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Stewart v. Abend 110 S. Ct. 1750 (1990)

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5. N.Y.C. ADMIN. CODE, ch. 8-A, § 207 (1976).
6. *Shubert Org.*, 570 N.Y.S.2d at 504.
7. Matter of Society for Ethical Culture in the City of New York. v. Spatt, 416 N.Y.S.2d 246 (N.Y. App. Div. 1979), *aff'd*, 434 N.Y.S.2d 932 (N.Y. App. Div. 1980).
8. *Shubert Org.*, 570 N.Y.S.2d at 507.
9. *Id.*
10. N.Y.C. ADMIN. CODE, ch. 8-A, § 207 (1976).
11. Penn Central Transp. Co. v. City of New York, 438 U.S. 104, 133 (1978).
12. Spears v. Berle, 422 N.Y.S.2d 636, 639 (N.Y. App. Div. 1979).
13. *Shubert Org.*, 570 N.Y.S.2d at 508.
14. *Id.*

Stewart v. Abend,

110 S. Ct. 1750 (1990).

Introduction

In *Stewart v. Abend*, the United States Supreme Court followed the ruling in *Miller Music Corp. v. Charles N. Daniels, Inc.* and held that the copyright of a derivative work expires if the underlying work's owner dies before assigning the renewal of the derivative work's copyright in the last year of the copyright's original term.[1]The Supreme Court ruled in favor of respondent Sheldon Abend against petitioners James Stewart, Alfred Hitchcock, MCA Inc., and Universal Film Exchanges for copyright infringement. The Court held that the petitioners' motion picture rights to respondent's story expired when the original author of the story died before assigning the renewal rights of the motion picture to petitioners. Accordingly, petitioners' distribution of the film *"Rear Window"* after the original term of their copyright expired was an unlawful infringement on respondent's copyright of the film's underlying story, *"It Had to Be Murder."*

Facts

In 1942, Cornell Woolrich first published his story, *"It Had to Be Murder."* He then assigned the rights to make a motion picture version of the story to De Sylva Productions and agreed to renew the copyright in the story at the appropriate time and assign the renewal rights of the motion picture to De Sylva Productions. In 1953, the production company owned by petitioners Stewart and Hitchcock bought the motion picture rights to Woolrich's story from De Sylva's successors in interest and produced and distributed *"Rear Window,"* the film based on *"It Had to Be Murder."* However, Woolrich died in 1968 before renewing his copyright in the story and assigning the renewal rights of the motion picture to petitioners. Subsequently, Woolrich's executor assigned the renewal rights to respondent Sheldon Abend entitling him to 10% of all proceeds from the exploitation of the story. *"Rear Window"* was broadcast on ABC television in 1971, at which time Abend notified petitioners that their distribution of the film infringed upon his copyright in *"It Had to Be Murder."* Regardless, petitioners contracted to re-broadcast the film.

In 1974, Abend filed a copyright infringment suit against petitioners in a United States District Court that resulted in a settlement of $25,000. Several years later petitioners re-released and publicly exhibited *"Rear Window"* in reliance on the 1977 Second Circuit decision in *Rohauer v. Killiam Shows, Inc.* which held the owner of the copyright in a derivative work may continue to exploit that work even if the grant of rights in the pre-existing work expired.[2] Respondent then brought this copyright infringment suit against petitioners alleging that Woolrich's failure to register and transfer his renewal rights to petitioners caused petitioners' motion picture rights to lapse at the end of the original copyright term.

The District Court granted petitioners' motion for summary judgment based on *Rohauer* and the "fair use" defense. The Court of Appeals reversed in favor of respondent, rejecting the reasoning of *Rohauer* and relying upon the ruling in *Miller Music Corp.* The United States Supreme Court granted *certiorari* to resolve the conflict between the decision of the Court of Appeals and *Rohauer*.

Legal Analysis

Petitioners asserted that once an original author agrees to assign his renewal rights for derivative use of his story those rights are extinguished upon the story's incorporation into the derivative work.[3] Accordingly, when Woolrich agreed to assign his renewal rights for motion picture use of his story, those rights extinguished upon the incorporation of *"It Had to Be Murder"* into the film *"Rear Window."* Since a person who creates a derivative work often contributes the same if not more creative effort to his derivative work as the author of the underlying work, petitioners asserted that such a derivative work deserves protection from the loss of promised renewal rights.[4]

In interpreting Section 24 of the Copyright Act of 1909 and of 1976 and the legislative history, the Supreme Court found no support for petitioners' argument. Section 24 of the 1976 Act states:

