

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

Recent Cases Address the Copyright Act's Termination Right

The Copyright Act provides the owner of a copyright with the exclusive right to reproduce, distribute, and perform the copyrighted work and allows the owner to transfer those rights to others. Aspiring artists, musicians, writers, and other authors often license or transfer their rights to others before knowing whether their work will be successful. In some cases—particularly those in which the work becomes very successful after the transfer—an author may wish to capitalize on that success by reclaiming her exclusive rights to the work. The Act permits authors to do so under certain circumstances, providing authors with an opportunity to renegotiate the prior transfer or monetize works that have greatly increased in value in the ensuing years. We report here on recent decisions that address the termination right, *Horror Inc. v. Miller*, 15 F.4th 232 (2d Cir. 2021); *Waite*

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v. UMG Recordings, 450 F. Supp. 3d 430 (S.D.N.Y. 2020), and on a recent copyright-termination case involv-

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ing the just released “Top Gun: Maverick” movie, *Yonay v. Paramount Pictures*, No. 2:22-cv-03846 (C.D. Cal. June 6, 2022).

The Copyright Act

Under the Copyright Act, the owner of a copyright to a work

has, among other rights, the exclusive right to reproduce, distribute, perform, and display a work and to prepare derivative works. 17 U.S.C. §106. Ownership of a copyright “vests initially in the author or authors of the work,” except that, in the case of a work for hire, “the employer or other person for whom the work was prepared is considered the author” and “owns all of the rights comprised in the copyright.” 17 U.S.C. §201(a), (b). A “work made for hire” includes “a work prepared by an employee within the scope of his or her employment.” 17 U.S.C. §101.

Section 203 of the Copyright Act provides that “[i]n the case of any work other than a work made for hire,” the grant of a transfer or license or of any right under a copyright “executed by the author on or after January 1, 1978” may be terminated by the author or the author’s heirs between 35 and 40 years after the execution of the grant and that “[u]pon the effective date of termination,” the granted rights revert to the author or the author’s heirs. 17 U.S.C. §203 (a), (b).

'Horror Inc. v. Miller'

In 1979, Sean Cunningham, a producer and director of films, contacted Victor Miller, a writer of novels, screenplays, and teleplays, about creating a horror film. 15 F.4th at 236-37. Miller and Cunningham executed a two-page "Employment Agreement," which stated that Cunningham's film production and distribution company, the Manny Company, "employ[ed]" Miller to "write a complete and finished screenplay for a proposed motion picture," and, in exchange, Manny would pay Miller \$9,282 "as full compensation for his services." Id. at 237.

Miller suggested setting the film at a summer camp, wrote a treatment for the film, wrote drafts of the screenplay, and eventually developed the screenplay into its final form. Id. This included adding references to "Friday the 13th"—the title suggested by Cunningham—and a new ending that was insisted upon by an investor in the project, Georgetown Productions, which, in exchange for its investment, had been given "complete control" over the screenplay and film. Id. at 237-38. Miller and Cunningham "worked closely together to develop" the treatment and screenplay, including "bounc[ing] ideas off of one another." Id. at 237. In 1980, Manny assigned its rights in the film and screenplay to Georgetown. Georgetown registered the related copyrights, which listed Georgetown as the author and described the film as a "work made for hire." Id. at 239. The film

opened in May 1980 and was "an immediate hit." Id.

In 2016, Miller served termination notices on Manny and Horror, Inc. (Georgetown's successor in interest). Id. The companies sought a declaration in federal court that the screenplay was a work for hire and that Miller's termination notices were thus invalid. Id. at 239-40. The district court granted Miller's motion for summary judgment, finding that the screenplay was not a work for hire. Id. at 240. The district court also found that Miller's termination notices were not untimely under the Copyright Act's three-year statute of limitations. Id. The companies appealed.

The Second Circuit affirmed, holding that Miller was not Manny's employee under the 13 non-exhaustive factors of *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 751-52 (1989), which are used to determine whether a hired party is an employee such that their work will be considered a "work made for hire," *Miller*, 15 F.4th at 241. The court explained that there are "five core considerations" under the *Reid* factors "that 'will almost always be relevant [to the *Reid* analysis] and should be given more weight in the analysis, because they will usually be highly probative of the true nature of the employment relationship": "(1) the hiring party's right to control the manner and means of creation; (2) the skill required [of the hired party]; (3) the provision of employee benefits; (4) the tax treatment of the hired party; and (5) whether the hiring party has the

right to assign additional projects to the hired party." Id. at 249.

