



PROGRAM MATERIALS

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June 3, 2020

**Lessons from John Steinbeck's The
Grapes of Wrath: Copyright
Terminations Under Sections 203 and
304 of the Copyright Act**

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Lessons from John Steinbeck's *The Grapes of Wrath*: Copyright Terminations Under Sections 203 & 304 of the Copyright Act

June 3, 2020

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(Thomson Reuters/WESTLAW
2019-2020)

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1909 Copyright Act

- 28-year copyright
- 28-year renewal (to revert to author)
- Congress intended renewal to be an estate reverting clear of burdens to author
- *Fred Fisher Music v. Witmark*, 318 U.S. 643 (1943) approved authors signing away renewal rights – *When Irish Eyes Are Smiling*
- SCOTUS frustrated intent of Congress to benefit authors



1976 Copyright Act

- Abolished renewals
- Extended copyright term life of author +50
- Existing renewals +19 to 47 total 75
- Works for hire to 75
- New grants terminable 35 years from grant
- 1909 Act grants terminable 56 years from copyright
- Opened five-year window
- Notwithstanding any agreement to the contrary



1998 Sonny Bono Copyright Term Extension Act

- Extended copyright terms for an additional 20 years
- Life of author plus 70
- Works for hire 120 years after creation or 95 years after publication, whichever shorter
- New five-year termination window



Section 203 of the Copyright Act

- Applies to grants made by author post-January 1, 1978
- Creates statutory heirs
- Termination five years beginning 35 years of publication (or 40 years from grant)
- Governs notices/valid only on termination, forbids future grants



Section 304 of the Copyright Act

- Grants by persons other than the author may be terminated by statutory heirs
- Five years beginning at the end of 56 years from the date copyright originally secured or January 1, 1978 (whichever later)
- Termination “notwithstanding any agreement to the contrary” including wills 304(c)
- Transfer of future termination rights prohibited 304 (c)(6)(D)
- New window only if haven’t exercised termination rights



*Penguin Group (USA) Inc. v. Thomas
Steinbeck & Blake Smyle, 537 F.3d 193 (2d
Cir. 2008)(I)*

- Whether 2004 “notice of termination” from statutory heirs Thom and Blake terminated 1938 John Steinbeck’s grant to Viking to publish *The Grapes of Wrath*
- Answer: no
- 1938 grant had been superceded by 1994 Agreement executed by Steinbeck’s widow Elaine
- Elaine died in 2003
- Because 1994 Agreement left no pre-1978 grants to terminate under Section 304(d) of the Copyright Act, 2004 termination ineffective



Penguin Group (USA) Inc. v. Thomas Steinbeck & Blake Smyle, 537 F.3d 193 (2d Cir. 2008)(II)

- 1976 Act opened a window fifty six years from date copyright secured or January 1, 1978 whichever is later
- *Grapes of Wrath* window was April 14, 1995 to April 14, 2000
- No termination was exercised
- Sonny Bono CTEA reopened window 5 years (starting 75 years from original 1939 copyright)
- *Grapes of Wrath* window 2015-2020




Penguin Group (USA) Inc. v. Thomas Steinbeck & Blake Smyle, 537 F.3d 193 (2d Cir. 2008)(III)

- 2014 notice of termination from statutory heirs sought to take advantage of new 1998 window
- Termination window fixed by Section 304(c)(6)(D)
- Section 304(c)(6)(D) prohibits “future grants” unless in statutory window
- Controversy between Steinbeck’s testamentary heirs and the “statutory” heirs fixed under Section 304
- 1994 Agreement not “agreement to the contrary” under Section 304(c) – upheld by Second Circuit




Penguin Group (USA) Inc. v. Thomas Steinbeck & Blake Smyle, 537 F.3d 193 (2d Cir. 2008)(IV)

- “Although [Elaine] possessed a power of attorney to exercise the Steinbeck Descendants’ termination rights as a result of a 1983 settlement, it is unclear that her exercise of those rights would have been valid. But the resolution of these speculations is immaterial to the resolution of this appeal.”




SCOTUS – March 2020 Petition for Certiorari – *Estate of Thom Steinbeck et al. v. Kaffaga* No. 19-1181 (I)

- Challenge to Ninth Circuit decision barring Steinbeck’s statutory heirs from litigating termination rights as a defense based on collateral estoppel
- Dispute over film rights to *The Grapes of Wrath*
- Action for breach of 1983 Agreement, slander of title, tortious interference with contract, defense 1983 Agreement was “agreement to contrary” not permitted as defense




SCOTUS – March 2020 Petition for Certiorari – *Estate of Thom Steinbeck et al. v. Kaffaga* No. 19-1181 (II)

- “Whether collateral estoppel bars an affirmative defense based on 17 U.S.C. 304(c)(5) in a second litigation, when the first litigation involving different copyright termination rights never decided if the agreement issue – purporting to transfer control over future termination rights before those rights vested – is unenforceable under 304(c)(5)”



SCOTUS – March 2020 Petition for Certiorari – *Estate of Thom Steinbeck et al. v. Kaffaga* No. 19-1181 (III)

- Circuit split on collateral estoppel re copyright terminations
- Issue not “actually litigated” or “actually decided”
- Conflicts with Second Circuit’s *Marvel Characters v. Simon*
- No court decided if 1983 agreement “agreement to contrary” re 304(c)(5)



Marvel Characters v. Simon, 310 F.3d 280 (2d Cir. 2002)

- Marvel sought to bar termination by collateral estoppel
- Prior Simon settlement agreement conceded “work for hire”
- Stip: created while employed, but no findings by the court accompanying settlement
- Where no separate findings by the court, doesn’t bind parties on other causes of action
- Plaintiff free to litigate termination rights under Section 304(c)

Parallel CA Federal Lawsuits (I)

- Action I: April 7, 2014 - Declaratory judgment that Thom Steinbeck & Blake Smyle have termination rights re: film rights for *The Grapes of Wrath & East of Eden*
- Action II: April 10, 2014 – Diversity action for breach of contract, slander of title, tortious interference of contract
- Same judge

Parallel CA Federal Lawsuits (II)

- Action I: declaratory judgment action dismissed based on collateral estoppel
- District court says termination issue litigated “ad nauseum”
- Ninth circuit affirms, echoes “ad nauseum” characterization



Parallel CA Federal Lawsuits (III)

- Action II: District court grants summary judgment on breach of contract and slander of title in “all of John Steinbeck’s works”
- Based on assertions of Thom & Blake’s copyright ownership of film rights to Hollywood studios
- Jury instructed to find damages for breach and slander of title
- Jury awards over \$13MM in compensatory & punitive damages

Parallel CA Federal Lawsuits (IV)

- Action II: *Kaffaga v. Steinbeck*, 938 F.3d 1006 (9th Cir. 2019)
- Ninth Circuit affirms compensatory damages, vacates punitive damages of \$7.9MM
- Finds jury's calculation of compensatory damages "suspicious" but affirms
- Thom Steinbeck's widow Gail deprived of all defenses

Brief Amicus Curiae in Support of Petitioners (I)

- I. Issue of inalienable authors' copyright termination rights is of extraordinary importance and uncertainty has led to nationwide litigation
- In 1976 Copyright Act Congress made recapture right for authors inalienable – authors would benefit from extended term
 - Termination of pre-1978 grants permitted by Congress
 - In 1998 Congress again extended copyright terms, desired authors to have second window of inalienable right of recapture
 - Grants of future termination rights invalidated
 - Copyright Office advises public that authors may terminate grants

Brief Amicus Curiae in Support of Petitioners (II)

- II. Overbroad application of collateral estoppel deprived
Petitioners of Seventh Amendment right to a jury trial
- Gail was not a party to any prior litigation, preclusion of her defenses was unwarranted
 - Petitioners were unfairly denied any defenses – state of mind necessary for torts had never been litigated anywhere
 - Copyright expert's exclusion was reversible error because copyright ownership would have been a complete defense to all claims

Brief Amicus Curiae in Support of Petitioners (III)

III. CA Tort Claims Preempted By Section 301 of the Copyright Act

- Tort claims same as copyright ownership or infringement claims so preempted by Copyright Act
- Circuit split on preemption of tortious interference with contract cases could be resolved by grant of review
- Because no proof of state of mind before the jury, no “extra element” related to tortious interference under state law.
- State law should not be used to change the results of cases governed by the Copyright Act

Brief Amicus Curiae in Support of Petitioners (IV)

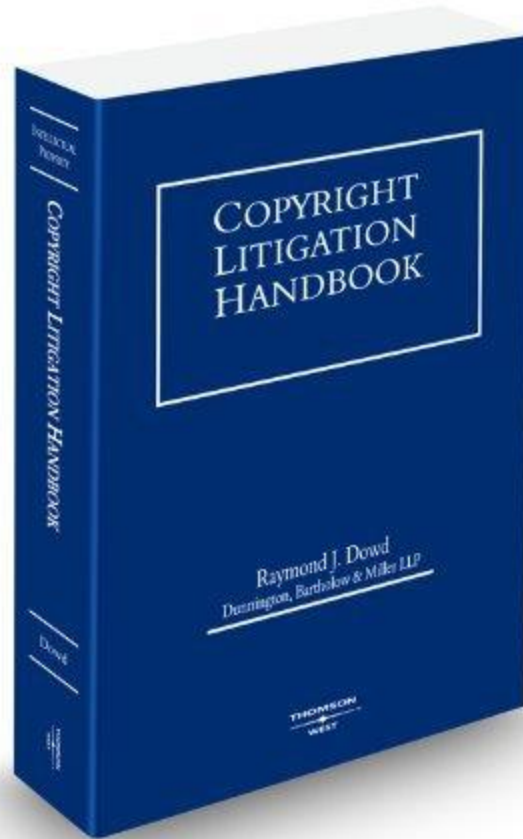
- IV. Court should seek views of the Solicitor General
- V. Alternatively, grant, vacate and remand in light of *Lucky Brands* case.
- *Lucky Brands* trademark infringement case argued January 2020 before SCOTUS
 - *Lucky Brands* – issue of whether affirmative defenses precluded in new litigation between same parties over new infringements of a trademark
 - *Lucky Brands* – does not raise same important issues of authors rights, Seventh Amendment questions, right to justification and advice of counsel defenses, involved a new non-party

Practice Tips

- Statutory deadlines are strict
- Notices of termination must be recorded with the Copyright Office
- *Brumley v. Brumley & Sons*, 822 F.3d 926, 933 (6th Cir. 2016) – Judge Sutton appeared critical of litigants that failed to raise the “agreement to the contrary” Section 304(c) issue:

“The parties appear to accept the decisions of the Second and Ninth Circuits that termination rights, once vested after 1978, may be extinguished or bargained away.”
(noting disagreement of Nimmer)

2019-2020 Copyright Litigation Handbook



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No.

IN THE
Supreme Court of the United States

THE ESTATE OF THOMAS STEINBECK, GAIL
KNIGHT STEINBECK, AND THE PALLADIN GROUP,
INC., PETITIONERS,

v.

WAVERLY SCOTT KAFFAGA, AS EXECUTOR OF THE
ESTATE OF ELAINE ANDERSON STEINBECK

*PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT*

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

The Copyright Acts of 1976 and 1998 granted an author and certain heirs a contingent “right of termination” that allows the author or the heirs to terminate a previous license to the copyrighted work. *See* 17 U.S.C. §§ 203, 304. The right to terminate a copyright license is a contingent right that can enable authors and their heirs to capture the full value of the copyrighted works. To ensure that authors and their heirs did not prematurely assign away contingent rights, Congress specified that the rights will not vest until certain actions are undertaken during particularly specified time periods. Congress also instructed that “[t]ermination 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.” 17 U.S.C. § 304(c)(5).

Termination rights are frequently exercised decades after the original license of the copyrighted work. A single copyrighted work can lead to different termination rights that vest at different times and may be owned by different heirs, once vested. The unique statutory scheme presents a challenge for traditional principles of estoppel, including *res judicata* and collateral estoppel.

