

James STEWART v. Sheldon ABEND

495 U.S. 207

Decided April 24, 1990.

- 20 O'CONNOR, J., delivered the opinion of the Court, in which BRENNAN, MARSHALL, BLACKMUN, and KENNEDY, JJ., joined. WHITE, J., filed an opinion concurring in the judgment, *post*, p. 238. STEVENS, J., filed a dissenting opinion, in which REHNQUIST, C.J., and SCALIA, J., joined, *post*, p. 239.
- 23 Justice O'CONNOR delivered the opinion of the Court.
- 24 The author of a pre-existing work may assign to another the right to use it in a derivative work. In this case the author of a pre-existing work agreed to assign the rights in his renewal copyright term to the owner of a derivative work, but died before the commencement of the renewal period. The question presented is whether the owner of the derivative work infringed the rights of the successor owner of the pre-existing work by continued distribution and publication of the derivative work during the renewal term of the pre-existing work.

I

- 26 Cornell Woolrich authored the story "It Had to Be Murder," which was first published in February 1942 in Dime Detective Magazine. The magazine's publisher, Popular Publications, Inc., obtained the rights to magazine publication of the story and Woolrich retained all other rights. Popular Publications obtained a blanket copyright for the issue of Dime Detective Magazine in which "It Had to Be Murder" was published.
- 27 [212] The Copyright Act of 1909, 35 Stat. 1075, 17 U.S.C. § 1 *et seq.* (1976 ed.) (1909 Act), provided authors a 28-year initial term of copyright protection plus a 28-year renewal term. See 17 U.S.C. § 24 (1976 ed.). 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. He also agreed to renew the copyrights in the stories at the appropriate time and to assign the same motion picture rights to De Sylva Productions for the 28-year renewal term. 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.
- 28 In 1954, Patron, Inc., along with Paramount Pictures, produced and distributed "Rear Window," the motion picture version of Woolrich's story "It Had to Be Murder." Woolrich died in 1968 before he could obtain the rights in the renewal term for petitioners as promised and without a surviving spouse or child. He left his property to a trust administered by his executor, Chase Manhattan Bank, for the benefit of Columbia University. On December 29, 1969, Chase Manhattan Bank renewed the copyright in the "It Had to Be Murder" story pursuant to 17 U.S.C. § 24 (1976 ed.). Chase Manhattan assigned the renewal rights to respondent Abend for \$650 plus 10% of all proceeds from exploitation of the story.

- 29 "Rear Window" was broadcast on the ABC television network in 1971. Respondent then notified petitioners Hitchcock (now represented by cotrustees of his will), Stewart, and MCA Inc., the owners of the "Rear Window" motion picture and renewal rights in the motion picture, that he owned the renewal rights in the copyright and that their distribution of the motion picture without his permission infringed his copyright in the story. Hitchcock, Stewart, and MCA nonetheless entered into a second license with ABC to [213] rebroadcast the motion picture. In 1974, respondent filed suit against these same petitioners, and others, in the United States District Court for the Southern District of New York, alleging copyright infringement. Respondent dismissed his complaint in return for \$25,000.
- 30 Three years later, the United States Court of Appeals for the Second Circuit decided *Robauer v. Killiam Shows, Inc.*, 551 F.2d 484, cert. denied, 431 U.S. 949, 97 S.Ct. 2666, 53 L.Ed.2d 266 (1977), in which it held that the owner of the copyright in a derivative work^[1] may continue to use the existing derivative work according to the original grant from the author of the pre-existing work even if the grant of rights in the pre-existing work lapsed. 551 F.2d, at 494. Several years later, apparently in reliance on *Robauer*, petitioners re-released the motion picture in a variety of media, including new 35 and 16 millimeter prints for theatrical exhibition in the United States, videocassettes, and videodiscs. They also publicly exhibited the motion picture in theaters, over cable television, and through videodisc and videocassette rentals and sales.
- 31 Respondent then brought the instant suit in the United States District Court for the Central District of California against Hitchcock, Stewart, MCA, and Universal Film Exchanges, a subsidiary of MCA and the distributor of the motion picture. Respondent's complaint alleges that the re-release of the motion picture infringes his copyright in the story because petitioners' right to use the story during the renewal term lapsed when Woolrich died before he could register for the renewal term and transfer his renewal rights to them. Respondent also contends that petitioners have interfered with his rights in the renewal term of the story in other ways. He alleges that he sought to contract with Home Box [214] Office (HBO) to produce a play and television version of the story, but that petitioners wrote to him and HBO stating that neither he nor HBO could use either the title, "Rear Window" or "It Had to Be Murder." Respondent also alleges that petitioners further interfered with the renewal copyright in the story by attempting to sell the right to make a television sequel and that the re-release of the original motion picture itself interfered with his ability to produce other derivative works.
- 32 Petitioners filed motions for summary judgment, one based on the decision in *Robauer, supra*, and the other based on alleged defects in the story's copyright. Respondent moved for summary judgment on the ground that petitioners' use of the motion picture constituted copyright infringement. Petitioners responded with a third motion for summary judgment based on a "fair use" defense. The District Court granted petitioners' motions for summary judgment based on *Robauer* and the fair use defense and denied respondent's motion for summary judgment, as well as petitioners' motion for summary judgment alleging defects in the story's copyright. Respondent appealed to the United States Court of Appeals for the Ninth Circuit and petitioners cross-appealed.

