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Classic Media, Inc. v. Mewborn

532 F.3d 978 (9th Cir. 2008)

KIM McLANE WARDLAW, CIRCUIT JUDGE:

Winifred Knight Mewborn ("Mewborn"), daughter of Eric Knight, the author of the world-famous children's story and novel, *Lassie Come Home* (collectively, the "Lassie Works"), appeals the district court's grant of summary judgment in favor of Classic Media, Inc. ("Classic") and denial of Mewborn's partial summary judgment motion. Each party sought declaratory relief as to their respective copyright interests in the Lassie Works, works that were in their renewal copyright terms on January 1, 1978 when the Copyright Act of 1976 (the "Act" or the "1976 Act") took effect. This appeal requires us to determine whether the Act's termination of transfer right, 17 U.S.C. § 304(c), can be extinguished by a post-1978 re-grant of the very rights previously assigned before 1978. Because we conclude that such a result would circumvent the plain statutory language of the 1976 Act, as well as the congressional intent to give the benefit of the additional renewal term to the author and his heirs, we hold that the post-1978 assignment did not extinguish Mewborn's statutory termination rights.

I. Factual and Procedural Background

Eric Knight authored the beloved children's story, "Lassie Come Home," about a boy and his dog who, when sold to a rich duke by the boy's poverty-stricken family, makes an arduous journey to return home to her original owner. Inspired by the harsh realities of life during the Great Depression, the story of the fearless collie, Lassie, and the boy who loved her was first published in the December 17, 1938 issue of *The Saturday Evening Post*, and was registered in the U.S. Copyright Office that year. Knight later developed the story into a novel, which was published and registered in the U.S. Copyright Office in 1940. Knight granted the rights to make the popular *Lassie* television series to Classic's predecessors-in-interest, but died in 1943, before the renewal rights had vested. Under section 24 of the 1909 Copyright Act, the interest in the renewal term of the copyrights reverted to Knight's wife, Ruth, and their three daughters, Jennie Knight Moore, Betty Knight Myers and Winifred Knight Mewborn. Each heir timely filed a renewal of copyright with the U.S. Copyright Office in each of the works between 1965 and 1967. Because Classic's predecessors-in-interest had an agreement only with Knight's widow as to the television series, it became necessary to secure agreements from the three daughters for the renewal term of motion picture, television and radio rights. Thus, Lassie Television, Inc. ("LTI") approached Mewborn and her sisters, Moore and Myers, to obtain the necessary rights.

In a written agreement dated July 14, 1976, Mewborn assigned her 25 percent share of the motion picture, television and radio rights in the Lassie Works to LTI for \$ 11,000 ("1976 Assignment"). The contract states, in relevant part:

I, Winifred Knight Mewborn, . . . hereby sell, grant, and assign to [LTI] all of the following rights in and to the story entitled LASSIE COME-HOME written by Eric Knight and published in the Saturday Evening Post on December 17, 1938 and the novel or book based thereon also written by Eric Knight and published by John C. Winston Co. in 1940 . . . :

All motion picture (including musical motion picture), television and radio rights in and to the said literary work[s] . . . throughout the world for the full period of the renewal copyrights in the work[s] and any further renewals or extensions thereof.

It was not until March 1978 that LTI was able to obtain similar assignments from Mewborn's two sisters. On March 17, 1978 and March 22, 1978, Myers and Moore, respectively, assigned their motion picture, television and radio rights to LTI, as well as ancillary rights such as merchandising, dramatic, recording and certain publishing rights. They each received \$ 3,000 in exchange. To conform the grant of rights among the sisters, on March 16, 1978, Mewborn signed a second agreement, furnished by LTI ("1978 Assignment"). The assignment reads:

I, Winifred Knight Mewborn, . . . hereby grant, assign and set over unto [LTI] and its successors and assigns forever, all the following rights in and to the literary work entitled "LASSIE COME-HOME" . . . (a) [a]ll motion picture (including musical motion picture) rights, television rights, radio rights, recording rights, and dramatic rights on the legitimate stage . . . and all merchandising, commercial tie-up and related rights, and certain publication rights . . .

