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# LOOKING THROUGH THE "REAR WINDOW": A REVIEW OF THE UNITED STATES SUPREME COURT DECISION IN *STEWART V. ABEND*

*Michael R. Diliberto**

Imagine a scene where a film production company purchases the motion picture rights in a story, and produces and distributes the movie, only to later discover its distribution of the movie was an infringement of a copyright in the underlying story. This was the decision rendered by the United States Supreme Court on April 24, 1990, in *Stewart v. Abend*.[1] *Stewart v. Abend* has sent shock waves throughout the entertainment industry. Although the decision has profoundly affected the motion picture industry and its treatment of derivative works, as discussed later in this article, the music industry has lived for over thirty years with the effect of a similar case. The *Stewart v. Abend* decision is significant, but affects only certain types of works, and a producer of derivative works may avoid the impact of this decision.

## I. INTRODUCTION

The prologue to *Stewart v. Abend* begins in February of 1942, when Cornell Woolrich, the author of the story *It Had to Be Murder*, published his story in *Dime Detective Magazine*. The magazine publisher obtained the rights only to the magazine publication of the story and Woolrich retained all other rights.

In 1945, Woolrich agreed to assign the rights to make motion picture versions of six of his stories, including *It Had to Be Murder*, to B.G. De Sylva Productions for $9,250. Woolrich also agreed to renew the copyrights in his stories at the appropriate time and to assign the motion picture rights to De Sylva for the twenty-eight year renewal term of copyright.[2]

In 1953, actor Jimmy Stewart and director Alfred Hitchcock

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1. Stewart v. Abend, 495 U.S. 207 (1990).
2. *Id.* at 212.

formed a production company, Patron, Inc., which obtained the motion picture rights in *It Had to Be Murder* from De Sylva's successors-in-interest for $10,000. In 1954, Patron, Inc., along with Paramount Pictures, produced and distributed *Rear Window,* the motion picture version of the story *It Had to Be Murder.* The film starred James Stewart, Grace Kelly and Thelma Ritter; Alfred Hitchcock directed.[3]

Woolrich died in 1968, just two years before the original copyright term in the original story expired, and two years before he could file for a renewal copyright in the story. Woolrich died leaving no widow or children. He left his property to a trust administered by Chase Manhattan Bank for the benefit of Columbia University. On December 29, 1969, Chase Manhattan Bank renewed the copyright in *It Had to Be Murder.* Chase Manhattan later transferred its renewal rights in the story by assignment to Sheldon Abend, a literary agent, for $650, plus 10% of all proceeds derived from the exploitation of the story.[4]

In 1971, *Rear Window* was broadcast on the ABC television network. Abend informed Hitchcock, Stewart, and MCA, Inc., the owners of the *Rear Window* motion picture, that he owned the renewal rights and the copyright to *It Had to Be Murder.* He charged that their distribution of the motion picture without his permission infringed his copyright in the story. Despite the notice from Abend, Hitchcock, Stewart and MCA entered into an agreement with ABC to rebroadcast the motion picture. In 1974, Abend filed a lawsuit against Stewart, Hitchcock, and MCA, in a United States district court in New York for infringement of his copyright. The lawsuit was settled when Abend agreed to dismiss his complaint in return for $25,000.[5]

In 1977, three years after Abend filed his lawsuit in New York, the United States Court of Appeals for the Second Circuit decided *Rohauer v. Killiam Shows, Inc.*[6] The court held that a movie producer may continue to distribute a movie based on an underlying work if the author has agreed to grant movie rights for the renewal term of the underlying work.[7] This decision meant that a producer's distribution right in his derivative work was valid, even if the grant of rights in the underlying work had lapsed, i.e., the author of the pre-existing work died before the

3. *Id.*

4. *Id.*

5. *Id.* 213.

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

7. *Id.* at 492.

renewal term and the renewal term was claimed by the author's surviving spouse, children or executor, pursuant to the Copyright Act of 1909.

