Termination Rights – A Basic Primer

By Jeffrey S. Sacharow, Esq. [1]

This article is intended to give the reader a basic understanding of the general principles governing the "termination rights" available under Sections 203 and 304 (c) of the U.S. Copyright Act.

In order to discuss the basic principles pertaining to the termination rights available under Sections 203 and 304 (c) of the U.S. Copyright Act, it is necessary to first briefly discuss the duration of rights for works which are not "works made for hire"[2].

With respect to compositions which are not "works made for hire" and for which a copyright was secured prior to January 1, 1978, the term of copyright protection consists of an initial term of 28 years and a renewal and extended term of 67 years for a total possible period of protection of 95 years.[3] The period of the renewal term commencing on the 57th year after the copyright was initially secured is referred to as "the extended term." Any grant of rights for the renewal term in a work which is not a "work made for hire" is subject to a limited termination right during the extended term, as discussed below.[4]

Further, even if renewal rights are granted, if the author dies before renewal rights vest, then rights for the renewal term will revert to the authors' heirs at the date that renewal rights vest.[5]

---

1 Lapidus, Root & Sacharow, LLP, 1299 Ocean Avenue, Suite 306, Santa Monica, CA. 90401.

2 A discussion of the elements necessary for a work to constitute a "work for hire" is beyond the scope of this article. However, the mere fact that a work is characterized as a "work for hire" does not make that work a work made for hire. For a detailed discussion of the elements to be examined in determining whether a work is a "work for hire", please see Community for Creative Non Violence vs. Reid 490 U.S.730 (1989).

3 See Section 304 (a) of the U.S. Copyright Act.

4 There is no termination right under either Sections 203 (a) or 304 (c) of the U.S. Copyright Act for works which are "works made for hire". Therefore, for purposes of the discussion which follows the analysis assumes that the work in question is not a "work made for hire".

5 This again assumes that the work is not a "work made for hire." Section 304 (a) (1) (C) of the U.S. Copyright Act provides that with respect to works which are not "works made for hire" renewal rights belong to the following individuals in the following order: (a) the author if living, (b) the widow, widower or children of the author, if the author is not living, (c) the author's executors, if the author, widow, widower or children are not living and (d) to the author's next of kin, in the absence of a will of the author.

With respect to compositions which are not "works made for hire" which initially acquired copyright protection on or after January 1, 1978, the term of copyright protection continues for the life of the author plus 70 years.[6] If there is more than one author, and the work was not a "work made for hire", then the term of copyright protection continues until 70 years after the death of the last surviving author.[7] This period of copyright protection is also subject to a termination right, as discussed below.

Section 304 (c) of the Copyright Act provides that, with respect to a composition which was not a "work made for hire" subsisting either in its first or renewal term on January 1, 1978, the author or his statutory designees[8] have a right during a five year period beginning at the end of 56 years from the date the copyright was initially "secured" to terminate any grant made during the renewal term. A copyright was initially secured either by "publication" of the work or by its registration.

Termination must be effected, if at all, by written notice upon the person or party which owned the copyright for the renewal term no earlier than 10 years prior to the date the extended term begins and no later than at the end of the third year of the 5 year termination period. This right is essentially waived if not properly and timely exercised.[9]

Section 203 (a) of the Copyright Act provides that the exclusive or non-exclusive grant of a transfer or license of copyright or any right under copyright executed by the author on or after January 1, 1978, other than by will, may also be subject to termination.

The section 203 (a) termination right may be exercised by the author or if the author is deceased the same list of statutory designees applicable to compositions subject to the termination right under Section 304 (c) of the Copyright Act during a 5 year period commencing as of the date which is 35 years after the date of the grant, unless the grant includes the right of publication in which case such termination must be effected the earlier of 35 years after the date of publication of the work or 40

---

6 See Section 302 (a) of the U.S. Copyright Act.

7 See Section 302 (b) of the U.S. Copyright Act.

8 Section 304 (c) (2) of the U.S. Copyright Act provides that where an author is dead, his or her termination interest is owned: (a) by the widow or widower, unless there are surviving children or grandchildren of the author, in which case the widow owns 1/2 of the author's interest and the children or grandchildren own the remaining interest. The rights of the children and grandchildren are divided equally among the number of such children or grandchildren, (b) if there is no widow or widower, then the entire termination interest is owned by the surviving children and the surviving children of any dead child of the author, (c) if there is no widow or widower and there are no children or grandchildren, then the termination interest is owned by the author's executor, administrator, personal representative, or trustee.

9 Section 304 (d) of the Act provides for a second opportunity to terminate a grant of renewal rights subsisting on the effective date of the Sonny Bono Copyright Term Extension Act [October 27, 1998] under limited circumstances during a five year period commencing with the 75th year after the date the copyright was initially secured.

years from the date of the grant. [10]

As is the case with respect to terminations effected under Section 304(c) of the Copyright Act, a termination notice must be properly served no earlier than 10 years before commencement of the 5 year termination period and no later than two years prior to the date the five year termination "window" closes. Unlike terminations made under Section 304 (c) of the Copyright Act, however, terminations effected under Section 203 (a) of the Copyright Act may only be made with respect to a grant made by the author. If that post '77 grant is made by someone other than the author - such as the author's widow or children, for example - that grant would not be subject to a termination right.[11]

As a general matter, a party may not sell their rights for the extended term prior to the date that the extended term commences and the termination rights properly vest. One exception to this general rule is that after a notice of termination has been properly and timely filed, the person or persons entitled to rights for the extended term may enter into an agreement to sell such extended term rights but only with the original grantee of renewal rights or that grantee's successor in interest.[12] This exception is essentially intended to give the renewal term publisher (or its successor(s) in interest) a first right of refusal to acquire rights for the extended term.[13]

