

United States Court of Appeals, Ninth Circuit.

Waverly Scott KAFFAGA, as Executrix of the Estate
of Elaine Anderson Steinbeck, Plaintiff-Appellee,

v.

The ESTATE OF Thomas STEINBECK, Gail Knight
Steinbeck, and The Palladin Group, Inc., Defendants-
Appellants.

No. 18-55336

Argued and Submitted August 6, 2019 Anchorage,
Alaska Filed September 9, 2019

Attorneys and Law Firms

Matthew J. Dowd (argued), Dowd Scheffel PLLC,
Washington, D.C.; Matthew I. Berger, Matthew I.
Berger Law Group, Santa Barbara, California; for
Defendants-Appellants.

Susan J. Kohlmann (argued), Alison I. Stein, and
Brittany R. Lamb, Jenner & Block LLP, New York,
New York; Andrew J. Thomas, Jenner & Block LLP,
Los Angeles, California; for Plaintiff-Appellee.

Appeal from the United States District Court for the
Central District of California, Terry J. Hatter, Jr.,
District Judge, Presiding, D.C. No. 2:14-cv-08699-TJH-
FFM

Before: Richard C. Tallman, Sandra S. Ikuta, and N.
Randy Smith, Circuit Judges.

OPINION

TALLMAN, Circuit Judge:

PROLOGUE

“This ‘suit has, in course of time, become so complicated, that ... no two ... lawyers can talk about it for five minutes, without coming to a total disagreement as to all the premises. Innumerable children have been born into the cause: innumerable young people have married into it;’ and, sadly, the original parties ‘have died out of it.’ A ‘long procession of [judges] has come in and gone out’ during that time, and still the suit ‘drags its weary length before the Court.’”

Stern v. Marshall, 564 U.S. 462, 468, 131 S.Ct. 2594, 180 L.Ed.2d 475 (2011) (Roberts, C.J.) (quoting Charles Dickens, *Bleak House*, in 1 Works of Charles Dickens 4–5 (1891)). “Those words were not written about this case ... but they could have been.” *Id.*

Appellants Gail Knight Steinbeck (“*Gail*”), the Estate of Thomas Steinbeck (to which she is executrix), and The Palladin Group, Inc. (“*Palladin*”) (which she owns and controls) (collectively, “*Defendants*”), have vowed they will not stop litigating their interests in profiting from John Steinbeck’s literary works until Gail draws her “last breath.” The parties (and their predecessors in interest) have been litigating over the bequests in John Steinbeck’s will and the changes in copyright laws as they impact on rights to his intellectual property for almost half of a century. Most notably, the parties have repeatedly disputed the

meaning and validity of a 1983 settlement agreement (the “1983 Agreement”) entered between Elaine Steinbeck (“*Elaine*”), the widow of John Steinbeck, and Thomas Steinbeck (“*Thom*”) and John Steinbeck IV (“*John IV*,” collectively with Thom, his “*Sons*”), and their rights to control and profit from the various John Steinbeck books.

In this latest round, a federal jury in Los Angeles unanimously awarded Waverly Kaffaga (“*Kaffaga*” or “*Plaintiff*”), as executrix of Elaine’s estate, approximately \$5.25 million in compensatory damages for slander of title, breach of contract, and tortious interference with economic advantage, and \$7.9 million in punitive damages against Defendants. On appeal, Defendants argue, among other things, that (1) prior litigation related to the 1983 Agreement did not decide whether Defendants had termination rights under 1998 amendments to U.S. copyright laws, (2) the district court improperly excluded evidence *1010 relating to Defendants’ intent, which they raised as a defense to intentional interference with Kaffaga’s efforts to negotiate movie rights to Steinbeck works and punitive damages, (3) the punitive damages award was not supported by meaningful evidence of Gail’s financial condition and was excessive under California law, and (4) the compensatory damages awarded were duplicative and speculative.

We have jurisdiction under 28 U.S.C. § 1291. We affirm the compensatory damages award and vacate and remand with instructions to dismiss the punitive damages claims against Gail.

CHAPTER I

“There ain’t no sin and there ain’t no virtue. There’s just stuff people do. It’s all part of the same thing. And some of the things folks do is nice, and some ain’t nice, but that’s as far as any man got a right to say.” John Steinbeck, *The Grapes of Wrath* 23 (2002).

During his lifetime, John Steinbeck registered and renewed the copyrights to his works, including *The Grapes of Wrath*, *Of Mice and Men*, *East of Eden*, and *The Pearl*, so that they were protected by the version of the Copyright Act in effect at the time. When John Steinbeck died in 1968, he left his interests in his works to his third wife, Elaine. The Sons, John’s by a previous marriage, each received a \$50,000 gift in a trust, which, according to Gail, was “pretty substantial money for two boys just coming back from Vietnam.”

The Sons later acquired an interest in some of Steinbeck’s later works¹ when the interests had to be renewed. *See* 17 U.S.C. § 304(a)(1)(C). To try to resolve their competing interests Elaine and the Sons entered into an agreement in 1974 (the “*1974 Agreement*”) that provided Elaine would receive 50 percent of the domestic royalties to the works, and the Sons would each receive 25 percent.

In 1976, Congress amended the Copyright Act. One of the amendments created termination rights² for certain heirs with respect to certain categories of works. *See* Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (effective 1978). If the work is subject to termination under the Copyright Act, § 304(c)(5) indicates that termination “may be effected

notwithstanding any agreement to the contrary.” 17 U.S.C. § 304(c)(5); *see also* 17 U.S.C. § 304(d)(1) (providing for termination under the same circumstances).

In 1981, following the amendments to the Copyright Act, the Sons sued Elaine in the United States District Court for the Southern District of New York contesting the 1974 Agreement and accusing Elaine of fraud. *John Steinbeck, IV and Thom Steinbeck v. Elaine Steinbeck*, No. 81 Civ. 6105 (S.D.N.Y. Dec. 8, 1982). The parties entered into the 1983 Agreement to settle the dispute.

The 1983 Agreement provided that the Sons would receive an increased share of the royalties from the works—one third each, rather than a quarter. In exchange, Elaine received “complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights” in the works.

In 1995, Thom married Gail. The couple thereafter formed Palladin, a management and production company in Los Angeles.³ In 2003, Elaine passed away. Pursuant to the 1983 Agreement, her daughter, Waverly Kaffaga, as executrix of Elaine’s estate, stepped into Elaine’s shoes as successor under the 1983 Agreement.

In 1998, Congress again amended the Copyright Act. These amendments added an additional termination right, exercisable during a five-year window opening 75 years after the first publication of a

copyrighted work. See Pub. L. No. 105-298, 112 Stat. 2827 (1998).

In 2004, Thom and Blake sued Kaffaga and others involved in publishing the works in the Southern District of New York (and Kaffaga and the publishers countersued), which resulted in numerous decisions by both the district court there and the United States Court of Appeals for the Second Circuit (the “*New York Litigation*”). The parties (and others) have been litigating their rights under the 1983 Agreement ever since. See, e.g., *Steinbeck v. McIntosh & Otis, Inc.*, 433 F. Supp. 2d 395 (S.D.N.Y. 2006), *rev’d sub nom. Penguin Grp. (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008); *Steinbeck v. McIntosh & Otis, Inc.*, No. 04 CV 5497 (GBD), 2009 WL 928189 (S.D.N.Y. Mar. 31, 2009), *aff’d sub nom. Steinbeck v. Steinbeck Heritage Found.*, 400 F. App’x 572 (2d Cir. 2010), *cert. denied*, 564 U.S. 1012, 131 S.Ct. 2991, 180 L.Ed.2d 836 (2011). Relevant here, the Second Circuit concluded that the 1983 Agreement was a valid and enforceable agreement, which “forecloses any argument that the parties intended the [Sons] to retain control over Elaine[’s] exercise of the authority conferred upon her.” 400 F. App’x at 575.

Despite their losses at the Second Circuit, the plain language of the 1983 Agreement, and a stipulated judgment they signed forgoing all further litigation, Thom and Blake continued spending time and treasure asserting rights courts had already told them they did not have. In 2014, they sued Kaffaga and others in the United States District Court for the Central District of California seeking, among other things, 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.

The district court in Los Angeles (Hon. Terry Hatter) dismissed Thom and Blake’s case in 2015, holding that their claims were precluded by the doctrine of collateral estoppel because the Second Circuit had conclusively determined that the 1983 Agreement was valid and enforceable.

In November 2017, we affirmed the district court’s 2015 ruling in Thom and Blake’s case, holding in no uncertain terms that all issues presented on appeal were barred by collateral estoppel. *Steinbeck v. Kaffaga*, 702 F. App’x 618, 619–20 (9th Cir. 2017). We concluded that the Second Circuit “squarely held” that the 1983 Agreement is valid and enforceable, and “[t]he district court correctly concluded that the Sons already have fully litigated whether they have a right to issue and exploit copyright terminations of Steinbeck’s works, and that the prior litigation held that the Sons do not have those rights.” *Id.* Thus, Thom and Blake’s arguments to the contrary were precluded. *See id.*

CHAPTER II

“An unbelieved truth can hurt a man much more than a lie.” John Steinbeck, *East of Eden* 264 (1992).

In 2014, after Thom and Blake brought their action that was dismissed in 2015 and affirmed on appeal, Kaffaga countersued by filing this case in the Central District of California. She alleged breaches of

the 1983 Agreement, slander of title, and tortious interference with economic advantage in the time since the New York Litigation had ended, and she sought punitive damages. Among other things, Kaffaga alleged that Defendants had continued to attempt to assert various rights in Steinbeck works despite their previous court losses establishing they had no such rights. Those attempts led to multiple Hollywood producers abandoning negotiations with Kaffaga to develop screenplays for, among other things, a remake of *The Grapes of Wrath* and *East of Eden* involving highly successful movie producers and well-known actors.

Judge Hatter granted Kaffaga summary judgment on her breach of contract and slander of title claims and left the resolution of contested facts regarding the tortious interference claims for the jury to decide.

In the summer of 2017, Judge Hatter ruled on motions in limine. Judge Hatter granted Kaffaga's motion to preclude evidence and argument related to issues decided by prior courts without prejudice to Defendants' filing a motion in limine to introduce such evidence that could otherwise be shown to be relevant and not amounting to relitigation. The court later denied Defendants' motion in limine to permit certain subsets of that evidence and argument related to the prior litigation, reiterating that the New York Litigation had established that "the 1983 Agreement bound the parties' heirs, successors, and assigns." Prior to trial, the district court also struck defenses Defendants argued were applicable to the tortious

interference claims as precluded by the prior decisions in this litigation.

Beginning on August 29, 2017, the district court conducted a five-day jury trial with 13 witnesses, including Thom (by video deposition) and Gail, and the admission of 78 exhibits. The court sustained several objections to testimony by Gail related to her justification for contacting various producers or attempting to compete with Kaffaga in negotiating with Hollywood studios the disputed control of rights in various John Steinbeck works, including her contrary understanding of the previous court decisions. Certain testimony and documents about Gail's and Thom's reasoning and understanding of the 1983 Agreement and the prior court decisions were nonetheless permitted at trial and not stricken, including testimony conveying their lack of respect for the previous adverse court decisions.

After careful and correct instruction by the district court on all issues in the case, the jury unanimously found for Kaffaga on the remaining claims and awarded \$13.15 million in compensatory and punitive damages against Defendants:

- \$1.3 million for Kaffaga's breach of contract claim;
- \$1.3 million for Kaffaga's slander of title claim;
- \$2.65 million for Kaffaga's intentional interference of prospective economic advantage claim; and

- \$7.9 million for punitive damages, including \$5.925 million against Gail individually.

In February 2018, after the jury had spoken, the district court denied Defendants’ motion for judgment as a matter of law, new trial, and/or remittitur. It held that judgment as a matter of law and a new trial were inappropriate because the jury’s verdict was reasonable and supported by substantial evidence. The court also denied remittitur because it was “not convinced that the jury should have *1013 reached a different verdict or that the verdict reached was improper.”

CHAPTER III

“There’s more beauty in truth, even if it is dreadful beauty.” John Steinbeck, *East of Eden* 360 (1992).