- 33 The Court of Appeals reversed, holding that respondent's copyright in the renewal term of the story was not defective, *Abend v. MCA, Inc.*, 863 F.2d 1465, 1472 (1988). The issue before the court, therefore, was whether petitioners were entitled to distribute and exhibit the motion picture without respondent's permission despite respondent's valid copyright in the pre-existing story. Relying on the renewal provision of the 1909 Act, 17 U.S.C. § 24 (1976 ed.), respondent argued before the Court of Appeals that because he obtained from Chase Manhattan Bank, the statutory successor, the renewal right free and clear of any purported assignments of any interest in the renewal copyright, petitioners' distribution and publication of "Rear Window" without authorization infringed his renewal copyright. Petitioners responded that [215] they had the right to continue to exploit "Rear Window" during the 28-year renewal period because Woolrich had agreed to assign to petitioners' predecessor in interest the motion picture rights in the story for the renewal period.
- 34 Petitioners also relied, as did the District Court, on the decision in *Robauer v. Killiam Shows, Inc.*, *supra*. In *Robauer*, the Court of Appeals for the Second Circuit held that statutory successors to the renewal copyright in a pre-existing work under § 24 could not "depriv[e] the proprietor of the derivative copyright of a right . . . to use so much of the underlying copyrighted work as already has been embodied in the copyrighted derivative work, as a matter of copyright law." *Id.*, at 492. The Court of Appeals in the instant case rejected this reasoning, concluding that even if the pre-existing work had been incorporated into a derivative work, use of the pre-existing work was infringing unless the owner of the derivative work held a valid grant of rights in the renewal term.
- 35 The court relied on *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373, 80 S.Ct. 792, 4 L.Ed.2d 804 (1960), in which we held that assignment of renewal rights by an author before the time for renewal arrives cannot defeat the right of the author's statutory successor to the renewal rights if the author dies before the right to renewal accrues. An assignee of the renewal rights takes only an expectancy: "Until [the time for registration of renewal rights] arrives, assignees of renewal rights take the risk that the rights acquired may never vest in their assignors. A purchaser of such an interest is deprived of nothing. Like all purchasers of contingent interests, he takes subject to the possibility that the contingency may not occur." *Id.*, at 378, 80 S.Ct., at 796. The Court of Appeals reasoned that "[i]f *Miller Music* makes assignment of the full renewal rights in the underlying copyright unenforceable when the author dies before effecting renewal of the copyright, then, *a fortiori*, an assignment of part of the rights in the underlying work, the right to produce a movie version, must [216] also be unenforceable if the author dies before effecting renewal of the underlying copyright." 863 F.2d, at 1476. Finding further support in the legislative history of the 1909 Act and rejecting the *Robauer* court's reliance on the equities and the termination provisions of the 1976 Act, 17 U.S.C. §§ 203(b)(1), 304(c)(6)(A) the Court of Appeals concluded that petitioners received from Woolrich only an expectancy in the renewal rights that never matured; upon Woolrich's death, Woolrich's statutory successor, Chase Manhattan Bank, became "entitled to a renewal and extension of the copyright," which Chase Manhattan secured "within one year prior to the expiration of the original term of copyright." 17 U.S.C. § 24 (1976 ed.). Chase Manhattan then assigned the existing rights in the copyright to respondent.
- 36 The Court of Appeals also addressed at length the proper remedy, an issue not relevant to the issue on which we granted certiorari. We granted certiorari to resolve the conflict

between the decision in *Robauer, supra*, and the decision below. 493 U.S. 807, 110 S.Ct. 47, 107 L.Ed.2d 16 (1989). Petitioners do not challenge the Court of Appeals' determination that respondent's copyright in the renewal term is valid, and we express no opinion regarding the Court of Appeals' decision on this point.