Armed with the *Rohauer* decision, the owners of the motion picture *Rear Window* allowed MCA to re-release *Rear Window* in different media, including theatrical performances, cable television, videodiscs and videocassettes. After this re-release, Abend filed a second lawsuit, this time in the United States District Court for the Central District of California in the Ninth Circuit.[8] The Ninth Circuit's decisions often differ from those of the Second Circuit Court of Appeals based in New York. Abend apparently sought to challenge the Second Circuit's *Rohauer* decision by filing his second lawsuit in the Ninth Circuit. In his complaint, Abend alleged that the re-release of the motion picture infringed his copyright in the story because MCA's right to use the story during the renewal term had lapsed when the author died before he could register his copyright for the renewal term and transfer his renewal rights to MCA.[9]

Abend's lawsuit was dismissed by the district court, which relied in part on the decision in *Rohauer*. Abend then took his case to the Ninth Circuit Court of Appeals, which rejected the Second Circuit's decision in *Rohauer* and ruled in Abend's favor, holding that the continued distribution of *Rear Window* by MCA without the consent of Abend infringed the renewal copyright in the story *It Had to Be Murder*, which Abend had acquired from Chase Manhattan Bank.[10] Abend's plan had worked: the Ninth Circuit ruling was completely opposite that of the Second Circuit decision in *Rohauer*.

This tension between the Second and Ninth Circuit Courts created an issue ripe for review by the United States Supreme Court. Upon review, the Supreme Court affirmed the Ninth Circuit's decision, holding that the distribution of *Rear Window* constituted an infringement of Abend's renewal copyright in the underlying story *It Had to Be Murder*.

## II. THE EFFECT OF THE DECISION

The Supreme Court's decision in *Stewart v. Abend* means that the continued distribution of a derivative work during the renewal period of the underlying work on which it is based will be an infringement of a copyright if:

8. *Stewart*, 495 U.S. at 213.
9. *Id.*
10. *Id.* at 215.

(1) the underlying work was created or first published between 1964 and 1977;

(2) the author of the underlying work died before the renewal term began; *and*

(3) the heirs of the author of the underlying work did not grant the derivative work's producer the rights to use the underlying work during the renewal term.

Thus, a producer may become an infringer even though the producer of the derivative work was granted during the first term of copyright the right to exploit the underlying work for the full term of copyright, including all renewals and extensions. If the author of the work does not survive into the renewal copyright term, the author's heirs are not bound by any agreements made by the author in the first term to permit use during the renewal term. The heirs may then renegotiate or refuse to grant rights for the renewal term.

### *A. The Copyright Act*

Under the Copyright Act of 1909, a work was given two terms of copyright protection, consisting of a first term of twenty-eight years. In the twenty-eighth year of the first term, the author could file an application for renewal of copyright protection for an additional twenty-eight years, resulting in a full term of fifty-six years.[11] The Copyright Act of 1976, effective January 1, 1978, changed the system of renewal terms, replacing it with a single copyright term consisting of the life of the author, plus fifty years.[12] For a class of work originally copyrighted between January 1, 1950, and December 31, 1977, Congress granted an extension of existing terms by forty-seven years for a full possible term of seventy-five years.[13] The story *It Had to Be Murder* was first published

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11. 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, app. § 6-15 (1991). Section 24 of the 1909 act provides:

> [T]he author of [a copyrighted] 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 the 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. *Id.*

12. 17 U.S.C. § 302(a) (1976). Section 302(a) provides: "Copyright in a work created on or after January 1, 1978, subsists from its creation and . . . endures for a term consisting of the life of the author and fifty years after the author's death." *Id.*

13. 17 U.S.C. § 304(a) (1976). Section 304(a) provides:

> Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for twenty-eight years from the date it was originally secured . . . . [T]he author of [a copyrighted] work, if still living, or the widow, widower, or children of the author, if

before 1978. Its term of copyright protection was therefore governed by the Copyright Act of 1909.

Under the Copyright Act of 1976, a "derivative work" means a work that is based on or incorporates a pre-existing work.[14] An "underlying work" is a pre-existing work that is the basis for or which is incorporated into the derivative work. For example, movies, television programs and sound recordings are "derivative works," as they are based on or incorporate books, stories, plays and musical compositions, which are "underlying works." A pre-existing work for copyright purposes under the 1909 Act is one which was not only created and fixed in a tangible medium, but also one that was "published" with the appropriate notice. The requirement for publication was dispensed with for works created after January 1, 1978, under the 1976 Copyright Act.

Whether the *Stewart v. Abend* decision affects any derivative work depends upon whether the work was first published before 1978 while in its *initial* term of copyright when its copyright was transferred or licensed. *Stewart v. Abend* does not have any effect on derivative works that are based on or incorporate: (1) works that were created or first published after 1977; or (2) works that were created before 1978 that were in their renewal term of copyright when the copyrights were transferred or licensed.