We review the granting of summary judgment de novo. *Ford v. City of Yakima*, 706 F.3d 1188, 1192 (9th Cir. 2013) (per curiam). We review evidentiary rulings for abuse of discretion and only reverse if any abuse was prejudicial. *Nevada Dep’t of Corr. v. Greene*, 648 F.3d 1014, 1018 (9th Cir. 2011); *Ruvalcaba v. City of Los Angeles*, 64 F.3d 1323, 1328 (9th Cir. 1995) (reversal only when an erroneous evidentiary ruling “substantially prejudiced” a party).

We review a jury’s verdict, including compensatory and punitive damages awards, for substantial evidence. *In re Exxon Valdez*, 270 F.3d 1215, 1247–48 (9th Cir. 2001) (compensatory damages);

Fair Hous. of Marin v. Combs, 285 F.3d 899, 907 (9th Cir. 2002) (punitive damages).

Denial of a motion for new trial and remittitur are reviewed for abuse of discretion. See Martin v. Cal. Dep't of Veterans Affairs, 560 F.3d 1042, 1046 (9th Cir. 2009). Denials of motions for judgment as a matter of law are reviewed de novo. See Dunlap v. Liberty Nat. Prods., Inc., 878 F.3d 794, 797 (9th Cir. 2017). We must avoid reversing a jury verdict for lack of evidence or alleged double recovery if the verdict is capable of a “correct interpretation” that is not illegal, and if the verdict is not “hopelessly ambiguous.” Roby v. McKesson Corp., 47 Cal.4th 686, 101 Cal.Rptr.3d 773, 219 P.3d 749, 760 (2009), *modified*, (Feb. 10, 2010); Flores v. City of Westminster, 873 F.3d 739, 751–52 (9th Cir. 2017), *cert. denied sub nom. Hall v. Flores*, — U.S. —, 138 S. Ct. 1551, 200 L.Ed.2d 742 (2018).

CHAPTER IV

“Can it be that haters of clarity have nothing to say, have observed nothing, have no clear picture of even their own fields?” John Steinbeck, *The Log from the Sea of Cortez* 62 (1995).

We previously held in 2017, in affirming the dismissal of Thom and Blake’s suit concerning the rights allocated in the 1983 Agreement, that “the parties have already litigated the precise issues raised in this suit ‘*ad nauseum*’ in the Second Circuit” and that “[t]he district court correctly concluded that the Sons already have fully litigated whether they have a right to issue and exploit copyright terminations of

Steinbeck's works.”⁴ Steinbeck v. Kaffaga, 702 F. App'x at 619–20. Defendants' arguments in this case (Kaffaga's suit) were squarely before us in the earlier case (Thom and Blake's suit), and we held that all of defendants' arguments there were precluded by the decisions of the Second Circuit. *See id.*; *see also* Dkt. No. 40-1 at 7, 18. In the most recent trial in August 2017, the district court's summary judgment and evidentiary rulings were consistent with our prior holding. Those decisions were correct, and we will not revisit them here. Whether a prior disposition is published or unpublished is of no consequence—unpublished decisions have the same preclusive effect. *See 9th Cir. R. 36-3* (unpublished dispositions and orders are precedent for the purposes of *1014 the doctrine of law of the case or rules of claim preclusion or issue preclusion).

Therefore, we affirm the orders granting summary judgment and striking Defendants' defenses to tortious interference on grounds of collateral estoppel. It follows that the district court's decisions to exclude evidence related to Defendants' different understanding of the 1983 Agreement or the validity of prior court decisions were not abuses of the trial court's discretion. In any event, the record indicates that the district court allowed Gail to testify about her understanding of the 1983 Agreement and the Copyright Act at trial.

Defendants must now stop attempting to relitigate the validity and enforceability of the 1983 Agreement, including whether it is an “agreement to the contrary,” and their understanding of the 1983 Agreement and the plethora of court decisions

interpreting it. They must also stop representing to the marketplace that they have any intellectual property rights or control over John Steinbeck's works. The 1983 Agreement vests those control rights exclusively in Kaffaga, as successor to her mother Elaine, and is enforceable according to its terms. Various federal courts, including this one, have repeatedly affirmed Elaine and Kaffaga's exclusive control. This has to end. We cannot say it any clearer.

CHAPTER V

“And now that you don't have to be perfect, you can be good.” John Steinbeck, *East of Eden* 585 (1992).

We affirm the jury's compensatory damages award on all causes of action in the clearly written and fully answered special verdict form because they are supported by substantial evidence. See *In re Exxon Valdez*, 270 F.3d at 1247–48. The evidence of damages attributed by the jury to each cause of action was sufficiently separate and non-duplicative under California law. *Roby*, 101 Cal.Rptr.3d 773, 219 P.3d at 760; see also *Flores*, 873 F.3d at 752 (holding there was not impermissible double recovery from multiple defendants and affirming the jury verdict where substantial evidence permitted “a correct interpretation” of the jury's verdict that avoided finding double recovery). And we presume that the jury followed the district court's thorough and clear instructions to avoid double recovery. See *United States v. Johnson*, 767 F.3d 815, 824 (9th Cir. 2014).

Defendants point to circumstantial evidence that the verdict is reversible as double recovery under *Khoury*

v. Maly's of Cal., Inc. See 14 Cal.App.4th 612, 17 Cal. Rptr. 2d 708, 712 (1993) (rejecting tortious interference and breach of contract as separate causes of action that would lead to double recovery for the same harm). It is true that because the district court granted summary judgment on Plaintiff's breach of contract and slander of title causes of action here, the jury was only asked specific factual questions about tortious interference and reached \$2.65 million in total tortious interference damages. The special verdict form then asked more generally about damages for breach and slander because the court had granted summary judgment on those claims. The jury answered by giving identical sums of \$1.3 million to each. 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.

But suspicion of double recovery is not enough to reverse a jury's verdict, and this case is distinguishable from *Khoury*. See *id.* at 711 ("sole alleged [tortious] conduct of [the defendant] was the breach of contract" (emphasis added)); see also *1015 *Walker v. Signal Cos., Inc.*, 84 Cal.App.3d 982, 149 Cal. Rptr. 119, 125 (1978) (impermissible double recovery where *no separate evidence* supported distinct awards for damages in contract and tort). As an initial matter, *Khoury* was at the motion to dismiss stage; it did not overturn a jury verdict. Moreover, Kaffaga presented evidence of tactics or actions that violated the 1983 Agreement that were not independently tortious, like Gail's attempting to negotiate separately for her own piece of option deals. And the jury heard evidence of Defendants' separate, tortious conduct such as lying, meddling, slandering, and threatening litigation to

harm Kaffaga and Elaine's estate. *Cf. Roby*, 101 Cal.Rptr.3d 773, 219 P.3d at 759–60 (new trial required because even the plaintiff's proposed approach to interpreting the verdict so as to avoid double recovery created "an inconsistency" in the amounts actually awarded, and the plaintiff admitted there was "no evidence of an act of discrimination that [wa]s separate from her failure-to-accommodate and wrongful-termination claims").

The district court here carefully cited the facts it believed supported breach of contract "and/or" slander of title to the jury, such as Gail's statements (1) to the Executive Vice President of Business Affairs at DreamWorks that he "should read this attachment very carefully before you decide to make a deal with the Scott family alone" because "the two-thirds owners of that copyright want to make a deal with you" and "give you the chain of title you need"; (2) that the adaptation of *The Pearl* is one of "a few current projects for which we control the underlying rights"; and (3) to a third party concerning an *East of Eden* movie deal that Kaffaga's agent did not represent Gail and Thom "on a copyright termination because it created a brand new set of rights," that someone at the studio needed to call her in relation to "who is out there marketing the brand and 'new set of rights' because somebody could get in trouble," and she and Thom "don't want that to happen."

Therefore, the record contains substantial evidence to support the awards on each cause of action independently, especially giving deference to the jury's verdict. See *McCollough v. Johnson, Rodenburg & Lawinger, LLC*, 637 F.3d 939, 955 (9th Cir. 2011); see

also Tavaglione v. Billings, 4 Cal.4th 1150, 17 Cal.Rptr.2d 608, 847 P.2d 574, 580 (1993) (in bank) (“[W]here separate items of compensable damage are shown by distinct and independent evidence, the plaintiff is entitled to recover the entire amount of his damages, whether that amount is expressed by the jury in a single verdict or multiple verdicts referring to different claims or legal theories.”).

The compensatory damages here were also not speculative; they were based on reasonable estimates established by lay and expert testimony, as well as documentary evidence. GHK Assocs. v. Mayer Grp., Inc., 224 Cal.App.3d 856, 274 Cal. Rptr. 168, 179–80 (1990) (“The law requires only that some reasonable basis of computation of damages be used, and the damages may be computed even if the result reached is an approximation.” (citing Allen v. Gardner, 126 Cal.App.2d 335, 272 P.2d 99, 102 (1954) (“[J]ustice and public polic[y] require that the wrongdoer shall bear the risk of the uncertainty which his own wrong has created.” (citation omitted)))). We affirm the jury’s compensatory damages award on all causes of action.

CHAPTER VI

“[I]ntentions, good or bad, are not enough.” John Steinbeck, *The Winter of Our Discontent* 99 (2008).

California law provides for punitive damages where the defendant has acted with “fraud, or malice,” express or *1016 implied, which must be proven with clear and convincing evidence. Cal. Civil Code § 3294(a). “There must be an intent to vex, annoy, or injure.”

Gombos v. Ashe, 158 Cal.App.2d 517, 322 P.2d 933, 939 (1958) (holding “negligence, even gross negligence, is not sufficient to justify” punitive damages). The requisite intent to support punitive damages is malice, and it “may be proved ‘either expressly (by direct evidence probative on the existence of hatred or ill will) or by implication (by indirect evidence from which the jury may draw inferences).’ ” Neal v. Farmers Ins. Exch., 21 Cal.3d 910, 148 Cal.Rptr. 389, 582 P.2d 980, 987 n.6 (1978) (quoting Bertero v. Nat’l Gen. Corp., 13 Cal.3d 43, 118 Cal.Rptr. 184, 529 P.2d 608, 625 (1974)).

Defendants argue that Gail did not act with the requisite intent to sustain punitive damages but could not properly explain that to the jury due to the district court’s rulings on the motions in limine and preventing certain lines of questioning.⁵ Kaffaga responds that Defendants are really complaining that “Gail ‘was not allowed to fully explain’ her answers when she was cross-examined by” Kaffaga, which is simply the nature of cross-examination. We agree with Kaffaga that Defendants could have presented evidence related to Gail and Thom’s understanding of their rights and the New York Litigation in other ways, including on redirect examination. Regardless, Kaffaga maintains that any error was harmless.

Kaffaga has the better argument. Gail was at times not permitted to answer beyond the scope of the questions on cross-examination; her responses related to her belief about rights she actually held and the impact of the New York Litigation in settling those issues were properly stricken as beyond the scope of direct. But the court occasionally permitted Gail to explain her beliefs about her and Thom’s putative

rights in various works, or otherwise instructed her that she could more fully explain answers about her understanding of agreements and court decisions when her own attorney examined her on direct. And on cross examination by her own counsel when she was called to testify during Kaffaga's case-in-chief, the court overruled at least one of Kaffaga's objections related to Gail's beliefs about her rights because Gail's counsel explained that he was seeking to clarify items Kaffaga asked Gail about on direct.⁶ These evidentiary decisions were reasonable and balanced; the court did not abuse its discretion. See *United States v. Olafson*, 213 F.3d 435, 442 (9th Cir. 2000) (finding no abuse of discretion where the district court's evidentiary decisions were well-reasoned and comported with precedent).

Kaffaga fails to respond to defense challenges to one series of sustained objections during Gail's direct testimony in the Defendants' case-in-chief where the district court limited her testimony regarding the New York Litigation and Gail and Thom's alleged termination rights. However, assuming *arguendo* that those rulings were erroneously reasoned, they were not abuses of discretion because the complaint framing the issues for trial only alleges causes of action based on facts arising after the Second Circuit's decision in 2010. Evidence of, and argument regarding, Gail and Thom's beliefs prior to 2010 were not relevant to whether Defendants should have been subjected to punitive damages for their actions post-2010.