II

A.

- 39 Petitioners would have us read into the Copyright Act a limitation on the statutorily created rights of the owner of an underlying work. They argue in essence that the rights of the owner of the copyright in the derivative use of the pre-existing work are extinguished once it is incorporated into the derivative work, assuming the author of the pre-existing work has agreed to assign his renewal rights. Because we find no support for such a curtailment of rights in either the 1909 Act or the 1976 Act, or in the legislative history of either, we affirm the judgment of the Court of Appeals.
- 40 [217] Petitioners and *amicus* Register of Copyrights assert, as the Court of Appeals assumed, that § 23 of the 1909 Act, and the case law interpreting that provision, directly control the disposition of this case. Respondent counters that the provisions of the 1976 Act control, but that the 1976 Act reenacted § 24 in § 304 and, therefore, the language and judicial interpretation of § 24 are relevant to our consideration of this case. Under either theory, we must look to the language of and case law interpreting § 24.
- 41 The right of renewal found in § 24 provides authors a second opportunity to obtain remuneration for their works. Section 24 provides:
- 42 "[T]he author of [a copyrighted] work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright." 17 U.S.C. § 24 (1976 ed.)
- 43 Since the earliest copyright statute in this country, the copyright term of ownership has been split between an original term and a renewal term. Originally, the renewal was intended merely to serve as an extension of the original term; at the end of the original term, the renewal could be effected and claimed by the author, if living, or by the author's executors, administrators, or assigns. See Copyright Act of May 31, 1790, ch. XV, § 1, 1 Stat. 124. In 1831, Congress altered the provision so that the author could assign his contingent interest in the renewal term, but could not, through his assignment, divest the rights of his widow or children in the renewal term. See Copyright Act of February 3, 1831, ch. XVI, 4 Stat. 436; see also G. Curtis, *Law of Copyright* 235 [218] (1847). The 1831 renewal provisions created "an entirely new policy, completely dis severing the title, breaking up the continuance . . . and vesting an absolutely new title eo nomine in the persons designated." *White-Smith Music Publishing Co. v. Goff*, 187 F. 247, 250 (CA1 1911).

In this way, Congress attempted to give the author a second chance to control and benefit from his work. Congress also intended to secure to the author's family the opportunity to exploit the work if the author died before he could register for the renewal term. See Bricker, *Renewal and Extension of Copyright*, 29 S.Cal.L.Rev. 23, 27 (1955) ("The renewal term of copyright is the law's second chance to the author and his family to profit from his mental labors"). "The evident purpose of [the renewal provision] is to provide for the family of the author after his death. Since the author cannot assign his family's renewal rights, [it] takes the form of a compulsory bequest of the copyright to the designated persons." *De Sylva v. Ballentine*, 351 U.S. 570, 582, 76 S.Ct. 974, 981, 100 L.Ed. 1415 (1956). See *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 651, 63 S.Ct. 773, 776, 87 L.Ed. 1055 (1943) (if at the end of the original copyright period, the author is not living, "his family stand[s] in more need of the only means of subsistence ordinarily left to them" (citation omitted)).

- 44 In its debates leading up to the Copyright Act of 1909, Congress elaborated upon the policy underlying a system comprised of an original term and a completely separate renewal term. See *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469, 471 (CA2) (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"), cert. denied, 342 U.S. 849, 72 S.Ct. 77, 96 L.Ed. 641 (1951). "It not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum." H.R.Rep. No. 2222, 60th Cong., 2d Sess., 14 (1909). The renewal term permits the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested. "[U]nlike real property and other forms of personal property, [a copyright] is by its very nature incapable of accurate monetary evaluation prior to its exploitation." 2 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 9.02, p. 9-23 (1989) (hereinafter Nimmer). "If the work proves to be a great success and lives beyond the term of twenty-eight years, . . . it should be the exclusive right of the author to take the renewal term, and the law should be framed . . . so that [the author] could not be deprived of that right." H.R.Rep. No. 2222, *supra*, at 14. With these purposes in mind, Congress enacted the renewal provision of the Copyright Act of 1909, 17 U.S.C. § 24 (1976 ed.). With respect to works in their original or renewal term as of January 1, 1978, Congress retained the two-term system of copyright protection in the 1976 Act. See 17 U.S.C. §§ 304(a) and (b) (1988 ed.) (incorporating language of 17 U.S.C. § 24 (1976 ed.)).
- 45 Applying these principles in *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373, 80 S.Ct. 792, 4 L.Ed.2d 804 (1960), this Court held that when an author dies before the renewal period arrives, his executor is entitled to the renewal rights, even though the author previously assigned his renewal rights to another party. "An assignment by an author of his renewal rights made before the original copyright expires is valid against the world, if the author is alive at the commencement of the renewal period. [*Fred*] *Fisher Co. v. [M.] Witmark & Sons*, 318 U.S. 643 [63 S.Ct. 773], so holds." *Id.*, 362 U.S., at 375, 80 S.Ct., at 794. If the author dies before that time, the "next of kin obtain the renewal copyright free of any claim founded upon an assignment made by the author in his lifetime. These results follow not because the author's assignment is invalid but because he had only an expectancy to assign; and his death, prior to the renewal period, terminates his interest in the renewal which by § 24 vests in the named classes." *Ibid.* The

