrators or
6 assigns."

7 During his lifetime, Steinbeck renewed the copyrights
8 in the works covered by the 1938 Agreement so that they enjoyed
9 protection under both of the consecutive 28-year copyright terms
10 provided for by the version of the Copyright Act in effect at the
11 time. When Steinbeck died in 1968, he bequeathed his interest in
12 these copyrights to his widow, Elaine Steinbeck. His sons by a
13 previous marriage, Thomas and John IV, each received a bequest of
14 \$50,000 in a trust arrangement.

15 On October 24, 1994, Elaine Steinbeck and Penguin
16 entered into a "new agreement for continued publication" (the
17 "1994 Agreement"). It addressed the publication by Penguin of
18 all works that were covered by the 1938 Agreement. It added
19 several other early Steinbeck works, some of his posthumous
20 works, and some of Elaine Steinbeck's own works. It also changed
21 the economic terms of the 1938 Agreement, mostly to Elaine
22 Steinbeck's benefit, by requiring Penguin to provide a far larger
23 annual guaranteed advance, and royalties of between ten and
24 fifteen percent of retail (rather than wholesale) sales. The
25 1994 Agreement further stated that "when signed by Author and

1 Publisher, [it] will cancel and supersede the previous
2 agreements, as amended, for the [works] covered hereunder."¹

3 Elaine Steinbeck died in April 2003, bequeathing her
4 copyright interests in the Steinbeck works at issue, as well as
5 proceeds from the 1994 Agreement, to various testamentary heirs
6 including her children and grandchildren from a previous
7 marriage, but she specifically excluded Thomas Steinbeck, John
8 Steinbeck IV, and their heirs. Her statutory termination rights
9 expired upon her death.

10 On June 13, 2004, John Steinbeck's surviving son
11 Thomas, and Blake Smyle, the sole surviving child of Steinbeck's
12 other son, the deceased John IV, (collectively the "Steinbeck
13 Descendants") served what purported to be a notice of termination
14 (the "Notice of Termination") on Penguin terminating the "grants"
15 made by the 1938 Agreement to Penguin's predecessor-in-interest
16 (Viking).

17 Statutory Background

18 The Copyright Act gives to authors and certain
19 enumerated family members the power to terminate prior grants of
20 transfers or licenses of copyright. This power is based on
21 Congressional recognition that young authors frequently enter

¹ A separate agreement was executed on the same day by Penguin and by Elaine Steinbeck, acting on her own behalf and on behalf of Thomas Steinbeck. Thomas Steinbeck ratified this agreement on December 22, 1994, on behalf of the other Steinbeck Descendants. This agreement, which itself is not at issue on this appeal and which governed works of John Steinbeck that are not at issue on this appeal, obligated Penguin to pay higher royalties for these works to Elaine Steinbeck and the Steinbeck Descendants.

1 into long-term contracts with publishers when their bargaining
2 power is weak and their prospects for success uncertain, and
3 discover increased leverage only when they later achieve
4 commercial success. Indeed, in an effort to balance the
5 interests of publishers and authors, Congress enacted provisions
6 in the Copyright Act that "attempted to give the author a second
7 chance to control and benefit from his work" and to "secure to
8 the author's family the opportunity to exploit the work if the
9 author died." Stewart v. Abend, 495 U.S. 207, 218 (1990).
10 Congress permitted a publisher the opportunity to reap the
11 initial rewards of an early investment in young talent, but it
12 allowed authors to revisit the terms of earlier grants of rights
13 once the long-term success of their works became apparent. See
14 id.