Moreover, the record contains multiple instances that were not stricken of Gail testifying that she believed she and Thom actually had retained certain control rights to various John Steinbeck works. And

Defendants argued at trial, including during closing statements to the jury, that they did not act with the requisite intent to support punitive damages. Additional testimony and argument regarding those beliefs would have been unnecessarily cumulative and may very well have damaged Defendants' case by belaboring their lack of respect for previous court decisions.

Even more importantly, the record contains overwhelming evidence of Gail and Thom's malice to support the punitive damages award, and thus any error was harmless. The jury did not credit Gail's forceful assertion of her belief that she and Thom maintained termination and negotiation rights, and that they attempted to separately negotiate with the studios in order to maximize profits from the sale of intellectual property rights in Steinbeck's works. The testimony at trial instead established that Gail and Thom knew about the 1983 Agreement and the various court decisions upholding the fact that Elaine (and Kaffaga) control Steinbeck's works. It further showed that Gail and Thom attempted to exercise their purported negotiation and termination rights anyway, and that Thom "had no intention of stopping [his] challenge to all of these things, so it really didn't make a lot of difference to [him] that a decision would go one way or the other until [he'd] finally won."

Additionally, the documentary evidence that Defendants were knowingly and purposefully acting contrary to those court decisions, including written statements that the rulings in the New York Litigation "won't stand" and were "always going to be nebulous, [and] always going to be at risk," is devastating. The

documents demonstrate that, when they learned that Kaffaga was negotiating film rights for *The Grapes of Wrath* and *East of Eden*, Gail and Thom intended to insert themselves and thwart negotiations by “riddl[ing them] with lawsuits.” The record stands as persuasive evidence that they made good on the threat.

The documents further show that Gail and Thom acted out of hatred and ill will, contrary to Defendants’ arguments that they were only acting in their own economic interest and thus not attempting to actually impede any deals. See *Bertero*, 118 Cal.Rptr. 184, 529 P.2d at 625 (improper motive of “hatred or ill will” meriting the award of punitive damages). Gail wrote in an email that she was “just pissed” and planned to litigate even though it would cause a “pricey situation with little [return on investment].” Thom himself penned that he sued Kaffaga in New York because he “didn’t agree with her maintaining [his] father’s inheritance.” And the jury could have reasonably interpreted Gail’s insistence on negotiating with production companies in secret to mean that she knew such negotiations behind Kaffaga’s back were improper.

We hold there is more than ample evidence of Defendants’ malice in the record to support the jury’s verdict, triggering entitlement to punitive damages. See *Pavao v. Pagay*, 307 F.3d 915, 918 (9th Cir. 2002) (“A jury’s verdict must be upheld if it is supported by substantial evidence ..., even if it is also possible to draw a contrary conclusion.”). To the extent there were any erroneous decisions that prevented some evidence about what rights Gail and Thom believed they had, there was no abuse of discretion and, regardless, any error was harmless. See *Molina v. Astrue*, 674 F.3d

1104, 1119 (9th Cir. 2012) (holding “a district court’s erroneous exclusion of evidence does not warrant reversal unless the error more probably than not tainted the verdict” (internal quotation marks and citations omitted)).

CHAPTER VII

“With a few exceptions people don’t want money. They want luxury and they want love and they want admiration.” John Steinbeck, *East of Eden* 541 (1992).

Defendants argue that the punitive damages award against Gail is illegally excessive under California law.⁷ They contend there is insufficient evidence of Gail’s financial condition and ability to pay to support punitive damages. And, in so many words, even if the evidence is sufficient to sustain some amount of punitive damages, the \$5.9 million awarded against Gail is disproportionately large compared to her financial condition.⁸

When faced with a challenge to the size of punitive damages under California law, reviewing courts must “determine whether the award is excessive as a matter of law or raises a presumption that it is the product of passion or prejudice.” *Adams v. Murakami*, 54 Cal.3d 105, 284 Cal.Rptr. 318, 813 P.2d 1348, 1350 (1991) (in bank). This “‘passion and prejudice’ standard does not occur in a vacuum, but is measured against,” as relevant here, “the ratio between the damages and the defendant’s net worth.” *Boyle v. Lorimar Prods., Inc.*, 13 F.3d 1357, 1360 (9th Cir. 1994) (per curiam) (quoting *Las Palmas Assocs. v. Las Palmas Ctr. Assocs.*, 235

Cal.App.3d 1220, 1 Cal. Rptr. 2d 301, 323 (1991)); *see also Neal*, 148 Cal.Rptr. 389, 582 P.2d at 990 (seminal California Supreme Court case). It is the plaintiff's burden to place into the record "meaningful evidence of the defendant's financial condition" to support a defendant's ability to pay. *Adams*, 284 Cal.Rptr. 318, 813 P.2d at 1349, 1357-60. "The rule established by lower California courts is that only net, not gross, figures are relevant." *Boyle*, 13 F.3d at 1361; *see also Lara v. Cadag*, 13 Cal.App.4th 1061, 16 Cal. Rptr. 2d 811, 813 n.2 (1993), *modified*, (Mar. 9, 1993). The record thus must contain sufficient evidence of Gail's assets, income, and liabilities and expenses for the punitive damages award to stand. *See Boyle*, 13 F.3d at 1361.

Gail testified that she receives between \$120,000 and \$200,000 per year from domestic book royalties from John Steinbeck's *1019 works. At the time of trial, she and Palladin had four television series and six feature films in development, with three "in some form of prep," and she testified that she would be "paid for these projects when they are optioned or licensed." Yet, Kaffaga introduced no estimate of Gail's potential income from those endeavors or the total value of her other intellectual property assets, and thus they cannot serve to support the punitive damages award. The record contains some testimonial evidence about her lack of expenses, including no minor children, mortgages, or other debts. But Kaffaga failed to adduce any other evidence, including, for example, an expert accountant to examine Gail's financial records to estimate her liabilities or net worth.⁹

The record indisputably contains some evidence of Gail's financial condition. However, we conclude that

Plaintiff failed to meet her burden of placing into the record “meaningful evidence” of Gail’s financial condition and ability to pay any punitive damages award sufficient to permit us to conduct the comparative analysis on appeal required by California law. *See Adams*, 284 Cal.Rptr. 318, 813 P.2d at 1350; *see also Kelly v. Haag*, 145 Cal.App.4th 910, 52 Cal. Rptr. 3d 126, 130 (2006) (reversing a punitive damages award for lack of evidence where there was vague testimony by a layman regarding the defendant’s assets and liabilities that was otherwise unsupported by documentation or expert testimony); *Boyle*, 13 F.3d at 1361. In reviewing the record, we are unable to come to even a reasonable approximation of Gail’s net worth. Without that, we have nothing to compare to the size of the award to complete the excessiveness analysis under California law. We therefore vacate the jury’s punitive damages award against Gail for lack of evidence of her ability to pay, and remand to the district court with instructions to dismiss the punitive claims against Gail. No additional evidence or briefing on the issue is necessary.

CHAPTER VIII

“We asked a gentleman by us, if he knew what cause was on? He told us [Steinbeck]. We asked him if he knew what was doing in it? He said, really no he did not, nobody ever did; but as well as he could make out, it was over. ‘Over for the day?’ we asked him. ‘No,’ he said; ‘over for good.’” “Over for good!” Charles Dickens, *Bleak House* 865 (1991).

This dispute is indeed over. We reverse and vacate the punitive damages award against Gail. All other issues and the award of compensatory damages are affirmed. The district court may wish to reconsider Kaffaga's request for an injunction to put an end to this recidivist litigation. This panel will retain jurisdiction over any subsequent appeals.

Costs are awarded to the Appellee.

AFFIRMED IN PART AS TO COMPENSATORY DAMAGES CLAIMS, VACATED AND REMANDED IN PART WITH INSTRUCTIONS TO DISMISS THE PUNITIVE DAMAGES CLAIMS.

Footnotes

1Steinbeck's early works were renewed before he died in 1968 and are not at issue in this case.

2Under certain circumstances, federal copyright law allows authors or their heirs to terminate the prior grant of a transfer or license of an author's copyright in a work or of any other right under a copyright. *See* 17 U.S.C. §§ 203, 304(c), 304(d). To terminate a grant, a written, signed termination notice must be served on the grantee or the grantee's successor-in-interest, and the termination notice must be recorded with the U.S. Copyright Office.

3In 1991, John IV passed away, and his daughter, Blake Smyle ("*Blake*"), and his former wife inherited his interest.

4We grant Appellee’s motion for judicial notice [Dkt. No. 40] and Defendants’ motion for judicial notice [Dkt. No. 54] as unopposed and because they are the proper subjects of judicial notice in evaluating a claim of collateral estoppel, including examination of the briefing filed in the prior federal court cases. *See Ritchey v. Upjohn Drug Co.*, 139 F.3d 1313, 1319 (9th Cir. 1998).

5Defendants focus most of this argument on their justification defense for tortious interference. However, because that defense was stricken prior to trial and Defendants do not challenge that decision except by arguing collateral estoppel did not preclude it—which it did— we only analyze the district court’s evidentiary decisions in the context of punitive damages.

6As to the proposed testimony from potential witness Louis Petrich regarding Gail and Thom’s termination rights and their “complexity,” the district court did not abuse its discretion in excluding it. Indeed, the district court carefully examined whether Petrich, an attorney who apparently previously consulted with Thom and Gail about their termination rights, could offer any testimony other than improper expert testimony on his legal opinion. The court’s conclusion that Petrich’s testimony would be irrelevant and improper legal opinion was correct and was not an abuse of discretion. *See Hangarter v. Provident Life & Accident Ins. Co.*, 373 F.3d 998, 1016 (9th Cir. 2004) (“[A]n expert witness cannot give an opinion as to her legal conclusion, i.e., an opinion on an ultimate issue of law.” (emphasis omitted) (citation omitted)). Petrich was also not properly disclosed as a testifying expert before trial, and

therefore could not testify as an expert. See Fed. R. Civ. P. 37(c).

7The propriety of punitive damages is a matter of state law; thus California law applies here. See *Browning-Ferris Indus. of Vt., Inc. v. Kelco Disposal, Inc.*, 492 U.S. 257, 278, 109 S.Ct. 2909, 106 L.Ed.2d 219 (1989).

8For the first time in their reply, Defendants argue that the Plaintiff failed to “identify any evidence relating to the financial wherewithal of Thom or Palladin that would warrant punitive damages [of \$2 million] against either of them.” This argument may have had legs had it been properly raised in the opening brief. But the issue is not properly before the panel because it was neither raised in the opening brief nor to the district court. See *Burlington N. & Santa Fe Ry. Co. v. Vaughn*, 509 F.3d 1085, 1093 n.3 (9th Cir. 2007) (appellants forfeit an “argument by raising it for the first time in their reply brief”).

9At oral argument, Plaintiff’s counsel referenced problems obtaining that evidence during discovery because Gail was uncooperative. But Plaintiff failed to (1) show where she sought to compel additional evidence from Gail and was denied, (2) seek an adverse inference instruction at trial, or (3) brief either point.

27a

FILED OCT 17 2019
MOLLY C. DWYER, CLERK U.S. COURT OF
APPEALS

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

WAVERLY SCOTT KAFFAGA, as Executrix of the
Estate of Elaine Anderson Steinbeck, Plaintiff-
Appellee,

v.

THE ESTATE OF THOMAS STEINBECK, GAIL
KNIGHT STEINBECK, and THE PALLADIN
GROUP, INC., Defendants-Appellants

No. 18-55336 D.C. No.2:14-cv-08699-TJH-FFM
Central District of California, Los Angeles

ORDER

Before: TALLMAN, IKUTA, and N.R. SMITH,
Circuit Judges.

Judge Ikuta has voted to deny the petition for
rehearing en banc and Judge Tallman and Judge N.R.
Smith so recommend.

The full court has been advised of the petition for
rehearing en banc and no judge has requested a vote on
whether to rehear the matter en banc. *See* Fed. R.
App. P. 35.

Appellants' petition for rehearing en banc is denied.