legislative history of the 1909 Act echoes this view: "The right of renewal is contingent. It does not vest until the end [of the original term]."

- 46 [220] If [the author] is alive at the time of renewal, then the original contract may pass it, but his widow or children or other persons entitled would not be bound by that contract." 5 Legislative History of the 1909 Copyright Act, Part K, p. 77 (E. Brylawski & A. Goldman eds. 1976) (statement of Mr. Hale).[2] Thus, the renewal provisions were intended to give the author a second chance to obtain fair remuneration for his creative efforts and to provide the author's family a "new estate" if the author died before the renewal period arrived.
- 47 An author holds a bundle of exclusive rights in the copyrighted work, among them the right to copy and the right to incorporate the work into derivative works.[3] By assigning the renewal copyright in the work without limitation, as in *Miller Music*, the author assigns all of these rights. After *Miller Music*, if the author dies before the commencement of the renewal period, the assignee holds nothing. If the assignee of all of the renewal rights holds nothing upon the death of the assignor before arrival of the renewal period, [221] then, *a fortiori*, the assignee of a portion of the renewal rights, *e.g.*, the right to produce a derivative work, must also hold nothing. See also Brief for Register of Copyrights as *Amicus Curiae* 22 ("[A]ny assignment of renewal rights made during the original term is void if the author dies before the renewal period"). Therefore, if the author dies before the renewal period, then the assignee may continue to use the original work only if the author's successor transfers the renewal rights to the assignee. This is the rule adopted by the Court of Appeals below and advocated by the Register of Copyrights. See 863 F.2d, at 1478; Brief for Register of Copyrights as *Amicus Curiae* 22. Application of this rule to this case should end the inquiry. Woolrich died before the commencement of the renewal period in the story, and, therefore, petitioners hold only an unfulfilled expectancy. Petitioners have been "deprived of nothing. Like all purchasers of contingent interests, [they took] subject to the possibility that the contingency may not occur." *Miller Music*, *supra*, 362 U.S., at 378, 80 S.Ct., at 796.

B

- 49 The reason that our inquiry does not end here, and that we granted certiorari, is that the Court of Appeals for the Second Circuit reached a contrary result in *Robauer v. Killiam Shows, Inc.*, 551 F.2d 484 (1977). Petitioners' theory is drawn largely from *Robauer*. The Court of Appeals in *Robauer* attempted to craft a "proper reconciliation" between the owner of the pre-existing work, who held the right to the work pursuant to *Miller Music*, and the owner of the derivative work, who had a great deal to lose if the work could not be published or distributed. 551 F.2d, at 490. Addressing a case factually similar to this case, the court concluded that even if the death of the author caused the renewal rights in the pre-existing work to revert to the statutory successor, the owner of the derivative work could continue to exploit that work. The court reasoned that the 1976 Act and the relevant precedents did not preclude such a re [222] sult and that it was necessitated by a balancing of the equities:
- 50 "[T]he equities lie preponderantly in favor of the proprietor of the derivative copyright. In contrast to the situation where an assignee or licensee has done

nothing more than print, publicize and distribute a copyrighted story or novel, a person who with the consent of the author has created an opera or a motion picture film will often have made contributions literary, musical and economic, as great as or greater than the original author. . . . [T]he purchaser of derivative rights has no truly effective way to protect himself against the eventuality of the author's death before the renewal period since there is no way of telling who will be the surviving widow, children or next of kin or the executor until that date arrives." *Id.*, at 493.