15 When John Steinbeck entered into the 1938 Agreement
16 with Viking Press, the Copyright Act of 1909 was in effect.
17 Under that version of the Act, authors were entitled to a
18 copyright in their works for an initial twenty-eight year period
19 beginning on the date of a work's publication. After this period
20 expired, the author had the right to renew the copyright for a
21 second twenty-eight year term. The purpose of providing this
22 renewal term was to permit "the author, originally in a poor
23 bargaining position, to renegotiate the terms of the grant once
24 the value of the work ha[d] been tested." Stewart, 495 U.S. at
25 218-19; accord Marvel Characters, Inc. v. Simon, 310 F.3d 280,
26 283 (2d Cir. 2002) (quoting Stewart). Publishers could, and

1 often did, thwart the purpose of this statutory scheme, however,
2 by requiring authors to assign both their initial and renewal
3 rights to the publisher at the same time and before the long-term
4 value of an author's work could be ascertained. This practice
5 received the legal imprimatur of the Supreme Court in Fred Fisher
6 Music Co. v. M. Witmark & Sons, 318 U.S. 643 (1943), which held
7 that renewal rights could be assigned by an author during a
8 work's initial copyright term and before the vesting of the
9 renewal right. Id. at 656-59; see also Marvel, 310 F.3d at 284.

10 The 1976 amendments to the Copyright Act, which took
11 effect in 1978, abandoned this framework. In order to revitalize
12 the ability of authors to revisit the terms of earlier grants of
13 rights, the amended Act replaced the two consecutive twenty-eight
14 year terms with a single copyright term of increased duration,²
15 and it created for authors or their statutory heirs, with respect
16 to transfers or licenses of copyright effected prior to 1978, an
17 inalienable right to terminate the grant of a transfer or

² The consecutive-term renewal structure was retained for pre-1978 works, however, because a "great many of the present expectancies in these cases are the subject of existing contracts, and it would [have been] unfair and immensely confusing to cut off or alter these interests." H.R. Rep. No. 94-1476, at 139 (1976), reprinted in 1976 U.S.C.A.N. 5659, 5755. For works still in their renewal term on January 1, 1978, which include the Steinbeck works governed by the 1938 Agreement, the amendments extended the expiration date of the then-governing renewal term until "seventy-five years from the date the copyright was originally secured." 17 U.S.C. § 304(b) (1997). When the Copyright Act was amended in 1998, for works still within this seventy-five year term, the length of the term was extended again to provide those works with a total of ninety-five years of copyright protection. Pub. L. No. 105-298, 112 Stat. 2827, 2828-29 (1998).

1 license. 17 U.S.C. § 304(c). The section provides, in pertinent
2 part:

3 In the case of any copyright subsisting in
4 either its first or renewal term on January
5 1, 1978, . . . the exclusive or nonexclusive
6 grant of a transfer or license of the renewal
7 copyright or any right under it, executed
8 before January 1, 1978, by [the author or the
9 author's heirs as specified at
10 section 304(a) (1) (C)], otherwise than by
11 will, is subject to termination under the
12 following conditions:

13 (1) . . . In the case of a grant executed by
14 one or more of the authors of the work,
15 termination of the grant may be
16 effected . . . by the author who executed it
17 or, if such author is dead, by the person or
18 persons who, under clause (2) of this
19 subsection, own and are entitled to exercise
20 a total of more than one-half of that
21 author's termination interest.

22 (2) Where an author is dead, his or her
23 termination interest is owned, and may be
24 exercised, as follows:

25 . . .

26 (B) The author's surviving children, and
27 the surviving children of any dead child
28 of the author, own the author's entire
29 termination interest unless there is a
30 widow or widower, in which case the
31 ownership of one-half of the author's
32 interest is divided among them.^[3]

33 (3) Termination of the grant may be effected
34 at any time during a period of five years
35 beginning at the end of fifty-six years from
36 the date copyright was originally secured, or
37 beginning on January 1, 1978, whichever is
38 later.

39

³ Prior to her death, Elaine Steinbeck held a one-half interest in the statutory termination rights under 17 U.S.C. § 304(c) (2) (A).

1 . . .

2 (5) Termination of the grant may be effected
3 notwithstanding any agreement to the
4 contrary, including an agreement to make a
5 will or to make any future grant.

6 17 U.S.C. § 304(c).