JENNER & BLOCK LLP
Andrew J. Thomas (SBN 159533)
AJThomas@jenner.com
633 West 5th Street, Suite 3600
Los Angeles, CA 90071
Telephone: 213 239-5200
Facsimile: 213 239-5199

Susan J. Kohlmann (Pro Hac Vice)
SKohlmann@jenner.com
Alison I. Stein (Pro Hac Vice)
AStein@Jenner.com
919 Third Avenue
New York, NY 10022
Telephone: 212 891-1600
Facsimile: 212 891-1699

Attorneys for Plaintiff Waverly Scott Kaffaga, as
Executor for the Estate of Elaine Anderson Steinbeck

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. 14-cv-08699 TJH FFMx

JUDGMENT AFTER JURY TRIAL
JS-6

Waverly Scott Kaffaga, as Executor for the Estate of
Elaine Anderson Steinbeck, Plaintiff,

v.

The Estate of Thomas Steinbeck, Gail Knight
Steinbeck, and The Palladin Group, Inc., Defendant.

WHEREAS on November 10, 2014, Plaintiff Waverly Scott Kaffaga, as Executor of the Estate of Elaine Anderson Steinbeck ("Plaintiff"), filed a complaint pleading causes of action for breach of contract, slander of title, and intentional interference with prospective economic advantage, and seeking a declaratory judgment and permanent injunction against Defendants Thomas Steinbeck, Gail Knight Steinbeck, and The Palladin Group, Inc. (collectively, "Defendants");

WHEREAS on November 17, 2014, Plaintiff filed an amended complaint pleading the same causes of action against the same Defendants;

WHEREAS on April 1, 2016 Plaintiff filed a motion for summary judgment as to liability on all of her claims;

WHEREAS on November 1, 2016 this Court issued an Order granting summary judgment to Plaintiff on her claims of slander of title and breach of contract (the "Summary Judgment Order");

WHEREAS in its Summary Judgment Order this Court found that a 1983 Settlement Agreement between Thomas Steinbeck, John Steinbeck IV, and Elaine Anderson Steinbeck (the "1983 Agreement") was a valid and enforceable contract that gave Elaine Anderson Steinbeck and her heirs the complete power and authority to control the exploitation of the literary works of John Steinbeck (the "Steinbeck Works");

WHEREAS the Court also found that the Estate of Elaine Anderson Steinbeck had met its obligations under the 1983 Agreement;

WHEREAS the Court held that Defendants' communications to third parties in which they claimed control over the intellectual property rights to the Steinbeck Works or sought to exploit those works or authorized others' to exploit those Works breached the 1983 Agreement and caused damages;

WHEREAS the Court found Defendants to have slandered Plaintiff's title in the Steinbeck Works by repeatedly and falsely asserting to various third parties that they had a right to control the exploitation of the Steinbeck Works, causing Plaintiff direct pecuniary harm;

WHEREAS Thomas Steinbeck died on August 11, 2016, and the Estate of Thomas Steinbeck was

substituted for Thomas Steinbeck as a defendant during the course of pretrial proceedings;

WHEREAS a jury trial was held from August 29 to September 5, 2017, regarding the damages on Plaintiff's breach of contract and slander of title claims, and regarding both liability and damages on Plaintiff's claim for intentional interference with prospective economic advantage;

WHEREAS at the conclusion of that trial, the jury reached a unanimous verdict finding all three Defendants liable for intentional interference with prospective economic advantage and awarding Plaintiff \$5,250,000 in total compensatory damages and \$7,900,000 in total punitive damages, as set forth in the verdict form that appears at Docket No. 295;

IT IS HEREBY ORDERED AND ADJUDGED that Plaintiff Waverly Scott Kaffaga, as Executor of the Estate of Elaine Steinbeck, shall recover \$13,150,000 in total damages from the Defendants, in accordance with the jury's verdict, as follows:

- A. The amount of \$1,300,000 on Plaintiff's claim for breach of contract;
- B. The amount of \$1,300,000 on Plaintiff's claim for slander of title;
- C. The amount of \$1,000,000 against Defendant the Estate of Thomas Steinbeck on Plaintiff's claim for intentional interference with Plaintiff's prospective economic relationship with

Universal/Imagine relating to the *East of Eden* transaction;

D. The amount of \$500,000 against Defendant Gail Steinbeck on Plaintiff's claim for intentional interference with Plaintiff's prospective economic relationship with Universal/Imagine relating to the *East of Eden* transaction;

E. The amount of \$500,000 against Defendant The Palladin Group, Inc. on Plaintiff's claim for intentional interference with Plaintiff's prospective economic relationship with Universal/Imagine relating to the *East of Eden* transaction;

F. The amount of \$325,000 against Defendant the Estate of Thomas Steinbeck on Plaintiff's claim for intentional interference with Plaintiff's prospective economic relationship with DreamWorks Pictures relating to the *Grapes of Wrath* transaction;

G. The amount of \$162,500 against Defendant Gail Steinbeck on Plaintiff's claim for intentional interference with Plaintiff's prospective economic relationship with DreamWorks Pictures relating to the *Grapes of Wrath* transaction;

H. The amount of \$162,500 against Defendant The Palladin Group, Inc. on Plaintiff's claim for intentional interference with Plaintiff's prospective economic relationship with DreamWorks Pictures relating to the *Grapes of Wrath* transaction;

33a

I. The amount of \$5,925,000 in punitive damages against Defendant Gail Steinbeck; and

J. The amount of \$1,975,000 in punitive damages against Defendant The Palladin Group, Inc.

Plaintiff shall also recover reasonable costs in accordance with Fed. R. Civ. P. 54, 28 U.S.C. § 1920, and L.R. 54-1.

Dated: March 15, 2018

HON. TERRY J. HATTER, JR.
United States District Judge

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

WAVERLY SCOTT KAFFAGA, as executor of the
Estate of Elaine Steinbeck,
Plaintiff,

v.

THE ESTATE OF THOMAS STEINBECK, et al.,
Defendants.

CV 14-08699 TJH (FFMx)

ORDER

[324,326]

The Court has considered Defendants' motion to stay enforcement of the judgment pending appeal without the posting of a supersedeas bond and Plaintiff's motion for an assignment and restraining order, together with the moving and opposing papers.

IT is ORDERED that Defendants' motion to stay enforcement of the judgment without a supersedeas bond be, and hereby is, GRANTED.

It is further Ordered that Plaintiff's motion for an assignment and restraining order be, and hereby is, Denied with leave to renew if the judgment is affirmed by the Ninth Circuit.

Date: October 30, 2018

35a

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DISTRICT

WAVERLY SCOTT KAFFAGA, as executor of the
Estate of Elaine Steinbeck,
Plaintiff,

v.

THE ESTATE OF THOMAS STEINBECK, et al.,
Defendants.

CV 14-08699 TJH (FFMx)

ORDER

[324,326]

The Court has considered Defendants' motion to stay enforcement of the judgment pending appeal without the posting of a supersedeas bond and Plaintiff's motion for an assignment and restraining order, together with the moving and opposing papers.

IT is ORDERED that Defendants' motion to stay enforcement of the judgment without a supersedeas bond be, and hereby is, Granted.

It is further Ordered that Plaintiff's motion for an assignment and restraining order be, and hereby is, Denied with leave to renew if the judgment is affirmed by the Ninth Circuit.

Date: October 30, 2018

36a
702 Fed.Appx. 618

This case was not selected for publication in West's
Federal Reporter.

See Fed. Rule of Appellate Procedure 32.1 generally
governing citation of judicial decisions issued on or
after Jan. 1, 2007. See also U.S.Ct. of App. 9th Cir. Rule
36-3.

United States Court of Appeals,
Ninth Circuit.

Gail Knight STEINBECK, Personal representative of
Thomas Myles Steinbeck; Blake Smyle, Plaintiffs-
Appellants,

v.

Waverly Scott KAFFAGA; et al., Defendants-
Appellees.

No. 15-56375

Submitted November 13, 2017* Pasadena, California

Filed November 16, 2017

Appeal from the United States District Court for the
Central District of California, Terry J. Hatter, District
Judge, Presiding, D.C. No. 2:14-cv-08681-TJH-GJS

Attorneys and Law Firms

Daniel Saunders, Partner, Kasowitz Benson Torres LLP, Los Angeles, CA, for Plaintiff-Appellant
Blake Smyle, Pro Se

Susan J. Kohlmann, Alison I. Stein, Jenner & Block LLP, New York, NY, Andrew J. Thomas, Jenner & Block LLP, Los Angeles, CA, for Defendants-Appellees
Waverly Scott Kaffaga, Jean Anderson Boone, David Scott Farber, Anderson Farber King, Jebel Kaffaga, Bahar Kaffaga

Joshua G. Graubart, Esquire, Law Offices of Joshua Graubart, P.C., New York, NY, David W. Kesselman, Trevor Vincent Stockinger, Kesselman Brantly Stockinger LLP, Manhattan Beach, CA, for Defendant-Appellee Dramatists Play Service

Nicolas Andreas Jampol, Davis Wright Tremaine LLP, Los Angeles, CA, Elizabeth Anne McNamara, Esquire, Attorney, Davis Wright Tremaine LLP, New York, NY, for Defendant-Appellee McIntosh & Otis, Inc.

Before: NGUYEN and HURWITZ, Circuit Judges, and EATON,**International Trade Judge.
MEMORANDUM***

This is a suit by descendants of John Steinbeck's sons (the "Sons") about their ability to terminate and exploit copyrights of Steinbeck's literary works. The district court dismissed the action, finding it barred by collateral estoppel (issue preclusion). We have jurisdiction under 28 U.S.C. § 1291 and affirm.

As the district court correctly noted, the parties have already litigated the precise issues raised in this

suit “*ad nauseum*” in the Second Circuit. See *Steinbeck v. Steinbeck Heritage Found.*, 400 Fed.Appx. 572 (2d Cir. 2010); *Penguin Grp. (USA) Inc. v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008). The Second Circuit squarely held that a 1983 Settlement Agreement is “unambiguous and forecloses any argument that the parties intended the [Sons] to retain control over” the “exploitation and/or termination of rights in the works of John Steinbeck.” *Steinbeck*, 400 Fed.Appx. at 575. Moreover, a stipulated judgment entered in 2009 in the United States District Court for the Southern District of New York expressly provides that two of the termination notices at issue in this suit are invalid,¹ and that the 1983 Settlement Agreement binds the parties. See Stipulation & Order with Respect to Counterclaims & Intervenor Complaint at 4, *Steinbeck v. McIntosh & Otis, Inc.*, No. 04-CV-5497 (GBD) (S.D.N.Y. Dec. 2, 2009), ECF No. 140.

The district court correctly concluded that the Sons already have fully litigated *620 whether they have a right to issue and exploit copyright terminations of Steinbeck's works, and that the prior litigation held that the Sons do not have those rights. See *Oyeniran v. Holder*, 672 F.3d 800, 806 (9th Cir. 2012).²

AFFIRMED³

Footnotes

*The panel unanimously concludes this case is suitable for decision without oral argument. See Fed. R. App. P. 34(a)(2). Appellants' motion for oral argument, Dkt. 64, is denied.

**Richard K. Eaton, Judge of the United States Court of International Trade, sitting by designation.

***This disposition is not appropriate for publication and is not precedent except as provided by Ninth Circuit Rule 36-3.

1Because the parties already actually litigated the validity of *The Red Pony* and *The Long Valley* termination notices, claim preclusion also applies. See *Tahoe-Sierra Pres. Council, Inc. v. Tahoe Reg'l Planning Agency*, 322 F.3d 1064, 1077 (9th Cir. 2003).

2The Sons fail to “specifically and distinctly” raise in their opening brief any argument about the district court's dismissal of the claims for copyright infringement for *Of Mice and Men*, rights to *The Grapes of Wrath* and *Tortilla Flat*, and the right to rescind the power of attorney granted to appellees and to terminate M & O as a literary agent. *Miller v. Fairchild Indus., Inc.*, 797 F.2d 727, 738 (9th Cir. 1986). In addition to being barred by collateral estoppel, these issues are waived. See *id.* The Sons also argue for the first time on appeal that “[u]nder the Covenant of Good Faith and Fair Dealing [appellees] are required to pay [the Sons] the fair market value” for the license for a documentary of *The Grapes of Wrath*. Because this issue was not raised below, it is waived. See *Whittaker Corp. v. Execuair Corp.*, 953 F.2d 510, 515 (9th Cir. 1992).