- 51 The Court of Appeals for the Second Circuit thereby shifted the focus from the right to use the pre-existing work in a derivative work to a right inhering in the created derivative work itself. By rendering the renewal right to use the original work irrelevant, the court created an exception to our ruling in *Miller Music* and, as petitioners concede, created an "intrusion" on the statutorily created rights of the owner of the pre-existing work in the renewal term. Brief for Petitioners 33.
- 52 Though petitioners do not, indeed could not, argue that its language expressly supports the theory they draw from *Robauer*, they implicitly rely on § 6 of the 1909 Act, 17 U.S.C. § 7 (1976 ed.), which states that "dramatizations . . . of copyrighted works when produced with the consent of the proprietor of the copyright in such works . . . shall be regarded as new works subject to copyright under the provisions of this title." Petitioners maintain that the creation of the "new," *i.e.*, derivative, work extinguishes any right the owner of rights in the pre-existing work might have had to sue for infringement that occurs during the renewal term.
- 53 [223] We think, as stated in *Nimmer*, that "[t]his conclusion is neither warranted by any express provision of the Copyright Act, nor by the rationale as to the scope of protection achieved in a derivative work. It is moreover contrary to the axiomatic copyright principle that a person may exploit only such copyrighted literary material as he either owns or is licensed to use." 1 *Nimmer* § 3.07[A], pp. 3-23 to 3-24 (footnotes omitted). The aspects of a derivative work added by the derivative author are that author's property, but the element drawn from the pre-existing work remains on grant from the owner of the pre-existing work. See *Russell v. Price*, 612 F.2d 1123, 1128 (CA9 1979) (reaffirming "well-established doctrine that a derivative copyright protects only the new material contained in the derivative work, not the matter derived from the underlying work"), cert. denied, 446 U.S. 952, 100 S.Ct. 2919, 64 L.Ed.2d 809 (1980); see also *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 547, 105 S.Ct. 2218, 2223, 85 L.Ed.2d 588 (1985) ("The copyright is limited to those aspects of the work termed 'expression'—that display the stamp of the author's originality"). So long as the pre-existing work remains out of the public domain, its use is infringing if one who employs the work does not have a valid license or assignment for use of the pre-existing work. *Russell v. Price*, *supra*, at 1128 ("[E]stablished doctrine prevents unauthorized copying or other infringing use of the underlying work or any part of that work contained in the derivative product so long as the underlying work itself remains copyrighted"). It is irrelevant whether the pre-existing work is inseparably intertwined with the derivative work. See *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 20 (CA2 1976) ("[C]opyright in the underlying script survives intact despite the incorporation of that work into a derivative work"). Indeed, the plain language of § 7 supports the view that the full force of the copyright in the pre-

existing work is preserved despite incorporation into the derivative work. See 17 U.S.C. § 7 (1976 ed.) (publication of the derivative work "shall not affect the force or validity of [224] any subsisting copyright upon the matter employed"); see also 17 U.S.C. § 3 (1976 ed.) (copyright protection of a work extends to "all matter therein in which copyright is already subsisting, but without extending the duration or scope of such copyright"). This well-settled rule also was made explicit in the 1976 Act:

54 "The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the pre-existing material." 17 U.S.C. § 103(b).

55 See also B. Ringer, *Renewal of Copyright* (1960), reprinted as *Copyright Law Revision Study No. 31*, prepared for the Senate Committee on the Judiciary, 86th Cong., 2d. Sess., 169-170 (1961) ("[O]n the basis of judicial authority, legislative history, and the opinions of the commentators, . . . someone cannot avoid his obligations to the owner of a renewal copyright merely because he created and copyrighted a 'new version' under a license or assignment which terminated at the end of the first term") (footnotes omitted).

