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Copyright Protection: The Erosion of Renewal Rights Under the Copyright Act of 1909: *Abend v. MCA, Inc.*, 863 F.2d 1465 (9th Cir. 1988), *cert. granted sub nom. Stewart v. Abend*, 58 U.S.L.W. 3212 (U.S. Oct. 2, 1989) (No. 88-2102).

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## Copyright Protection: The Erosion of Renewal Rights Under the Copyright Act of 1909

*Abend v. MCA, Inc.*, 863 F.2d 1465 (9th Cir. 1988), *cert. granted sub nom. Stewart v. Abend*, 58 U.S.L.W. 3212 (U.S. Oct. 2, 1989) (No. 88-2102).

A recent decision construing the Copyright Act of 1909 has created a conflict between two of the United States Courts of Appeals concerning the rights of owners of copyright renewals in original works vis-a-vis the rights of those who own a copyright in derivative works based on the original works. In *Abend v. MCA, Inc.*,<sup>1</sup> the United States Court of Appeals for the Ninth Circuit held that rights attendant to a copyright in the original work, when renewed by a party other than the original author, may negate any further right of renewal of the copyright in the derivative work. This decision is contrary to the Second Circuit's opinion in *Rohauer v. Killiam Shows, Inc.*<sup>2</sup> which held that derivative works constitute "new property" and, as such, their continued exhibition during the renewal term of the underlying work cannot be defeated by the failure of the original author, as opposed to his successor in interest, to secure the renewal copyright in the original work. On October 2, 1989, the Supreme Court of the United States granted certiorari to review *Abend* and resolve this conflict.

The discord between the Ninth and the Second Circuits results from their reaching starkly different conclusions when each endeavored to reconcile two provisions of the Copyright Act of 1909—specifically, section 24, which purports to grant the owner of a derivative copyright, or his statutory successors, a right of renewal, and section 7, which provides that the publication of derivative works shall not affect the force or validity of any copyright in the original work.<sup>3</sup> The specific issue before the Supreme Court is

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1. 863 F.2d 1465 (9th Cir. 1988), *cert. granted sub nom. Stewart v. Abend*, 58 U.S.L.W. 3212 (U.S. Oct. 2, 1989) (No. 88-2102).

2. 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977).

3. The Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976), substantially revised the federal copyright framework. However, the *Abend* litigation is governed exclusively by sections 7 and 24 of the Copyright Act of 1909. *Abend*, 863 F.2d at 1470-72. Prior to the 1976 revision, the applicable statutory provisions were codified at 17 U.S.C. § 24 and 17 U.S.C. § 7. Section 24 provided for a copyright term of twenty-eight years from the date

whether, under section 24, the fortuitous death of the author of an original work, and the subsequent renewal of that author's copyright by his statutory successor, extinguishes the right of an owner of a duly copyrighted derivative work, provided for in section 7, to continue exhibiting and distributing the work during the renewal term of the underlying work.<sup>4</sup> In construing the statutory language, the Court must decide whether the provisions of sections 7 and 24 of the 1909 Act can be reconciled to adequately protect the interests of both the author of the original work, or his statutory successor, and the owner of the derivative material.

*Abend v. MCA, Inc.* originated when the owner of the renewal copyright in the story *It Had to be Murder* brought suit for copyright infringement against the owners of the rights to the film classic *Rear Window*, because of the re-release of *Rear Window* in theaters, on television, and on videocassette.<sup>5</sup> *It Had to be Murder*, authored by Cornell Woolrich, was first published in 1942.<sup>6</sup> In

of first publication, and further:

That in the case of any other copyrighted work . . . the author of such work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his next of kin 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 . . . .

17 U.S.C. § 24 (1970). Section 7 allowed the copyright holder in a work to authorize the creation of derivative works and then permitted the creator of the derivative work to obtain a copyright in the new work. Specifically, section 7 provided:

Compilations or abridgments, adaptations, arrangements, dramatizations, translations, or other versions of works in the public domain or of copyrighted works when produced with the consent of the proprietor of the copyright in such works . . . shall be regarded as new works subject to copyright under the provisions of this title; but the publication of any such new works shall not affect the force or validity of any subsisting copyright upon the matter employed or any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works.

17 U.S.C. § 7 (1970).

4. 58 U.S.L.W. 3079 (U.S. Aug. 8, 1989).

5. 863 F.2d at 1467.