The question presented is:

Whether collateral estoppel bars an affirmative defense based on 17 U.S.C. § 304(c)(5) in a second litigation, when the first litigation involving different copyright termination rights never decided if the agreement at issue—purporting to transfer control

over future termination rights before those rights vested—is unenforceable under § 304(c)(5).

**PARTIES TO THE PROCEEDINGS
AND RULE 29.6 STATEMENT**

The parties to the proceedings include those listed on the cover of this Petition.

None of The Estate of Thomas Steinbeck, Gail Steinbeck, and The Palladin Group, Inc. has a parent corporation, and no publicly held company owns 10 percent or more of any of their stock.

LIST OF RELATED PROCEEDINGS

Pursuant to Supreme Court Rule 14.1(b)(iii),
Petitioners state that there are no proceedings
directly related to this case in this Court.

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PETITION FOR A WRIT OF CERTIORARI

Petitioners The Estate of Thomas Steinbeck, Gail Steinbeck, and The Palladin Group, Inc. respectfully submit this petition for a writ of certiorari to review the judgment of the United States Court of the Appeals for the Ninth Circuit.

OPINIONS AND ORDERS BELOW

The decisions of the District Court are unreported. App. 29a, 34a. The Ninth Circuit's opinion is reported at 938 F.3d 1006. App. 1a. The Ninth Circuit's order denying rehearing en banc is unreported. App. 27a.

STATEMENT OF JURISDICTION

The Ninth Circuit entered its order denying rehearing on October 17, 2019. On January 3, 2020, Associate Justice Kagan extended the time to file a petition for a writ of certiorari to and including March 10, 2020. The district court's jurisdiction was invoked under 28 U.S.C. § 1331. The appeals court's jurisdiction was invoked under 28 U.S.C. § 1291. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Sections 203 and 304 of Title 17, United States Code are reprinted at App. 76a and App. 80a.

STATEMENT

This petition concerns an issue critical to the proper interpretation of U.S. copyright termination

rights and whether collateral estoppel principles can trump the plain meaning of the copyright statute. The Ninth Circuit answered in the affirmative, thereby depriving defendants of an affirmative defense based on a copyright issue no prior litigation had decided. The underlying copyright issue is critical for a consistent interpretation of the Copyright Act's grant of termination rights—rights that both Congress and this Court have recognized as “inalienable.”

Framed in the context of collateral estoppel, the Ninth Circuit's decision authorized the alienation of inalienable termination rights. The outcome condones the encumberment of termination rights long before they vest under “the delicate balance Congress has labored to achieve.” *Stewart v. Abend*, 495 U.S. 207, 230 (1990). It did so even though no court has ever determined whether the 1983 Agreement—purporting to transfer termination rights years before they vested—was an enforceable agreement under 17 U.S.C. § 304(c)(5).

The correct interpretation of the termination rights clauses was necessary to determine if collateral estoppel forecloses an affirmative defense based on § 304(c)(5). Here, the appeals court merely referenced earlier court decisions—none of which decided the issue of whether the 1983 Agreement was an “agreement to the contrary” and thus proscribed by the Copyright Act.

The legal approach and outcome here represent a serious threat to Congress’s carefully structured goal to safeguard the ability of authors’ and their heirs’ to benefit from the fair value of the full copyright term. The legal uncertainty about the interplay between copyright termination rights and federal preclusion doctrines warrants this Court’s review.

I. Legal Background

A. Copyright Termination Rights

Under the 1909 Copyright Act, authors and their families could capture the value of the copyrighted works at two times throughout the lifetime of the work. *See* Act of Mar. 4, 1909, ch. 320, § 23, 35 Stat. 1075 (1909) (“the 1909 Act”). The 1909 Act granted copyright protection for a first term of 28 years, followed by a renewal term of the same duration, for a total of 56 years. 35 Stat. 1075, 1080–81. In theory, “[t]he renewal term permit[ted] the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work ha[d] been tested.” *Stewart*, 495 U.S. at 218–19. Congress believed that “[i]t should be the exclusive right of the author to take the renewal term” so that the author “could not be deprived of that right.” H.R. Rep. No. 60–2222, at 14 (1909).

Simple in theory but complicated in reality, publishers easily undermined Congress’s renewal term scheme by requiring authors to assign, in the

first instance, their rights in both 28-year copyright terms. This Court’s decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), upheld that questionable practice, thereby effectively defeating Congress’s plan to have two temporally distinct property rights that would allow authors to capture the full value of their creative works.

Congress responded with the Copyright Act of 1976, Pub. L. No. 94–553, 90 Stat. 251 (“1976 Act”), which enacted two changes relevant here. First, Congress extended the copyright term. For works copyrighted before January 1, 1978, the renewal term increased by 19 years—extending the total copyright protection to 75 years. 17 U.S.C. § 304(a)–(b) (1982).¹

Second, in response to *Fred Fisher*, Congress wanted to ensure that authors and certain heirs benefited from the extended copyright term, so it granted an “inalienable” right to terminate prior copyright transfers and licenses. 17 U.S.C. §§ 203(a), 304(c). For works copyrighted before January 1, 1978, an author can terminate a copyright assignment or license at the end of the 56th year. *Id.* § 304(c). If the author has died, the termination right

¹ Prospectively, for works copyrighted on or after January 1, 1978, the 1976 Act changed the copyright term to the life of the author plus 50 years. *See* 17 U.S.C. § 302(a) (1982).

would vest in specific family members— notwithstanding any will or other testamentary transfer. *Id.* § 304(c)(1)–(2). *See generally* Melville B. Nimmer, *Termination of Transfers Under the Copyright Act of 1976*, 125 U. Pa. L. Rev. 947, 947–48 (1977) (noting that “[o]ne of the most significant and most complex departures from prior law contained in the new Act relates to the termination of transfers”).

Congress thus ensured that authors and specific family members would have the chance to regain full ownership of the copyright and capture the value of the 19-year extended term, *i.e.*, years 57 through 75 of federal copyright protection. To prevent publishers from repeating their undermining of the 1909 Act’s renewal term, Congress specified that the new termination right in the 1976 Act could be exercised “notwithstanding any agreement to the contrary.” *Id.* § 304(c)(5). In other words, Congress legislatively overruled the *Fred Fisher* decision and created a right that was “inalienable.” *See Stewart*, 495 U.S. at 230.

Moreover, under the statute, the termination right itself does not come into existence and vest until a particular time. The termination “may be effected” during a specific time period. 17 U.S.C. § 304(c)(1), (2). The termination notice also must be served within a specific timeframe. *Id.* § 304(c)(4)(A); *see also Baldwin v. EMI Feist Catalog, Inc.*, 805 F.3d 18, 26 (2d Cir. 2005) (explaining that “an author’s (or his statutory heirs’) interest vests immediately upon

service of a termination notice, it becomes possessory—i.e., it entitles the author (or his statutory heirs) to ownership of the copyright—only if the notice is recorded before the termination date” (citing 17 U.S.C. § 304(c)(4)(A)). Congress established the statutory schedule to ensure that the *Fred Fisher* scenario would not repeat itself—whereby an author or heir would assign away the termination right before ascertaining the actual value of the extended copyright term.

When the author has passed, the statutory heirs will own and be able to exercise the termination right, once vested, but it will depend on which heirs are living when the termination right vests. For instance, a termination right vests during a specific five-year window. During that five-year period, some heirs may die, and other heirs may be born. If an heir dies before the right vests, the heir who dies may not assign (through a will) the unvested termination right to a non-statutory heir. The heir’s contingent interest in the termination right expires with the heir, and the remaining heirs (if any) then have a larger percentage of the termination right.²

² Section 203 creates analogous termination rights for transfers made by the author in or after 1978, which also includes the “notwithstanding any agreement to the contrary” limitation. 17 U.S.C. § 203(a), (a)(5). Thus, resolving the present dispute about the collateral estoppel and the meaning of an

In 1998, Congress again extended the copyright term. *See* Sonny Bono Copyright Term Extension Act of 1998 (“1998 Act”), Pub. L. No. 105–298, 111 Stat. 2827. The term for pre-1978 works lengthened to 95 years. The 1998 Act again provided authors and certain family members a termination right for the newly extended portion of the copyright term. 17 U.S.C. § 304(d). Authors of pre-1978 works (or certain family members if the author had passed) could terminate existing grants or licenses when the termination right vested at the end of the 75th year of the copyright term, but only if they had not already exercised the termination right provided under 1976 Act. *Id.* § 304(d).

As with the 1976 Act, the 1998 Act’s text captured Congress’s goal that the author or the heirs could not prematurely bargain away the value of the contingent termination right and the recaptured copyright term. The 1998 Act specified that the author or statutory heirs could exercise the termination right “notwithstanding any agreement to the contrary.” *Id.* § 304(d)(1). The 1998 Act similarly structured the termination rights so that they were contingent and could not vest until a future date. *Id.* § 304(d)(1).

“agreement to the contrary” in § 304 would likely apply equally to § 203’s prohibition on such agreements.

With copyright termination rights, Congress balanced two competing interests. On one hand, publishers gain the benefits they bargained for—that is, the amount of copyright protection available when the publisher originally negotiated for and obtained the copyright license. On the other, authors are fairly compensated by providing them and their families the ability to regain full ownership of the copyrights and capture the financial value of the extended copyright term. By providing authors with an “inalienable termination right,” *Stewart*, 495 U.S. at 230, Congress struck a “practical compromise” to serve both authors and publishers, H.R. Rep. No. 94–1476, at 124 (1976).

In some ways, Congress’s creation of contingent termination rights (as well as the older renewal rights) is extraordinary. If the copyright term is viewed as a single property right, the termination right is a statutory tool to disrupt settled private dealings pursuant to otherwise enforceable contracts or wills. Moreover, because a contingent termination right will often vest years or decades after a contractual agreement or related litigation governing the copyrights at issue, courts have struggled to reconcile if traditional estoppel principles operate notwithstanding the text of the statute that prevents “any agreement to the contrary” from encumbering the contingent termination right.

The contingent termination right is specific to each copyright assignment or license. A given work,

such as *The Grapes of Wrath*, will have a single copyright registration. The author can then license some or all of the rights appurtenant to the copyright, to the same or different parties, at the same or different times. One license may grant the right of reproduction under 17 U.S.C. § 106(1), and another may grant the right to prepare a derivative work, such as a screenplay, under 17 U.S.C. § 106(2).

A single copyrighted work may lead to multiple grants or licenses to rights. Each separate grant or license of a right under the copyright will create a different contingent termination right that *may* vest at a future date. While the deadline for exercising the multiple rights are triggered off the same deadline, such as the copyright registration date, *see* 17 U.S.C. § 304(c)(4), the distinct termination rights are independent of each other. Thus, a cause of action over a termination right for a license to publish a work can be a different cause of action over a termination right for a license to produce and distribute a movie based on the underlying work.

Congress's statutory scheme of termination rights is well-intentioned, aiming to protect the authors and their heirs. But the statute and process for securing the contingent termination rights are extraordinarily complex. *See, e.g.,* Edward E. Weiman, et al., *Copyright Termination for Noncopyright Majors: An Overview of Termination Rights and Procedures*, 24 *Intell. Prop. & Tech. L.J.* 3, 4 (Aug. 2012) ("Not since anyone studied the Rule

against Perpetuities in law school has there been so much confusion over the operation of what might seem to be a nearly impenetrable set of rules, subrules, exceptions, and complicated timing issues.”).

B. Principles of Collateral Estoppel

Less complicated is issue preclusion, which “bars ‘successive litigation of an issue of fact or law actually litigated and resolved in a valid court determination essential to the prior judgment,’ even if the issue recurs in the context of a different claim.” *Taylor v. Sturgell*, 553 U.S. 880, 892 (quoting *New Hampshire v. Maine*, 532 U.S. 742, 748 (2001)). “It is basic that the principle of collateral estoppel ‘must be confined to situations where the matter raised in the second suit is identical in all respects with that decided in the first proceeding and where the controlling facts . . . remain unchanged.’” *Montana v. United States*, 440 U.S. 147, 165 (1979) (quoting *Commissioner v. Sunnen*, 333 U.S. 591, 599–600 (1948)).