56 Properly conceding there is no explicit support for their theory in the 1909 Act, its legislative history, or the case law, petitioners contend, as did the court in *Robauer*, that the termination provisions of the 1976 Act, while not controlling, support their theory of the case. For works existing in their original or renewal terms as of January 1, 1978, the 1976 Act added 19 years to the 1909 Act's provision of 28 years of initial copyright protection and 28 years of renewal protection. See 17 U.S.C. §§ 304(a) and (b). For those works, the author has the power to terminate the grant of rights at the end of the renewal term and, therefore, to gain the benefit of that additional 19 years of protection. See [225] § 304(c). In effect, the 1976 Act provides a third opportunity for the author to benefit from a work in its original or renewal term as of January 1, 1978. Congress, however, created one exception to the author's right to terminate: The author may not, at the end of the renewal term, terminate the right to use a derivative work for which the owner of the derivative work has held valid rights in the original and renewal terms. See § 304(c)(6)(A). The author, however, may terminate the right to create new derivative works. *Ibid.* For example, if petitioners held a valid copyright in the story throughout the original and renewal terms, and the renewal term in "Rear Window" were about to expire, petitioners could continue to distribute the motion picture even if respondent terminated the grant of rights, but could not create a new motion picture version of the story. Both the court in *Robauer* and petitioners infer from this exception to the right to terminate an intent by Congress to prevent authors of pre-existing works from blocking distribution of derivative works. In other words, because Congress decided not to permit authors to exercise a third opportunity to benefit from a work incorporated into a derivative work, the Act expresses a general policy of undermining the author's second opportunity. We disagree.

57 The process of compromise between competing special interests leading to the enactment of the 1976 Act undermines any such attempt to draw an overarching policy out of §

304(c)(6)(A), which only prevents termination with respect to works in their original or renewal copyright terms as of January 1, 1978, and only at the end of the renewal period. See Ringer, First Thoughts on the Copyright Act of 1976, 13 Copyright 187, 188-189 (1977) (each provision of 1976 Act was drafted through series of compromises between interested parties). More specifically, § 304(c)

58 "was part of a compromise package involving the controversial and intertwined issues of initial ownership, duration of copyright, and reversion of rights. The Regis [226] ter, convinced that the opposition . . . would scuttle the proposed legislation, drafted a number of alternative proposals. . . .

"Finally, the Copyright Office succeeded in urging negotiations among representatives of authors, composers, book and music publishers, and motion picture studios that produced a compromise on the substance and language of several provisions. . . .

"Because the controversy surrounding the provisions disappeared once the parties reached a compromise, however, Congress gave the provisions little or no detailed consideration. . . . Thus, there is no evidence whatsoever of what members of Congress believed the language to mean." Litman, Copyright, Compromise, and Legislative History, 72 Cornell L. Rev. 857, 865-868 (1987) (footnotes omitted).

59 In fact, if the 1976 Act's termination provisions provide any guidance at all in this case, they tilt against petitioners' theory. The plain language of the termination provision itself indicates that Congress assumed that the owner of the pre-existing work possessed the right to sue for infringement even after incorporation of the pre-existing work in the derivative work.

60 "A derivative work *prepared* under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant." § 304(c)(6)(A) (emphasis added).

61 Congress would not have stated explicitly in § 304(c)(6)(A) that, at the end of the renewal term, the owner of the rights in the pre-existing work may not terminate use rights in existing derivative works unless Congress had assumed that [227] the owner continued to hold the right to sue for infringement even after incorporation of the pre-existing work into the derivative work. Cf. *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 164, 105 S.Ct. 638, 645, 83 L.Ed.2d 556 (1985) (§ 304(c)(6)(A) "carves out an exception from the reversion of rights that takes place when an author exercises his right to termination").

62 Accordingly, we conclude that neither the 1909 Act nor the 1976 Act provides support for the theory set forth in *Robauer*. And even if the theory found some support in the statute or the legislative history, the approach set forth in *Robauer* is problematic. Petitioners characterize the result in *Robauer* as a bright-line "rule." The Court of Appeals in *Robauer*, however, expressly implemented policy considerations as a means of reconciling what it viewed as the competing interests in that case. See 551 F.2d, at 493-

494. While the result in *Robauer* might make some sense in some contexts, it makes no sense in others. In the case of a condensed book, for example, the contribution by the derivative author may be little, while the contribution by the original author is great. Yet, under the *Robauer* "rule," publication of the condensed book would not infringe the pre-existing work even though the derivative author has no license or valid grant of rights in the pre-existing work. See Brief for Committee for Literary Property Studies as *Amicus Curiae* 29-31; see also Brief for Songwriters Guild of America as *Amicus Curiae* 11-12 (policy reasons set forth in *Robauer* make little sense when applied to musical compositions). Thus, even if the *Robauer* "rule" made sense in terms of policy in that case, it makes little sense when it is applied across the derivative works spectrum. Indeed, in the view of the commentators, *Robauer* did not announce a "rule," but rather an "interest-balancing approach." See Jaszi, *When Works Collide: Derivative Motion Pictures, Underlying Rights, and the Public Interest*, 28 *UCLA L.Rev.* 715, 758-761 (1981); Note, *Derivative Copyright and the 1909 [228] Act—New Clarity or Confusion?*, 44 *Brooklyn L.Rev.* 905, 926-927 (1978).