6. *Id. It Had to be Murder* was published in *Dime Detective Magazine*, whose publisher obtained a blanket copyright on that issue. *Id.* The defendants initially had moved for summary judgment based on alleged defects in the story's copyright. *Id.* The defendants alleged that Woolrich did not register individually any copyright in his story and thus the work was ineffectively copyrighted; however, the court concluded that, under the 1909 Act, first publication in a collective work under a "blanket" copyright notice in the name of the periodical publisher was sufficient to secure the author's copyright in the work. *Id.* at 1469-70. The defendants further alleged that the renewal copyright was defective because only the magazine publisher had the right to renew the "blanket" copyright which initially protected the story. *Id.* at 1470 The Ninth Circuit affirmed the district court's denial of the

1945, Woolrich agreed to assign the rights to make a motion picture version of his story to B.G. DeSylva Productions, from whom the defendants acquired the movie rights.<sup>7</sup> At the same time, Woolrich also agreed to renew the copyright in his story at the expiration of the original term in 1969 and then assign to DeSylva the same movie rights for the twenty-eight year renewal term.<sup>8</sup> In 1954, the motion picture *Rear Window*, based on Woolrich's story, was produced and distributed by Paramount Pictures.<sup>9</sup>

In 1968, one year prior to the commencement of the renewal term of the copyright in his story, Woolrich died leaving no surviving spouse or child.<sup>10</sup> His executor, Chase Manhattan Bank, renewed the copyright in the story in 1969, pursuant to section 24 of the Copyright Act, and later assigned the renewal copyright to the plaintiff Abend.<sup>11</sup> In 1982, the defendants made a timely renewal of their copyright in *Rear Window*.<sup>12</sup> Abend brought suit in 1983 when the defendants, relying on the Second Circuit's 1977 ruling in *Rohauer*,<sup>13</sup> authorized the re-release of *Rear Window*.<sup>14</sup>

motion, holding that the plain language of section 24 and its legislative history gave "the author of a contribution to a periodical a right of renewal with respect to that contribution, even when the author has not separately copyrighted the contribution." *Id.* at 1472.

Defendants also had moved for summary judgement based on their affirmative defense of "fair use." *Id.* at 1468. The district court granted the motion, but the Ninth Circuit reversed, holding that the defendants' actions were "a classic example of an unfair use: a commercial use of a fictional story that adversely affects the story owner's adaptation rights." *Id.* at 1482.

7. *Id.* at 1467.

8. *Id.*

9. *Rear Window* was directed by Alfred Hitchcock and starred Grace Kelly and Jimmy Stewart. *Id.* Hitchcock's estate and Jimmy Stewart were named as defendants in *Abend*. *Id.*

10. *Id.*

11. *Id.*

12. *Id.* at 1483 (Thompson, J., dissenting)

13. *Rohauer* involved the 1926 film *The Son of the Sheik*, based on a novel written by Edith Maude Hull. *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484, 486 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977). In 1925, after the novel's publisher assigned the valid U.S. copyright to Hull, Hull sold all the motion picture rights to the story to Joseph Moskowitz. *Id.* Mrs. Hull also agreed to renew the copyright prior to its expiration and then to assign to Moskowitz the motion picture rights for the renewal term. A motion picture based on the novel was produced and the picture was registered in the Copyright Office by an assignee of Moskowitz. *Id.* The copyright in this derivative work was renewed in 1954, and ultimately was assigned to the defendant Killiam Shows, Inc. *Id.* Hull died in 1943 prior to the expiration of the original copyright term. *Id.* In 1952, her daughter renewed the copyright in the novel and, in 1965, assigned her rights in the motion picture and "all television rights of every kind" to the plaintiff Rohauer. *Id.* In 1971, after the motion picture was shown on television, Rohauer brought suit against Killiam Shows, Inc., alleging copyright infringement. *Id.* at 486-87. Rohauer claimed "that upon the expiration of the original term of the copyright in the novel and Miss Hull's succession to the renewal term, all rights of the defendants and their predecessors to authorize the exhibition of the motion picture terminated." *Id.* at 487.

The Ninth Circuit in *Abend* took issue with the *Rohauer* court's opinion, especially the court's adoption of the "new property" theory.<sup>15</sup> In discussing the application of this theory, the Second Circuit had reconciled sections 7 and 24 of the 1909 Act and held:

[W]e do not believe, despite language in the cases to the effect that the proprietor of a derivative copyright is "protected" only as to the "new matter" conceived by him and that a statutory successor obtains a "new estate" in the underlying copyright, that the vesting of renewed copyright in the underlying work in a statutory successor deprives the proprietor of the derivative copyright of a right, stemming from the § 7 "consent" of the original proprietor of the underlying work, to use so much of the underlying copyrighted work as already has been embodied in the copyrighted derivative work, as a matter of copyright law.<sup>16</sup>

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In response the defendants claimed

that while after the expiration of the original term of the copyright in the novel and the daughter's succession, no new motion picture versions could lawfully be made on the basis of the 1925 grant from Mrs. Hull, their predecessors and they were entitled to renew the copyright on a film already made and copyrighted and to authorize its exhibition.