7 This termination right provides authors or their
8 statutory heirs with an opportunity to recapture some of the
9 additional value produced by the lengthened copyright term. See
10 H.R. Rep. No. 94-1476, at 140 (1976). It is worth noting that
11 section 304(c), by its terms, does not apply to grants of a
12 transfer or license of the renewal copyright made on or after
13 January 1, 1978. Such grants are subject to the slightly
14 different termination right provided at 17 U.S.C. § 203, which,
15 among other distinctions, applies only to grants made by the
16 author rather than to grants made by either the author or other
17 parties.

18 Section 304(c) also provides only a limited five-year
19 window of time "beginning at the end of fifty-six years from the
20 date copyright was originally secured, or beginning on January 1,
21 1978, whichever is later," 17 U.S.C. § 304(c)(3), during which
22 termination rights may be exercised. If the termination right is
23 not exercised during this window, the original grant remains in
24 effect. So, for Cup of Gold, the earliest work included in the
25 1938 Agreement, the termination right under section 304(c)
26 expired on August 2, 1990, and for The Grapes of Wrath, the
27 latest work, the right expired on April 14, 2000. It is

1 undisputed, however, that no termination right under
2 section 304(c) was ever exercised with respect to the copyrights
3 covered by the 1938 Agreement.

4 When the length of the copyright term was extended in
5 1998, Congress provided an additional window of time
6 corresponding to this extension, during which the same
7 termination right could be, had it not already been, exercised.
8 See 17 U.S.C. § 304(d). For pre-1978 grants whose section 304(c)
9 termination right, as of October 26, 1998, had expired without
10 being exercised, termination could "be effected at any time
11 during a period of 5 years beginning at the end of 75 years from
12 the date copyright was originally secured." Id. Section 304(d)
13 otherwise incorporated the conditions specified in section 304(c)
14 including the statutory heirs of an author's termination right.
15 See 17 U.S.C. § 304(d)(1). The Notice of Termination issued in
16 2004 by the Steinbeck Descendants purported to terminate the 1938
17 grants of copyright licenses within each work's section 304(d)
18 termination period.

19 District Court Proceedings

20 Upon receiving the Termination Notice, Penguin filed a
21 complaint in the United States District Court for the Southern
22 District of New York seeking a declaratory judgment against
23 Thomas Steinbeck and Blake Smyle that the notice is invalid.
24 Penguin argued that the 1994 Agreement, to which Elaine Steinbeck
25 was a party, superseded and itself terminated the 1938 Agreement,
26 and that there was therefore no pre-1978 grant of a transfer or

1 license of the renewal copyright to which section 304(d) could be
2 applied.

3 In a related action, initiated by the Steinbeck
4 Descendants, the estate and heirs of Elaine Steinbeck filed
5 counterclaims seeking an equivalent declaration. The district
6 court consolidated the two actions for the purposes of the
7 summary judgment motions.

8 In an order issued June 8, 2006 and amended July 18,
9 2006, the district court disagreed, granting summary judgment
10 against Penguin and Elaine Steinbeck's heirs and, among other
11 things, upholding the validity of the Termination Notice served
12 by the Steinbeck Descendants in 2004. Steinbeck v. McIntosh &
13 Otis, Inc., 433 F. Supp. 2d 395, 401 (S.D.N.Y. 2006). The court
14 rejected Penguin's argument that the 1994 Agreement extinguished
15 the section 304(d) termination right, observing that the
16 agreement explicitly contemplated the future exercise of
17 termination rights and that it did not grant Penguin rights that
18 were any greater or lesser than those granted by the 1938
19 Agreement. Id. The court also concluded that "to the extent
20 that the 1994 Agreement would strip [the Steinbeck Descendants] .
21 . . of their inalienable termination rights in the pre-1978
22 grants, it is void as an 'agreement to the contrary' pursuant to
23 17 U.S.C. § 304(c) (5)." Id. at 402 (footnote omitted). In the
24 district court's view, "[a]ny interpretation of the 1994
25 Agreement having the effect of disinheriting the statutory heirs
26 to the termination interest -- [the Steinbeck Descendants] -- in

1 favor of Elaine's heirs must be set aside as contrary to the very
2 purpose of the termination statute" Id. at 402 n.23.