### *B. Post-1978 Works*

*Stewart v. Abend* does not affect derivative works based on underlying works created or first published since 1978, because these works enjoy a single term of copyright consisting of the life of the author plus fifty years, and there is no renewal term to be claimed by anyone. When the author dies, those who inherit the deceased author's copyright merely inherit the fifty-year balance of the single term. Accordingly, the heirs have no right to prevent the continued exploitation of derivative works that are based on the underlying works, nor may they demand additional payment for such continued exploitation.

The Copyright Act of 1976 grants an author or his or her heirs the right to terminate a transfer or license of post-1978 works thirty-five

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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 or her next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of forty-seven 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.

14. 17 U.S.C. § 101.

years after they are granted.[15] However, the Copyright Act of 1976 explicitly provides that a "derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination."[16]

This means that the owner of derivative works may continue to exploit them after termination of the grant of rights without further consent from the owner of the copyright to the underlying work. Therefore, if a motion picture or television program is based on a book (or other underlying work) that was created or first published after 1978, the *Stewart v. Abend* decision will have no effect on that motion picture or television program.

### C. *Pre-1978 Works in Their Renewal Term*

The *Stewart v. Abend* decision also does not affect the exploitation of derivative works based on underlying pre-1978 works that were already in their renewal terms of copyright when the copyright was transferred or licensed. The reason is that in such cases the agreement for the preparation of a derivative work was entered with the renewal copyright owner of the underlying work, and the heirs of the renewal copyright owner have no statutory right to terminate or revoke the agreement and cannot prevent exploitation of the derivative works. A derivative work, such as a motion picture, that is based on a pre-1978 underlying work, such as a book, play or song in its sound track, will not be affected by the *Stewart v. Abend* case if the rights were acquired during the renewal term.

## III. PRE-1978 WORKS IN FIRST TERM OF COPYRIGHT

Certain pre-1978 works that were in their initial terms of copyright when transfers or licenses were granted to producers of derivative works are also not affected by the *Stewart v. Abend* decision.

### A. *Works for Hire*

Works that are created as "works for hire" where the Copyright Act of 1976 establishes the corporate employer as the author, are not affected

15. 17 U.S.C. § 203(a)(3). § 203(a)(3) provides: "Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant . . . ."

16. 17 U.S.C. § 304(c)(6)(A). § 304(c)(6)(A) provides:

> A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

by the *Stewart v. Abend* decision.[17] Since the employer is deemed to be the "author" of such works, rather than the individual who actually created the work, there are no potential heirs who could exercise the termination or renewal rights. The effect is that the corporate employer obtains the right to renew the copyrights to the work for hire if it is in existence when the renewal term arrives. The copyright cannot be renewed if the corporation does not exist at the time of renewal. The Copyright Act of 1976 specifies that a copyright may be renewed only by the author, if living, or by the deceased author's widow, children, executors, or next of kin.[18] Successor corporations do not qualify as heirs pursuant to the statute.

### *B. Author Survives into Renewal Term*

A second scenario which avoids the *Stewart v. Abend* problem is when the author of an underlying work lives into the renewal term of copyright. Only the author can file for renewal, and a producer of a derivative work may continue to exploit that work with no effect from the *Stewart v. Abend* decision because the author will be bound by the original grant of rights for the renewal term. A transfer of renewal rights by an author during the first term of copyright is effective and enforceable if the author remains alive when the renewal term of copyright may be claimed. In *Stewart v. Abend*, Cornell Woolrich's grant of movie rights for the renewal term of his story would have been effective had he lived two more years, and had he renewed the copyright.

### *C. Author Dies Prior to Renewal Term;* Stewart v. Abend *Problem*

The *Stewart v. Abend* problem only arises when the author of an underlying work dies before the copyright renewal period, and the producer continues to exploit the derivative work during the renewal term. The renewal copyright transfers to the statutorily designated heirs, and the assignment of renewal rights by the author of the underlying work is not binding upon the heirs.[19]

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17. 17 U.S.C. § 101 (1976). § 101 defines "work made for hire" as:

(1) a work prepared by an employee within the scope of his or her employment; or

(2) 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, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

18. 17 U.S.C. § 304(a) (1976).

19. 17 U.S.C. § 24 (1976).

## IV. THE EFFECT OF *STEWART V. ABEND* UPON A PRODUCER

The *Stewart v. Abend* decision will greatly influence the decision of a producer regarding the selection of works that will be incorporated in or used as the basis for future derivative works. The decision will also influence whether previously produced derivative works may continue to be exploited, and on what terms.