*Id.*

The Second Circuit, in holding that the defendants did not infringe the copyright in the novel, relied on the "new property" theory, which states that when the author of an original work gives consent to the creation of a derivative work, a "right of property [springs] into existence, not at all affected by the conveyance of any other right." *Id.* at 493 (quoting *Edmonds v. Stern*, 248 F. 897, 898 (2d Cir. 1918) (concluding that the owners of a derivative copyright in an orchestral arrangement of a song had a property right "wholly separate and independent" from the property right in the underlying song)).

14. 863 F.2d at 1468.

15. *Id.* at 1473.

16. *Rohauer*, 551 F.2d at 492. In discussing the application of the "force and validity" clause found in section 7 of the 1909 Act, the Second Circuit believed that this language did not bear on the issue facing the court. *Id.* at 489-90. The significance of section 7 in the *Rohauer* context focused on the concern that "recognition of derivative copyright might extend the duration of the copyright in the original work." *Id.* at 489. The Second Circuit adopted the view submitted by the defendants in that case that

sufficient "force" is given to the renewal copyright on the novel if it is held to prevent any new or "second generation" derivative works, without going to the extent of holding that the owner of the derivative copyright may not "print, reprint, publish, copy, and vend the copyrighted work" represented by the derivative copyright . . . .

*Id.* at 488.

In the Ninth Circuit, *Abend* argued that the defendants' exploitation of *Rear Window* impaired the "force and validity" of the copyright in *It Had to be Murder*, in violation of section 7. 863 F.2d at 1474 n.8. The Ninth Circuit concluded that it need not decide how the "force or validity" clause affected the issue because *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960), which held that statutory successors to renewal copyrights take free and clear of all purported assignments of the renewal rights, controlled the facts of the case. 863 F.2d at 1474 n.8.

The defendants in *Abend* argued that they had a right to continue to exploit *Rear Window* during the twenty-eight year renewal term, without regard to Abend's ownership of the renewal in the underlying story, because Cornell Woolrich manifested his consent to assign to their predecessors in interest the motion picture rights in the story for the renewal term.<sup>17</sup>

The Ninth Circuit rejected the reasoning of *Rohauer* because it felt that, in reaching its decision, the Second Circuit had disregarded the Supreme Court's opinion in *Miller Music Corp. v. Charles N. Daniels, Inc.*<sup>18</sup> In *Miller Music*, the Court held that an assignment of copyright renewal rights by an author prior to the time for renewal could not defeat the right of an author's statutory successor to the renewal when the author died before the time for renewal had accrued.<sup>19</sup> In strictly construing section 24, the Court found that Congress intended to establish a hierarchy of people granted renewal rights, and that "[a]n assignment by an author of his renewal rights made before the original copyright expires is valid against the world, if the author is alive at the commencement of the renewal period."<sup>20</sup>

In further interpreting section 24, the *Miller Music* Court found that when an author assigned renewal rights prior to the renewal term, contingency interests were created.<sup>21</sup>

Until [the renewal period] arrives, assignees of renewal rights take the risk that the rights acquired may never vest in their assignors. A purchaser of such an interest is deprived of nothing. Like all purchasers of contingent interests, he takes subject to the possibility that the contingency may not occur.<sup>22</sup>

The Ninth Circuit, literally applying the Supreme Court's lan-

17. *Id.* at 1472.

18. 362 U.S. 373 (1960). *Miller Music* involved a song composed by Ben Black and Charles Daniels, who assigned it to Villa Moret, Inc., which secured the original copyright. *Id.* Prior to the expiration of the renewal term, Black assigned his renewal rights to Miller Music, Inc. *Id.* at 373-74. Black died before effecting the renewal, and his brother, as executor, renewed the copyright pursuant to 17 U.S.C. § 24. *Id.* at 374. Daniels acquired the renewal copyright from Black's brother. *Id.* *Miller Music* then sued Daniels for copyright infringement. *Id.* The dissenting judge in *Abend* insisted that, in assessing the applicability of *Miller Music* to this case, one must realize that *Miller Music*, unlike *Abend* and *Rohauer*, involved only one valid copyright. *Abend*, 863 F.2d at 1484 (Thompson, J., dissenting) ("By contrast here, as in *Rohauer*, two separately copyrighted works, each capable of being renewed . . . are involved.").

19. *Miller Music*, 362 U.S. at 373.