3 Penguin, and the estate and heirs of Elaine Steinbeck,
4 appeal from the portion of the district court's judgment
5 addressing the validity of the 2004 Termination Notice as to
6 those works covered by the 1938 Agreement.

7 DISCUSSION

8 I. Standard of Review

9 "We review de novo a district court's ruling on
10 cross-motions for summary judgment, in each case construing the
11 evidence in the light most favorable to the non-moving party."
12 White River Amusement Pub, Inc. v. Town of Hartford, 481 F.3d
13 163, 167 (2d Cir. 2007).

14 II. Whether the 1994 Agreement Terminated 15 and Superseded the 1938 Agreement

16 The Copyright Act provides a termination right for the
17 grant of a transfer or license of copyright made by parties other
18 than the author only if the grant was made prior to January 1,
19 1978. 17 U.S.C. § 304(d). Our first inquiry, then, is whether
20 the 1994 Agreement terminated and superseded the 1938 Agreement.
21 We conclude that it did, leaving in effect no pre-1978 grants to
22 which the termination rights provided by section 304(d) could be
23 applied.

24 The language of the 1994 Agreement makes clear that the
25 parties intended that the 1938 Agreement be terminated. Under

1 New York law,⁴ "parties to an agreement can mutually agree to
2 terminate it by expressly assenting to its rescission while
3 simultaneously entering into a new agreement dealing with the
4 same subject matter." Jones v. Trice, 202 A.D.2d 394, 395, 608
5 N.Y.S.2d 688, 688 (2d Dep't 1994). Once terminated and
6 superseded, the new contract provides all of the parties'
7 obligations and remedies for breach. See Northville Indus. Corp.
8 v. Fort Neck Oil Terminals Corp., 100 A.D.2d 865, 867, 474
9 N.Y.S.2d 122, 125 (2d Dep't 1984) ("[W]here the parties have
10 clearly expressed or manifested their intention that a subsequent
11 agreement supersede or substitute for an old agreement, the
12 subsequent agreement extinguishes the old one and the remedy for
13 any breach thereof is to sue on the superseding agreement."
14 (internal quotation marks omitted)). The 1994 Agreement states
15 that "[t]his agreement, when signed by Author and Publisher, will
16 cancel and supercede the previous agreements, as amended, for the
17 Works #1 - #19 [including those works governed by the 1938
18 Agreement] covered hereunder." We see no valid reason to
19 disregard this language and to regard the 1938 Agreement as
20 surviving the 1994 Agreement.

21 Contrary to the district court's observation that "[a]t
22 no point did Penguin lose or gain any rights other than those
23 originally granted to it under the 1938 Agreement," Steinbeck,
24 433 F. Supp. 2d at 401-02, the 1994 Agreement obligated Penguin

⁴ The parties do not dispute that New York state law governs both the 1938 and 1994 Agreements.

1 to pay larger guaranteed advance payments and royalties
2 calculated from the "invoiced retail price of every copy sold by
3 the Publisher," rather than "the amount which the Publishers
4 charge for all copies sold." The 1994 Agreement also modifies
5 the geographic limits of the publication rights as to the covered
6 works and imposes a requirement on Penguin to keep a greater
7 number of Steinbeck works in print.

8 The district court correctly observed that the 1938
9 Agreement, by its terms, "was to continue for as long as the
10 publishers keep the works 'in print and for sale,'" Steinbeck,
11 433 F. Supp. 2d at 402 n.22, but this has little relevance to our
12 analysis. A contract that remains in force may still be
13 terminated and renegotiated in exchange for, among other things,
14 one party's forbearance of her legal right, such as a statutory
15 right to terminate a previous grant of a copyright transfer or
16 license. See, e.g., Trans-Orient Marine Corp. v. Star Trading &
17 Marine, Inc., 925 F.2d 566, 573 (2d Cir. 1991) ("[F]orbearance to
18 assert a valid claim, if bargained for, is sufficient
19 consideration to support a contract.").