The court held that the first *Reid* factor "tips slightly in the Companies' favor" because "the evidence suggests that Cunningham's involvement reflected limited control over Miller's creative process—tutoring him on the elements of horror films ... occasionally looking over Miller's shoulder during drafting, and selecting or rejecting certain creative ideas..." Id. at 250. The court explained, however, that few of these examples "rise above the level of the sort of big picture approval authority and general suggestions that do not weigh heavily in favor of a right to control," and Georgetown's alteration of the ending a year after the screenplay was finished was "the only specific instance" in which the screenplay "was altered over Miller's objections." Id. at 251.

Factor two weighed in favor of independent-contractor status because the "undisputed record establishes that Miller used his expertise and creativity to write the Screenplay," id., and "although Cunningham contributed to the drafting effort, he ultimately relied on Miller's expertise to create the screenplay," id. at 252. Factor three also weighed in favor of independent-contractor status because "Manny never provided Miller with health insurance, paid vacation time, worker's compensation benefits, [or] a pension plan ..." Id. Factors four and five also weighed in favor of independent-contractor status because there was no evidence that the companies withheld any of Miller's compensa-

tion for tax purposes and there was no evidence that Manny could assign additional projects to Miller. *Id.* at 253-54.

The Second Circuit also found that certain of the remaining *Reid* factors such as duration (Miller worked on the screenplay for only two months), method of payment (lump sum), location of work (Miller's home), and discretion in setting schedule (Miller wrote primarily in the morning because he was a "morning person") favored independent-contractor status. *Id.* at 255. Thus, the court concluded that "Miller has sufficiently rebutted the statutory presumption in favor of work-for-hire status that was created by the designation included in Georgetown's copyright registration." *Id.* at 256.

The court also rejected the companies' argument that the Copyright Act's three-year statute of limitations precluded Miller from exercising his termination rights, explaining that "authorship claims 'accrue when plain and express repudiation of [authorship] is communicated to the claimant, and are barred three years from the time of repudiation.'" *Id.* at 257. Here, according to the court, the copyright notice on the cover page of the screenplay identifying Sean S. Cunningham Films, Ltd. as the owner of the copyright did not "serve as an express repudiation of authorship" because a "copyright notice does not identify the author of a work; it merely lists 'the name of the owner of the copyright.'" *Id.* As to the copyright registration, which listed Georgetown as the film's author and listed the film as a work for hire, the

court found that "'mere registration of a copyright without more' does not suffice to trigger the accrual of an authorship claim" because "[t]o hold otherwise ... would force authors 'to maintain constant vigil over their new registrations.'" *Id.* at 258.

'Waite v. UMG Recordings'

In the 1970s and 1980s, recording artists signed agreements granting copyright in their works to UMG's predecessors in interest. 450 F. Supp. 3d at 432. Those grants allowed UMG's predecessors, and eventually UMG, to market and distribute the sound recordings. *Id.* The artists sought to terminate the grants, UMG disputed the validity of the artists' terminations, and the artists brought a class action suit against UMG for copyright infringement. *Id.* at 432-33, 435. UMG moved to dismiss, arguing that the claims were barred by the Copyright Act's three-year statute of limitations because "plaintiffs were put on notice of an authorship and ownership dispute - thereby triggering the three-year statute of limitations period - in the 1970s and 1980s when they signed agreements containing 'works made for hire' provisions, as this language was 'an express assertion of sole authorship or ownership' and reflected a 'repudiation' of any authorship or ownership claim by plaintiffs." *Id.* at 436.

The district court denied UMG's motion, finding that "it is impossible for there to be a legally cognizable infringement claim until a termination right vests, a valid and

timely termination notice is sent, is ignored, and the copyright's grantee continues to distribute the work." *Id.* at 437. In so holding, the court explained that the "explicit purpose of Section 203 reinforces the conclusion that plaintiffs' copyright claims could not have accrued upon the signing of their contracts," and that "authors needed statutory protection '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.'" *Id.* at 438.

'Yonay v. Paramount Pictures'

Another recent copyright-termination case involves the motion picture rights to the story on which the movie "Top Gun" is based. In 2018, the author's heirs sent Paramount a notice terminating Paramount's 1983 acquisition of rights to the story. No. 2:22-cv-03846, Complaint ¶ 3. Last month, the heirs sued Paramount in California federal court for copyright infringement, alleging that the copyright to the story reverted back to the heirs in January 2020 and that "[w]ithout a newly secured license, Paramount's exploitation of ["Top Gun: Maverick"] in the United States constitutes ongoing intentional [copyright] infringement... ." *Id.* ¶ 37. As of July 5, Paramount has not yet filed an answer or motion to dismiss.