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## PRIVATE ORDERING AND NOTICE FAILURE IN THE SHADOW OF TERMINATION

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### INTRODUCTION

Professor R. Anthony Reese provides an extremely detailed account of how a beneficiary of termination rights encounters numerous obstacles to successfully claiming those rights because of notice failure.<sup>1</sup> He rightly enumerates several changes to the law that would alleviate some of this notice failure, making it easier for the beneficiary of termination rights to exercise her rights successfully.<sup>2</sup> Even so, it remains abundantly clear that laypersons will still find even a modified termination system quite daunting to understand and use without specialized legal counsel.

In this essay, I respond to Professor Reese’s article by drawing attention to and analyzing how attempts to privately order<sup>3</sup> create and exacerbate notice failure in regards to termination. Indeed, private ordering may be, or could become, one of the most significant obstacles to the exercise of termination rights. I therefore recommend that courts respond aggressively to protect termination rights by voiding contractual provisions that deny their existence.

This argument may seem rather odd because it criticizes private ordering for exacerbating notice failure. After all, people generally use private ordering to reduce ambiguity. For example, parties use choice-of-law provisions to clarify

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<sup>1</sup> R. Anthony Reese, *Termination Formalities and Notice*, 96 B.U. L. REV. 895, 899 (2016) (arguing that complex and detailed statutory formalities fail to “provide potential terminating parties with clear notice of how to exercise their termination rights”).

<sup>2</sup> *Id.* at 911-14, 923-24.

<sup>3</sup> Private ordering is defined as “self-regulation voluntarily undertaken by private parties.” Niva Elkin-Koren, *What Contracts Cannot Do: The Limits of Private Ordering in Facilitating a Creative Commons*, 74 FORDHAM L. REV. 375, 376 (2005).

the law that governs agreements.<sup>4</sup> They also use releases to specify the person responsible for risk.<sup>5</sup> Perhaps most important of all, parties acknowledge the truth of potentially debatable factual statements in order to ensure that transactions operate as planned.<sup>6</sup> Indeed, courts sometimes pay attention to private ordering when identifying the owner of copyright rights.<sup>7</sup>

In the context of termination, however, private ordering does not reduce ambiguity. As I will describe below, termination allows authors who convey copyright rights to recapture those rights thirty-five years later. Troubles arise because those who acquire copyright rights frequently structure transactions to stop authors from exercising their termination rights. Unfortunately, some of the authors who agree to these deals have supposedly non-waivable termination rights,<sup>8</sup> but signed agreements raise doubt about whether those rights continue to exist. As long as there is a possibility that courts will enforce these agreements as written, some authors who could terminate will never exercise their rights. This is problematic in light of a clear statutory policy against the waiver of termination rights.<sup>9</sup>

Because of this statutory policy, I believe that courts should ignore contractual private ordering designed to eliminate authors' termination rights. This does not necessarily mean that termination rights will always exist in disputed cases. If the underlying reality of the transaction is such that an author does not possess termination rights, that would still be the case. However, if the underlying reality is that the author does have termination rights, no recitation to the contrary should deprive her of those rights.

My argument proceeds in three parts. Part I examines the way in which private ordering creates ambiguity in the context of termination rights. Part II analyzes how courts do, and should, treat contractual private ordering in the context of termination. Part III offers a brief conclusion.

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<sup>4</sup> See Edith Friedler, *Party Autonomy Revisited: A Statutory Solution to a Choice-of-Law Problem*, 37 U. KAN. L. REV. 471, 495 (1989) (explaining that parties use choice-of-law clauses to gain predictability).

<sup>5</sup> See, e.g., *Stelluti v. Casapenn Enters., LLC*, 1 A.3d 678, 695 (N.J. 2010) (holding a fitness club's exculpatory agreement with members, which released the club from injury-related liability, to be valid and enforceable); John L. Diamond, *Assumption of Risk After Comparative Negligence: Integrating Contract Theory into Tort Doctrine*, 52 OHIO ST. L.J. 717, 721-22, 722 n.11 (1991) (noting enforceability of contractual assumption of risk).