20 It is of similarly little relevance that the 1994
21 Agreement might have intended that earlier created termination
22 rights survive it, for our central inquiry is not the parties'
23 intent to preserve these rights -- which are granted by statute,
24 not contract -- but rather their intent to terminate the 1938
25 Agreement. The availability of termination rights under the
26 Copyright Act is not dependent on the intent of the parties but

1 on, among other things, the date that a grant of rights was
2 executed and the relationship to the author of those seeking to
3 exercise the termination right. So, even if we accept that the
4 1994 Agreement "explicitly carries forward possible future
5 termination," Steinbeck, 433 F. Supp. 2d at 401, it does not
6 matter inasmuch as the pre-1978 grant of rights no longer
7 existed. To the extent that the 1994 Agreement might also have
8 contemplated the potential preservation of termination rights, it
9 does not abrogate the 1994 Agreement's clear expression of intent
10 to terminate all prior grants of a transfer or license in the
11 subject copyrights.

12 We also reject the suggestion that, notwithstanding the
13 plain language of the 1994 Agreement, there was no effective
14 termination of the 1938 Agreement because the 1994 Agreement
15 provided no opportunity -- no "moment of freedom" -- for those
16 holding the termination right to renegotiate the terms of the
17 grant. Appellees draw support for this theory primarily from
18 Nimmer on Copyright § 11.07 (6th ed. 1978), referring to 17
19 U.S.C. § 304(c)(6)(D). That statutory provision reads:

20 A further grant, or agreement to make a
21 further grant, of any right covered by a
22 terminated grant is valid only if it is made
23 after the effective date of the termination.
24 As an exception, however, an agreement for
25 such a further grant may be made between the
26 author or any of the persons provided by the
27 first sentence of clause (6) of this
28 subsection, or between the persons provided
29 by subclause (C) of this clause, and the
30 original grantee or such grantee's successor
31 in title, after the notice of termination has

1 been served as provided by clause (4) of this
2 subsection.

3 Id. (emphasis added). The appellees read the phrase "only if it
4 is made after the effective date of the termination" to require a
5 period of time during which holders of a termination right "know
6 they will be free of extant agreements and can negotiate for the
7 terminated rights." Appellees' Br. at 80; see also Nimmer on
8 Copyright § 11.07. But the next sentence in the statute provides
9 an exception for the original grantee, who may execute a new
10 grant any time after the notice of termination has been served --
11 no "moment of freedom" is required.

12 In any event, nothing in section 304(c)(6)(D) prevents
13 renegotiation of a prior grant where a notice of termination has
14 not been served. Such a succeeding grant of rights would
15 presumably take place with the parties' knowledge that the holder
16 of a termination right could exercise that right if they failed
17 to reach a new agreement. It is undisputed that no termination
18 right was exercised prior to the 1994 Agreement, but Elaine
19 Steinbeck did renegotiate and cancel the 1938 Agreement while
20 wielding the threat of termination. Indeed, this kind of
21 renegotiation appears to be exactly what was intended by
22 Congress. See Section III, supra.

23 Because we conclude that the 1994 Agreement terminated
24 and superseded the 1938 Agreement, it also eliminated the right
25 to terminate the grants contained in the 1938 Agreement under
26 sections 304(c) and (d).

1 III. Whether the 1994 Agreement is an "Agreement to
2 the Contrary" under 17 U.S.C. § 304(c) (5)

3 The Copyright Act provides that "[t]ermination of the
4 grant [of transfer or license rights] may be effected
5 notwithstanding any agreement to the contrary." 17 U.S.C.
6 § 304(c) (5). The 1994 Agreement is not invalid as an "agreement
7 to the contrary" -- and the Steinbeck Descendants' termination
8 right under section 304(d) is therefore no longer effective --
9 even if the agreement had the effect of eliminating a termination
10 right that Congress did not provide until 1998.