Issue preclusion “applies to a question, issue, or fact when four conditions are met: (1) the issue at stake was identical in both proceedings; (2) the issue was actually litigated and decided in the prior proceedings; (3) there was a full and fair opportunity to litigate the issue; and (4) the issue was necessary to decide the merits.” *Oyeniran v. Holder*, 672 F.3d 800, 806 (9th Cir. 2012) (citing *Montana*, 440 U.S. at

153–54). Issue preclusion cannot apply if the issue was not actually litigated and not actually decided. *See, e.g.*, Restatement (Second) of Judgments § 27, cmt. e, at 257 (1982); *id.* § 51 cmt. f.

Collateral estoppel of course applies to copyright law, but the statutory ability to unravel agreements per § 304(c) complicates the legal role of collateral estoppel in resolving disputes about termination rights. In a sense, Congress’s grant of termination rights upsets the concept of finality, as those rights enable the creation of new rights in different people subsequent to the original contractual arrangement governing the copyrights. And those new rights may vest in people who were not a party to the original agreement. Deciding how collateral estoppel applies to copyright termination rights is important.

Even though collateral estoppel is generally less complicated, the intersection of collateral estoppel and intellectual property rights presents particular challenges to the consistent and fair administration of the law. Multiple litigations between the same parties over the same or similar intellectual property rights are not uncommon. Those litigations, as here, present distinct causes of action based on similar yet discrete and separate rights. It is thus no surprise that the Court is adding clarity to these legal questions with its grant of the petition for a writ of certiorari in *Lucky Brands Dungarees, Inc. v. Marcel Fashions Group, Inc.*, No. 18–1086 (S. Ct. argued Jan. 13, 2020).

II. Factual Background

A. The Steinbeck Works and the Parties' Dispute

John Steinbeck was a prolific writer known for many classics of American literature. He won the Nobel Prize for Literature in 1962. During Steinbeck's lifetime, the 1909 Copyright Act was the operative law. He died in 1968.

Through his will, Steinbeck passed to his third wife Elaine his copyright interests (the "Works" or the "Steinbeck Works") and the royalty payments from prior license agreements with publishers. To his sons Thom and John IV, he left money but no intellectual property rights. *Id.* Even so, under the law at the time, the sons would necessarily obtain ownership in some of the Works that had not yet been renewed for the second 28-year term (the Late Works) when they entered the renewal period. The status of copyright ownership would become more complicated when the 1976 Act extended the copyright term and created termination rights.

The Early Works, which included *The Grapes of Wrath*, were owned outright by Elaine, and she had the sole right to royalties derived from the Early

Works.³ In contrast, the Late Works were those for which the copyright had not yet been renewed for the second 28-year term, as the first term had not expired before John's death. With the Late Works, once renewed, thereby creating a second property interest in the copyright, Elaine, Thom, and John IV, would share the "renewal" rights. *See* 17 U.S.C. § 304(a)(1)(C).

Given John Steinbeck's prolific body of work and the increasing complexity of copyright law, it should surprise no one that protracted litigation has ensued over the dozens, if not hundreds, of various grants and licenses for the Steinbeck Works. Each specific license created the potential for a new right to terminate that was potentially shared by multiple Steinbeck heirs.

B. The 1983 Agreement

In 1974, because of uncertainty about royalty splits, Elaine, Thom, and John IV entered into a royalty distribution agreement ("1974 Distribution Agreement") under which Elaine received 50 percent and Thom and John IV each received 25 percent of the Late Works royalties. Two years later, Congress changed the copyright law with the 1976 Act, the key

³ The Early Works are the works for which Steinbeck had renewed the copyrights before he died in 1968.

relevant changes being, as noted above, the extension of the copyright term and the creation of contingent termination rights. With the new law and the new contingent termination rights came the disruption of Steinbeck heirs' settled expectations.

Thom and John IV sued Elaine in 1981 over the 1974 Distribution Agreement, arguing that it stemmed from fraud and misrepresentation. The resulting settlement among the parties is captured in the 1983 Agreement. App. 5a. The 1983 Agreement purported to transfer control of Thom's and John IV's rights in the Steinbeck Works to Elaine, including his future contingent termination rights, in exchange for a higher percentage of royalties. *Id.*

The 1983 Agreement was later analyzed by the Second Circuit in the context of a copyright dispute among the several parties. *See Steinbeck v. Steinbeck Heritage Found.*, 400 Fed. App'x 572, 575 (2d Cir. 2010) (App. 59a). One state-law issue was whether the agreement created an agency relationship between Elaine and the Steinbeck sons, which would have imposed fiduciary obligations on Elaine. *Id.* at 575.⁴ No agency relationship was formed, the appeals

⁴ The Second Circuit's 2010 decision was the last of five opinions stemming from New York litigation about different termination notices. *See also Penguin Grp. (USA) Inc. v. Steinbeck*, No. 06 Civ. 2438, 2009 WL 4588748 (S.D.N.Y. Dec. 2, 2009); *Steinbeck v. McIntosh & Otis, Inc.*, No. 04 Civ. 5497,

court said, because the agreement “forecloses any argument that the parties intended the Steinbeck sons to retain control over Elaine Steinbeck’s exercise of the authority conferred upon her, as would be necessary to create an agency relationship.” *Id.* at 575. While the Second Circuit rejected certain specific state-law arguments contesting the 1983 Agreement’s validity, the appeals court never decided the federal questions of whether the encumberment of the future contingent termination rights was enforceable under 17 U.S.C. § 304(c)(5). *Id.*

Further developments occurred between 1983 and 2004. After John IV died in 1991, his daughter Blake Smyle and his former wife Nancy Steinbeck started receiving his share of the royalties.

In 1995–1996, Thom married Gail, and they formed Palladin Group Inc., a management and production company (and one of the named Petitioners). Thom’s health later declined, and he executed powers of attorney, appointing Gail as his

2009 WL 928189 (S.D.N.Y. Mar. 31, 2009); *Penguin Grp. (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008); *Steinbeck v. McIntosh & Otis, Inc.*, 433 F. Supp. 2d 395 (S.D.N.Y. 2006). None of those decisions decided if the 1983 Agreement was an enforceable transfer of future contingent termination rights under § 304(c)(5)’s “notwithstanding any agreement to the contrary” limitation.

attorney-in-fact to manage his business and his existing ownership interests in the Steinbeck Works.

In 2003, Elaine passed away and left her interests in the Steinbeck Works to her daughter from a prior marriage Waverly Scott Kaffaga and other named beneficiaries. After Elaine's death, Thom and Blake were the only heirs under § 304 who could exercise the termination rights in accordance with the statute. 17 U.S.C. § 304(c)(2). When Thom died in 2016, all of John Steinbeck's children had passed. Blake Smyle, as the only surviving grandchild of the author, is now the only heir authorized by the statute to exercise the termination right. *Id.*⁵

In June 2004, Thom Steinbeck and Blake Smyle (the two remaining statutory heirs) and Respondent (and other defendants) brought claims against each other over the different termination notices that Thom and Blake filed. The New York litigation resulted in several court opinions. *See supra*, note 4. The opinions concerned multiple claims, including breach of fiduciary duty, promissory estoppel, and unjust enrichment. Importantly, the New York litigation did not address the issue of whether the

⁵ Respondent's position has been that the 1983 Agreement trumps the statute and therefore Elaine (who does not fall into any of the statutory heir categories) now has the sole right to terminate any Steinbeck copyright licenses.

1983 Agreement was “an agreement to the contrary.”
See infra.

III. The Proceedings Below

Around 2014, new disputes arose about different Steinbeck licenses and different termination rights, most notably certain film rights associated with *The Grapes of Wrath* and *East of Eden*. App. 61a; App. 29a. The grants of film rights and the associated termination rights turned on specific licensed rights had not been litigated or decided in any previous case.

Because no court had ruled that the specific licenses and termination rights at issue were controlled by the 1983 Agreement, and because no court had determined if the 1983 Agreement was enforceable under § 304(c)(5), Petitioners maintained that they were authorized to negotiate potential deals concerning *The Grapes of Wrath*, *East of Eden*, and certain other Steinbeck Works. For instance, in 2013, Petitioners learned that McIntosh & Otis (the literary agent) had granted a license to the movie studio DreamWorks to produce a motion picture based on *The Grapes of Wrath*. To shore up any perceived concerns with possible termination rights

over the license, DreamWorks engaged Thom and Gail in executive producer roles.⁶

Continuing to operate under their understanding about the termination rights, Thom and Gail brought a copyright action against Respondent and other defendants in the Central District of California. Complaint, *Steinbeck v. Kaffaga*, No. 2:14-cv-08681-TJH-FFM (C.D. Cal. filed Nov. 7, 2014) (“the Parallel Litigation”). The Parallel Litigation involved a number of copyright licenses and termination rights that had not been litigated in the New York cases. As part of the Parallel Litigation, Thom and Gail sought a declaration that “the 1983 Agreement was an ‘agreement to the contrary’ under 17 U.S.C. §§ 304(c) and (d) and therefore could not prevent them from exercising termination rights.” App. 6a.

Shortly thereafter, Respondent sued Petitioners for breach of contract and tort claims (slander of title and intentional interference with prospective economic relationships) based on Petitioners’ discussions and engagements with the movie studios and others (including DreamWorks). As noted, Petitioners believed that they were conducting themselves as authorized statutory heirs because, in

⁶ At trial, Chris Floyd of DreamWorks explained that Steven Spielberg “immediately thought that it was a great idea” to have Thom Steinbeck on board and “how great it would be for the project.”

part, their termination rights had not vested at the time of the 1983 Agreement.

Petitioners' primary defense to the contract and tort claims was that their actions were neither violative of the contract nor tortious because, if the 1983 Agreement applied to termination rights at issue, the 1983 Agreement was unenforceable under § 304(c)(5). Petitioners repeatedly pressed their position that no court had yet decided this specific issue and, as such, they should be allowed to raise this undecided copyright issue as an affirmative defense to the new contract and tort claims.

Both the present contract/tort case and the related Parallel Litigation were before Judge Hatter in the Central District of California. In the Parallel Litigation, Respondent moved to dismiss the copyright infringement action, but it never asserted that the question of § 304(c)(5)'s application to the 1983 Agreement was previously decided. As Respondent explained to the district court, "the Second Circuit had expressly declined to rule on the question of whether the 1983 Settlement Agreement was an 'agreement to the contrary,' concluding that the issue was 'immaterial to the resolution of th[e] appeal.'" Memorandum of Points and Authorities in Support of the Estate Defendants' Motion to Dismiss, *Steinbeck v. Kaffaga*, No. 2:14-cv-08681 (C.D. Cal. June 1, 2015), ECF No. 60, Ex. 1 at 22 (quoting *Penguin Grp.*, 537 F.3d at 203 n.5).

Nonetheless, the district court in the Parallel Litigation applied collateral estoppel in favor of the defendants (including Respondent), even though the defendants did not assert collateral estoppel as dismissing the case. *See* App. 74a; Order, *Steinbeck v. Kaffaga*, No. CV 14-08681 TJH (C.D. Cal. Aug. 11, 2015), Dkt. No. 80. The district court stated that “Plaintiffs have litigated these claims *ad nauseum*,” citing the two Second Circuit decisions without further explanation. The district court did not identify a single court decision that answered the question about whether the 1983 Agreement was an enforceable restraint on future unvested termination rights under § 304(c)(5). The whole of the district court’s “analysis” was the following sentence: “This action is barred by collateral estoppel.” *Id.* That decision was subsequently appealed by Thom pro se, and the Ninth Circuit affirmed. App. 36a.