It is important to note that the termination rights referred to above under Sections 203 (a) and 304 (c) of the Copyright Act *only* affect rights for the United States and *only* on a prospective basis. As a general matter, they do not apply to licenses issued (or the income derived from such licenses) prior to the effective date of termination or to new works created from or embodying elements of the underlying work[14] prior to the effective date of termination. This exception is commonly known as the "derivative rights" exception.[15]

---

10 The language in Section 203 (a) (3) of the U.S. Copyright Act providing for the alternate period of time for terminations pertaining to the right of publication was originally included in the Act as a result of the concerns of the book publishers, among others, who felt that tying the termination right merely to the grant put them at a disadvantage since a number of their agreements with the authors were signed (and therefore the grant was made) before a book was completed and published. Therefore, it appears that this alternate time period is intended to cover works which are first created and published after an agreement is executed. See the Supplementary Registers Report on the General Revision of the U.S. Copyright Law (1965 (75).

11 See Section 203 (a) of the U.S. Copyright Act.

12 See Sections 203 (b)(4) and 304 (C)(6)(D) of the U.S. Copyright Act.

13 See Supplemental Registers Report On the General Revision of the U.S. Copyright Law (1965)(76).

14 See Sections 203 (b)(1) and Sections 304 (C)(6)(A) of the U.S. Copyright Act.

15 The derivative rights exception is applied differently for performance income. The treatment of such income will depend on whether the work is embodied in an audio-visual production produced and licensed in the "pre-termination" period and with respect to performances of audio only works whether the work in question was a performance of the original work or a performance of a work derived from the original work. See Woods v. Bourne Co., 60 F. 3rd 978 (2d Cir. 1995).

Set forth below are a few hypotheticals to illustrate a number of the principals discussed above. For each hypothetical it is assumed that there is only one author.

Hypothetical No. 1:

A song is written in 1967. The song is first properly registered with the U.S. Copyright Office as an unpublished work on January 31, 1967. The writer assigns all worldwide rights to the unpublished work to Publisher X by a written contract dated March 1, 1967. This contract includes a grant of all renewals and extensions of that copyright. In this hypothetical, the "extended term" for the unpublished version of this work would commence on February 1, 2023 and, despite the prior grant of rights for the extended term, the writer or if the writer is deceased her heirs would have the right to terminate the grant of rights for the extended term on a prospective basis during the five year period commencing on February 1, 2023 and ending as of January 31, 2028. Further, to be effective, the writer or her heirs must properly serve and file a termination notice as early as February 1, 2013 (10 years prior to the date that the extended term commences) or as late as January 30, 2026 (the expiration of the third year of the five year extended term "window").

Hypothetical No. 2:

A song is written in 1978. On June 15, 1979 the writer assigns all worldwide rights to that song for the term of copyright pursuant to a single song agreement. In this hypothetical, the author or his heirs would have the right to terminate the June 15, 1979 grant during the five year period commencing June 15, 2014 and ending June 14, 2019. Further, to be effective, a termination notice must be filed by the writer or his heirs no earlier than June 15, 2004 and no later than June 13, 2017.

Hypothetical No. 3:

A song is written in 1966. The song is first properly registered as a published work on June 1, 1969. The writer assigns worldwide rights to his work to publisher X including all renewals and extensions. The writer dies before renewal rights vest leaving his wife and daughter as his sole heirs. On February 1, 1998 the writer's wife and daughter convey renewal rights to publisher Y for the term of copyright. This grant is not subject to a termination right since it is a grant made on or after January 1, 1978 by someone other than the author.[16]

[16] See Section 203 (a) of the U.S. Copyright Act.

Hypothetical No. 4:

A song is written in 1956. The song is registered on June 1, 1956 which is the date the copyright for the work is first secured. Later that year, the author assigns worldwide rights to her work to publisher X for the term of copyright including all renewals and extensions. On June 1, 2003, the author properly files and serves a termination notice and on July 1, 2003 she assigns rights in this work for the U.S. extended term to Publisher Y. Publisher Y has no relationship to Publisher X. Since the earliest possible date that the termination rights could vest would be June 1, 2012 (e.g. 56 years after the work was initially secured), the transfer to Publisher Y is not effective or enforceable since Publisher Y was not the original grantee of the work (or the original grantee's successor in interest) and a further grant of the extended term rights may not be made prior to the date the extended term rights vest except to the original grantee or their successors in interest. Note, however, that under the same facts, had the author made that extended term assignment to Publisher X (who was the original grantee of the work) that transfer would have been enforceable.[17]

Hypothetical No. 5:

A song is written in 1956. The song is first properly registered on June 1, 1956. On July 1, 1956 the author assigns worldwide rights to his work to publisher X for the term of copyright including all renewals and extensions. The author serves and files termination notice on June 1, 2016. One month later, the author assigns rights for the extended term to Publisher Y. The grant to Publisher Y is not effective since the author did not timely file and serve the termination notice; the termination right is therefore waived. To be effective, the notice had to have been filed no later than May 31, 2015, 2 years prior to the date the five year termination "window" closed.

[17] As discussed above, as an exception to the general rule that a further grant of extended term rights is not enforceable prior to the date extended term rights vest, after the notice of termination has been properly filed and served a party who has the right to terminate the grant of renewal rights can make a further grant of the extended term rights to the publisher which owned renewal term rights.