<sup>6</sup> See *infra* notes 31-32, 34 and accompanying text.

<sup>7</sup> See *infra* note 34.

<sup>8</sup> See 17 U.S.C. § 203(a)(5) (2012) ("Termination . . . may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.").

<sup>9</sup> See *id.*

## I. TERMINATION AND ITS DISCONTENTS

Appreciation of the problem under consideration requires a look at how the duration and form of copyright rights have changed over the last century. Following the Copyright Act of 1976 ("1976 Act"), as amended by the Copyright Term Extension Act of 1998 ("CTEA"), copyrights generally last for a single term of the author's life plus seventy years.<sup>10</sup> Things were far different, however, in the years before January 1, 1978, when the 1976 Act took effect. Before that time, under the Copyright Act of 1909 ("1909 Act"), copyright lasted for an initial term of twenty-eight years plus a second term of twenty-eight years if the author properly filed for a renewal of her copyright.<sup>11</sup>

This two-term copyright structure had important legal consequences, for each term represented a separate bundle of rights.<sup>12</sup> Rights granted with the initial term did not carry over into the renewal term, but rather expired at the end of the initial term.<sup>13</sup> So, for example, a book publisher who bought publishing rights from an author would lose those rights when the author renewed.<sup>14</sup> This meant that an author who successfully renewed her copyright acquired a new copyright, free of encumbrance.<sup>15</sup>

The consequences of renewal served an important public purpose, for it protected authors from the consequences of poor deals made when authors had little knowledge or leverage. Consider a stereotypical starving author who is struggling to get by. She has written an excellent book destined to become a classic. A publisher offering to print and sell the author's work can drive a very hard bargain because our starving author needs money badly and probably knows little about the commercial opportunities ahead. Indeed, she is probably grateful to be published at all. When the book becomes a classic, the publisher would normally reap the lion's share of the profits under the hard bargain it drove. Upon renewal, however, the author has an opportunity to renegotiate

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<sup>10</sup> *Id.* § 302(a). Copyrights for anonymous works, pseudonymous works, and works made for hire last for 95 years from the date of first publication or 120 years from creation, whichever ends first. *Id.* § 302(c).

<sup>11</sup> Copyright Act of 1909, Pub. L. No. 60-349, § 23, 35 Stat. 1075, 1080 (repealed 1976); *see also* *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 643-44 (1943).

<sup>12</sup> *See Stewart v. Abend*, 495 U.S. 207, 218 (1990) (referring to the 1909 Act as "a system comprised of an original term and a completely separate renewal term"); *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469, 471 (2d Cir. 1951) (asserting that the renewal right creates a new estate that is "clear of all rights, interests or licenses granted under the original copyright").

<sup>13</sup> *Cf. Stewart*, 495 U.S. at 219-21 (holding that even though an author assigned renewal rights to an assignee, the assignee held nothing when the author died prior to the renewal period).

<sup>14</sup> *See G. Ricordi*, 189 F.2d at 471 (explaining that the author's rights "did not extend beyond the term of the copyright; hence, if it be assumed that he assigned to the plaintiff any moving picture rights, they were necessarily similarly limited to the term of the copyright").

<sup>15</sup> *See id.* (finding that a grant of dramatization rights from a novelist was limited to the initial term and conveyed no interest in the renewal term).

because the renewal term belongs entirely to her. The publisher would still enjoy its lucrative bargain for twenty-eight years, but the author's renegotiation upon renewal would give her a better deal for the second twenty-eight years of the renewal term.