Like the underlying district court decision, the Ninth Circuit’s affirmance in the Parallel Litigation offered no analysis of whether the 1983 Agreement was an enforceable restraint on future termination rights under § 304(c)(5). App. 38a; *Steinbeck v. Kaffaga*, 702 Fed. App’x 618, 619 (9th Cir. 2017). The appeals court simply accepted the district court’s “*ad nauseum*” characterization.

While the Parallel Litigation was proceeding, Petitioners continued their effort to obtain a judicial resolution of the § 304(c)(5) issue as a defense to the contract and tort claims, but the district denied their

efforts. Petitioners went to trial without having the ability to argue that their negotiations with the movie studios and other entities were proper in view of their belief that the 1983 Agreement was an “agreement to the contrary” under § 304(c)(5). Without that defense, the jury returned a verdict in favor of Respondent, finding liability of \$13 million, which included a punitive damages award of \$7.9 million. App. 9a–10a.

On appeal, the Ninth Circuit reversed the award of punitive damages and affirmed the other rulings. The appeals court held that Respondent failed to meet her burden of introducing sufficient evidence to justify a \$7.9 million award. App. 21a–23a. The court affirmed the district court’s grant of summary judgment for breach of contract and slander, and that it was not an abuse of discretion for the district court to exclude evidence concerning the 1983 Agreement. App. 12a. Lastly, the Ninth Circuit affirmed the award of compensatory damages for each of the causes of action presented to the jury, noting that, while the similarity of amounts awarded for the causes of action were “suspicious,” it nevertheless found substantial evidence supported the jury verdict. App. 13a–14a.

For the reasons stated below, Petitioners now respectfully petition this Court for certiorari.

REASONS FOR GRANTING THE PETITION

I. The Ninth Circuit's Decision Creates A Split Within Issue Preclusion Precedent And Causes Confusion About Termination Rights

Issue preclusion applies only when there was an identity of an issue that was actually decided and actually litigated in a prior litigation. *See, e.g., Montana*, 440 U.S. at 153–54. Here, the legal issue is whether collateral estoppel can preclude an affirmative defense based on § 304(c)(5), in a second litigation asserting non-copyright claims about one set of termination rights, when a prior litigation, involving different termination rights, never decided the controlling § 304(c)(5) issue.

The importance of this issue extends beyond the Ninth Circuit's apparent incongruous application of collateral estoppel in this case. The case presents an opportunity for the Court to decide if and how collateral estoppel can defeat Congress's clear statutory mandate that no "agreement to the contrary" can encumber an author's or statutory heir's right to terminate a copyright license. The issue is all the more important here, where Petitioners sought to raise this previously undecided issue as an affirmative defense to distinct contract and tort claims.

A. The Decision Conflicts with the “Actually Litigated” and “Actually Decided” Requirements

Precedent is clear that collateral estoppel applies only if the dispositive issue in the later case was “actually litigated” and “actually decided” in a prior litigation. Outside the context of copyright termination rights, this Court has reaffirmed that established principle time and again. *Montana*, 440 U.S. at 157–58; *Sunnen*, 333 U.S. at 598 (“Since the cause of action involved in the second proceeding is not swallowed by the judgment in the prior suit, the parties are free to litigate points which were not at issue in the first proceeding, even though such points might have been tendered and decided at that time.”); *Mercoird Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 671 (1944) (“[W]here the second cause of action between the parties is upon a different claim the prior judgment is res judicata not as to issues which might have been tendered but ‘only as to those matters in issue or points controverted, upon the determination of which the finding or verdict was rendered.’”); *Tait v. W. Md. Ry. Co.*, 289 U.S. 620, 623 (1933) (in applying collateral estoppel, “the inquiry is whether the point or question to be determined in the later action is the same as that litigated and determined in the original action”); *Baltimore S.S. Co. v. Phillips*, 274 U.S. 316, 319 (1927) (same); *United States v. Moser*, 266 U.S. 236, 241 (1924) (same).

These settled principles ought to apply equally to issues in copyright disputes. There is no reason why copyright law (or the issue of termination rights) warrants a special exception to the federal principles of estoppel. Nor has the Ninth Circuit explained why the settled requirements of collateral estoppel did not apply in this case. Indeed, to this day, no court has explained how the 1983 Agreement comports with the clear mandate of § 304(c)(5)'s text and purpose.

The Ninth Circuit's opinion reflected a fundamental misconception about the inherent potential of recurring disputes over contingent termination rights. The appeals court accused Petitioners of conducting "recidivist litigation." But that characterization does not appreciate that the independent nature of different termination rights linked to a single copyrighted work. Nor is it an accurate description of the varied nature of different termination rights that can be litigated over decades—all different causes of action yet stemming from a single copyrighted work.

B. The Decision Conflicts with the Second Circuit's Decision in *Marvel Characters*

The Ninth Circuit's application of collateral estoppel also conflicts with the Second Circuit's application of collateral estoppel. The Second Circuit requires that any previous litigation over copyright termination rights—even if that suit ends as a result of a joint stipulation—must have decided the

dispositive issue in order for collateral estoppel to preclude an author or heir from raising that issue. As evinced by the present case, the Ninth Circuit does not.

In *Marvel Characters Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), the plaintiff sought to apply collateral estoppel in the context of copyright termination rights based on an earlier settlement agreement in an action involving renewal rights. The issue in the second action was whether termination rights were unavailable to the original author because he admitted his work was “for hire” in a prior settlement agreement. 310 F.3d at 288–90. That settlement agreement contained an explicit acknowledgment as part of the settlement agreement that the author created the work while employed. *Id.*

Event with that explicit acknowledgment, the Second Circuit rejected the application of collateral estoppel because the stipulation filed with the court did not contain the necessary specific findings to hold that the issue was precluded. *Id.* at 288–89. The court explained that, “where a stipulation of settlement is ‘unaccompanied by findings,’ it does ‘not bind the parties on any issue . . . which might arise in connection with another cause of action.’” *Id.* at 289 (quoting *Lawlor v. Nat’l Screen Serv. Corp.*, 349 U.S. 322, 327 (1955)). The Second Circuit went on to explain that the defendant was “not bound by the statement in the Settlement Agreement that he created the Works as an employee for hire.” *Id.* The

plaintiff was thus free to litigate the underlying issue of whether he could “exercise § 304(c)’s termination right.”

As in *Marvel Characters*, the stipulation in the Steinbeck Second Circuit litigation should not have precluded Petitioners from raising the § 304(c)(5) issue as a defense to a different cause of action alleging different legal claims, namely tort and contract claims. Any reliance on the settlement agreement lays bare that the issue of termination rights and whether the 1983 Agreement was an unenforceable “agreement to the contrary” was not fully litigated. Petitioners explained as much to the Ninth Circuit, particularly in their petition for rehearing en banc.

If the Court does not grant this Petition, authors and their heirs will be left with conflicting legal approaches in the Second Circuit and the Ninth Circuit. In the Second Circuit, a termination rights issue raised but not litigated or actually decided will not have preclusive effect in a later dispute. In the Ninth Circuit, in contrast, an issue raised but not decided will now have preclusive effect. This division between the Second and Ninth Circuits is particularly problematic “given the importance of those two circuits in interpreting copyright law generally.” Allison M. Scott, *Oh Bother: Milne, Steinbeck, and an Emerging Circuit Split over the Alienability of Copyright Termination Rights*, 14 J. Intell. Prop. L. 357, 360 (2007). This Court should

grant certiorari to bring national uniformity to collateral estoppel's role in the adjudication of the inalienable termination right granted to authors and their families by Congress in 17 U.S.C. § 304(c).

C. No Court Has Decided If the 1983 Agreement is an “Agreement to the Contrary” in Violation of § 304(c)(5)

The Ninth Circuit's decision rests on the premise that the Second Circuit decided that the 1983 Agreement was “valid and enforceable” under 17 U.S.C. § 304(c)(5). While the Second Circuit rejected certain challenges to the 1983 Agreement in a litigation involving different causes of action, the § 304(c)(5) issue was not “actually litigated” or “actually decided.” *See* App. 65a–67a. Collateral estoppel should not have prevented Petitioners from raising their defenses based on correct interpretation and application of § 304(c)(5).

To be sure, there is no reasonable dispute that the Second Circuit never decided whether the 1983 Agreement is an “agreement to the contrary.” Indeed, Respondent argued this precise point to the district court in the Parallel Litigation:

Moreover, the Second Circuit expressly declined to rule on the question of whether the 1983 Settlement Agreement was an “agreement to the contrary,”

concluding that the issue was “immaterial to the resolution of this appeal.”

Memorandum of Points and Authorities in Support of the Estate Defendants’ Motion to Dismiss, *Steinbeck v. Kaffaga*, No. 2:14-cv-08681 (C.D. Cal. June 1, 2015), ECF No. 60, at 11–20 (quoting *Penguin Grp.*, 537 F.3d at 203 n.5). Respondent and the other defendants in the Parallel Litigation devoted pages of the motion to dismiss and the reply brief, arguing that the 1983 Agreement is not an “agreement to the contrary.” *See id.*; *see also* Reply Memorandum of Points and Authorities in Support of the Estate Defendants’ Motion to Dismiss, *Steinbeck v. Kaffaga*, No. 2:14-cv-08681-TJH-FFM (C.D. Cal. July 15, 2015), Dkt. No. 75. Respondent could not have been clearer: Whether the 1983 Agreement violated § 304(c)(5) was and still is a live, undecided issue.

Beyond Respondent’s own arguments, the only opinion in the Second Circuit litigation to address the “agreement to the contrary” issue for the 1983 Agreement observed that the 1983 Agreement would be void if read to “limit[] or extinguish[] Thom’s and Blake’s statutory termination rights.” *Steinbeck v. McIntosh & Otis, Inc.*, 433 F. Supp. 2d 295, 404 n.30 (S.D.N.Y. 2006). Judge Owen also explained:

Disturbingly, the settlement agreement also purported to grant Elaine the exclusive right to exercise Thom

and John IV's termination rights over the Steinbeck works.

If this theory is meant to suggest that the terms of the 1983 Settlement Agreement void all of Thom's and Blake's termination rights—that Elaine successfully contracted away the rights of these statutory heirs when she settled litigation with them—it is barred by the plain language of 17 U.S.C. § 304(c)(5) and (d)(1). Any portion of the settlement agreement which limits or extinguishes Thom's and Blake's statutory termination rights is invalidated as a statutorily-prohibited “agreement to the contrary.”

Id. at 404 n.28, n.30.

Judge Owen's decision was appealed, but only part of it, and the appeals court held that the “Penguin Termination Notice” was invalid. *Penguin Grp.*, 537 F.3d at 200, 202. It also held that a separate license agreement (“the 1994 Agreement”) with Penguin was not an “agreement to the contrary” under § 304(c)(5) because that phrase should not be read “so broadly that it would include any agreement

that has the effect of eliminating a termination right.” *Id.* at 202. And the Second Circuit noted that, although it was “unclear” whether the 1983 Agreement limited Thom and Blake’s ability to send any termination notice, that issue was “immaterial to the resolution of th[e] appeal.” *Id.* at 203 n.5.⁷

On remand, the matter was assigned to Judge Daniels, who granted Respondent’s motion for summary judgment on some of their remaining claims. *Steinbeck*, 2009 WL 928189, at *12. In dismissing Thom and Blake’s claims on remand, Judge Daniels recognized that, as for the 1983 Agreement, the “agreement to the contrary” “issue was not resolved by the Second Circuit.” *Id.* at *7 n.10.