The 1978 Assignment contained the identical transfer of motion picture, television and radio rights as the 1976 Assignment, but added language assigning ancillary rights to LTI, including recording and dramatic rights, all merchandising, commercial tie-up and related rights and certain publication rights, as well as language stating:

[a]ll of the foregoing rights are granted to [LTI] throughout the world in perpetuity, *to the extent such rights are owned by me*, as hereinafter provided. . . . The rights granted herein to [LTI] are *in addition to* the rights granted by me to [LTI] under and pursuant to an assignment dated July 14, 1976, recorded with the United States Copyright Office on July 12, 1976 in Volume 1589 at Pages 258-259

(emphasis added). In exchange, LTI also paid Mewborn \$ 3,000. Apart from references to the 1976 Assignment, which only Mewborn had entered into, the three sisters' 1978 assignments were identical.

On April 12, 1996, Mewborn served a notice of termination ("Termination Notice") within the five-year period required by § 304(c) on Palladium Limited Partnership ("Palladium"), LTI's then successor-in-interest in the Lassie Works. Mewborn sought to recapture her motion picture, television and radio rights by terminating the 1976 Assignment effective May 1, 1998. This began

the Lassie Works' difficult journey home, as counsel on behalf of the parties--but predominantly Classic--spewed acrimonious charges, threats and demands over the rights to the works in a series of correspondence of not much relevance, but nonetheless included in the record before us. On April 1, 1998, counsel for LTI's then successor-in-interest, Golden Books Family Entertainment, wrote to Mewborn, "rejecting and repudiating" Mewborn's Termination Notice, and threatening suit against Mewborn. Mewborn discovered in the autumn of 2004 that Classic was preparing to produce a motion picture entitled *Lassie Come Home*, based on her father's works. On March 23, 2005, Mewborn's counsel wrote to Classic, the subsequent successor-in-interest to the Lassie Works, and its production partners demanding that Classic account for and pay to Mewborn her share of profits from Classic's exploitation of the Lassie motion picture, television and radio rights pursuant to the 1996 Termination Notice, and that Classic cease the unauthorized exploitation of the works in the United Kingdom. Classic's counsel responded with a vituperative gem of a letter dated March 29, 2005, accusing Mewborn of "extortion," threatening to sue Mewborn and her counsel "personally," and claiming that "[t]he damages to which Classic will hold you accountable are enormous . . . [and] irreparable." The letter asserted that the 1976 Assignment was a "complete irrelevancy" and advised that Mewborn should "govern [herself] accordingly." This bombastic correspondence did little to further communication or deter litigation.

As a result, on May 27, 2005, Classic filed a declaratory relief action in the Central District of California against Mewborn seeking a declaration that Mewborn has no interest in the Lassie film or in any of the rights she previously assigned to LTI in the 1978 Assignment, and that Mewborn's Termination Notice was ineffective. On June 29, 2005, Mewborn counterclaimed seeking a declaration that, in fact, Mewborn had recaptured some of her previously assigned rights, and requesting an accounting of Classic's profits as of May 1, 1998, the effective termination date under the Termination Notice.

The parties filed cross-motions for summary judgment. On February 9, 2006, the district court granted Classic's motion for summary judgment and denied Mewborn's motion as moot. Interpreting the § 304(c) termination right to be inalienable but subject to waiver or relinquishment, the district court found that the parties intended that the 1978 Assignment "give away" all of Mewborn's additional rights not transferred in 1976, which included her newly acquired § 304(c) right to terminate the 1976 Assignment. Accordingly, Mewborn had relinquished her termination right, and the 1996 Notice of Termination was ineffective because Mewborn no longer had any interest in the rights transferred in 1976 and 1978. The district court also found that the 1978 Assignment did not substitute for or revoke the 1976 Assignment and that the 1976 Assignment remained intact.

