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LOOKING THROUGH THE "REAR WINDOW" A Review of the United States Supreme Court Decision in Stewart v. Abend

by
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Imagine a scene where a film production company purchases the motion picture rights in a story, and produces and distributes the movie, only to later discover its distribution of the movie was an infringement of a copyright in the underlying story. This was the decision rendered by the United States Supreme Court on April 24, 1990, in *Stewart v. Abend*. *Stewart v. Abend* has sent shock waves throughout the entertainment industry.

INTRODUCTION

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

In 1945, Woolrich agreed to assign the rights to make motion picture versions of six of his stories, including "It Had To Be Murder," to B.G. De Sylva Productions for \$9,250.00. Woolrich also agreed to renew the copyrights in his stories at the appropriate time and to assign the motion picture rights to De Sylva for the 28-year renewal term of copyright.

In 1953, actor Jimmy Stewart and director Alfred Hitchcock formed a production company, Patron, Inc., which obtained the motion picture rights in "It Had To Be Murder" from De Sylva's successors in interest for \$10,000. In 1954, Patron, Inc., along with Paramount Pictures, produced and distributed "Rear Window," the motion picture version of the story "It Had To Be Murder."

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

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

In 1977, three years after Abend filed his lawsuit in New York, the United States Court of Appeals for the Second Circuit decided *Rohauer v. Killiam Shows, Inc.* The court held that a movie producer may continue to distribute a movie based on an underlying work if the author had agreed to grant movie rights for the renewal term of the underlying work. This decision meant that a producer's distribution right in his derivative work was valid, even if the grant of rights in the underlying work had lapsed (i.e., the author of the preexisting work died before the renewal term, and the renewal term was claimed by the author's surviving spouse, children or executor, pursuant to the Copyright Act of 1909).

Armed with the Rohauer decision, the owners of the motion picture "Rear Window" allowed MCA to re-release "Rear Window" in different media, including theatrical performances, cable television, videodiscs and videocassettes. After this re-release, Abend filed a second lawsuit, this time in the United States District Court for the Central District of California, in the Ninth Circuit.

Abend's lawsuit was dismissed by the District Court, which relied in part on the decision in Rohauer. Abend then took his case to the Ninth Circuit Court of Appeals, which rejected the Second Circuit's decision in Rohauer, and ruled in Abend's favor, holding that the continued distribution of "Rear Window" by MCA without the consent of Abend infringed the renewal copyright in the story "It Had To Be Murder" which Abend had acquired from Chase Manhattan Bank.

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

THE EFFECT OF THE DECISION

The Supreme Court's decision in "Rear Window" means that the continued distribution of a derivative work during the renewal period of the underlying work upon which it is based will be an infringement of copyright if:

1. the underlying work was created or first published between 1964 and 1977;
2. the author of the underlying work died before the renewal term began; and
3. the heirs of the author of the underlying work did not grant the derivative work's producer the rights to use the underlying work during the renewal term.

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

WHAT THE DECISION DOES NOT AFFECT

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

The Copyright Act of 1976 grants an author or his heirs the right to terminate a transfer or license of post-1978 works 35 years after they are granted. However, the Copyright Act explicitly provides that a "derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination."

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

2. Pre-1978 Works in Their Renewal Term ¶ The "Rear Window" decision also does not affect the exploitation of derivative works based on underlying pre-1978 works that were already in their renewal terms of copyright when the copyright was transferred or licensed. The reason is that in such cases the agreement for the preparation of a derivative work was entered with the renewal copyright owner of the underlying work, and the heirs of the renewal copyright owner have no statutory right to terminate or revoke the agreement and cannot prevent exploitation of the derivative works. A derivative work, such

as a motion picture, that is based on a pre-1978 underlying work, such as a book, play or song in its sound track, will not be affected by the "Rear Window" case if the rights were acquired during the renewal term.

3. Pre-1978 Works In First Term of Copyright ¶ Certain pre-1978 works that were in their initial terms of copyright when transfers or licenses were granted to producers of derivative works are also not affected by the "Rear Window" decision.
 1. Works For Hire ¶ Works that are created as "works for hire" where the Copyright Act establishes the corporate employer as the author, are not affected by the "Rear Window" decision. Since the employer is deemed to be the "author" of such works, rather than the individual who actually created the work, there are no potential heirs who could exercise the termination or renewal rights.
 2. Author Survives Into Renewal Term ¶ A second scenario which avoids the "Rear Window" problem is when the author of an underlying work lives into the renewal term of copyright. Only the author can file for renewal, and a producer of a derivative work may continue to exploit that work with no effect from the "Rear Window" decision because the author will be bound by the original grant of rights for the renewal term.

THE EFFECT OF "REAR WINDOW" UPON A PRODUCER

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

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

The 28-year initial term of copyright advances with each new year. Thus, in 1992, works created between 1964 and 1977 will fall into this risk category. Likewise, in 1993, a possible "Rear Window" problem can arise for works first published between 1965 and 1977; in 1994, the unsafe works will be those between 1966 and 1977, and so on.

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

CONCLUSION

The "Rear Window" decision has profoundly affected the treatment of derivative works, and producers should be aware of the rights they obtain in copyrighted works and any possible liabilities.

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