3We grant appellees' motion to take judicial notice, Dkt. 38.

40a

United States District Court, C.D. California, Western
Division.

Waverly Scott KAFFAGA, etc., Plaintiff,

v.

Thomas STEINBECK, et al., Defendants.

CV 14-8699 TJH (FFMx)

Signed 11/01/2016

Attorneys and Law Firms

Alison I. Stein, Pro Hac Vice, Brittany R. Lamb, Pro
Hac Vice, Susan J. Kohlmann, Pro Hac Vice, Gretchen
O. Stertz, Pro Hac Vice, Jenner and Block LLP, New
York, NY, Andrew Jackson Thomas, Jenner and Block
LLP, Los Angeles, CA, for Plaintiff.

Matthew Ira Berger, Djamila V. Demangeat, Robert
McDairmant Graham, Matthew Berger Law Group
APC, Santa Barbara, CA, for Defendants.

Order

[100, 119, 120]

Terry J. Hatter, Jr., Senior United States District
Judge

The Court has considered Plaintiff's motion for
partial summary judgment, together with the moving
and opposing papers.

Plaintiff Waverly Scott Kaffaga, as executor of the estate of Elaine Anderson Steinbeck [“the Estate”], filed this action against Defendants Thomas Steinbeck [“Thom”], Gail Knight Steinbeck [“Gail”] and the Palladin Group Inc. [“Palladin”] [collectively “TGP”], following a number of alleged improper communications by TGP to third parties. The Estate asserted four claims: (1) breach of contract; (2) slander of title; (3) intentional interferences with prospective economic benefit; and (4) declaratory judgment. The Estate, now, moves for summary judgment as to liability on its claims.

BACKGROUND

This case adds a new chapter to the Parties’ sprawling litigation history, which this Court previously characterized as litigation *ad nauseam*.

John Steinbeck’s works [the “Works”] can be divided into two categories — the “Early Works” and the “Later Works” — based on whether a work’s copyright was renewed before or after John Steinbeck died. Upon John Steinbeck’s death, his third wife, Elaine Steinbeck [“Elaine”], inherited absolute control over the Early Works. *See Steinbeck v. McIntosh & Otis, Inc.*, 433 F. Supp. 2d 395, 399 (S.D.N.Y. 2006) [“*McIntosh & Otis I*”].

The Later Works were a different story. In 1976, pursuant to an amendment of the Copyright Act, 17 U.S.C. § 304(c), Thom (as well as his late brother, John Steinbeck IV [“John IV”]) gained termination rights — in essence, the limited right to cancel certain grants of copyrights — with respect to the Later Works.

Steinbeck v. McIntosh & Otis, Inc., 2009 WL 928189, at *3 (S.D.N.Y. Mar. 31, 2009) [*“McIntosh & Otis III”*]. Thom did not gain termination rights, or any other intellectual property rights, with respect to the Early Works. McIntosh & Otis III, No. 04 CV 5497 (GBD), 2009 WL 928189, at *3.

Pursuant to an agreement entered into in the 1970s, Thom received twenty-five percent of the royalties generated from the Later Works, Elaine received fifty percent, and John IV received the remaining twenty-five percent. In 1983, Thom and Elaine entered into an agreement [the “1983 Agreement”] by which Thom “ced[ed] control over [his] copyright interests to Elaine Steinbeck” and, in exchange, “Elaine Steinbeck relinquished her ... right to a one-half share [of royalties] by agreeing to an equal one-third split.” McIntosh & Otis III, 2009 WL 928189, at *3. The 1983 Agreement “conferred upon Elaine Steinbeck ‘the complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck in which ... [Thom] ha[s] or will have renewal or termination rights.’ ” Steinbeck v. Steinbeck Heritage Found., 400 F. App’x 572, 575 (2d Cir. 2010).

In 1998, Congress amended the Copyright Act to create, under 17 U.S.C. § 304(d), a new right to terminate copyright grants during a five-year window that opens seventy-five years after the first publication of a copyrighted work. Following Elaine’s death in 2003, the ownership of intellectual property rights — including termination rights under § 304(d) — of certain Works was vigorously litigated in federal courts in New York.

In 2008, the Second Circuit Court of Appeals addressed whether Thom had the authority to issue termination notices under § 304(d) with respect to certain Works. Penguin Grp. (USA) Inc. v. Steinbeck, 537 F.3d 193 (2d Cir. 2008) The suit arose from the issuance of a termination notice under § 304(d) by Thom and John Steinbeck's granddaughter. Penguin Grp. (USA) Inc., 537 F.3d at 196–97. The Second Circuit considered, *inter alia*, whether Thom had the authority to issue a termination notice under § 304(d) in light of a 1994 agreement that Elaine entered into with a publishing company relating to certain Works. Penguin Grp. (USA) Inc., 537 F.3d at 196. The Second Circuit concluded that “[b]ecause the termination right provided by section 304(d) pursuant to which the ... termination notice was issued applies only to pre-1978 grants of transfers or licenses of [a] copyright, and because the 1994 agreement left intact no pre-1978 grant for the works in question ... the ... notice of termination [was] ineffective.” Penguin Grp. (USA) Inc., 537 F.3d at 196.

On remand, the United States District Court for the Southern District of New York addressed the scope of the 1983 Agreement with respect to certain Works, as well as with respect to Elaine's authority to terminate the publishing company that the 1983 Agreement appointed as literary agent. McIntosh & Otis III, 2009 WL 928189; Steinbeck v. McIntosh & Otis, Inc., No. 04 CV 5497 (GBD), 2009 WL 928171 (S.D.N.Y. Mar. 31, 2009) [*“McIntosh & Otis IP”*]. The McIntosh & Otis III District Court found that “[t]he 1983 Agreement gave Elaine ... the sole authority to control the Steinbeck Works” at issue in that case. 2009 WL 928189, at *8. In McIntosh & Otis II, held that,

under the 1983 Agreement, Elaine could terminate the publishing company in her sole discretion. 2009 WL 928171, at *3. In a consolidated appeal, the Second Circuit affirmed *McIntosh & Otis II* and *III*. In doing so, the Second Circuit held that Thom “surrendered ‘complete authority’ to Elaine Steinbeck to exploit John Steinbeck’s copyrights at issue and also vested her with ‘sole discretion’ to terminate” *McIntosh & Otis’s* [“M&O”] agency. *Steinbeck Heritage Found.*, 400 F. App’x at 576.

The action before this Court centers on communications the Estate alleges Thom, Gail, and Palladin made to third parties regarding certain Works between 2011 and 2014. First, the Estate claims that a film studio, Universal/Imagine [“Universal”], terminated a film deal for *East of Eden* following communications by Gail to third parties, including executives at the film studio. In September, 2013, the Estate, through its publishing company, M&O, and its subsidiary, RWSG Literary Agency [“RWSG”], accepted a financial offer from Universal for the film rights to *East of Eden*. Subsequently, Gail, after learning of the deal, allegedly contacted one of the producers and threatened to terminate the assigned rights to *East of Eden*, and claimed, elsewhere, that Thom owned certain intellectual property rights, including those to *East of Eden*. The Estate claims that in November, 2014, Universal “decided to back away from its negotiations with M&O and the Estate for a film version of *East of Eden*.”

Second, the Estate claims that communications by TGP to third parties, including Dream Works Pictures [“Dream Works”] — and the resulting deal

between TGP and Dream Works — diminished the amount of money the Estate ultimately received in a film deal relating to *The Grapes of Wrath*. In June, 2013, through M&O and RWSG, the Estate entered into negotiations with Dream Works for a film adaptation of *The Grapes of Wrath*. Dream Works made the Estate an initial offer in July, 2013, and the deal was executed in February, 2015. The Estate alleges that “starting as early as July, 2013, Defendants began to interfere with the Estate’s negotiations with Dream Works and ultimately entered into their own confidential ‘side deal’ with Dream Works.” The Estate claims that the “side deal” “likely detracted from the amount that Dream Works was willing to pay the Estate ... for the underlying rights since film studios typically have a specific overall budget for a project and any amount dedicated to paying off Defendants would need to come from” the amount earmarked for the Estate.

Lastly, the Estate claims that TGP made a number of communications to third parties asserting ownership of intellectual property rights to certain Works. These communications fall into two categories. The first category of communications were communications included in, or relating to, a petition Gail filed with the California State Labor Commissioner alleging that some of RWSG’s agents had operated without a license [the “RWSG petition-related communications”]. Specifically, these were:

East of Eden:

- Gail Steinbeck filed a Petition against RWSG with the California State Labor

Commissioner [the “RWSG Petition”] alleging that RWSG’s agents had been operating without a license and that Thom “owns or controls” two thirds of the domestic rights to *East of Eden*.

Grapes of Wrath:

- The RWSG petition, also, referenced Thom’s alleged ownership of intellectual property rights stating, “Thom[] either owns or controls 2/3’s of the domestic intellectual property rights [to *The Grapes of Wrath*].”

The second category of communications were communications that were neither included in the RWSG petition nor communicated in relation to the RWSG petition [the “non-RWSG petition-related communications”]. Specifically, these were:

East of Eden:

- In September, 2013, Gail allegedly told a third party that M&O did not represent her and Thom “on a copyright termination because it creates a brand new set of rights,” and said that someone needed to call her in relation to “who is out there marketing [the ‘brand new set of rights’] ... because somebody could get in trouble and [she and Thom] don’t want that to happen.”

Grapes of Wrath:

- On October 2, 2013, Gail allegedly emailed the Executive Vice President of Business Affairs at DreamWorks saying “you should read this attachment very carefully before you decide to make a deal with the Scott family alone. ... As I stated in our last conversation, the two-thirds owners of the copyright formed by this first termination notice want to make a deal with you. The Steinbeck family goal is to give you the chain of title you need.”

The Pearl:

- In an April, 2013 e-mail, Gail allegedly listed Thom’s adaptation of *The Pearl* as one of a “few current projects for which we control the underlying rights.”
- In January, 2014, Gail received notice from a third party that an executive in Business Affairs at Disney had indicated that Disney was open to negotiations regarding *The Pearl*, to which Gail responded “[w]e can look to fund independently and maybe do a distribution deal with Disney.

The Long Valley:

- Thom recorded an audio version of *The Long Valley*, which Palladin offered for sale on, *inter alia*, amazon.com. Gail had allegedly told publishers that Thom

“own[s] the rights to the copyright of that particular CD.”

- In September, 2011, Gail allegedly asserted to someone associated with a database for film and television rights that Palladin represented the “film and/or stage rights” to the short stories in *The Long Valley* including *Flight*.
- In December, 2012, Gail allegedly wrote and signed a letter that served as “an informal statement of a non-exclusive, one-time Grant of Rights to the Underlying Literary Property ‘*Flight*.’ ” The letter purported to “grant said rights ... to Summer-Joy ‘SJ’ Main to adapt the story entitled ‘Flight’ onto a short film[.]”

The Log from the Sea of Cortez:

- In November, 2010, Gail told a producer interested in the film rights to *The Log from the Sea of Cortez* that “any attempts to move forward with a project without Thomas Steinbeck’s permission could place the project in jeopardy.”

Cannery Row:

- In October, 2013, Thom allegedly granted an author permission to use a passage from *Cannery Row* in a book and added, “[s]hould you need any more legal proof than [this e-mail], please send it along. I

would be happy to sign off on whatever you need.”

The Later Works:

- In June, 2013, Gail allegedly informed a journalist that “Thom still owns rights in what are termed *the Later Works*.... Thom still owns the copyrights. ...”