20. *Id.* at 375 (emphasis added).

21. *Id.* at 377-78.

22. *Id.* at 378.

guage, found that, because Woolrich died before the commencement of the renewal term in his story, his assignment to the defendants' predecessors in interest was ineffective and the most the defendants could have acquired from the transaction was an expectancy to exploit *It Had to be Murder* during its renewal period.<sup>23</sup>

The *Rohauer* court had dismissed *Miller Music* as concerning only the competing rights of persons claiming full assignment or ownership of the renewal term of the underlying copyright, and not, as the Second Circuit pointed out, the "proper reconciliation between the grant of derivative copyright in § 7 and the final proviso of § 24 with respect to renewals of underlying copyrights."<sup>24</sup> The Ninth Circuit, justifying its reliance on *Miller Music*, was of the view that since the Supreme Court in *Miller Music* had made assignments of renewal rights in underlying works unenforceable when the author died prior to effecting renewal, then an assignment of *part* of the right in the underlying work, the right to create a motion picture version, also must be ineffective if the author died prior to commencement of the renewal period.<sup>25</sup>

The *Abend* dissent believed this distinction was flawed.<sup>26</sup> Fundamentally disagreeing with the majority's view that *Miller Music* controlled, the dissent instead relied on *Rohauer*, which involved two works, each renewable under section 24. For the dissenting judge in *Abend*, the pertinent issue to be resolved, therefore, was not which of two parties had renewal rights in *one* copyrighted work (the issue in *Miller Music*), but rather whether future exhibition of *Rear Window* (the copyrighted derivative work) was an infringement of the renewal copyright in *It Had to be Murder* (the copyrighted underlying work).<sup>27</sup> In essence, he felt the court was being asked "to reconcile the interests of two parties who *both* have rights under the 1909 Act."<sup>28</sup>

In construing the language in section 7 of the 1909 Act that provides that derivative works "shall be regarded as new works subject to copyright under the provisions of this title,"<sup>29</sup> the dis-

23. 863 F.2d at 1475.

24. *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484, 490 (2d Cir.), cert. denied, 431 U.S. 949 (1977).

25. 863 F.2d at 1476.

26. *Id.* at 1484 (Thompson, J., dissenting).

27. *Id.*

28. *Id.* (emphasis in original). In his dissenting opinion, Judge Thompson clearly noted that "[t]he defendants do not challenge Abend's right to publish the story, nor do they claim a right to publish it themselves; they do challenge Abend's ability to block their right to show their film or to participate in its profits." *Id.*

29. See 17 U.S.C. § 7 (1970).

sent asserted that this provision granted derivative works "dignity equal to underlying works."<sup>30</sup> The dissenting judge reasoned that because each of the works in question in *Abend* was capable of renewal under the 1909 Act, the fact that Woolrich died before the beginning of the renewal period did not hinder the defendants' ability to exhibit their movie.<sup>31</sup> Concurring with the *Rohauer* court, the dissent stated that it "would not make sense" to deprive the owner of a derivative copyright, who had obtained the consent of the proprietor of the underlying copyright, from continued exploitation of his work simply because the renewal copyright in the underlying work had vested in the statutory successor of the original owner, instead of in the original owner himself.<sup>32</sup> In the eyes of the dissenting judge, what the defendants lost when Woolrich died before the commencement of the renewal term was not the right to continue exhibiting *Rear Window*.<sup>33</sup> Rather, they lost only the right to create a *new* movie based on *It Had to be Murder*.<sup>34</sup>

In addition to statutory construction, the dissent disagreed with the majority insofar as equitable policy considerations were concerned. The majority had found that *Rohauer* focused on the unfairness to owners of derivative works without taking into account the Congressional policies behind section 24 that favored the author of the underlying work.<sup>35</sup> The majority had expressed its belief that Congress enacted section 24 for the purpose of providing authors with a "second chance" to profit from their works.<sup>36</sup> The court reasoned that, because of their inability to predict how successful the exploitation of a derivative work may be, authors of original works have no opportunity to benefit from the work's success; in the majority's estimation, section 24 was designed to prevent such a result.<sup>37</sup> The dissent argued, however, that the policy of allowing authors to "reap benefits" from their own works was

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30. 863 F.2d at 1484 (Thompson, J., dissenting).

31. *Id.* at 1487.

32. *Id.* at 1484, 1485.

33. *Id.* at 1487.