Judge Daniels’s decision was then appealed based on stipulations which excluded from appeal any issues relating to *The Grapes of Wrath* or *East of Eden*. Again, that case was addressing licenses and/or termination rights that are different from those at issue here. The Second Circuit ultimately affirmed. 400 Fed. App’x 572, 579 (2d Cir. 2010). The Second Circuit’s 2010 decision reached only state law

⁷ The Second Circuit also observed that, “[a]lthough [Elaine Steinbeck] possessed a power of attorney to exercise the Steinbeck Descendants’ termination rights as a result of a 1983 settlement, it is unclear that her exercise of those rights would have been valid.” 537 F.3d at 203 n.5.

issues—breach of fiduciary duty, promissory estoppel, unjust enrichment, constructive trust, and possible termination of the literary agent. *Id.* at 575–79. The court did not rule on the federal question of if the 1983 Agreement was an “agreement to the contrary” and thus unenforceable per § 304(c)(5). *See id.*

Despite the above analysis and Respondent’s representation in the Parallel Litigation that the § 304(c)(5) issue was live, Judge Hatter ruled in the Parallel Litigation that Gail’s copyright action was barred by collateral estoppel.

Further underscoring the lack of any § 304(c)(5) decision for the 1983 Agreement, the Second Circuit did hold that a separate license agreement (“the 1994 Agreement”) was not an agreement to the contrary and thus not in violation of § 304(c)(5). *Penguin Grp.*, 537 F.3d at 200. The appeals court concluded that the heirs used that agreement to reach a better financial arrangement with the publisher for licensing certain copyrights. As the Second Circuit noted, “the 1994 Agreement obligated Penguin to pay larger guaranteed advance payments and royalties calculated from the ‘invoiced retail price of every copy sold by the Publisher,’ rather than ‘the amount which the Publishers charge for all copies sold.’” *Id.* at 200. “The 1994 Agreement also modifies the geographic limits of the publication rights as to the covered works and imposes a requirement on Penguin to keep a greater number of Steinbeck

works in print.” *Id.* at 201. In the court’s view, with the 1994 Agreement, the Steinbeck heirs used their one opportunity to exercise termination rights against the publisher to obtain a financially more lucrative deal. The 1994 Agreement was therefore not an agreement to the contrary. *Id.*

With all of this, it is difficult to understand how the district court and the Ninth Circuit here concluded that Petitioners “have litigated these claims *ad nauseum*.” *See* App. 38a. The actions in California concerned different termination rights and licenses than those in the New York litigation. The Ninth Circuit failed to recognize that disputes about different licenses and termination rights are different causes of action, for purposes of collateral estoppel. For the Ninth Circuit, the Second Circuit’s resolution of state-law issues about the 1983 Agreement was enough to preclude an affirmative defense based on the undecided federal question under § 304(c)(5).

II. The Question Presented Is Exceptionally Important, Particularly for the Consistent Interpretation of U.S. Copyright Law

Understanding how collateral estoppel applies in disputes over copyright termination rights is exceptionally important to both the creative artist community and the businesses that produce, market, and sell creative works. The correct legal rule for collateral estoppel also requires an understanding of

why the current interpretation of § 304(c)(5) is incorrect.

A. This Court Has Yet to Address the Interpretation of the Termination Rights Statute at Issue Here

This Court has only infrequently considered the copyright termination provisions. When it has, the Court has recognized the purpose and inalienable nature of these rights. In *Stewart v. Abend*, the Court stated: “The 1976 Copyright Act provides a single, fixed term, but provides an inalienable termination right.” 495 U.S. at 230 (citing 17 U.S.C. §§ 203, 302); *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172–73 (1985) (“[T]he termination right was expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.”).

Even so, courts and commentators have noted both the importance of the legal issues and complexity of termination rights. *E.g.*, Kike Aluko, *Terminating the Struggle Over Termination Rights*, 10 Harv. J. of Sports & Ent. L. 119, 119 (2019) (“Copyright termination rights, also known as copyright reversion rights, are an important yet confusing set of rights reserved to authors of

copyrighted works.”); Dylan Gilbert, et al., *Making Sense of the Termination Right: How the System Fails Artists and How to Fix It*, at i (Dec. 2019)⁸ (noting that the termination right “is complex to execute, and that has allowed problems to take root as artists struggle to fulfill obscure eligibility, timing, and filing formalities which together create significant hurdles that are difficult (if not impossible) to overcome without expensive legal representation”).

Beyond the sheer complexity of termination rights—or perhaps because of the complexity—Judge Sutton, writing for the Sixth Circuit, also recognized the percolating disagreement by legal scholars with how the courts have interpreted the termination rights provisions:

The alert reader may wonder why we decline to reject Robert’s defense on another ground—that the 1979 agreement, if construed to assign or extinguish Goldie’s termination rights, would amount to an impermissible “agreement to the contrary.” 17 U.S.C. § 304(c)(5) (In full: “Ter-

⁸ Available at <https://www.publicknowledge.org/wp-content/uploads/2019/12/Making-Sense-of-the-Termination-Right-1.pdf>.

mination 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.”). Two answers: The siblings have not argued the point, and it would not affect the outcome anyway given our interpretation of the 1979 agreement. The parties appear to accept the decisions of the Second and Ninth Circuits that termination rights, once vested after 1978, may be extinguished or bargained away. *See Steinbeck*, 537 F.3d at 204; *Milne*, 430 F.3d at 1044–45. While the caselaw on this issue appears to be one-sided, it deserves mention that *Nimmer on Copyright . . .* takes a contrary view. *See* M. Nimmer & D. Nimmer, 3 *Nimmer on Copyright* § 11.07[A] (2015); *see also* Peter S. Menell & David Nimmer, *Pooh-Poohing Copyright Law’s ‘Inalienable’ Termination Rights*, 57 *J. Copyright Soc’y U.S.A.* 799, 824–25 (2010).

Brumley v. Brumley & Sons, 822 F.3d 926, 933 (6th Cir. 2016).

As Judge Sutton recognized, the leading copyright scholars have disagreed with the courts’ disregard of the statute’s textual prohibition on

contracts that encumber an author's or heir's future termination rights. *See also* Adam R. Blankenheimer, *Of Rights and Men: The Re-Alienationability of Termination of Transfer Rights in Penguin Group v. Steinbeck*, 24 Berkeley Tech. L.J. 321, 322 (2009) (explaining how the 2008 Steinbeck decision "illustrates the tension between Congress's intent to prevent authors and their heirs from selling future copyright interests and courts' unwillingness to curtail freedom of contract").

The question about the correct interpretation of "an agreement to the contrary" has percolated long enough. This Court's definitive resolution of the question is warranted, and it will bring much needed clarification and certainty to authors, their heirs, the publishing and movie industry, and all those involved in the creative arts.

B. The Outcome is Wrong Because the Text of the Statute Proscribes "Any Agreement to the Contrary," Such as the 1983 Agreement

The Court should grant the petition also because the Ninth Circuit's decision approves of an incorrect interpretation and application of § 304(c)(5). The outcome advances an interpretation that prioritizes a court's interpretation of the legislative history over the clear and unambiguous text of the statute.

The plain text of § 304(c)(5) is unambiguous. The statute overrides any agreement that purports to

encumber the termination right. 17 U.S.C. § 304(c)(5). The statute expressly nullifies any agreement “to make any future grant.”

Following the definitions in 17 U.S.C. § 101, “the term ‘including’ is ‘illustrative’ not ‘limitative’” and thus “the term ‘agreement[s] to the contrary’ under § 304(c)(5) [must be interpreted] as inclusive of agreements other than the two examples Congress explicitly mentioned.” *Classic Media, Inc. v. Mewborn*, 532 F.3d 978, 938 (9th Cir. 2008). And, as this Court has explained, the term “any” is all inclusive. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1351 (2018) (“[T]he word ‘any’ ordinarily implies every member of a group.”); *United States v. Gonzales*, 520 U.S. 1, 5 (1997) (“Read naturally, the word ‘any’ has an expansive meaning, that is, ‘one or some indiscriminately of whatever kind.’” (quoting *Webster’s Third New International Dictionary* 97 (1976))). Under the statute’s plain meaning, a statutory heir to termination rights may exercise those rights despite any contract purporting to encumber those inalienable rights.

The unambiguous text should be the end of the analysis. The language creates an inalienable right, and § 304(c)(5)’s text therefore reflects Congress’s objective to create a non-transferrable opportunity for authors and their successors to recapture a new property right. See Peter S. Menell & David Nimmer, *Judicial Resistance to Copyright Law’s Inalienable Right to Terminate Transfers*, 33 *Columbia J.L. &*

Arts 227, 229–30 (2009) (explaining that Congress “explicitly made those rights inalienable and unwaivable when it granted the termination of transfer right under the current Act in 1976 and again via an amendment in 1998”).

Notwithstanding the unambiguous text, courts, including the Ninth Circuit, have frequently deemphasized the importance of the statutory text and taken a narrower view of the scope of § 304(c)(5)’s prohibition on encumbrances by relying primarily on the legislative history. *See, e.g., Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1044 (9th Cir. 2005); *Marvel Characters*, 310 F.3d at 290 (“[W]e find it necessary to go beyond the mere text and consider the legislative intent and purpose of § 304(c) to ascertain the statute’s meaning.”).

But even the legislative intent supports the statute’s clear text. “[T]he clear Congressional purpose behind § 304(c) was to prevent authors from waiving their termination right by contract.” *Marvel Characters*, 310 F.3d at 290 (citing *Stewart*, 495 U.S. at 230). The provision’s purpose is “expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.” *Mills Music*, 469 U.S. at 172–73 (footnote omitted). “That general purpose is plainly defined in the legislative history and, indeed, is fairly inferable from the text of § 304 itself.” *Id.*

The congressional purpose was to remedy what was seen as a deficiency created by *Fred Fisher*. That case was seen as thwarting the 1909 Act's intent to grant authors and their families a future copyright interest. See *Mills Music*, 469 U.S. at 185 (White, J., dissenting).

Current precedent has reached differing outcomes when applying the Copyright Act's "agreement to the contrary" provisions, depending on the particular circumstances and the wording of the agreement at issue. In *Classic Media*, the Ninth Circuit held that a termination right was preserved, even though a post-1978 agreement purported to transfer later-vesting rights. 532 F.3d at 989. The Ninth Circuit's approach in *Classic Media* recognized that it was questionable whether an author or heir could transfer rights to the copyright before the rights had vested. Indeed, the court observed that the "assignment would be void as an 'agreement to the contrary' pursuant to § 304(c)(5)" if construed to cover rights subject to defendant's future termination rights. *Id.* at 986.

The court's reasoning in *Classic Media* supports Petitioners' position that the 1983 Agreement did not validly transfer control over future contingent termination rights. When the 1983 Agreement was executed, Thom and John IV had no current interest in some of the copyrights, and they could not validly encumber future contingent termination rights which they might or might not gain—depending on whether

they lived long enough to exercise the termination rights.⁹

The *Classic Media* court also highlighted why the temporal statutory requirements are critical to knowing if an author or heir can validly contract away termination rights. It did so by explaining why the copyright agreement in *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), was not an “agreement to the contrary.”

Milne presented quite a distinct factual scenario with very different statutory implications. Whereas Mewborn in 1978 did not even have the right to serve an advance notice of termination so as to vest her termination rights as to the Lassie Works, and could not have served advance notice for another six years as to the story and eight for the novel, the heir in *Milne* had the present right to serve an advance notice of termination, and could exercise it at any moment. Thus when the Milne

⁹ The appeals court left open the question of whether future termination rights can be assigned. *Classic Media*, 532 F.3d at 986 n.4. The court observed that the same issue implicated here—whether an author or heir could validly assign unvested termination rights—was an unresolved question. *See id.*

heir chose to use the leverage of imminent vesting to revoke the pre-1978 grant and enter into a highly remunerative new grant of the same rights, *see id.* at 1044–45, it was tantamount to following the statutory formalities, and achieved the exact policy objectives for which § 304(c) was enacted.

Classic Media, 532 F.3d at 987.