A producer wishing to create or exploit derivative works without a *Stewart v. Abend* problem should consider using underlying works that were created or first published prior to 1964 or since 1978. Works created or first published since 1978 are "safe" because their terms of copyright are subject to the Copyright Act of 1976, which has no renewal terms, as previously explained. Works created prior to 1964 are "safe" because the initial terms of pre-1964 works expired at the end of 1991 or earlier. Rights to produce or exploit these works which are now in their renewal terms would be obtained from the renewal copyright owner and no *Stewart v. Abend* problem will arise. If the renewal copyright has not been filed, the work will fall into the public domain, and may be freely used by anyone.

Works first published between 1964 and 1977 may be "unsafe" because they are in their first term of copyright. The risk is that the author of the underlying work may die before the renewal period vests.

The twenty-eight-year initial term of copyright advances with each new year. Thus, in 1992, works created between 1964 and 1977 will fall into this risk category. Likewise, in 1993, a possible *Stewart v. Abend* problem can arise for works first published between 1965 and 1977; in 1994, the unsafe works will be those between 1966 and 1977, and so on.

A prudent producer should take steps to avoid this problem by obtaining the expectancy rights of the statutorily designated heirs prior to the author's death. This can be done only if the producer is able to determine all of the potential heirs at the time he acquires their expectancy renewal rights. This is complicated by the fact that an author may marry or have children after the producer obtains the expectancy renewal rights. This would make the assignment of expectancy renewal rights from the previously determined heirs incomplete, thus creating a *Stewart v. Abend* problem, even though the producer of the derivative work attempted to take all precautions.

### *A.* Stewart v. Abend *and the Music Industry*

The *Stewart v. Abend* decision provides no new fears for music publishers in their dealings with songwriters. Thirty-one years ago, in a case

entitled *Miller Music Corp. v. Charles N. Daniels, Inc.*,[20] the Supreme Court held that one who receives renewal rights by an author before the time of renewal arrives receives only an expectancy in the renewal rights, which may be defeated by the author's statutory successor to the renewal rights.[21] Thus, music publishers have lived for more than thirty years with the effect of the *Stewart v. Abend* case.

Under the Copyright Act, record companies must obtain licenses to the musical compositions to be recorded in order to make and distribute those recordings. Such licenses are known in the industry as "mechanical licenses," and may be obtained by: (1) negotiating with the owner of the copyright (the songwriter or the music publisher); or (2) utilizing the compulsory license provided in the Copyright Act of 1976.[22] If a record company has negotiated a mechanical license for a pre-1978 composition directly from the publisher or songwriter, and the songwriter dies before the renewal term, the decision in *Stewart v. Abend* effectively terminates those licenses for the renewal terms. However, if the terms of the license provided that the record company would pay the "statutory" mechanical rate, *Stewart v. Abend* will have no effect, because even after renewal of the copyrights by the heirs, the record company may obtain a compulsory license under the Copyright Act of 1976 and continue to pay mechanical royalties for those compositions at the statutory rate.

If, however, the record company has negotiated a mechanical license at a favorable reduced rate of 2¢ per record or three-quarters of the statutory mechanical rate, then the effect of *Stewart v. Abend* would be to terminate those reduced-rate licenses. The record company would have to negotiate new mechanical licenses at new rates with the owners of the renewal term, or obtain a compulsory license under the Copyright Act and pay royalties at the then-current compulsory license rate.

### *B. Source Music*

Equally important is the impact of *Stewart v. Abend* on motion pictures and television programs that use pre-1978 musical compositions in their sound tracks. A motion picture or television program which uses a musical composition that was created or first published between 1964 and 1977, and licensed during the initial term of copyright, would be an infringement of the renewal copyright in the composition if the author dies before the renewal term. A producer faced with this situation must either obtain a new license for the musical composition with the owner of

20. 362 U.S. 373 (1960).
21. *Id.* at 377-78.
22. 17 U.S.C. § 115 (1976).

the renewal copyright, delete the composition from the movie sound track, or cease any further distribution of the movie. Each of these choices is unpleasant. The producer may be held hostage to the whims of the renewal copyright owners who could demand an exorbitant price for a new license, or the composition may be a feature performance in the movie so that its removal would cause the film to suffer.