DISCUSSION

To prevail on summary judgment, the Estate, as the party with the burden of proof at trial, has the initial burden to establish the essential elements of each of its claims. See *S. Cal. Gas Co. v. City of Santa Ana*, 336 F.3d 885, 888 (9th Cir. 2003). All inferences will be viewed in the light most favorable to TGP. See *United States v. Diebold, Inc.*, 369 U.S. 654, 655 (1962). If the Estate meets its burden, then the burden shifts to TGP to show that a triable issue regarding a material fact exists. See *Gasaway v. Northwestern Mut. Life Ins. Co.*, 26 F.3d 957, 960 (9th Cir.1994). TGP may not rest upon the mere allegations or denials of their pleadings. See *Gasaway*, 26 F.3d at 960.

“[F]ederal courts sitting in diversity apply state substantive law and federal procedural law.” *Snead v. Metro. Prop. & Cas. Ins. Co.*, 237 F.3d 1080, 1090 (9th Cir. 2001) (internal quotations omitted). Here, the contract underlying the Estate’s breach of contract claim has been interpreted under New York law by the Southern District of New York and the Second Circuit. Accordingly, this Court will apply New York law to the breach of contract claim. The remaining state law tort

claims, bearing no clear connection to New York, will be construed under California law.

Breach of Contract

A claim for breach of contract, under New York law, requires a plaintiff to establish that: (1) a contract between the parties exists, (2) plaintiff performed its obligations under the contract, (3) defendant breached the contract, and (4) damages were caused by the breach. *Diesel Props S.r.l. v. Greystone Bus. Credit II LLC*, 631 F.3d 42, 52 (2d Cir.2011). Further, the “strict enforcement [of settlement agreements] not only serves the interest of efficient dispute resolution but is also essential to the management of court calendars and integrity of the litigation process.” *Hallock v. State*, 474 N.E.2d 1178 (1984).

Here, the Southern District of New York and the Second Circuit have recognized that the 1983 Agreement is a valid, binding settlement agreement. *See, e.g., Steinbeck Heritage Found.*, 400 F. App’x at 575. The 1983 Agreement provided Elaine — and now provides the Estate — with the “complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck. ...” *Steinbeck Heritage Found.*, 400 F. App’x at 575. The Estate has, also, shown that it has met its obligations under the contract. It is clear that Thom had been receiving the benefit of the 1983 Agreement. *See McIntosh & Otis II*, 2009 WL 928171, at *3.

Some of TGP’s communications to third parties in which TGP claimed ownership of intellectual

property rights to the Works or sought to exploit the Works constituted breaches of the 1983 Agreement because Thom ceded to the Estate “complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck. ...” Steinbeck Heritage Found., 400 F. App’x at 575. Both the RWSG petition-related communications and the non-RWSG petition-related communications breached the 1983 Agreement because those communications either claimed ownership of copyrights in the Works, sought to exploit the Works, or both, in contravention of the 1983 Agreement.

Those breaches caused damages. “Causation is an essential element of damages in a breach of contract action; and, as in tort, a plaintiff must prove that a defendant’s breach directly and proximately caused his or her damages.” Nat’l Mkt. Share, Inc. v. Sterling Nat. Bank, 392 F.3d 520, 525 (2d Cir. 2004) (emphasis in original). The declaration of expert Kathryn Arnold sufficiently establishes a *prima facie* case that TGP’s communications, identified above, to third parties “have harmed and continue to harm the value of the entire catalogue of Steinbeck Works[.]”

TGP did not raise a triable issue of fact by directing the Court’s attention to Defendants’ Exhibit X — which appears to be a series of website screenshots from an intellectual property rights database — as it is not relevant. Nor was a triable issue of fact raised by TGP’s apparent reference to Defendant’s Exhibit W. In TGP’s counter statement of facts, TGP indicated that Exhibit W, a spreadsheet, showed that “[t]he income has remained relatively static since 2005

[through 2015].” Arguments are not a substitute for evidence. See Gasaway, 26 F.3d at 960. Thus, TGP’s argument, alone, does not raise a triable issue of fact. TGP failed to explain with specificity how Exhibit W contradicted Ms. Arnold’s declaration. TGP, thus, failed to raise a triable issue of fact as the Court “need not paw over the files without assistance from the parties.” Orr v. Bank of Am., NT & SA, 285 F.3d 764, 775 (9th Cir. 2002) (internal quotations and citations omitted).

TGP, also, contended that the doctrine of unclean hands bars relief for breach of contract. This argument is inapposite, however, as the doctrine does not prevent relief for breach of contract claims as it is “unavailable in an action exclusively for damages[.]” Manshion Joho Ctr. Co. v. Manshion Joho Ctr., Inc., 806 N.Y.S. 2d 480, 481 (App. Div. 2005). Accordingly, the Estate is entitled to summary judgment as to its breach of contract claim.

Slander of Title

To prevail on a slander of title claim, a plaintiff must show: “(1) a publication, (2) without privilege or justification, (3) falsity, and (4) direct pecuniary loss.” Sumner Hill Homeowners’ Ass’n v. Rio Mesa Holdings, LLC, 205 Cal. App. 4th 999, 1030 (2012). The Estate provided evidence that “Defendants have repeatedly” and falsely “asserted throughout the industry and the media that they have an interest in and/or control over the ... Works which entitles them to a role in Steinbeck-related negotiations.” The RWSG petition-related communications and the non-RWSG petition-related communications satisfy the first element, publication, because “[t]he falsehood must be communicated to a third person.” See Boys Town,

U.S.A., Inc. v. World Church, 349 F.2d 576, 580 (9th Cir. 1965).

However, only some of the communications were made “without privilege or justification.” See Sumner Hill Homeowners’ Ass’n, 205 Cal. App. 4th at 1030. Although no privilege issue had been raised by the Parties, the RWSG petition-related communications may be shielded by California’s litigation privilege because they were made in a “quasi-judicial” proceeding. Ascherman v. Natanson, 23 Cal. App. 3d 861, 865 (1972). Quasi-judicial proceedings include proceedings before administrative boards. Ascherman, 23 Cal. App. 3d at 865. Thus, the RWSG petition-related communications, having been made before an administrative board, are immunized from tort liability. The non-RWSG petition-related communications, on the other hand, do not benefit from such immunity.

The non-RWSG petition-related communications were made without privilege as they were not communicated in, or bear any relation to, a judicial or quasi-judicial proceeding. Nor are TGP’s justifications for these communications availing. TPG did not dispute that Gail sent the e-mail asserting ownership of the “underlying right[s]” to *The Pearl* screenplay, nor did TPG dispute that the claim was false. With respect to the e-mail claiming that Thom “own[s] the rights to the copyright to [*The Long Valley* audio] CD,” TGP argued that “Thom owns the copyright to his performance under 17 U.S.C. § 106 of the Copyright Act.” He does not. The Second Circuit held that the 1983 Agreement vested Elaine — and, accordingly, the Estate — with “the complete power and authority to negotiate, authorize and take action

with respect to the exploitation and/or termination of rights in” the Works including *The Long Valley. Steinbeck Heritage Found.*, 400 F. App’x at 575. Consequently, the Estate has established the second and third elements of the slander of title claim with respect to the non-RWSG petition-related communications.

Lastly, the Estate has established the last element — direct pecuniary loss — with respect to the non-RWSG petition-related communications. “Direct pecuniary loss” is restricted to: “(a) the pecuniary loss that results directly and immediately from the effect of the conduct of third persons, including impairment of vendibility or value caused by disparagement,” and “(b) the expense of measures reasonably necessary to counteract the publication, including litigation to remove the doubt cast upon vendibility or value by disparagement.” *Appel v. Burman*, 159 Cal. App. 3d 1209, 1215 (1984). Here, the Estate has presented an expert’s declaration — the veracity of which TGP does not dispute — that TGP’s communications caused harm to the Works as a whole.

Accordingly, the Estate has established a *prima facie* case as to the slander of title claim with respect to the non-RWSG petition-related communications. Because TGP has not raised a triable issue of fact, the Estate is entitled to summary judgment on the slander of title claim with respect to the non-RWSG petition-related communications.

Intentional Interference with Prospective Economic Advantage

The Estate argued that TGP tortiously interfered with the *East of Eden* negotiations and *The Grapes of Wrath* negotiations. The Estate, however, did not present sufficient evidence to establish a *prima facie* case for either argument.

As to the interference claim with respect to the *East of Eden* negotiations, the Estate failed to present admissible evidence that an “actual disruption” in the relationship between the Estate and Universal occurred. *Korea Supply Co. v. Lockheed Martin Corp.*, 63 P.3d 937, 950 (Cal. 2003). The Estate relied on two documents in support of its claim that Universal “decided to back away from its negotiations with ... the Estate for a film version of *East of Eden*.” The first was an e-mail from Elizabeth Rubinstein, the president and managing agent of M&O, to Elizabeth Kohlmann, an attorney for the Estate, indicating that the *East of Eden* film deal negotiations had been terminated. The email’s content, however, is inadmissible hearsay and, thus, cannot be used to demonstrate that the *East of Eden* deal was terminated; “hearsay evidence ... may not be considered” at summary judgment. See *Blair Foods, Inc. v. Ranchers Cotton Oil*, 610 F.2d 665, 667 (9th Cir. 1980).

The second document was an e-mail from Ms. Kohlmann to, what appears to be, colleagues at Jenner & Block LLP in which Ms. Kohlmann forwards a *Daily Journal* article reporting on two matters before this Court. The e-mail did not refer to the *East of Eden* negotiations, nor was there any mention of Universal’s decision to terminate the deal. The only hint the Estate provided the Court as to the e-mail’s relevance was a highlighted portion in which Ms. Kohlmann declined to

comment on the matters reported by the *Daily Journal*. As this e-mail did not have “any tendency to make [the termination of the *East of Eden* deal] more or less probable than it would be without the evidence,” it was not relevant. See Fed. R. Evid. 401(a).

As to the interference claim with respect to the *Grapes of Wrath* negotiations, the Estate’s claim failed to present evidence “that it is *reasonably probable* that the lost economic advantage would have been realized *but for* the defendant’s interference.” See *Kasparian v. Cnty. of L.A.*, 38 Cal. App. 4th 242, 271 (1995) (emphasis in original, quotations omitted). Claims that are “inherently speculative” are not “reasonably probable.” See *Beckwith v. Dahl*, 205 Cal. App. 4th 1039, 1055 (2012).

The Estate asserted that it was harmed by a “side deal” reached by TGP and DreamWorks relating to the *Grapes of Wrath* film deal. The Estate asserted that the side deal “*likely* detracted from the amount that DreamWorks was willing to pay the Estate ... since film studios *typically* have a specific overall budget for a project and any amount dedicated to paying off Defendants would need to come from the budget for acquiring the underlying rights from the Estate.” (Emphasis added). This is insufficient to establish a *prima facie* case that there was a reasonable probability of the lost economic advantage. Basing the claim on how “film studios typically” manage budgets is “inherently speculative” as it entirely hinges on the speculation that DreamWorks budgeted the *Grapes of Wrath* deal in the same way that “film studios typically” manage budgets. See *Beckwith*, 205 Cal. App. 4th at 1055.

Accordingly, the Estate is not entitled to summary judgment for its intentional interference with prospective economic advantage claim.

Declaratory Judgment

Declaratory relief is discretionary. Brillhart v. Excess Ins. Co. of Am., 316 U.S. 491, 494 (1942). It “is appropriate (1) when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, and (2) when it will terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding.” Eureka Fed. Sav. & Loan Ass'n v. Am. Cas. Co. of Reading, Pa., 873 F.2d 229, 231 (9th Cir. 1989) (internal quotations omitted).

The Estate seeks a declaration from this Court that “the decisions issued by the Southern District and the Second Circuit interpreting the 1983 Agreement bar any claim that TGP might assert with respect to (1) control over the exploitation of the Steinbeck Works and (2) ownership of the copyrights in the Early Steinbeck Works.” Nonetheless, the Estate concedes that decisions by the Southern District and the Second Circuit “left unresolved the narrow question about termination under the 1983 Agreement” and that a termination notice with respect to *Of Mice and Men* is “currently at issue before the Ninth Circuit.” These unresolved issues give this Court pause. Far from “clarifying and settling the legal relations in issue,” declaring ownership of unresolved intellectual property rights would almost certainly lead to increased “uncertainty, insecurity, and controversy giving rise to the proceeding.” Eureka Fed. Sav. & Loan Ass'n, 873

F.2d at 231. Thus, declaratory relief is not appropriate here.