Other courts have taken a more textual approach to interpreting and applying the “agreement to the contrary” provisions. In *The Ray Charles Foundation v. Robinson*, 919 F. Supp. 2d 1054 (C.D. Cal. 2013), the singer Ray Charles made agreements with his twelve children about his copyrighted songs, trying to limit his children’s statutory rights, including future termination rights. *Id.* at 1060, 1065. The court rejected the proposed interpretation, concluding that, “if the agreements are interpreted to waive [the children’s] rights to recapture the copyrights at issue, then they are plainly ‘agreement[s] to the contrary’ . . . and are unenforceable to that extent.” *Id.* at 1066.

III. This Case Is An Appropriate Vehicle To Resolve The Question Presented

This case is an appropriate vehicle for deciding the question presented. The case presents the clean

legal issue of determining whether traditional collateral estoppel requirements apply to disputes about copyright termination rights.

The case also offers the Court the chance to decide if courts must construe § 304(c)(5) based on the statute's unambiguous text, or if courts are free to bypass the text and rely on clues from the legislative history about competing policy objectives.

IV. At A Minimum, The Court Should Grant, Vacate, and Remand in View *Lucky Brands Dungarees, Inc. v. Marcel Fashion Group, Inc.*

Alternatively, the Court should grant, vacate, and remand this case so that the Ninth Circuit can properly apply issue preclusion in light of this Court's expected decision in *Lucky Brands Dungarees, Inc. v. Marcel Fashions Group, Inc.*, No. 18-1086 (argued Jan. 13, 2020). That case, now pending before the Court, raises a similar issue about the correct understanding of federal preclusion principles in the context of successive intellectual property litigation between the same parties.

In *Lucky Brands*, the Court granted a petition for writ of certiorari on the following question: "Whether, when a plaintiff asserts new claims, federal preclusion principles can bar a defendant from raising defenses that were not actually litigated and resolved in any prior case between the parties."

A decision in that case is expected sometime this Term.

In several respects, the issue in *Lucky Brands* is similar to the issue here. Both cases involve multiple litigations between the same (or overlapping) parties. Both cases concern intellectual property rights that spawned similar yet distinct causes of actions. And both cases concern a defendant trying to raise an affirmative defense based on a precise legal issue that was not actually decided in a prior litigation.

For these reasons, if the Court does not grant outright the petition, the Court should grant, vacate, and remand so that the Ninth Circuit can reconsider the outcome so it is consistent with the Court's decision in *Lucky Brands*.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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No. 19-1181

**In the
Supreme Court of the United States**

THE ESTATE OF THOMAS STEINBECK, GAIL KNIGHT
STEINBECK, AND THE PALLADIN GROUP, INC.,

Petitioners,

vs.

WAVERLY SCOTT KAFFAGA, as Executor of the
Estate of Elaine Anderson Steinbeck,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

**BRIEF OF *AMICI CURIAE* THE AUTHORS
GUILD INC., DRAMATISTS GUILD OF
AMERICA, INC., THE AMERICAN SOCIETY OF
JOURNALISTS AND AUTHORS and RALPH
OMAN IN SUPPORT OF PETITIONERS**

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INTEREST OF *AMICI CURIAE*¹

Amicus curiae Authors Guild, Inc. is the nation's oldest and largest professional organization for all working and aspiring writers with approximately 10,000 members, writers of all forms of nonfiction and fiction. The Authors Guild promotes the rights and professional interests of authors in various areas, including freedom of expression and copyright. Consistent with its mission, the Authors Guild has a strong interest in the economic interests in copyrights of authors and their heirs. The Authors Guild helped to draft the Copyright Act of 1976 and the Copyright Term Extension Act of 1998. When Congress extended the term of copyright in 1976 and again in 1998 granting inalienable economic rights to authors and their heirs under the plain language of Section 203 and 304 of the Copyright Act, Authors Guild members looked forward to a significant share of the economic benefit.

Absent a clarification of grant termination rights by this Court, the Authors Guild members, as well as their family members, will suffer serious economic consequences and their families will be subjected to uncertainty and disputes over state inheritance, contract and tort law issues that Congress sought to avoid by drafting the Copyright Act to preempt state law. The Authors Guild's members all have an interest in achieving clarity to avoid their families

¹ Pursuant to Sup. Ct. R. 37.6, *amici curiae* state that no counsel for any party authored this brief in whole or in part and no party or counsel for any party made a monetary contribution intended to fund the preparation or submission of this brief. Only *amici curiae* made such monetary contributions. All parties have received notice and consented to the filing of this brief.

being subjected, as individual Petitioner was, to multimillion-dollar judgments under state tort law theories for attempting – whether correctly or incorrectly – to assist a family member exercising termination rights under section 304 of the Copyright Act.

Amicus curiae Dramatists Guild of America, Inc. (the “Dramatists Guild”) is a 501(c)6 trade association (currently with over 8,000 members) that has been advocating for playwrights, composers, lyricists and librettists for over hundred years. In 2009, the Guild established The Dramatists Legal Defense Fund, a 501(c)(3) corporation, to advocate not only for writers, but for theaters and other theater artists (as well as audiences, schools, students, and the culture at large) confronting censorship and other related legal issues of public import, including assaults on copyright and diminishment of the public domain.

Like the Authors Guild, the Dramatists Guild promotes the interests of authors in their works, including their rights of property, artistic integrity, and compensation, and so has a similarly strong interest in this case which affects the economic interests in copyrights of all dramatists and their heirs. It is common in the theater industry for an author to be on both sides of the termination rights set forth in sections 203 and 304 of the Copyright Act. A dramatist may wish to terminate a contract with a publisher or motion picture studio; similarly, that same dramatist may have adapted a book (e.g., *Hamilton* adapted to a musical by Lin-Manuel Miranda) or a motion picture (e.g., *Grey Gardens*, adapted to a musical by Doug Wright, Michael Korie, and Scott Frankel) and be subject to termination rights from those underlying rights owners.

Therefore, in its advocacy for both copyright owners and copyright users, the Guild has a unique perspective – and duty – to present a balanced and reasoned view on this issue without an ideological predisposition one way or the other.

In addition to sharing the interests in clarity and certainty as expressed by the Authors Guild, dramatists require clarification of termination rights to minimize transaction costs in acquiring rights to copyrighted works and in achieving certainty in the ability to create derivative works and to exploit such works. In drafting Sections 203 and 304 of the Copyright Act, Congress sought to avoid a patchwork of confusing state laws that made acquiring rights to many valuable copyrighted works impossible due to uncertainty over ownership. Instead, dramatists must now look to state law and contracts, such as the disputed 1983 Agreement at bar, to venture guesses as to who owns what. Therefore, the Guild has a strong interest in a transparent, central federal copyright registry maintained by the Copyright Office, with ownership governed by the Copyright Act rather than the vagaries of state inheritance and contract law.

Amicus curiae American Society of Journalists and Authors (“ASJA”), founded in 1948, is the nation’s professional association of independent and entrepreneurial nonfiction writers. ASJA represents the interests of freelancers and promotes their rights to control and profit from the uses of their work wherever it appears.

Amicus curiae Ralph Oman served as the Register of Copyrights from 1985 to 1993. As Register, he advised Congress on copyright policy and testified

more than forty times on proposed copyright legislation and treaties, and on the state of the U.S. Copyright Office. Before then, Mr. Oman served on the staff of the Subcommittee on Patents, Trademarks, and Copyrights, including as Chief Counsel from 1982-85. He was personally involved in the final stages of the drafting and passage of the Copyright Act of 1976, 17 U.S.C. §§ 101 et seq. Mr. Oman is currently the Pravel, Hewitt, Kimball, and Kreiger Professorial Lecturer in Intellectual Property and Patent Law at The George Washington University Law School, where he has taught copyright law for twenty-six years. Given his prior service in the development of U.S. copyright law, Mr. Oman has a direct interest in the proper resolution of the issue presented by this case.

SUMMARY OF ARGUMENT

Amici agree with Petitioner that the circuit split on federal issue preclusion doctrine relating to copyright termination rights warrants this Court's review. *Petition* at 22-26. Binding a non-party to a litigation result where the party was not represented offends due process. The dangers of failing to apply issue preclusion analysis to each party and each issue are highlighted in this complex case in which a widow who was a non-party to any prior litigation was stripped of all affirmative defenses and subjected to a multi-million dollar judgment for slander of title and tortious interference with contract simply for asserting her late husband's copyright ownership. The complaint against Gail alleged that she had acted as attorney-in-fact for her late husband Thom Steinbeck (and Petitioner Palladin Inc. to which Thom had transferred his copyrights) when Gail (again allegedly) falsely asserted Thom's and Palladin's

copyright ownership of *The Grapes of Wrath* and *East of Eden*. At a trial occurring after Thom's death, Petitioners were not permitted by the federal district court to present an expert copyright attorney's opinion that Thom's estate and Palladin owned the copyrights. Nor was Gail permitted to offer the jury the copyright expert's legal advice to prove her state of mind in support of her affirmative defenses of good faith and justification to tort law claims that, under California state law, required proof of Gail's state of mind. In affirming, the Ninth Circuit Court of Appeals called the jury's calculations of the award "indeed suspicious."² In light of this Court's teachings in *Taylor v. Sturgell*, 553 U.S. 880 (2008)(abolishing the doctrine of virtual representation), *Amici* cannot fathom how collateral estoppel could possibly have barred any of Gail's affirmative defenses in this action to tort law claims to which truth was a defense and which required proof of her state of mind.

In addition to the circuit split identified by Petitioners, *Amici* proffer five additional arguments in support of this Court's intervention. *First*, the inalienability of authors' copyright termination rights guaranteed by the plain language of the Copyright Act has been undermined by circuit courts finding the language ambiguous and resorting to legislative history to change the result intended by Congress --- to the detriment of authors. *Amici* proffer legislative history in support of the Copyright Act's plain language and urge this Court to grant review to guide

² *Kaffaga v. Estate of Steinbeck*, 938 F.3d 1006 (9th Cir. 2019)("The fact that the jury gave \$1.3 million for both slander and breach and, when combined, now nearly equal the \$2.65 million awarded for tortious interference is indeed suspicious").

the nation on this important economic issue. *Second*, Petitioners – and most egregiously Gail – were deprived of property rights in copyrights in violation of the Seventh Amendment’s guarantee of a jury trial by the decision below, stripping Petitioners of all defenses. *Third*, because the circuits are also split on whether Section 301 of the Copyright Act preempts tortious interference with contract claims that – as in this case -- resemble copyright ownership or copyright ownership claims, reviewing this case would resolve that split as well. *Fourth*, because the important issues raised in this case involve the administration of the Copyright Office, *Amici* urge this Court to solicit the views of the Solicitor General. Because the tort law claims asserted against Petitioners were equivalent to copyright ownership or infringement claims, they are preempted. *Fifth*, if this Court decides not to grant full review, *Amici* agree with Petitioners that a grant, vacatur and remand in light of *Lucky Brands Dungarees, Inc. v. Marcel Fashion Group, Inc.*, No. 18-1086 (argued Jan. 13, 2020) would serve the interests of justice by preserving Petitioners’ important rights.

ARGUMENT

I. THE ISSUE OF COPYRIGHT TERMINATION RAISED BY THIS CASE IS OF EXTRAORDINARY IMPORTANCE BECAUSE RELIANCE ON LEGISLATIVE INTENT TO UNDERMINE INALIENABLE FUTURE TERMINATION RIGHTS GRANTED BY THE PLAIN LANGUAGE OF THE COPYRIGHT ACT IS CAUSING UNCERTAINTY AND PROMPTING LITIGATION NATIONWIDE

This case presents an issue of extraordinary importance to all authors and their families and to the economics of the nation. The inalienability of the rights of authors and their heirs to terminate assignments or transfers of extended terms of copyrights despite any prior “agreement to the contrary” is guaranteed in Section 304(c)(5) of the Copyright Act. Congress made doubly sure of guaranteeing inalienability from over-reaching family members by permitting statutory heirs to void “future grants” of termination rights made before the effective date of termination in Section 304(c)(6)(D). Discovering ambiguity in the statutory language of Section 304(c), the Second and Ninth Circuits resorted to legislative history to determine that the words “any agreement to the contrary” meant the complete opposite, thereby frustrating Congress’ intent. See *Milne ex rel. Coyne v. Stephen Schesinger, Inc.*, 430 F.3d 1036, 1045 (9th Cir. 2005)(agreeing with Second Circuit’s finding of ambiguous language). In *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2008), *cert. denied* 556 U.S. 1253 (2009), a case involving John Steinbeck’s grant of certain publishing rights to Viking Books, the Second Circuit permitted heirs to

be disinherited and defeated the future termination rights of authors' heirs by honoring a grant of future termination rights prior to the vesting date specified by Congress for valid "further grants" in violation of Section 304(c) and (d).