Not surprisingly, purchasers of copyright rights did their best to avoid renewal. They drafted contracts in which authors specifically assigned away their interests in renewal terms.<sup>16</sup> Authors signing these contracts argued that these assignments were invalid because the rights in question could not be conveyed until the author actually secured the renewal term.<sup>17</sup>

In *Fred Fisher Music Co. v. M. Witmark & Sons*, the Supreme Court rejected this argument, holding that authors could prospectively sign away their renewal interests.<sup>18</sup> The rationale for doing so was entirely plausible. The Court saw no reason why authors could not act in their own self-interest.<sup>19</sup> It therefore made no sense to prevent authors from assigning away their renewal rights prospectively, before those rights vested.<sup>20</sup> This decision may or may not have been a correct reading of the law, but it did nothing to change the underlying reality: that those acquiring copyright rights had the leverage to force authors to sign away initial and renewal terms on a fairly routine basis. The case therefore effectively gutted the "second bite at the apple" philosophy embodied in renewal.<sup>21</sup>

Congress responded to the Court's decision in *Fred Fisher Music* when it passed the 1976 Act. Among other things, Congress eliminated renewal and

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<sup>16</sup> See, e.g., *Fred Fisher Music*, 318 U.S. at 645 (chronicling a songwriter's contractual assignment of "all copyrights and renewals of copyrights" to a music publisher).

<sup>17</sup> See, e.g., *id.*

<sup>18</sup> *Id.* at 659.

<sup>19</sup> *Id.* at 656-57 (distinguishing the refusal to enforce unfairly oppressive agreements from a blanket prohibition of any assignment of renewal rights).

<sup>20</sup> *Id.* at 657. The Court's explanation clearly rejects any premise that authors are incapable of protecting themselves:

It is not for courts to judge whether the interests of authors clearly lie upon one side of this question rather than the other. If an author cannot make an effective assignment of his renewal, it may be worthless to him when he is most in need. Nobody would pay an author for something he cannot sell. We cannot draw a principle of law from the familiar stories of garret-poverty of some men of literary genius. Even if we could do so, we cannot say that such men would regard with favor a rule of law preventing them from realizing on their assets when they are most in need of funds. Nor can we be unmindful of the fact that authors have themselves devised means of safeguarding their interests. We do not have such assured knowledge about authorship, and particularly about song writing, or the psychology of gifted writers and composers, as to justify us as judges in importing into Congressional legislation a denial to authors of the freedom to dispose of their property possessed by others. While authors may have habits making for intermittent want, they may have no less a spirit of independence which would resent treatment of them as wards under guardianship of the law.

*Id.*

<sup>21</sup> See ALFRED C. YEN & JOSEPH P. LIU, COPYRIGHT LAW: ESSENTIAL CASES AND MATERIALS 211 (2d ed. 2011).

replaced it with termination rights that authors could exercise if they initially negotiated poor deals for the exploitation of their works.<sup>22</sup> The new termination rights allowed authors to undo any conveyance of copyright rights made after January 1, 1978, effective during a five-year window beginning thirty-five years after the initial conveyance.<sup>23</sup> Importantly, Congress reacted against *Fred Fisher Music* by making these termination rights valid “notwithstanding any agreement to the contrary.”<sup>24</sup> This preserved a new “second bite at the apple” against assignments of the sort used in *Fred Fisher Music*.

Not surprisingly, those acquiring copyrights still want to avoid termination. However, because the 1976 Act prohibits direct contractual waiver of termination rights,<sup>25</sup> acquiring parties cannot proceed by simply asking authors to assign away their termination rights. Instead, acquiring parties must ask authors to recite facts that negate the possibility of termination rights. This is possible because termination rights do not exist for works “made for hire.”<sup>26</sup>

The 1976 Act identifies two ways in which a copyrightable work becomes a work made for hire. First, “a work created by an employee within the scope of his or her employment” is a work made for hire.<sup>27</sup> Courts use the common law agency test to determine whether a creator is an employee.<sup>28</sup> The law deems non-employees independent contractors who, as a matter of default, own termination rights should they assign away any copyright rights.<sup>29</sup> Second, an independent contractor’s work can still be considered a work made for hire if it is

a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, [and] if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.<sup>30</sup>

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<sup>22</sup> See 17 U.S.C. § 203 (2012) (establishing termination of transfers and licenses of copyright rights).

<sup>23</sup> *Id.* § 203(a)(3).

<sup>24</sup> *Id.* § 203(a)(5).