> If the author [of a copyrighted work] be not living . . . then the author's executors . . . shall be entitled to a renewal and extension of the copyright in such work for a further term of twenty-eight years when application for such

> renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright.[5]

The Court explained that Congress created a two-term system of copyright ownership protection to compensate for the author's inferior bargaining position in originally assigning derivative rights to his work. The renewal provisions permit the author to renegotiate the terms of the grant after the work has been exploited and its value has been assessed in derivative forms. In this way, the policy promotes the interests of the author by allowing him a second opportunity to receive just compensation for his underlying work, and, in the case of the author's death prior to the renewal period, by providing a "new estate" for his surviving family or executors.[6]

Accordingly, upon the death of the author prior to the renewal period, the owner of the rights to the derivative work may continue to use the underlying work only if the author's successor assigns the renewal rights to him.[7] Until the renewal rights are actually assigned, the owner of the rights to the derivative work has merely an expectancy interest in those renewable rights.[8] In this case, Woolrich's death prior to the time for renewal left petitioner's expectancy interest in the renewal rights to the motion picture unfulfilled and unenforceable.

The owner of the pre-existing work maintains his statutory rights in the renewal term. Although the derivative author's original contributions to his work are his property under Sections 7 and 103(b) of the Copyright Act, the elements of the pre-existing work which are incorporated in the derivative work remain on grant from the owner of the pre-existing work.[9] So long as the underlying work itself remains copyrighted, the derivative owner cannot infringe on the use of those parts of the underlying work incorporated in the derivative work.

In furtherance of their argument that Woolrich's rights in the derivative use of his story extinguished upon the story's incorporation into the derivative work, petitioners pointed to the termination provisions of the 1976 Act. These provisions allowed the underlying author to terminate any grant of rights at the end of the renewal term except the right to use a derivative work after two valid copyright terms.[10] Accordingly, petitioners asserted that the termination provisions attested to the limited rights of the underlying author to control the assigned rights to use the derivative work. Again, the Supreme Court rejected the petitioners' contention. The Court asserted that Congress specifically created an exception for derivative works in the termination provisions precisely because it assumed that the owner of an underlying work was able to sue for copyright infringment despite that work's incorporation in the derivative work.

Finally, petitioners argued that this Court's ruling would undermine the Copyright Act's policy of promoting the dissemination of creative works. However, the Court stated that the Copyright Act was designed to balance the sometimes conflicting interests of the artist and the public. While the artist has a right to control his work under copyright protection, that protection is limited to allow the public access to creative works. The two-term copyright system simply allows the artist to maintain the necessary bargaining power to insure his just reward for his creative efforts.[11]

Conclusion

The dissenting justices made a strong argument providing protection for the owner of a derivative work. They asserted that the original drafts of the copyright bill intended the nature of a derivative work as a whole to be determinative of the duration and extent of copyright protection rather than the contribution of the underlying author. In this way, the derivative copyright was understood to encompass the entire derivative work, including the underlying work contributions, and thereby provide for the derivative work's independence from the underlying work.[12] However, the majority ultimately rejected this argument by interpreting congressional policy to favor the rights of the underlying work's owner. Ω

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1. Stewart v. Abend, 110 S. Ct. 1750, 1769 (1990); Miller Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373 (1960).
2. Rohauer v. Killiams Shows, Inc., 551 F.2d 484 (2d Cir. 1977), *cert. denied*, 431 U.S. 949 (1977).
3. *Stewart*, 110 S. Ct. at 1758.
4. *Rohauer*, 551 F. 2d at 493.
5. Copyright Act of 1976, 17 U.S.C. § 24 (1976).
6. *Stewart*, 110 S. Ct. at 1758, quoting G. Ricordi & Co. v. Paramount Pictures, Inc., 189 F.2d 469, 471 (2d Cir. 1951), *cert. denied*, 342 U.S. 849 (1951).
7. *Stewart*, 110 S. Ct. 1760.
8. *Id.* at 1759, citing Fisher Co. v. Witmark & Sons, 318 U.S. 643 (1943).
9. The Court relied on Russell v. Price, 612 F.2d 1123 (9th Cir. 1979), *cert. denied*, 446 U.S. 952 (1980) and Harper and Row, Publishers, Inc. v. Nation Enterprises, 471 U.S. 539 (1985), in order to assert that "the full force of the copyright in the pre-existing work is preserved despite incorporation into the derivative work." *Stewart*, 110 S.Ct. at 1761.
10. Copyright Act of 1976, 17 U.S.C. § 304; *Stewart*, 110 S. Ct. at 1762.
11. *Stewart*, 110 S. Ct. at 1764.
12. *Id.* at 1774 (Stevens, J., dissenting).