In this case, the Ninth Circuit dealt another blow to authors' termination rights by permitting collateral estoppel to defeat Section 304 termination rights in "all of John Steinbeck's works" where Thom and Blake's termination of the film rights in question here, involving an entirely different 1939 Steinbeck grant of film rights, had never been decided by any court. *Kaffaga v. Steinbeck*, Case 2:14-cv-08699-TJH-FFM (C.D. Cal.) Docket Number 171-2 1/18/2017 (*Grapes of Wrath* copyright report describing 1939 Steinbeck film rights grant). Because the inalienable property rights created by Sections 203 and 304 of the Copyright Act are largely defeated by these decisions honoring grants prohibited by the Copyright Act because they were made prior to the effective vesting date specified by Congress in Section 304(c)(6)(D), this case raises issues of extraordinary importance on which this Court's guidance is necessary.

Unlike these courts, *Amici* find no ambiguity in the plain language of the Copyright Act. *Amici* find only resounding support in the legislative history for inalienable authors' termination rights. Additionally, because decisions from the Second and Ninth Circuits conflict with guidance given to the public by the Register of Copyrights and the U.S. Copyright Office on the inalienable nature of copyright termination rights under Section 304(c)(5) and Section 304(c)(6)(D), this issue is important.

This case is an appropriate vehicle to address the important and unsettled issue of termination rights because since 1976, authors have not had guidance from this Court on Congress' efforts to protect them under Section 304 by using "notwithstanding any agreement to the contrary" prophylactic language of Section 304(c)(5) and Section 304(c)(6)(D)'s prohibition on "future grants" of termination rights. As a result, thousands of authors are left in uncertainty over their rights and bargaining power. The issue of authors' inalienable rights in recapturing extended copyright terms has roiled the courts since 1909 when Congress extended the then-28-year copyright term by an additional 28-year renewal term with the expectation that the renewal term would revert to authors. Disputes over copyright terminations now occupying the nation's courts could be resolved by guidance from this Court not only under Section 304, but also under Section 203 of the Copyright Act (triggered by statute starting January 1, 2013). Evynne Grover, *Copyright Act S 203 Termination of Transfers and Licenses: Could More Blockbusters Get Busted?*, *Comm Law*, Winter 2020, at 23, 28 ("Without question, terminations under § 203 will create a new wave of litigation, and we have already seen some of it...").

In 1909, in 1976 and again in 1998, each time Congress extended the term of copyright, authors were the promised future beneficiaries of these expanded copyright terms. Congress' intent to protect authors from early, unremunerative transactions and to ensure them full economic benefits from a second 28-year renewal term was thwarted by this Court's decision in *Fred Fisher Music Co., Inc. v. M. Witmark & Sons*, 318 U.S. 643 (1943). In 1976 and 1998, Congress made the express "policy choice" in enacting

Sections 203 and 304 of the Copyright Act to give inalienable termination rights to authors that, according to *Fred Fisher Music*, Congress failed to make explicit in the 1909 Act.

Prior to the 1976 Copyright Act, the renewal recapture provision was “the source of more confusion and litigation than any other provision in copyright law.” Peter S. Menell & David Nimmer, *Judicial Resistance to Copyright Law's Inalienable Right to Terminate Transfers*, 33 Colum J.L. & Arts 227, 227-30 (2010) *citing* Staff of H. Comm. on the Judiciary, 88th Cong., Discussion and Comments on the Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 93 (Comm. Print 1963).

The initial term of a copyright under the 1909 Copyright Act was 28 years. Pub. L. No. 349 §24, 35 Stat. 1075, 1080-81 (1909). Under the 1909 Act, authors also held the right to renew for an additional 28 years by filing a renewal application with the Copyright Office. Pub. L. No. 349, §§ 23-24, 35 Stat. 1075, 1080-81 (1909). Congress intended this right to be “exclusive” to authors and their families so that they “could not be deprived of this right.” Menell & Nimmer, *Judicial Resistance*, 33 Colum J.L. & Arts at 230 (2010) *citing* H.R. Rep. No. 60-2222, at 14 (1909). The renewal right “creates a new estate, and the ... cases which have dealt with the subject assert that the new estate is clear of all rights, interests or licenses granted under the original copyright.” *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469, 471 (2d. Cir.), *cert. denied*, 342 U.S. 849 (1951). In *Fred Fisher Music Co., Inc. v. M. Witmark & Sons*, 318 U.S. 643 (1943) this Court upheld an author's assignment of the future right to renew a copyright, reasoning that if Congress had intended “statutory restraints upon

the assignment by authors of their renewal rights, it is almost certain that such purpose would have been manifested.” 318 U.S. at 655-56.

It is not for courts to judge whether the interests of authors clearly lie upon one side of this question rather than the other.... We do not have such assured knowledge about authorship ... as to justify us as judges in importing into Congressional legislation a denial to authors of the freedom to dispose of their property 318 U.S. at 657.

Congress' attempt in 1909 to grant authors and their families an inalienable future copyright interest thus “was substantially thwarted” by *Fred Fisher Music, Inc. v. Mills Music, Inc. v. Snyder*, 469 U.S. 153, 185 (1985) (White, J., dissenting).

A. In the 1976 Copyright Act Congress Makes Termination of a Prior Transfer an Inalienable Right of Recapture

Under the 1976 Copyright Act, when an author (or statutory heirs) serves a termination notice, the grantee's previously undivided copyright interest is effectively split into three pieces, one owned by the author (or statutory heirs) and two owned by the grantee. The author (or statutory heirs) holds a future interest in the copyright. *Baldwin v EMI Feist Catalog, Inc.*, 805 F.3d 18, 26-27 (2d Cir. 2015) *citing* 17 U.S.C. § 304(c)(6) (providing that the “rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to th[e] author” or his statutory heirs”); *Mills Music, Inc. v. Snyder*, 469 U.S. at 162, (labeling the post-termination interest a “reversion”). This future

interest, however (unlike an author's renewal right under the 1909 Act), “become[s] vested on the date the notice of termination has been served.” *Baldwin v EMI Feist Catalog, Inc.*, 805 F.3d at 26-27. Congress’ intent to permit authors and their families to get a second economic bite at the apple was manifest:

The provisions of section 203 are based on the premise that the reversionary provisions of the present section on copyright renewal (17 U.S.C. § 24) should be eliminated, and that the proposed law should substitute for them a provision safeguarding authors against unremunerative transfers. A provision of this sort is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited.

H.R. REP. 94-1476, 124, 1976 U.S.C.C.A.N. 5659, 5740. Congress enacted the Copyright Act of 1976 to safeguard not only authors against unremunerative transfers but authors’ families that had in many cases been victimized by transfers made by an early heir, such as a stepmother to the detriment of later heirs or late-life transfers to lovers, sparking probate battles. Menell & Nimmer, *Judicial Resistance*, 33 Colum J.L. & Arts 227 (2010)(discussing legislative history and how permitting early statutory heirs to disinherit later statutory heirs would frustrate Congressional intent).

B. Congress Permitted Termination of Copyright Grants Made Prior to the 1976 Act

The 1976 Act provided that grants of copyright made under the new regime would be terminable after thirty-five years from the date of the grant (the § 203 termination right), while grants of copyright made under the 1909 Act would be terminable fifty-six years after copyright was first obtained (the § 304(c) termination right). 17 U.S.C. §§203; 304(c). The opportunity to leave a legacy to one's children and grandchildren operates as an important incentive to create. Senator Orrin G. Hatch, *Toward A Principled Approach to Copyright Legislation at the Turn of the Millennium*, 59 U. Pitt. L. Rev. 719, 733 (1998). Thus, Congress determined that the new property right of an extended copyright term should pass to the author and independently protect the author's family members as statutory successors (husband or wife, children and grandchildren) as opposed to copyright devisees – like a late life lover – or assignees like a film or publishing company.

C. 1998–Congress Extends Copyright Duration Again, Grants Authors a Second Inalienable Right of Recapture

In 1998, the Sonny Bono Copyright Term Extension Act (“CTEA”) extended copyright terms for another twenty years. Pub. L. No. 105-298, 111 Stat. 2827 (1998). Wishing to bestow property rights in this additional term on authors and their families, Congress again adopted the same termination device. 17 U.S.C. § 304(d) (2006). Section 304(d) granted authors and their statutory successors, who had not already exercised a statutory termination rights, a

new statutory termination right, allowing termination of agreements by which the author had sold the extended term, “notwithstanding any agreement to the contrary.” *Id.* §§ 304(c)(5) & 304(d)(1).

D. To Avoid Authors and Families Alienating Their Rights Before Having Full Economic Power, Congress Invalidates Grants of Termination Rights That Pre-Date The Effective Date of Termination

Section 304(c)(6)(D) provides that “[a] further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. *Baldwin v EMI Feist Catalog, Inc.*, 805 F.3d at 26 (noting exception for further grant to grantee after notice of termination). In enacting Section 304, Congress intended to void any attempts by heirs to transfer contingent future interests:

Under section 203, an author's widow or widower and children are given rights of termination if the author is dead, but these rights apply only to grants by the author, and any effort by a widow, widower, or child to transfer contingent future interests under a termination would be ineffective.

H.R. REP. 94-1476, 141, 1976 U.S.C.C.A.N. 5659, 5757. This provision creates a carefully-crafted timetable for vesting of termination rights over an extended period of time showing Congress' intent to give specific living statutory successors the benefits of property rights in an extended term of copyright

protection, rather than the author's assignees or devisees. The vesting timetable, expressed in the statutory language as a strict and total ban on future grants, also prevents future disputes over whether one heir, such as a stepmother, has disenfranchised future beneficiaries of termination rights.

E. The Copyright Office Is Giving Advice To The Public That Conflicts With The Decision Below

The tremendous importance of the issues relating to copyright terminations raised in this case to the *Amici* and the public is illustrated by the guidance that the Copyright Office gives to copyright owners: “*Where a grant was executed by one or more of the author’s heirs, the grant can be terminated by the surviving person(s) who executed the grant.*” <https://www.copyright.gov/recordation/termination.html> (last accessed April 19, 2020)(emphasis supplied). This advice is inconsistent with the decision below, highlighting the need for this Court’s guidance.

II. BECAUSE COLLATERAL ESTOPPEL WAS APPLIED TOO BROADLY, PETITIONERS WERE DEPRIVED OF PROPERTY RIGHTS AND THE RIGHT TO A JURY TRIAL GUARANTEED BY THE SEVENTH AMENDMENT TO THE UNITED STATES CONSTITUTION

Because the trial court decided that Petitioners slandered title to all of John Steinbeck’s works without ever reaching the question of whether or not Thom Steinbeck owned the copyright in the works in question, Gail, Thom’s estate and Palladin were denied a jury trial, guaranteed by the Seventh Amendment to the United States Constitution, on

issues related to an ownership interest in a copyright. Over 200 years ago, this Court explained that where a second suit is “upon distinct and different causes of action” from a prior case “against the [same] defendant,” “the first cannot be pleaded in bar of the second.” *Clark v. Young & Co.*, 5 U.S. (1 Cranch) 181, 193 (1803) (“a verdict in a prior suit may be given in evidence as a bar to another suit [only] for the same cause of action”).