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* § 203(a) (codifying the availability of termination rights for “any work *other than a work made for hire*” (emphasis added)).

<sup>27</sup> *Id.* § 101.

<sup>28</sup> *E.g.*, *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 750-51 (1989) (“To determine whether a work is for hire under the Act, a court first should ascertain, using principles of general common law of agency, whether the work was prepared by an employee or an independent contractor.”).

<sup>29</sup> *Cf. id.* (explaining that after determining whether a work was prepared by an employee or an independent contractor, “the court can apply the appropriate subsection of § 101”).

<sup>30</sup> 17 U.S.C. § 101.

In other words, two parties can contract into work made for hire treatment only for a few special types of works specifically enumerated in the 1976 Act. I will use the term “Special Works” to identify these types of works in the discussion that follows.

The foregoing suggests that a party could acquire the copyright to a work and evade termination using two kinds of writings. The acquiring party could ask the author to agree explicitly to work made for hire treatment on the premise that she is an employee who will, or did, create the work while acting within the scope of her employment.<sup>31</sup> Alternatively, an acquirer could ask the author to recite that the work is a Special Work and agree to work made for hire treatment.<sup>32</sup>

At first inspection, the agreements described above look like beneficial private ordering in which parties cooperate to get the legal treatment they want. The proper characterization of any work is often unclear, so one might argue that parties are creating clarity. Further consideration reveals, however, that these agreements could just as easily be used to create ambiguity because acquirers could use them to avoid termination by non-employee authors who have not created Special Works. When this happens, it is wrong to treat the works as made for hire because the statutory basis for doing so does not exist, and nothing the parties recite can change that.<sup>33</sup> The work made for hire clauses in contracts therefore clarify nothing. Instead, these clauses invoke false recitations that mislead authors and courts about the possibility of termination. Some, perhaps even most, authors who agree to such clauses will

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<sup>31</sup> If the author is in fact an employee, then the work is automatically afforded made for hire treatment and the employer is considered the author. *See id.* § 201(b) (“In the case of a work made for hire, the employer . . . is considered the author . . . , and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all the rights comprised in the copyright.”); *Reid*, 490 U.S. at 751-52 (enumerating the factors relevant to determining whether a party is an employee under the common law of agency). Accordingly, if the author’s status as an employee is unclear, a party seeking to acquire copyright rights could ask the author to explicitly agree that she is an employee in hopes that work made for hire treatment will follow.

For examples of contractual provisions attempting to produce work made for hire treatment, see *Clauses for Commissioned Works*, COLUM. L. SCH., <http://web.law.columbia.edu/keep-your-copyrights/contracts/clauses/by-creator/9/> overreaching [<https://perma.cc/Q9YZ-L6YD>]; *Work-for-Hire Agreement*, DOCRACY, <https://www.docracy.com/4834/work-for-hire-agreement> [<https://perma.cc/F8G2-ADY9>]; *Work for Hire Contract*, PRINTABLE CONTRACTS, [http://www.printablecontracts.com/Work\\_for\\_Hire\\_Contract.php](http://www.printablecontracts.com/Work_for_Hire_Contract.php) [<https://perma.cc/6EKK-KBXS>].

<sup>32</sup> See *Clauses About Works Made for Hire*, COLUM. L. SCH., <http://web.law.columbia.edu/keep-your-copyrights/contracts/clauses/by-type/15/> overreaching [<https://perma.cc/QNC7-T426>]; *Work for Hire Agreement*, COPYLAW.COM, <http://www.copylaw.com/forms/Workhire.html> [<https://perma.cc/4AYZ-FC75>].

<sup>33</sup> In other words, if the author is not an employee and the work is not one of the special types of works enumerated in § 101, the statutory prerequisites are not met and the parties cannot contractually establish the work as one made for hire.

then fail to terminate because they mistakenly believe their works truly are made for hire.