## V. EPILOGUE

The epilogue to the *Stewart v. Abend* decision is contained in a recent case decided by the Ninth Circuit Court of Appeals, entitled *Marascalco v. Fantasy, Inc.* ("*Marascalco*").[23] In *Marascalco*, a music publisher attempted to pull back the time of vesting of an assigned renewal copyright interest to the time "when" a renewal registration application is made. The court of appeals, in a decision technically more akin to one from a tax court, rejected the music publisher's argument, and held that a renewal interest will vest in an author's assignees only if the author survives to the start of the renewal term, rather than the date of filing of the renewal application, which may be as much as one year earlier.

*Marascalco* had the following factual chronology:

| | |
|---|---|
| 1956: | John Marascalco and Robert Blackwell jointly authored the song "Good Golly Miss Molly." |
| July 23, 1956: | Marascalco and Blackwell assigned ownership of the copyright and the renewal right in the song to Venice Music, Inc. |
| January 22, 1957: | Venice Music, Inc., copyrighted the song. |
| March 31, 1973: | Venice Music, Inc., assigned all of its rights in the song to Argosy Venture. |
| January 1, 1981: | Argosy Venture assigned all of its rights in the song to Fantasy, Inc. |
| January 18, 1985: | Marascalco filed a renewal registration for the song with the Register of Copyrights on behalf of himself and the co-author Blackwell. |
| March 9, 1985: | Blackwell died. |
| January 1, 1986: | The renewal term in the song commenced. |

23. 953 F.2d 469 (9th Cir. 1991).

| | |
|---|---|
| March 15, 1986: | Blackwell's daughters assigned all of their interest in the song to Marascalco in exchange for future royalties.[24] |
| November 20, 1986: | Marascalco notified Fantasy, Inc., that he claimed the renewal interest in that one-half of the song's royalties traceable to Blackwell's authorship. Fantasy rejected Marascalco's claim, and this action followed. |

The United States District Court for the Central District of California held that, notwithstanding timely registration of the renewed copyright, the renewal right, assigned by Blackwell under the 1956 agreement, was a mere expectancy pending a determination of whether Blackwell would survive to the beginning of the renewal term. Since Blackwell did not survive to the start of the renewal term, January 1, 1986, the court held that the renewal right did not vest in Fantasy, Inc., as Blackwell's ultimate assignee. Upon review, the United States Court of Appeals affirmed the Ninth Circuit decision, holding that section 304(a) permits a renewal interest to vest in an author's assignees only if the author survives to the start of the renewal term.

### *A. The Effect of the Decision*

The Ninth Circuit decision in *Marascalco* means that the time of vesting of an assigned renewal copyright occurs "when":

(1) the author (or co-author) of the work files a registration application within one year prior to the expiration of the original term of copyright; *and*

(2) the author (or co-author) of the work survives into the renewal term.

Fantasy argued that the plain meaning of "shall be entitled" within section 304(a) signified a congressional determination that an assigned renewal copyright interest should vest "when" a registration application is made. The court rejected this argument, stating that the "shall be entitled"/ "when" language of section 304(a) merely described a necessary condition. If a renewal interest is to vest at all, it must be perfected by a timely registration application. The clause following "when" merely addressed the mechanics of filing a timely registration application. Accordingly, the statute suggests that Congress was specifying the time for registration and not the time for vesting. The filing of a renewal applica-

24. Blackwell's three surviving daughters were his successors, under § 304(a) of the Copyright Act of 1976, 17 U.S.C. § 304(a).

tion is a condition precedent to vesting.[25]

*Marascalco* reflects the concern of the courts that authors usually assign their original and renewal copyright interests shortly after a work has been created. At the time these assignments are made, there is little to indicate how successful the work will be in the marketplace. Section 304(a) does not engender an "unlimited" second opportunity policy. When an author survives to the start of the renewal term, the interest of his assignees vests, and the second opportunity for the author to obtain remuneration for his work slips away.

## VI. UNRESOLVED ISSUES

There are numerous issues that are left unanswered by the *Stewart v. Abend* decision. For example:

(1) Would a producer infringe by exploiting a derivative work if the underlying work was created between 1964 and 1977 by more than one author, and only one of the authors died before the renewal term?

(2) Would a producer be liable for distribution in Europe of a derivative work created by an American author who dies before the renewal term, when the law of the European producer's country does not provide for renewal terms? Does the Supreme Court ruling govern this foreign situation, or will the Berne Convention Implementation Act of 1988 control? May each country make its own ruling?

These issues, and numerous others, are left to be resolved.

The *Stewart v. Abend* decision has profoundly affected the treatment of derivative works. Producers should be aware of the rights they obtain in copyrighted works and any possible liabilities.

25. 953 F.2d 469 (9th Cir. 1991).