- 63 Finally, petitioners urge us to consider the policies underlying the Copyright Act. They argue that the rule announced by the Court of Appeals will undermine one of the policies of the Act—the dissemination of creative works—by leading to many fewer works reaching the public. *Amicus* Columbia Pictures asserts that "[s]ome owners of underlying work renewal copyrights may refuse to negotiate, preferring instead to retire their copyrighted works, and all derivative works based thereon, from public use. Others may make demands—like respondent's demand for 50% of petitioners' future gross proceeds in excess of advertising expenses . . . which are so exorbitant that a negotiated economic accommodation will be impossible." Brief for Columbia Pictures et al. as *Amici Curiae* 21. These arguments are better addressed by Congress than the courts.
- 64 In any event, the complaint that respondent's monetary request in this case is so high as to preclude agreement fails to acknowledge that an initially high asking price does not preclude bargaining. Presumably, respondent is asking for a share in the proceeds because he wants to profit from the distribution of the work, not because he seeks suppression of it.
- 65 Moreover, although dissemination of creative works is a goal of the Copyright Act, the Act creates a balance between the artist's right to control the work during the term of the copyright protection and the public's need for access to creative works. The copyright term is limited so that the public will not be permanently deprived of the fruits of an artist's labors. See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 429, 104 S.Ct. 774, 782, 78 L.Ed.2d 574 (1984) (the limited monopoly conferred by the Copyright Act "is intended to motivate creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired"). But nothing in the copyright statutes would [229] prevent an author from hoarding all of his works during the term of the copyright. In fact, this Court has held that a copyright owner has the capacity arbitrarily to refuse to license one who seeks to exploit the work. See *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127, 52 S.Ct. 546, 547, 76 L.Ed. 1010 (1932).

- 66 The limited monopoly granted to the artist is intended to provide the necessary bargaining capital to garner a fair price for the value of the works passing into public use. See *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S., at 546, 105 S.Ct., at 2223 ("The rights conferred by copyright are designed to assure contributors to the store of knowledge a fair return for their labors"); Register of Copyrights, Copyright Law Revision, 87th Cong., 1st Sess., 6 (Comm.Print 1961) ("While some limitations and conditions on copyright are essential in the public interest, they should not be so burdensome and strict as to deprive authors of their just reward. . . . [T]heir rights should be broad enough to give them a fair share of the revenue to be derived from the market for their works"). When an author produces a work which later commands a higher price in the market than the original bargain provided, the copyright statute is designed to provide the author the power to negotiate for the realized value of the work. That is how the separate renewal term was intended to operate. See Ringer, *Renewal of Copyright* (1960), reprinted as Copyright Law Revision Study No. 31, prepared for the Senate Committee on the Judiciary, 86th Cong., 2d. Sess., 125 (1961) ("Congress wanted to give [the author] an opportunity to benefit from the success of his work and to renegotiate disadvantageous bargains . . . made at a time when the value of the work [wa]s unknown or conjectural and the author . . . necessarily in a poor bargaining position"). At heart, petitioners' true complaint is that they will have to pay more for the use of works they have employed in creating their own works. But such a result was contemplated by Congress and is consistent with the goals of the Copyright Act.
- 67 [230] With the Copyright Act of 1790, Congress provided an initial term of protection plus a renewal term that did not survive the author. In the Copyright Act of 1831, Congress devised a completely separate renewal term that survived the death of the author so as to create a "new estate" and to benefit the author's family, and, with the passage of the 1909 Act, his executors. See *supra*, at 217-219. The 1976 Copyright Act provides a single, fixed term, but provides an inalienable termination right. See 17 U.S.C. §§ 203, 302. This evolution of the duration of copyright protection tellingly illustrates the difficulties Congress faces in attempting to "secur[e] for limited Times to Authors . . . the exclusive Right to their respective Writings." U.S. Const., Art. I, § 8, cl. 8. Absent an explicit statement of congressional intent that the rights in the renewal term of an owner of a pre-existing work are extinguished upon incorporation of his work into another work, it is not our role to alter the delicate balance Congress has labored to achieve.[...]