## II. DEALING WITH POSSIBLE AGREEMENTS TO THE CONTRARY

What should courts do with agreements like those described above? Obviously, the acquiring parties would argue that it is important for courts to honor recited characterizations because doing so normally clarifies ambiguity and reduces notice failure. Indeed, this argument explains why courts give considerable weight to contractual recitations when deciding questions of joint authorship and copyright ownership.<sup>34</sup>

Does this argument make sense for made for hire recitations involving independent contractors who effectively deny themselves termination rights? I believe that the answer is “no” because the 1976 Act clearly does not want authors to give termination rights up prematurely.<sup>35</sup> Courts should therefore void contractual provisions that characterize a work as made for hire when doing so extinguishes an author’s otherwise existing termination rights.<sup>36</sup>

Courts have only begun to decide cases in this area, and none are precisely on point. The most applicable case is *Marvel Characters, Inc. v. Simon*.<sup>37</sup> That case was one of first impression<sup>38</sup> and involved a form of termination similar, but not identical, to that under discussion here.<sup>39</sup>

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<sup>34</sup> See, e.g., *Richlin v. Metro-Goldwyn-Mayer Pictures, Inc.*, 531 F.3d 962, 968 (9th Cir. 2008) (“A contract evidencing intent to be or not to be coauthors is dispositive.”); *Aalmuhammed v. Lee*, 202 F.3d 1227, 1235 (9th Cir. 2000) (“The best objective manifestation of a shared intent, of course, is a contract saying that the parties intend to be or not to be co-authors.”).

<sup>35</sup> See *supra* notes 24-25 and accompanying text.

<sup>36</sup> Obviously, if such a recitation actually reflects the author’s lack of termination rights that do not exist even absent the contract, voiding the clause has no effect because the author cannot terminate regardless of what the clause says.

<sup>37</sup> 310 F.3d 280 (2d Cir. 2002).

<sup>38</sup> *Id.* at 282 (“The question of first impression raised here is whether a settlement agreement, entered into long after a work’s creation, stipulating that a work was created for hire constitutes ‘any agreement to the contrary’ under the 1976 Act.”).

<sup>39</sup> The form of termination at issue in *Simon* revolved around the 1976 Act’s extension of the renewal term for copyrights obtained under the 1909 Act. See *id.* at 282-85. As noted earlier, under the 1909 Act, works copyrighted before January 1, 1978, received initial and renewal terms that lasted a total of fifty-six years. See *supra* note 11 and accompanying text. The 1976 Act then extended the duration of the renewal term for copyrights obtained under the 1909 Act so that they lasted for a total of seventy-five years. Copyright Act of 1976, Pub. L. No. 94-553, § 304, 90 Stat. 2541, 2573 (1976) (amended 1998). (In 1998, the CTEA added another twenty years to the renewal term for copyrights obtained under the 1909 Act, increasing their total copyright term to ninety-five years. 17 U.S.C. § 304 (2012).) The 1976 Act extension created a nineteen-year windfall of extra copyright protection, but also raised a question about who would capture the benefits of the windfall.

In *Simon*, Joseph Simon claimed that he was the sole author and owner of the copyright in the character Captain America.<sup>40</sup> He sued Marvel's predecessors in interest to enforce his claim, but eventually the parties settled the case.<sup>41</sup> In doing so, Simon signed a settlement agreement reciting that he had created his contributions to *Captain America Comics* "as an employee for hire."<sup>42</sup> Thirty years later, Simon attempted to recapture the copyright in Captain America and *Captain America Comics* by filing a notice of termination.<sup>43</sup> In response, Marvel filed suit seeking a declaratory judgment that Simon's termination notices were invalid.<sup>44</sup> Marvel succeeded at summary judgment in the district court because the court considered the recitations of the settlement agreement binding.<sup>45</sup>

The Second Circuit reversed.<sup>46</sup> In so ruling, the court held that contractual provisions retroactively declaring a work "made for hire" are "agreements to the contrary" under the 1976 Act and are therefore invalid.<sup>47</sup> The court held