34. *Id.*

35. *Id.* at 1477. The majority articulated what it believed to be the primary goals of Congress in enacting section 24. First, the court claimed that "Congress sought to provide authors with a 'second chance' to reap the benefits of their work, particularly since authors must often negotiate from an unequal bargaining position." *Id.* Second, the court felt that "Congress intended to provide protection to the author's family and so extended the renewal right to include the author's surviving family or heirs, should the author die during the original term of the copyright." *Id.*

36. *Id.*

37. *Id.*



not thwarted by following *Rohauer*.<sup>38</sup> The dissenting judge argued that Abend, for example, was in fact free to capitalize on the success of *Rear Window* by authorizing a new movie or television show, or by creating book cassettes, as long as he did not infringe upon the "new matter contained in [*Rear Window*]."<sup>39</sup>

Furthermore, the dissent objected to the majority's strict interpretation of section 24 on other grounds. As pointed out by the Second Circuit, if the 1909 Act were to be strictly construed, purchasers of rights to derivative works would have no effective way to protect themselves against the author's death before the commencement of the renewal period.<sup>40</sup>

The *Abend* dissent adopted the Second Circuit's conclusion that it was "more in keeping with the letter and purposes of the [the 1909 Copyright Act]" not to limit exhibition of the derivative work.<sup>41</sup> The dissenting judge concluded that *Rohauer*, not *Miller Music*, offered that protection for proprietors of derivative works, and finding in favor of the defendants in *Abend*, who are "assert[ing] the right to exhibit their own protected work,"<sup>42</sup> would not thwart Congressional intent nor besmirch fundamental policies of fairness.

## CONCLUSION

The issue that the Ninth Circuit faced in *Abend v. MCA, Inc.* is by no means an insignificant one. Consequently, the Supreme Court's treatment of the case will have ramifications far exceeding the actual facts of the case. Although the Copyright Act of 1909 was revisited and amended by Congress in 1976, its impact and validity in copyright law is still present, as *Abend* poignantly indicates. The remedy provisions of the 1976 Act apply to infringements occurring only after 1977,<sup>43</sup> but other provisions of the 1909

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38. *Id.* at 1487 (Thompson, J., dissenting). As was pointed out by the Second Circuit in *Rohauer*, "[a] court must grope to ascertain what would have been the thought of the 1909 Congress on an issue about which it almost certainly never thought at all." *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484, 486 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977). The Second Circuit had reasoned that creators of derivative works, unlike assignees or licensees, make their own creative contributions of the type Congress sought to protect under copyright law. *Id.* at 493. The *Rohauer* court concluded, and the *Abend* dissent agreed, that such a rationale "is more in keeping with the letter and purposes of the statute as best we can discern them." *Id.* at 486.

39. 863 F.2d at 1487 (Thompson, J., dissenting).

40. *Rohauer*, 551 F.2d at 493.

41. *Id.* at 486.

42. 863 F.2d at 1485 (Thompson, J., dissenting).

43. 863 F.2d at 1479 n.19 (citing *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 754

Act still permeate the amended version and are thus susceptible to varying interpretations even today.

If the Supreme Court adopts the strict constructionist stance of the Ninth Circuit and rules according to its own mandate in *Miller Music*, the result could leave current and prospective purchasers of rights to create derivative works in a precarious position because, in fact, they only would be acquiring a contingency interest in the right. It remains to be seen whether such a ruling would deter those with the necessary resources and talent from seeking out authors of original works, or, on a broader scale, stifle the initial production of educational and entertaining works.

The Ninth Circuit pointed out that Congress' intent underlying section 24 was to provide authors with a second chance to benefit from the success of the derivative work; however, if prospective purchasers of derivative works contemplate that the risk that the author may die before the renewal term commenced was a significant one, many creators may refuse to attempt to enter into agreements to create derivative works. Such a result would not even provide authors with a first chance to reap any benefits from selling the derivative right, let alone satisfy the Ninth Circuit's "second chance" rationale.

*Todd G. Scher\**

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(9th Cir. 1978), *cert. denied*, 439 U.S. 1132 (1979)). In *Abend*, the Ninth Circuit discussed the remedies available to *Abend* as a result of the infringement. *Abend* first sought an injunction against the continued exploitation of *Rear Window*. 863 F.2d at 1479. Because it would foreclose the defendants "from enjoying legitimate profits derived from exploitation of the 'new matter' comprising the derivative work," the Ninth Circuit noted that injunctive relief was not proper in this scenario. *Id.* The court instead recommended monetary compensation, provided for in 17 U.S.C. § 504(b) (1988). *Id.* The dissenting judge, in discussing the majority's remedy analysis, states that the "share-the-wealth" concept recommended by the court "offends my sense of justice," and that *Abend* should not "be permitted to squeeze the defendants for money generated by a movie which they created, in which they risked their capital, and to which they committed their substantial talents." *Id.* at 1487.

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