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III. Discussion

Despite (1) the express statutory language that termination of a pre-1978 transfer "may

be effected notwithstanding any agreement to the contrary," 17 U.S.C. § 304(c)(5); (2) Congress's clear intent to benefit authors and their heirs with additional years of copyright protection in the 1976 Act, as recognized by the Supreme Court; and (3) the omission of any language transferring termination rights in the 1978 Assignment or even a mention of the right of termination, the district court concluded that Mewborn intended to relinquish and impliedly waived her "newly acquired right of termination" when she executed the 1978 Assignment. The district court reasoned that by virtue of the 1976 Assignment, "Mewborn had already transferred her interest in all motion picture, television and radio rights" and that "the only reasonable interpretation of the 1978 contract language is that she intended to give away any additional motion picture, television and radio rights not given away in 1976, thus relinquishing her newly acquired right of termination." We disagree.

On October 19, 1976--between the dates that Mewborn executed the two assignments--Congress enacted the 1976 Copyright Act, which took effect on January 1, 1978. The Act extended the length of copyright protection for copyrights in existence on January 1, 1978 by 19 years, from 56 years to 75 years (the "Extended Renewal Term"). See [17 U.S.C. § 304\(a\)](#). The Act also created a right of termination, under [§ 304\(c\)](#), which allows an author, if he is living, or his widow and children, if he is not, to recapture, for the Extended Renewal Term, the rights that had previously been transferred to third parties. The rights thus revert to the author or his statutory heirs. The termination of transfer right, as applied to the widow and children, is limited to transfers executed before January 1, 1978. See *id.* [§ 304\(c\)](#). The termination of transfer may be effected only during a five year window beginning at the end of what would have been the copyright's original and renewal terms (the end of 56 years from the date the copyright was originally secured), or beginning on January 1, 1978, whichever is later. *Id.* [§ 304\(c\)\(3\)](#). Thus, the five-year termination window for the Lassie copyrights opened in 1994 for the 1938 story, and 1996 for the 1940 novel.

Under [§ 304\(c\)\(4\)\(A\)](#), advance notice of termination must be served not less than two or more than ten years before the effective termination date. Most significantly, under [§ 304\(c\)\(5\)](#), "[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." (emphasis added). Under 17 U.S.C. § 101, the term "including" is "illustrative" not "limitative" and thus we must interpret the term "agreement[s] to the contrary" under [§ 304\(c\)\(5\)](#) as inclusive of agreements other than the two examples Congress explicitly mentioned.

Congress enacted the inalienability of termination rights provision in [§ 304\(c\)\(5\)](#) to resurrect the fundamental purpose underlying the two-tiered structure of the duration of copyrights it originally adopted: to award to the author, and not to the assignee of the right to exploit the copyright during its initial term, the monetary rewards of a work that may have been initially undervalued, but which later becomes a commercial success. As reported in the House Report for the 1909 Act:

It not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum. If the work proves to be a great success and lives beyond the term

of twenty-eight years, your committee felt that it should be the exclusive right of the author to ^[**14] take the renewal term, and the law should be framed as is the existing law, so that he could not be deprived of that right.

H.R. Rep. No. 2222, 60th Cong., 2d Sess., at 14 (1909). It is plain that the renewal process was intended to give an author and his heirs a second chance to benefit from the fruits of his labors.

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We conclude that insofar as Classic urges us to hold that the 1978 Assignment transferred the motion picture, television and radio rights subject to Mewborn's termination rights, we cannot so hold because such an assignment would be void as an "agreement to the contrary" pursuant to [§ 304\(c\)\(5\)](#). Moreover, all that Mewborn had at the time of the 1978 Assignment was future rights that would revert upon termination of the grant and the 1978 Assignment does not purport to grant those rights.

The 1976 Assignment transferred all of Mewborn's motion picture, television and radio rights to the Lassie Works in exchange for \$ 11,000 and, as the district court correctly concluded, was not substituted or revoked by the 1978 Assignment but remained intact. Because LTI owned the motion picture, television and radio rights to the Lassie Works in 1978, Mewborn had nothing to transfer by virtue of the 1978 Assignment other than the additional ancillary rights she transferred for \$ 3,000. Therefore, the language in the 1978 Assignment purporting to assign the motion picture, television and radio rights is a nullity.