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Consider a transaction in which an author assigned his entire renewal term to a publisher before the passage of the 1976 Act. Both parties to this deal would have expected that the copyright would be valid for the entire twenty-eight-year term of the renewal, and that the publisher would hold the copyright during that time. After that, they would have expected the work to fall to the public domain. The 1976 Act represented a pleasant surprise in that the renewal term would last for nineteen years longer, but if the publisher held the copyright for the entire forty-seven-year extended renewal term, one could argue that the publisher got a free nineteen-year copyright windfall, a benefit that should have flowed directly to the author of the work. Congress agreed with this argument and enacted a form of termination by which authors could recapture the windfall. *Id.* § 304(c)(3) ("Termination of the grant [of the renewal copyright] may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later."). Importantly for purposes of this essay, Congress also explicitly prohibited waiving this form of termination. *Id.* § 304(c)(5) ("Termination of the grant may be effected notwithstanding any agreement to the contrary . . .").

<sup>40</sup> *Simon*, 310 F.3d at 282.

<sup>41</sup> *Id.* at 283 (detailing Simon's state action claiming unfair competition and misappropriation, his federal action seeking a declaratory judgment that he "had the sole and exclusive right to the renewal term of the copyright in the Works," and the parties' subsequent settlement).

<sup>42</sup> *Id.*

<sup>43</sup> *Id.* at 284-85.

<sup>44</sup> *Id.* at 285.

<sup>45</sup> *Id.* (explaining that the district court granted Marvel's motion for summary judgment based on "Simon's unambiguous acknowledgment in the Settlement Agreement that he created the Works 'for hire'").

<sup>46</sup> *Id.* at 292-93.

<sup>47</sup> *Id.* at 292; see also 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 11.02[A][2] (2013) ("The parties to a grant may not agree that a work shall be deemed one made 'for hire' in order to avoid the termination provisions if a 'for hire' relationship (within the meaning of Section 101) does not, in fact, exist between them. Such an



that this did not necessarily mean that the works were not works made for hire.<sup>48</sup> However, whether the works were in fact made for hire depended on the underlying facts of the case, not on recitations found in the contract.<sup>49</sup>

*Simon* suggests that courts should invalidate all agreements entered into after a work's creation that characterize works as purportedly "made for hire" when doing so eliminates the possibility of termination.<sup>50</sup> Good reason exists for such action. If those acquiring copyrights can possibly draft contracts that circumvent termination, it is quite likely that they will figure out how to accomplish that goal. Such contracts would effectively destroy the 1976 Act's policy of protecting authors from better-informed acquirers of copyright who use their knowledge and resources to impose one-sided deals on authors.<sup>51</sup> That is precisely what happened in *Fisher*,<sup>52</sup> and it ought not happen now.

As of this writing, courts have not yet applied *Simon* as I suggest. Two extensions appear particularly important. First, courts should hold that *Simon*'s reasoning applies to all forms of termination, not only the form of termination at stake in *Simon*. Second, courts should also hold that recitations about the made for hire status of a work are invalid, whether made retrospectively or prospectively.

The case for the first extension is straightforward. *Simon* dealt with a form of termination that operates in the same way as basic termination rights analyzed by Professor Reese and this essay.<sup>53</sup> More importantly, Congress

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avoidance device would be contrary to the statutory provision that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary."').

<sup>48</sup> See *Simon*, 310 F.3d at 291-92 ("It will be up to a jury to determine whether Simon was the author of the Works and, therefore, whether he can exercise § 304(c)'s termination right.").

<sup>49</sup> *Id.* ("Courts . . . have focused on the actual relationship between the parties, rather than the language of their agreements . . ."); see also NIMMER & NIMMER, *supra* note 47 ("Insofar as a work is made 'for hire' because it has been prepared by an employee within the scope of his employment, it is the relationship that actually exists between the parties, not their description of that relationship, that is determinative.").

<sup>50</sup> Cf. *Simon*, 310 F.3d at 290-92 ("When examining the legislative intent and purpose of § 304(c), it becomes clear that an agreement made after a work's creation stipulating that the work was created as a work for hire constitutes an 'agreement to the contrary' which can be disavowed pursuant to the statute.").