III

- 87 Petitioners assert that even if their use of "It Had to Be Murder" is unauthorized, it is a fair use and, therefore, not infringing. At common law, "the property of the author . . . in his intellectual creation [was] absolute until he voluntarily part[ed] with the same." *American Tobacco Co. v. Werckmeister*, 207 U.S. 284, 299, 28 S.Ct. 72, 77, 52 L.Ed. 208 (1907). The fair use doctrine, which is incorporated into the 1976 Act, evolved in response to this absolute rule. See *Harper & Row*, 471 U.S., at 549-551, 105 S.Ct., at 2224-2226. The doctrine is an "'equitable rule of reason,'" *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S., at 448, 104 S.Ct., at 792, which "permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster." *Iowa State University Research Foundation, Inc. v. American Broadcasting Cos.*, 621 F.2d 57, 60 (CA2 1980). Petitioners contend that the fair

use doctrine should be employed in this case to "avoid [a] rigid applicatio[n] of the Copyright Act." Brief for Petitioners 42.

88 In 17 U.S.C. § 107, Congress provided examples of fair use, *e.g.*, copying "for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research," and listed four [237] nonexclusive factors that a court must consider in determining whether an unauthorized use is not infringing:

89 "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

"(2) the nature of the copyrighted work;

"(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

"(4) the effect of the use upon the potential market for or value of the copyrighted work."

90 The Court of Appeals determined that the use of Woolrich's story in petitioners' motion picture was not fair use. We agree. The motion picture neither falls into any of the categories enumerated in § 107 nor meets the four criteria set forth in § 107. "[E]very [unauthorized] commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Sony Corp. of America v. Universal Studios, Inc.*, *supra*, 464 U.S., at 451, 104 S.Ct., at 793. Petitioners received \$12 million from the re-release of the motion picture during the renewal term. 863 F.2d, at 1468. Petitioners asserted before the Court of Appeals that their use was educational rather than commercial. The Court of Appeals found nothing in the record to support this assertion, nor do we.

91 Applying the second factor, the Court of Appeals pointed out that "[a] use is less likely to be deemed fair when the copyrighted work is a creative product." 863 F.2d, at 1481 (citing *Brewer v. Hustler Magazine, Inc.*, 749 F.2d 527, 529 (CA9 1984)). In general, fair use is more likely to be found in factual works than in fictional works. See 3 Nimmer § 13.05[A], pp. 13-77 to 13-78 ("[A]pplication of the fair use defense [is] greater . . . in the case of factual works than in the case of works of fiction or fantasy"); cf. *Harper & Row*, 471 U.S., at 563, 105 S.Ct., at 2232 ("The law generally recognizes a greater need to disseminate factual works than works of fiction or fan tasy").

92 [238] A motion picture based on a fictional short story obviously falls into the latter category.

93 Examining the third factor, the Court of Appeals determined that the story was a substantial portion of the motion picture. See 471 U.S., at 564-565, 105 S.Ct., at 2232-2233 (finding unfair use where quotation from book " 'took what was essentially the heart of the book' "). The motion picture expressly uses the story's unique setting, characters, plot, and sequence of events. Petitioners argue that the story constituted only 20% of the motion picture's story line, Brief for Petitioners 40, n. 69, but that does not mean that a substantial portion of the story was not used in the motion picture. "[A] taking may not

be excused merely because it is insubstantial with respect to the *infringing* work." *Harper & Row, supra*, at 565, 105 S.Ct., at 2233.

- 94 The fourth factor is the "most important, and indeed, central fair use factor." 3 Nimmer § 13.05[A], p. 13-81. The record supports the Court of Appeals' conclusion that re-release of the film impinged on the ability to market new versions of the story. Common sense would yield the same conclusion. Thus, all four factors point to unfair use. "This case presents a classic example of an unfair use: a commercial use of a fictional story that adversely affects the story owner's adaptation rights." 863 F.2d, at 1482.
- 95 For the foregoing reasons, the judgment of the Court of Appeals is affirmed, and the case is remanded for further proceedings consistent with this opinion.
- 96 *It is so ordered.*

[Notes:]

- 132 [1] The Copyright Act of 1976 (1976 Act), 17 U.S.C. § 101 *et seq.* (1988 ed.), codified the definition of a " 'derivative work,' " as "a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version . . . or any other form in which a work may be recast, transformed, or adapted." § 101.
- 133 [2] Neither *Miller Music* nor *Fred Fisher* decided the question of when the renewal rights vest, *i.e.*, whether the renewal rights vest upon commencement of the registration period, registration, or the date on which the original term expires and the renewal term begins. We have no occasion to address the issue here [...]