Under [§ 304\(c\)\(4\)\(A\)](#), a termination notice "shall be served not less than two or more than ten years before [the effective date of the termination]." The "effective date of the termination" must "fall within the five-year period" "beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later." [17 U.S.C. § 304\(c\)\(3\), \(4\)\(A\)](#). In Mewborn's case, the fifty-six year term of copyright was set to expire in the story in 1994 and in the novel in 1996. Mewborn could not have filed a notice of termination of the assignment of rights to exploit the story any earlier than 1984 or any later than 1997; she could not have done so for the novel any earlier than 1986 or any later than 1999. Therefore the future rights that would revert upon termination of the grant could not have vested any earlier than 1984 for the story and 1986 for the novel.

Mewborn was entitled to effect the termination of the 1976 grant during the five year window commencing in 1994 for the story rights and 1996 for the novel rights. She was required to serve advance notice no less than two and no more than ten years before the effective date of the termination. She chose as the effective date May 1, 1998, a date that was within the termination window for both of the works--1994 to 1999 for the story rights and 1996 to 2001 for the rights in the novel. As of May 1, 1998, she validly terminated the rights she granted to LTI in the 1976 Assignment.

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[The court distinguished its 2005 decision in *Milne v Stephen Slesinger*, 430 F.3d 1036 (9th Cir. 2005), in which it had held Christopher Robin Milne's renovation and regrant of the copyright to his father's *Winnie the Pooh* was not "an agreement to the contrary," and precluded his daughter, Clare Milne, from terminating the copyright assignment. Christopher Robin had executed the revocation and regrant during the window for serving notice of termination, and had secured a more lucrative deal than the original assignment. Therefore, the court concluded, the revocation and regrant had not been an "agreement to the contrary" because it was fully consistent with and honored Christopher Robin's right of termination.]

Nor is there any evidence in the record to support a finding that Mewborn or LTI, when entering into the 1978 Agreement, considered Mewborn's termination rights under [§ 304\(c\)](#), or that Mewborn intended to waive or relinquish them. Rather, the evidence suggests that Mewborn did not intend to waive her termination rights. There is no evidence in the record that Mewborn was even aware of her termination rights in March 1978, just two months after [§ 304\(c\)](#) became effective. And if LTI had entered into the 1978 Assignment intending that the termination right was on the bargaining table, the contract language fails to reflect this intention or provide any consideration for that right. There is also no evidence that either party intended to revoke and replace (or even modify) the 1976 Assignment. Rather, the 1978 Assignment explicitly affirms the 1976 Assignment. Finally, Mewborn's deposition testimony suggests that she had no conversations with LTI regarding the 1978 Assignment, and that she signed the contract "as is" without the advice of counsel and without negotiating any of its terms.

Mewborn did not intend to relinquish a known termination right. Because we conclude that the 1978 Assignment did not expressly or impliedly transfer Mewborn's termination right as to the 1976 Assignment, and that the circumstances here are not even close to those in [Milne](#), the district court improperly concluded that the 1978 Assignment included a grant of Mewborn's termination right. The 1978 Assignment simply assigned to Classic's predecessor-in-interest the additional enumerated rights that Mewborn had not assigned in 1976. The 1996 Termination Notice was properly served not less than two years and not more than ten years before the effective termination date of May 1, 1998, which itself fell within the five year window of termination for both the story and the novel. We thus find the Termination Notice to have been valid and effective.

In conclusion, as a matter of law, Mewborn did not relinquish her termination right via the 1978 Assignment. Accordingly, because we find that the 1996 Termination Notice was effective, any rights assigned to LTI by the 1976 Assignment reverted to Mewborn as of the effective termination date, May 1, 1998. We thus reverse the district court's order granting Classic's motion for summary judgment and direct the district court to enter partial summary judgment in favor of Mewborn on her claim for declaratory relief. Seventy years after Eric Knight first penned his tale of the devoted Lassie who struggled to come home, at least some of the fruits of his labors will benefit his daughter.

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IV. Conclusion

For the reasons stated, we reverse the district court's order granting Classic's motion for summary judgment and direct the district court to enter partial summary judgment in favor of Mewborn on her declaratory relief claim. . . .