<sup>51</sup> *Id.* at 290-91 ("If an agreement between an author and publisher that a work was created for hire were outside the purview of § 304(c)(5), the termination provision would be rendered a nullity; litigation-savvy publishers would be able to utilize their superior bargaining position to compel authors to agree that a work was created for hire in order to get their works published.").

<sup>52</sup> See *id.* at 291 ("[S]uch an interpretation would likely repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author's termination right.").

<sup>53</sup> *Id.* at 284 (dealing with an author's right to terminate the grant of a renewal copyright term subsisting from the 1909 Act under 17 U.S.C. § 304(c)); Reese, *supra* note 1, at 896-923 (discussing basic termination rights—termination of grants of transfers or licenses of

protected both forms of termination—termination of grants of renewal terms for subsisting copyrights and termination of current grants of transfers and licenses of copyright—against waiver using identical language.<sup>54</sup> It is therefore difficult to see why *Simon*'s reasoning and result should not apply fully to every form of termination. And indeed, the leading treatise on copyright law seems to agree.<sup>55</sup>

The case for the second extension is a bit less clear. Case law suggests that an “agreement to the contrary” exists only when the agreement is made after the work was created. In *Schiller & Schmidt, Inc. v. Nordisco Corp.*,<sup>56</sup> the outcome depended in part on whether a corporation had acquired copyright to certain photographs as works made for hire.<sup>57</sup> The evidence included a contract that was signed after the photographs had been taken.<sup>58</sup> The contract suggested that the parties had agreed to treat the photographs as commissioned Special Works.<sup>59</sup>

The Seventh Circuit rejected the contract for two reasons. First, it was not properly signed.<sup>60</sup> Second, and importantly for this essay, the court found that the photographs were not made for hire because the parties signed the contract after the photographs had been created.<sup>61</sup> The court's reasoning implies that if

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copyright under 17 U.S.C. § 203—and describing 17 U.S.C. § 304(c) as a “parallel termination provision” to § 203).

<sup>54</sup> See 17 U.S.C. § 203(a)(5) (2012) (“Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.”); *id.* § 304(c)(5) (same with respect to grants of renewal terms for subsisting copyrights).

<sup>55</sup> Cf. NIMMER & NIMMER, *supra* note 47, § 11.07[A].

<sup>56</sup> 969 F.2d 410 (7th Cir. 1992).

<sup>57</sup> *Id.* at 411-12 (“Bertel made the 18 photos, but Schiller owned the copyrights in them if they were ‘works for hire,’ or if Bertel assigned the copyrights to Schiller.”).

<sup>58</sup> *Id.* at 412 (“What is true is that in 1988, long after this suit had begun, Bertel obligingly signed a statement in which he ‘agree[d] that Schiller and Schmidt has owned the copyright [in the photos], and I hereby assign any remaining copyright which I may own in any photographs which I took for Schiller and Schmidt, and any right to maintain actions, now or hereafter existing, for alleged infringement thereof’ to Schiller.”).

<sup>59</sup> See *id.* at 412 (“Since no one could suppose . . . that Bertel was an employee of Schiller, [the photographs] were works for hire only if they fell in one or more of the categories of intellectual property enumerated in section 101(2), as they did, *and* were specially commissioned by Schiller, as they were, *and* the parties had signed a statement to that effect . . .”).

<sup>60</sup> *Id.* (“The statement was not signed by Schiller, however, as the statute required if the photos were to be works for hire. The statutory language is ‘signed by them,’ 17 U.S.C. § 101(2), that is, by both parties, and it means what it says.”).