Accordingly,

It is Ordered that Plaintiff's motion for partial summary judgment be, and hereby is, Granted as to liability for Plaintiff's breach of contract claim and Plaintiff's slander of title claim with respect to the non-RWSG petition-related communications.

It is Further Ordered that Plaintiff's motion for summary judgment be, and hereby is Denied as to Plaintiff's slander of title claim with respect to the RWSG petition-related communications.

It is Further Ordered that Plaintiff's motion for summary judgment be, and hereby is Denied as to Plaintiff's interference with prospective economic advantage claim and request for declaratory judgment.

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400 Fed.Appx. 572

This case was not selected for publication in West's
Federal Reporter.

United States Court of Appeals,
Second Circuit.

Thomas STEINBECK and Blake Smyle, Plaintiffs–
Counter–Defendants–Appellants,

Nancy Steinbeck, Intervenor–Plaintiff,

v.

STEINBECK HERITAGE FOUNDATION, Steven
Frushtick, Scott Kaffaga, individually and as executor
of the Estate of Elaine Anderson Steinbeck, The Estate
of Elaine Anderson Steinbeck, Defendants–Counter–
Claimants–Appellees,
Does 1–10, Defendants–Appellees,
David Scott Farber, Bahar Kaffaga, Jean Anderson
Boone, and Jebel Kaffaga, Defendants–Counter–
Claimants–Intervenors–Defendants–Appellees,
Francis Anderson Atkinson, Scott Kaffaga, individually
and as executor of the Estate of Elaine Anderson
Steinbeck, McIntosh & Otis, Inc., Samuel Pinkus,
Anderson Farber Runkle, and Eugene H. Winick,
Defendants–Intervenors–Defendants–Appellees.

No. 09–1836–cv.
Oct. 13, 2010.

Appeal from a judgment of the United States District Court for the Southern District of New York (George B. Daniels, Judge).

UPON DUE CONSIDERATION IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that the December 4, 2009 judgment of the district court is AFFIRMED.

Attorneys and Law Firms

Jennifer Ancona Semko, Baker & McKenzie LLP, Washington, D.C., for Appellants.

Susan J. Kohlmann (Tarsha A. Phillibert, on the brief), Jenner & Block LLP, New York, New York, for Waverly Scott Kaffaga, individually and as executor of the Estate of Elaine Anderson Steinbeck, David Scott Farber, Anderson Farber *574 Runkle, Jebel Kaffaga, Bahar Kaffaga, and Jean Anderson Boone, for Appellees.

Elizabeth A. McNamara (Lacy H. Koonce, III, on the brief), Davis Wright Tremaine LLP, New York, New York, for McIntosh & Otis, Inc., Eugene H. Winick, and Samuel Pinkus.

PRESENT: ROBERT D. SACK, REENA RAGGI, Circuit Judges and JOHN G. KOELTL, District Judge.*

SUMMARY ORDER

This court is already well familiar with the longstanding dispute among the heirs of author John Steinbeck about copyright interests in his works. *See*

Penguin Group (USA) Inc. v. Steinbeck, 537 F.3d 193, 204 (2d Cir.2008). On this appeal, plaintiffs Thomas Steinbeck and Blake Smyle, the author's son and granddaughter (by Steinbeck's deceased son, John IV), challenge an award of summary judgment in favor of defendants the estate of Elaine Steinbeck, the author's third wife and widow, and McIntosh & Otis, Inc. (“M & O”), a literary agency administering the relevant Steinbeck copyrights, on claims of (1) breach of fiduciary duty, (2) promissory estoppel, and (3) unjust enrichment (with an accompanying request for imposition of a constructive trust). *See Steinbeck v. McIntosh & Otis, Inc.*, No. 04 Civ. 5497, 2009 WL 928189 (S.D.N.Y. Mar. 31, 2009).¹ Plaintiffs further appeal a judgment on the pleadings in favor of M & O on its counter-claim challenging the validity of Thomas Steinbeck's purported termination of defendant as literary agent for the estate. *See Steinbeck v. McIntosh & Otis, Inc.*, No. 04 Civ. 5497, 2009 WL 928171 (S.D.N.Y. Mar. 31, 2009).

We review an award of summary judgment *de novo*, “resolving all ambiguities and drawing all permissible factual inferences in favor of the party against whom summary judgment is sought.” *Burg v. Gosselin*, 591 F.3d 95, 97 (2d Cir.2010) (internal quotation marks omitted). We will uphold such an award only if the record reveals no genuine issues of material fact and the moving party is entitled to judgment as a matter of law. *See Fed.R.Civ.P. 56(c)(2)*. We review a judgment on the pleadings *de novo*, accepting the pleaded allegations as true and drawing all reasonable inferences in favor of the opposing party, *see, e.g., LaFaro v. N.Y. Cardiothoracic Grp., PLLC*, 570 F.3d 471, 475–76 (2d Cir.2009) (characterizing legal

standards for review of motions to dismiss and for judgment on pleadings as “indistinguishable”), consistent with the pleading standards articulated in Ashcroft v. Iqbal, —U.S. —, 129 S.Ct. 1937, 1949, 173 L.Ed.2d 868 (2009), and Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 570, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007). In applying these standards here, we assume the parties' familiarity with the facts and procedural history of this case, which we reference only as necessary to explain our decision to affirm.

1. *Breach of Fiduciary Duty*
 - a. *Elaine Steinbeck*

Thomas Steinbeck contends that the district court erred in concluding as a matter of law that the 1983 settlement agreement among himself, his brother John IV, and Elaine Steinbeck (the “1983 Agreement”), as well as powers of attorney in favor of Elaine Steinbeck executed by the sons in connection with that agreement, did not create an agency relationship with Elaine Steinbeck assuming fiduciary obligations to the sons and their successors in interest. We disagree.

Under New York law, an agency relationship “results from a manifestation of consent by one person to another that the other shall act on his behalf and subject to his control, and the consent by the other to act.” New York Marine & Gen. Ins. Co. v. Tradeline (L.L.C.), 266 F.3d 112, 122 (2d Cir.2001) (internal quotation marks omitted). A principal's ability to exercise control over its agent is an essential element of agency. See generally Restatement (Third) of Agency § 1.01, cmt. f; accord Mazart v. State, 109 Misc.2d 1092, 1099, 441 N.Y.S.2d 600, 605 (N.Y.Ct.Cl.1981) (noting

that “there can be no agency relationship where the alleged principal has no right of control over the alleged agent”). Where, as here, parties contend that an agency relationship is established by contract, *see, e.g., Pyramid Champlain Co. v. R.P. Brosseau & Co.*, 267 A.D.2d 539, 544, 699 N.Y.S.2d 516, 522 (3d Dep't 1999), a court will look to the language of that agreement to ascertain the relationship created between the parties, *see EBC I, Inc. v. Goldman Sachs & Co.*, 5 N.Y.3d 11, 19–20, 799 N.Y.S.2d 170, 175, 832 N.E.2d 26 (2005); *Northeast Gen. Corp. v. Wellington Adver., Inc.*, 82 N.Y.2d 158, 162, 604 N.Y.S.2d 1, 3, 624 N.E.2d 129 (1993). When we do so here, we conclude that the 1983 Agreement did not create an agency relationship.

The 1983 Agreement increased the Steinbeck sons' shares in certain copyright revenue, from one-quarter to one-third each, and, in return, conferred upon Elaine Steinbeck “the complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck in which [John IV] and [Thomas] have or will have renewal or termination rights.” 1983 Agreement ¶ 5. This language is unambiguous and 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. *See, e.g., Meese v. Miller*, 79 A.D.2d 237, 241, 436 N.Y.S.2d 496, 499–500 (4th Dep't 1981); *Garcia v. Herald Tribune Fresh Air Fund, Inc.*, 51 A.D.2d 897, 897, 380 N.Y.S.2d 676, 678 (1st Dep't 1976); *Krom v. Sharp & Dohme, Inc.*, 7 A.D.2d 761, 761, 180 N.Y.S.2d 99, 101 (3d Dep't 1958). The conclusion is reinforced by the fact that the 1983 Agreement

imposed only specific circumscribed reporting obligations on Elaine Steinbeck, not the full reporting obligations associated with a fiduciary appointment. *See generally* Restatement (Third) of Agency ch. 8.

The powers of attorney executed in favor of Elaine Steinbeck support no different conclusion. In urging otherwise, plaintiffs point to the words “attorney-in-fact” used in those documents, which they submit New York recognizes to create an agency relationship and attendant fiduciary obligations. *See In re Estate of Ferrara*, 7 N.Y.3d 244, 254, 819 N.Y.S.2d 215, 221, 852 N.E.2d 138 (2006). While reference to an attorney-in-fact can certainly constitute evidence of agency, we do not understand New York law to depart from the general principle that labels are not dispositive of the question. *See generally* Restatement (Third) of Agency § 1.02 *576 (“Although agency is a consensual relationship, how the parties to any given relationship label it is not dispositive.”). The 1983 Agreement makes clear that the powers of attorney were executed solely to effectuate the authority conferred upon Elaine Steinbeck under that Agreement. That authority was “complete” with no control retained by the Steinbeck sons. Thus, because the 1983 Agreement did not create an agency relationship between Elaine Steinbeck and the Steinbeck sons, or otherwise impose fiduciary obligations on her, nor did the powers of attorneys intended to effectuate it. *See Keyes v. Metro. Trust Co. of N.Y.C.*, 220 N.Y. 237, 242, 115 N.E. 455, 456 (1917) (“The purpose of a written power of attorney is not to define the authority of the agent, as between himself and his principal, but to evidence the authority of the agent to third parties with whom the agent deals.”);

accord *In re Anyon's Estate*, 137 Misc. 582, 585, 244 N.Y.S. 244, 248 (1930); see also *Villanueva v. Brown*, 103 F.3d 1128, 1136 (3d Cir.1997) (holding, in applying New Jersey law, that “primary purpose of a power of attorney is not to define the authority conferred on the agent by the principal, but to provide third persons with evidence of agency authority”). Rather, the powers of attorney here at issue conferred upon Elaine Steinbeck power coupled with an interest in the very copyrights that were the subject of the power conferred, an arrangement from which no fiduciary obligation arises. See *330 Acquisition Co., LLC. v. Regency Sav. Bank, F.S.B.*, 306 A.D.2d 154, 155, 761 N.Y.S.2d 185, 186 (1st Dep't 2003); *Hotel Prince George Affiliates v. Maroulis*, 98 A.D.2d 652, 654, 469 N.Y.S.2d 718, 721 (1st Dep't 1983), *rev'd on other grounds*, 62 N.Y.2d 1005, 1008–09, 479 N.Y.S.2d 489, 490–91, 468 N.E.2d 671 (1984); *French v. Kensico Cemetery*, 264 A.D. 617, 619, 35 N.Y.S.2d 826, 828–29 (2d Dep't 1942), *aff'd*, 291 N.Y. 77, 80, 50 N.E.2d 551 (1943); see also Restatement (Third) of Agency § 3.12, cmt. b & illus. 5.