11 We do not read the phrase "agreement to the contrary"
12 so broadly that it would include any agreement that has the
13 effect of eliminating a termination right. To do so would negate
14 the effect of other provisions of the Copyright Act that
15 explicitly contemplate the loss of termination rights. For
16 example, sections 304(c) and (d) require only the consent of a
17 simple majority in interest for the exercise of a termination
18 right. Once the termination right is extinguished, it is
19 extinguished with respect to all parties holding a termination
20 interest, whether or not they agreed to its exercise. See 17
21 U.S.C. § 304(d) (providing a new termination right but only
22 "where the author or owner of the termination right has not
23 previously exercised such termination right"). Similarly, if a
24 termination right expires without being exercised, the original
25 grant is no longer subject to termination, and the Copyright Act
26 specifically provides that in such a case a grant would

1 "continue[] in effect for the remainder of the extended renewal
2 term." 17 U.S.C. § 304(c)(6)(F). If the holders of a majority
3 of an author's termination interest were to agree that they would
4 not exercise their termination rights, this would have the effect
5 of eliminating a termination right as to the minority termination
6 interests. Yet such an agreement could not be held ineffective
7 as an "agreement to the contrary" inasmuch as section 304 itself
8 contemplates elimination of termination rights in that manner.

9 Moreover, the 1994 Agreement did not divest the
10 Steinbeck Descendants of any termination right under section
11 304(d) when the parties entered into that agreement. In 1994,
12 only 17 U.S.C. § 304(c) provided a termination right -- section
13 304(d) would not become effective for another four years. It is
14 undisputed that the Steinbeck Descendants could not have
15 exercised their termination rights in 1994 because they lacked
16 more than one-half of the author's termination interest. As of
17 1994, then, the agreement entered into by Elaine Steinbeck did
18 not deprive the Steinbeck Descendants of any rights they could
19 have realized at that time. None of the parties could have
20 contemplated that Congress would create a second termination
21 right four years later. Had Elaine Steinbeck not entered into
22 the 1994 Agreement, the section 304(c) termination right would
23 have expired,⁵ and Penguin would have been bound only by the 1938

⁵ There is some question as to why Penguin agreed to terminate and renegotiate the 1938 Agreement, for without a majority termination interest, it appears that Elaine Steinbeck would have been unable to terminate the 1938 Agreement on her own. Although she possessed a power of attorney to exercise the

1 Agreement for the duration of the copyright terms absent (as
2 ultimately happened) Congressional action. We cannot see how the
3 1994 Agreement could be an "agreement to the contrary" solely
4 because it had the effect of eliminating termination rights that
5 did not yet exist.

6 Appellees' reliance on Marvel Characters, Inc. v.
7 Simon, 310 F.3d 280 (2d Cir. 2002), is misplaced. There, the
8 parties entered into a settlement agreement that contractually
9 recharacterized an already created work as a "work made for
10 hire." Works for hire are exempt from section 304(c) and (d).
11 We agreed with the author that the grantee could not use such
12 after-the-fact relabeling of the nature of the work to eliminate
13 a future exercise of the author's termination right under section
14 304(c), because the contract constituted an "agreement to the
15 contrary" that left termination rights unaffected under section
16 304(c) (5). Id. at 290. We were concerned that if such an
17 agreement was not held to be an ineffective "agreement to the
18 contrary," authors could be coerced into recharacterizing works
19 already created as works for hire so as to avoid subsequent
20 application of a section 304 termination right. Marvel concludes
21 only that backward-looking attempts to recharacterize existing
22 grants of copyright so as to eliminate the right to terminate

Steinbeck Descendants' termination rights as a result of a 1983
settlement, it is unclear that her exercise of those rights would
have been valid. But the resolution of these speculations is
immaterial to the resolution of this appeal.

1 under section 304(c) are forbidden by section 304(c)(5). There
2 was no such attempt at recharacterization here.