<sup>61</sup> *Id.* at 412-13 (“The statement also came too late. . . . The creator of the property is the owner, unless . . . the parties have agreed in a writing signed by both that the person who commissioned the creation of the property is the owner. The writing must precede the creation of the property in order to serve its purpose of identifying the (noncreator) owner unequivocally. It did not precede it here.”). *But see* Playboy Enters., Inc. v. Dumas, 53 F.3d

the agreement had been properly drafted and signed *before* the creation of the photographs, then the agreement would have established the photographs as works made for hire. Although the Seventh Circuit did not address the question of whether such a prospective agreement could constitute an agreement to the contrary under § 203, the Nimmer treatise appears to answer the question negatively on § 203 grounds by arguing that no right to terminate can exist until a work has been created.<sup>62</sup> Accordingly, contracts signed before the creation of a work cannot be contrary to an author's termination rights because the rights do not exist.<sup>63</sup>

Inasmuch as the Nimmer treatise suggests that prospective agreements characterizing a work as made for hire are not agreements to the contrary, I disagree because that result is not logically inevitable and would seriously damage the viability of termination rights. As an initial matter, it is possible to interpret "agreement to the contrary" as any agreement that causes an author to lose termination rights, even if the work in question is created after the agreement is signed. Perhaps agreements signed before a work's creation are not "to the contrary" at the time they are signed, but if the underlying factual reality surrounding the work's creation is inconsistent with an agreement affording the work made for hire treatment, the agreements become "to the contrary."

Additionally, it is important to understand that the parties in *Schiller* did not mischaracterize the nature of the works. The photographer actually did create the photographs on commission for inclusion in a collective work.<sup>64</sup> Work made for hire treatment therefore depended only on a properly worded agreement signed by both parties.<sup>65</sup> Accordingly, if the contracting parties had signed a properly worded agreement before the photographer took the commissioned photographs, the correct result would have been work made for

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549, 558-59 (2d Cir. 1995) (suggesting that an agreement needs to be reached before creation of the work, but the necessary writing could be signed later).

<sup>62</sup> See NIMMER & NIMMER, *supra* note 47, § 11.07[E].

<sup>63</sup> See *id.* § 11.07[E][2][c][iv] ("[B]efore the subject agreement is signed, there is no score, no grant, and therefore no ability to terminate a grant. Accordingly, this agreement is not entered 'under circumstances in which, but for that agreement, the ability to terminate would otherwise exist.' It is therefore not an agreement 'to the contrary' of termination." (footnotes omitted)). I hesitate to say definitively that the Nimmer treatise endorses the reasoning outlined above because the treatise does not directly consider how to treat a prospective mischaracterization of a work.

<sup>64</sup> *Schiller*, 969 F.2d at 412.

<sup>65</sup> *Id.*; see also 17 U.S.C. § 101 (2012) (stating that for commissioned Special Works "the parties [must] expressly agree in a written instrument signed by them that the work shall be considered a work made for hire").

hire treatment of the photographs. No author who owned termination rights would ever have lost them.<sup>66</sup>

Consider instead what would have happened if the photographer had not created his photographs on commission for inclusion in a collective work. If the contracting parties had signed an agreement before creation that falsely characterized the photographs as commissioned Special Works, a court following the reasoning of the Nimmer treatise might well enforce the agreement, giving the photographs work made for hire treatment when the factual predicate for such treatment would not have existed. Such a decision would have cost the photographer termination rights he really should have had.

The foregoing hypothetical demonstrates that it makes sense to honor recitations about work made for hire status only in cases where the parties accurately characterize their transactions. If courts accept questionable recitations, whether made before or after the creation of works, the result will be the significant and improper loss of termination rights. If courts enforce questionable work made for hire agreements so long as they are signed before creation, then acquiring parties will routinely force authors to sign such agreements. This, in turn, will cause the same loss of second bites at the apple created by *Fisher*. Such an improper result can be avoided only if courts give no evidentiary weight to mischaracterized recitations about works being made for hire.

#### CONCLUSION

In this essay, I have described why courts should consider a common contractual practice invalid. Although courts have only begun to touch on the issues raised here, I hope this essay will clarify what is at stake and help courts ensure that the clear purpose of the Copyright Act is carried out.

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<sup>66</sup> If the agreement had been properly executed, the corporation who commissioned the photographs, Schiller & Schmidt, would have been the author and would have owned and never lost its termination rights. *See* 17 U.S.C. § 201(b).