If Petitioners’ eminent copyright expert’s testimony --- that Thom and Palladin owned the copyright in *The Grapes of Wrath* and *East of Eden* --- had been credited, Petitioners would have had a complete defense to the breach of contract, tortious interference and slander of title claims. Because this defense was denied, Petitioners were deprived of a fair jury trial. Absent a grant of review, this case will threaten the Seventh Amendment rights of all authors and copyright owners to constitutionally-guaranteed jury trials on all issues relating to copyright ownership and damages. *Feltner v Columbia Pictures Tel., Inc.*, 523 U.S. 340, 355 (1998)(discussing history of copyright trials since nation’s founding).

A. The Application of Collateral Estoppel To Preclude Gail’s Defenses Was Particularly Unjust Because She Was Not A Party To The First-Filed Litigation Involving The Scope of Collateral Estoppel

Gail had never been involved in her personal capacity in any litigation prior to this action. On November 7, 2014 Thom Steinbeck (the son and one of the statutory heirs of author John Steinbeck) and Blake Smyle, the other statutory heir, filed a

declaratory judgment action against Respondents in the Central District of California for copyright infringement, breach of contract and declaratory relief to obtain a declaration that Thom and Blake were the beneficiaries of termination rights and thus had the right to negotiate film rights to *Of Mice and Men*. *Kaffaga v. Steinbeck*, (2:14-cv-08699) filed Nov. 10, 2014. Thom's corporation, the Palladin Group, Inc. (jointly owned with Gail) was created to hold Thom's copyright interests in John Steinbeck's works that vested during Thom's lifetime, and was also a plaintiff. Two years later, Thom died, making his co-plaintiff Blake Smyle the sole statutory heir for any termination rights accruing after the date of Thom's death. Thom, Palladin and Blake sought a declaration that a 1983 agreement, which purported to surrender copyright termination rights, was a void "agreement to the contrary" under 17 U.S.C §§ 304(c) and (d). Relying on *Steinbeck v. Penguin Group (USA) Inc.*, 537 F.3d 193 (2d Cir. 2008), the trial court dismissed the action on collateral estoppel grounds without reaching the question of whether the 1983 agreement was a void "agreement to the contrary" or a prohibited "future grant" concluding that the issue had been litigated "ad nauseum." *Kaffaga v. Steinbeck*, 2016 WL 11187014 (C.D. Ca. 11/10/2016). On November 16, 2017, the Ninth Circuit affirmed on collateral estoppel grounds in a three-paragraph, unpublished opinion repeating the "ad nauseum" characterization. *Steinbeck v. Kaffaga*, 702 Fed.Appx. 618 (9th Cir. 2017).

**B. This Second-Filed Diversity Action
For Breach of Contract and Tortious
Interference**

On November 10, 2014, three days after *Kaffaga v. Steinbeck* was filed, Respondents filed this action suing Gail personally along with Palladin and (the now-deceased) Thom, alleging breach of contract and tort claims (slander of title and intentional interference with prospective economic relationships). This case involves negotiations for film rights to *The Grapes of Wrath* and *East of Eden*. The district court, directly contradicting the “ad nauseum” characterizations, acknowledged that no court had previously determined the issue of who could file termination notices for those film rights under Section 304(c)(5) of the Copyright Act. *Kaffaga v. Steinbeck*, 2016 WL 11187014 (C.D. Cal. 11/10/2016) (noting that “decisions by the Southern District and the Second Circuit “left unresolved the narrow question about termination under the 1983 Agreement.”) Although having conceded that no court had ever ruled on the “narrow question” whether the 1983 prior agreement was a void “agreement to the contrary” the trial court relied on collateral estoppel to bar Gail from raising Section 304(c)(5) of the Copyright Act as an affirmative defense with the jury questionnaire stating: “The Court has already determined that Defendants Thom Steinbeck, Gail Steinbeck and The Palladin Group, Inc. are liable to Plaintiff for slander of title as to the entire catalogue of John Steinbeck’s works. What, if any, are the non-punitive damages suffered by Plaintiff because of Defendants’ slander of title?” *Kaffaga v. Steinbeck*, 18:55336, 12/07/201 (DktEntry:23-1 at 18 of 65).

C. The Trial Court's Exclusion of Petitioners' Copyright Law Expert

Petitioners sought to have Lewis Petrich, a renowned copyright expert on copyright termination who argued *Stuart v. Abend*, 495 U.S. 207 (1990) before this Court with credentials including lectures on copyright termination at the Federal Judicial Center in Berkeley. Petrich had, in 2013, represented 20th Century Fox on the question of Steinbeck film issues and sought to testify on the question of whether Gail's termination notice was valid and the legal advice provided. *Kaffaga v. Steinbeck*, 18-55336 Dkt:23-4 at 112-126 of 297 12/07/2018. The trial court excluded Petrich's testimony as irrelevant. *Id.* at 121 of 297.

Stripped of the one defense that would explain to a jury her state of mind – why she or the other Petitioners appeared to have reneged on an earlier agreement, Gail was not permitted to present to the jury objective evidence that her actions – whether ultimately correct or not – had a reasonable, good faith grounding in the law or were supported by legal advice. The jury awarded a combined \$13.5 million in damages against Petitioners, \$7.9 million of it in punitive damages.

The deprivation of the opportunity to prove copyright ownership interests in a 1939 Steinbeck grant of film rights that no other court had previously decided as a defense to slander, breach of contract, and tortious interference deprived Petitioners to the right under the Seventh Amendment to a jury trial on property rights granted by the Copyright Act.

III. THE DECISION BELOW THREATENS THE UNIFORMITY OF THE NATIONAL COPYRIGHT REGIME BECAUSE IT PERMITTED A MONETARY JUDGMENT ON CALIFORNIA TORT CLAIMS INCONSISTENT WITH THE PREEMPTION OF SECTION 301 OF THE COPYRIGHT ACT AND GRANTING REVIEW COULD RESOLVE A CIRCUIT SPLIT

This case is an appropriate vehicle to clarify the law because there is also, in addition to the circuit split raised by Petitioners, a circuit split on whether Section 301 of the Copyright Act preempts the slander of title and tortious interference with contract claims against Petitioners that underpin the judgment below. Because the trial judge found Gail's mental state irrelevant when she was acting as attorney-in-fact for Thom asserting copyright ownership, these tort claims were equivalent to copyright infringement claims and thus preempted by Section 301 of the Copyright Act and should have been dismissed.

Permitting preempted state law claims to change the results under the Copyright Act threatens the uniformity of the national copyright regime. Congress passed section 301(a) of the Copyright Act to preempt state law that is inconsistent with or duplicative of federal copyright protection. Circuit courts are in conflict over how to approach copyright preemption. Bauer, Joseph, *Addressing The Incoherency Of The Preemption Provision Of The Copyright Act Of 1976*, 10 Vand. J. Ent. & Tech. L. 1 (Fall 2007).

“Generally, tortious interference claims (with contract or prospective economic advantage) are held to be preempted because the rights asserted in such

claims are not qualitatively different from the rights protected by copyright.” *Stromback v New Line Cinema*, 384 F.3d 283, 306 (6th Cir. 2004); *Harper & Row Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 201 (2d Cir. 1983) *rev’d on other grounds*, 471 U.S. 539 (1985) (claim for tortious interference with contractual relations based on a magazine publisher’s use of an unauthorized excerpt of plaintiff’s book preempted because claim was essentially one for violation of plaintiff’s exclusive right to create a derivative work, and additional elements pleaded by the plaintiff of awareness and intentional interference went “merely to the scope of the right” and did not “establish qualitatively different conduct”); *Progressive Corp. v. Integon P&C Corp.*, 947 F.2d 942 (4th Cir. 1991)(unpublished)(tortious interference claim preempted).

Other circuits take a contrary approach. *Altera Corp v. Clear Logic, Inc.*, 424 F.3d 1079, 1089-90 (9th Cir. 2005) (claim for tortious interference with contract not preempted because the claim concerning breach of those contracts against customers required proof of a meaningful “extra element”); *Telecom Technical Servs. Inc. v. Rolm Co.*, 388 F.3d 820, 833 (11th Cir. 2004) (tortious interference claim not preempted because it required plaintiff to demonstrate that defendants violated the terms of software license for third parties, an element beyond federal copyright law). Given these conflicting approaches, granting review would permit the Court to resolve the circuit split.

IV. IN THE ALTERNATIVE, BECAUSE THIS CASE RAISES IMPORTANT QUESTIONS INVOLVING THE COPYRIGHT OFFICE'S ADMINISTRATION OF TERMINATION RIGHTS AND ADVICE TO THE PUBLIC, THIS COURT SHOULD SOLICIT THE VIEWS OF THE SOLICITOR GENERAL

Because the decisions of the Second and Ninth Circuits respecting prior “agreements to the contrary” threaten an entire statutory scheme, *Amici* urge this Court to solicit the views of the Solicitor General. As noted in Point I.E., currently the general public and the creative and business communities receive conflicting guidance from two different branches of government on the meaning of Section 304(c)(5) of the Copyright Act and who owns what rights when. Because *Amici*, the general public and particularly the business and creative communities should not be getting conflicting advice from two different branches of government, *Amici* urge this Court to solicit the views of the Solicitor General on the proper workings of this complex statutory scheme to benefit authors and the public.

V. IN THE ADDITIONAL ALTERNATIVE, AMICI CURIAE RESPECTFULLY REQUEST THAT THIS COURT GRANT, VACATE AND REMAND FOR A RULING ON WHETHER THE 1983 AGREEMENT IS AN “AGREEMENT TO THE CONTRARY” WITH RESPECT TO THE FILM RIGHTS TO *GRAPES OF WRATH* AND *EAST OF EDEN*

Amici further respectfully submit that the Court should grant, vacate and remand this case so that the

Ninth Circuit can correctly apply traditional collateral estoppel principles in light of the Court’s anticipated decision in *Lucky Brands Dungarees, Inc. v. Marcel Fashions Group, Inc.* No. 18-1086 (argued Jan. 13, 2020) (question of “[w]hether, when a plaintiff asserts new claims, federal preclusion principles can bar a defendant from raising defenses that were not actually litigated and resolved in any prior case between the parties.”)

Amici urge a grant of full review as primary relief. This Court’s decision in *Lucky Brands* would not resolve the important issues of authors’ rights raised in Point I, the due process concerns in Point II or the circuit split raised in Point III. Because *Lucky Brands* involved parties re-litigating issues among themselves repeatedly over decades, it does not give this Court an opportunity to address the more dangerous scenario of a non-party to any previous litigations being bound by issue preclusion the way Gail was (with the attendant due process concerns that arise when depriving a non-party of affirmative defenses). This case presents issues of greater complexity and importance as the broad application of collateral estoppel by the Ninth Circuit has entirely subverted Section 304(c)(5) of the Copyright Act and the Ninth Circuit is permitting preempted state law claims to subvert the Copyright Act’s damages provisions. Unlike *Lucky Brands*, the parties who were involved in past litigation are not identical (although there is some overlap), the issues are separate and distinct, and the issue of enforceability in light of Section 304(c)(5)’s barring any “agreement to the contrary” was never actually decided. This case also presents a better opportunity for the Court to provide guidance on treating parties with differing interests, particularly where one Petitioner was not a

party to any prior litigation and the broad brush of “collateral estoppel” was used to strip her of all defenses. However, in the alternative, if the Court decides not to grant full review, because it is of great importance to *Amici* that issues relating to grants of copyrights and the disparate impacts on each family member be carefully analyzed and actually decided by courts in applying the doctrine of collateral estoppel, *Amici* urge this alternative relief.

CONCLUSION

The petition for a writ of certiorari should be granted. In the alternative, the Court should solicit the views of the Solicitor General. In the additional alternative, the Court should grant, vacate, and remand in light of *Lucky Brands Dungarees, Inc. v. Marcel Fashion Group, Inc.*, No. 18-1086 (argued Jan. 13, 2020).

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