3 There is also no indication in the statutory text or
4 the legislative history of the Copyright Act that elimination of
5 a termination right through termination of a pre-1978 contractual
6 grant was precluded or undesirable. The House Report for the
7 1976 amendments noted, for example, that "nothing in [the
8 Copyright Act] is intended to change the existing state of the
9 law of contracts concerning the circumstances in which an author
10 may cancel or terminate a license, transfer, or assignment."
11 H.R. Rep. No. 94-1476, at 128 (1976). The report also noted more
12 specifically that "parties to a transfer or license" would retain
13 under the amendments the continued right to "voluntarily agree[]
14 at any time to terminate an existing grant and negotiat[e] a new
15 one." Id. at 127. So, provided that a post-1978 agreement
16 effectively terminates a pre-1978 grant, Congress did not
17 manifest any intent for the earlier agreement to survive simply
18 for purposes of exercising a termination right in the future.
19 See Milne v. Stephen Slesinger, Inc., 430 F.3d 1036, 1046 n.9
20 (9th Cir. 2005) (post-1978 agreement superseding pre-1978
21 agreement was of "the type expressly contemplated and endorsed by
22 Congress" because it enabled an author's statutory heirs to
23 renegotiate the terms of an original grant with full knowledge of

1 the market value of the works at issue), cert. denied, 548 U.S.
2 904 (2006).⁶

3 It should be noted that under our view, authors or
4 their statutory heirs holding termination rights are still left
5 with an opportunity to threaten (or to make good on a threat) to
6 exercise termination rights and extract more favorable terms from
7 early grants of an author's copyright. But nothing in the
8 statute suggests that an author or an author's statutory heirs
9 are entitled to more than one opportunity, between them, to use
10 termination rights to enhance their bargaining power or to
11 exercise them. See 17 U.S.C. § 304(d) (permitting exercise of
12 termination right only "where the author or owner of the
13 termination right has not previously exercised such termination
14 right"). In this case, Elaine Steinbeck had the opportunity in
15 1994 to renegotiate the terms of the 1938 Agreement to her
16 benefit, for at least some of the works covered by the agreement
17 were eligible, or about to be eligible, for termination. By
18 taking advantage of this opportunity, she exhausted the single

⁶ We note that the passages quoted above concern the termination provision that applies to post-1978 grants, rather than the termination provisions here at issue. The Supreme Court has described the two provisions, however, as "comparable," Mills Music, Inc. v. Snyder, 469 U.S. 153, 173 n.39 (1985), and indeed they both contain the "agreement to the contrary" clause. "The normal rule of statutory construction [is] that identical words used in different parts of the same Act are intended to have the same meaning." Gustafson v. Alloyd Co., Inc., 513 U.S. 561, 562 (1995); see also Milne v. Stephen Slesinger, Inc., 430 F.3d 1036, 1046 (9th Cir. 2005) ("To the extent that the legislative record references section 304(c)(5)'s counterpart provision under section 203(a)(5), we find that history instructive given Congress's use of identical language in both provisions.").

1 opportunity provided by statute to Steinbeck's statutory heirs to
2 revisit the terms of her late husband's original grants of
3 licenses to his copyrights. It is no violation of the Copyright
4 Act to execute a renegotiated contract where the Act gives the
5 original copyright owner's statutory heirs the opportunity and
6 incentive to do so. See Milne, 430 F.3d at 1046; cf. Classic
7 Media, Inc. v. Mewborn, 532 F.3d 978, 989 (9th Cir. 2008)
8 (termination right preserved, notwithstanding a March 1978--i.e.
9 post-1978--grant of rights, where termination right could not
10 have been exercised until 1984 at the earliest, and where
11 "[n]either party intended to revoke and replace (or even modify)"
12 a 1976 grant of rights).

13 The 1994 Agreement was not an "agreement to the
14 contrary" rendered ineffective by section 304(c)(5).

15 **CONCLUSION**

16 For the foregoing reasons, the judgment of the district
17 court is reversed and the case remanded for entry of judgment in
18 favor of Penguin.