Accordingly, we conclude that plaintiffs fail as a matter of law to state a claim against Elaine Steinbeck for breach of fiduciary duty.

b. *M & O*

We similarly reject Thomas Steinbeck's argument that M & O owed and breached fiduciary obligations created by the 1983 Agreement and powers of attorney. To the extent M & O is charged with fiduciary duties derivatively as Elaine Steinbeck's subagent, that argument is foreclosed by our conclusion that Elaine was not an agent of the Steinbeck sons. See

generally Empire State Ins. Co. v. Am. Cent. Ins. Co., 138 N.Y. 446, 449, 34 N.E. 200, 201 (1893); Restatement (Third) of Agency § 3.16. Nor did the 1983 Agreement appoint M & O to act as agent for the Steinbeck heirs generally. The Steinbeck sons surrendered “complete authority” to Elaine Steinbeck to exploit John Steinbeck's copyrights and also vested her with “sole discretion” to terminate M & O's agency. Under these circumstances, the 1983 Agreement does not manifest Thomas Steinbeck's ability to control M & O as would be required to create an agency relationship giving rise to fiduciary obligations.²

Nor did fiduciary duties arise by virtue of an alleged attorney-client relationship between Thomas Steinbeck and certain principals at M & O. “Since an attorney-client relationship does not depend on the existence of a formal retainer agreement or upon payment of a fee, a court must look to the words and actions of the parties to ascertain the existence of such a relationship.” Moran v. Hurst, 32 A.D.3d 909, 911, 822 N.Y.S.2d 564, 566 (2d Dep't 2006) (internal citations omitted); see also Talansky v. Schulman, 2 A.D.3d 355, 359, 770 N.Y.S.2d 48, 52 (1st Dep't 2003) (finding fact issue where “totality of the evidence at least suggest[ed] that defendant was acting as plaintiff's attorney”). Here, Thomas Steinbeck asserts that certain M & O principals who were licensed attorneys held themselves out as copyright experts, expressed sympathy for him, and told him they had his best interests in mind, thereby persuading him “to have trust and confidence in their advice concerning his interests in his father's works.” Plaintiffs Thomas Steinbeck's & Blake Smyle's Rule 56.1 Statement of Additional Material Facts in Opp'n to the M & O Defs.'

Mot. for Summ. J. ¶ 48, *Steinbeck v. Steinbeck*, No. 04 Civ. 5497 (S.D.N.Y. Oct.15, 2008). Even accepting these allegations as true, they are insufficient to allow a reasonable factfinder to infer an attorney-client relationship, especially in light of record evidence that Thomas Steinbeck was at the relevant times represented by other counsel. *See, e.g., Moran v. Hurst*, 32 A.D.3d at 911, 822 N.Y.S.2d at 566 (“The record is devoid of any evidence indicating that [the attorneys] either affirmatively led [the alleged client] to believe that they were acting as his attorney or knowingly allowed him to proceed under that misconception.”); *cf. McLenithan v. McLenithan*, 273 A.D.2d 757, 759, 710 N.Y.S.2d 674, 675–76 (3d Dep’t 2000) (finding factual issue as to attorney-client relationship where attorney advised plaintiffs to sign certain documents, previously represented plaintiffs, had familial relationship with plaintiffs, and represented them with respect to aspects of instant transaction).

Accordingly, we conclude that the district court properly granted summary judgment in favor of M & O on the breach of fiduciary duty claim.

2. *Promissory Estoppel*

Under New York law, a claim for promissory estoppel requires “a clear and unambiguous promise, reasonable and foreseeable reliance by the party to whom the promise is made, and an injury sustained in reliance on that promise.” *Williams v. Eason*, 49 A.D.3d 866, 868, 854 N.Y.S.2d 477, 479 (2d Dep’t 2008); *see also Braddock v. Braddock*, 60 A.D.3d 84, 95, 871 N.Y.S.2d 68, 77 (1st Dep’t 2009). The district court concluded that Thomas Steinbeck failed to adduce

evidence raising a triable issue of fact on the reliance element. We may “affirm the district court's judgment on any ground appearing in the record, even if the ground is different from the one relied on by the district court.” ACEquip Ltd. v. Am. Eng'g Corp., 315 F.3d 151, 155 (2d Cir.2003).

The record makes clear that Thomas Steinbeck could not reasonably have relied on Elaine Steinbeck's purported oral promise that he could “market all rights in” John Steinbeck's travelogue, *Travels With Charley*, Compl. ¶ 48(c), because such a representation modifies the relationship between the parties established by the 1983 Agreement, which by its terms can only be done in writing. See, e.g., Capricorn Investors III, L.P. v. Coolbrands Int'l, Inc., 66 A.D.3d 409, 410, 886 N.Y.S.2d 158, 159 (1st Dep't 2009) (holding that party cannot reasonably rely on promise that conflicts with written agreement's express terms); *578 Ruffino v. Neiman, 17 A.D.3d 998, 1000, 794 N.Y.S.2d 228, 229 (4th Dep't 2005) (same); accord Rose v. Spa Realty Assocs., 42 N.Y.2d 338, 343, 397 N.Y.S.2d 922, 926, 366 N.E.2d 1279 (1977) (noting that, generally, “if the only proof of an alleged agreement to deviate from a written contract is the oral exchanges between the parties, the writing controls”).

3. *Unjust Enrichment and Constructive Trust*

Under New York law, a claim for unjust enrichment requires proof “(1) that the defendant benefitted; (2) at the plaintiff's expense; and (3) that equity and good conscience require restitution.” Beth Isr. Med. Ctr. v. Horizon Blue Cross & Blue Shield of N.J., Inc., 448 F.3d 573, 586 (2d Cir.2006) (internal

quotations omitted); *see also* *Old Republic Nat'l Title Ins. Co. v. Luft*, 52 A.D.3d 491, 491–92, 859 N.Y.S.2d 261, 262 (2d Dep't 2008). Meanwhile, to impose a constructive trust, the law demands “(1) a confidential or fiduciary relationship; (2) a promise, express or implied; (3) a transfer made in reliance on that promise; and (4) unjust enrichment.” *In re Ades & Berg Grp. Investors*, 550 F.3d 240, 245 (2d Cir.2008); *see also* *Abacus Fed. Sav. Bank v. Lim*, 75 A.D.3d 472, 473, 905 N.Y.S.2d 585, 587 (1st Dep't 2010); *Rose v. Rose*, 72 A.D.3d 1060, 1060, 898 N.Y.S.2d 889, 890 (2d Dep't 2010).

To support their claim for unjust enrichment, plaintiffs appear to argue that Elaine Steinbeck benefitted at Blake Smyle's expense by withholding information from the granddaughter about her termination rights and then exercising those rights herself without seeking Blake Smyle's consent in a 1994 transaction the validity of which we upheld in *Penguin Group (USA) Inc. v. Steinbeck*, 537 F.3d at 204. This was, however, precisely what Elaine Steinbeck was empowered to do under the 1983 Agreement, which expressly bound Blake Smyle as John Steinbeck IV's successor in interest. Blake Smyle's consent was not required for the exercise of Elaine Steinbeck's authority under that Agreement, and any attempt by the granddaughter to exercise rights transferred to Elaine Steinbeck likely would have violated the 1983 Agreement. The parties do not dispute that Blake Smyle continues to receive *pro rata* royalty payments owed to her under the 1994 agreement she claims unjustly enriched Elaine Steinbeck. As a result, we identify no benefit derived by Elaine Steinbeck at Blake Smyle's expense and, consequently, conclude that

plaintiffs' claims for unjust enrichment and imposition of a constructive trust were properly dismissed as without merit.

4. *Termination of M & O*

Thomas Steinbeck argues that the “sole discretion” vested with Elaine Steinbeck to terminate M & O did not descend to Elaine Steinbeck's heirs because the 1983 Agreement was a personal services contract and, as a result, was not governed by New York's general rule that, “in the absence of express words, ... the parties to a contract intend to bind not only themselves, but their personal representatives.” *Gura v. Herman*, 227 A.D. 452, 454, 238 N.Y.S. 230, 233 (2d Dep't 1929), *aff'd*, 253 N.Y. 618, 171 N.E. 808 (1930); *see Warner v. Kaplan*, 71 A.D.3d 1, 4, 892 N.Y.S.2d 311, 313–14 (1st Dep't 2009); *Di Scipio v. Sullivan*, 30 A.D.3d 660, 661, 816 N.Y.S.2d 576, 577 (3d Dep't 2006). That distinction does not apply here.³

First, the 1983 Agreement is not a services contract in the manner described in the decisions relied upon by Thomas Steinbeck. *See, e.g., Buccini v. Paterno Const. Co.*, 253 N.Y. 256, 257–58, 170 N.E. 910, 911 (1930) (Cardozo, J.). Those decisions hold that where unique and extraordinary services of a particular obligor are the subject of a contract, that obligor's death absolves the parties of any unfulfilled performance obligations. *See, e.g., id.; Lorillard v. Clyde*, 142 N.Y. 456, 462, 37 N.E. 489, 491 (1894) (citing *Taylor v. Caldwell*, 122 Eng. Rep. 309, 1863 WL 6052 (K.B.1863)). Here, Thomas Steinbeck did not contract to obtain Elaine Steinbeck's services; rather, he and his brother contracted to obtain a greater share of royalty

payments in return for yielding complete authority over the copyrights at issue to Elaine Steinbeck, including sole discretion to terminate M & O as literary agent.

Second, nothing in the record indicates that Elaine Steinbeck's exercise of "sole discretion" required unique and extraordinary skills sufficient to qualify this provision of the 1983 Agreement as a personal services contract. Thomas Steinbeck argues that Elaine Steinbeck's experience made her "uniquely well-positioned to handle the concededly difficult and complex process of effectively exploiting the copyrights." Reply Br. at 17. Even if that were true, the power at issue is the authority to terminate a literary agent, not Elaine's overall authority to manage the copyrights. We are not persuaded that the exercise of *that* authority required extraordinary skills possessed uniquely by Elaine Steinbeck.

Finally, Thomas Steinbeck has not identified a material factual dispute regarding whether Elaine Steinbeck, acting through M & O principals, surrendered her right to terminate M & O's agency in her sole discretion. Even assuming that Elaine Steinbeck so surrendered those powers of attorney, Thomas Steinbeck offers no reason for interpreting that authority as conditioned upon Elaine Steinbeck's holding her stepson's power of attorney. Just as that power of attorney did not create Elaine's authority, which derived from the 1983 Agreement, neither would release of the power of attorney terminate that authority. Consequently, we conclude that Elaine's contractual right to terminate the agency relationship

with M & O, like other contractual rights not personal in nature, was fully descendible.

We have considered plaintiffs' other arguments and find them to be without merit. Accordingly, the December 4, 2009 judgment of the district court is hereby AFFIRMED.

*District Judge John G. Koeltl of the United States District Court for the Southern District of New York, sitting by designation.

1In a footnote in their appellate brief, plaintiffs suggest that, for the same reasons the district court erred in dismissing their fiduciary duty claim, it erred in dismissing claims against M & O for fraud, negligent misrepresentation, and interference with economic advantage. Generally, we deem an argument raised only in a footnote as waived. *See Norton v. Sam's Club*, 145 F.3d 114, 117 (2d Cir.1998). We see no reason to depart from this rule in this case. *See In re Nortel Networks Corp. Sec. Litig.*, 539 F.3d 129, 133 (2d Cir.2008) (noting that waiver doctrine is prudential and may be disregarded in our discretion). In any event, because we identify no merit in plaintiffs' fiduciary duty challenge, *see infra* at 5–11, these derivative arguments also fail.

2To the extent Thomas Steinbeck urges reversal of summary judgment to allow him to pursue discovery as to whether M & O was complying with Elaine Steinbeck's directions, we are not persuaded because such inquiry could not reasonably be expected to create a genuine issue of material fact as to the existence of an agency relationship between M & O and Thomas

Steinbeck. See Miller v. Wolpoff & Abramson, L.L.P., 321 F.3d 292, 303 (2d Cir.2003).

3We do not consider whether M & O should be permitted to invoke the 1983 Agreement because Thomas Steinbeck did not raise that issue before the district court. See Singleton v. Wulff, 428 U.S. 106, 120, 96 S.Ct. 2868, 49 L.Ed.2d 826 (1976); Diaz v. Paterson, 547 F.3d 88, 94–95 (2d Cir.2008). Under the circumstances, we perceive no unfairness in enforcing Thomas Steinbeck's waiver.

United States District Court for the Central District of
California,

No. 2:14-cv-08681-TJH-GJS

THOMAS STEINBECK *et al.*, Plaintiffs,

v.

WAVERLY SCOTT KAFFAGA, *et al.*, Defendants.

ORDER
JS-6

The Court has considered Defendants' motion to dismiss, with the moving and opposing papers.

Plaintiffs have litigated these claims *ad museum. Penguin Group (USA) Inc., v. Steinbeck*, 537 F.3d 193 (2008); *Steinbeck v. McIntosh & Otis, Inc.*, 400 F. Appx. 572 (2d Cir. 2010), *cent. denied*, 556 U.S. 1253, 129 S. Ct. 2383 (2009), 173 L. Ed. 2d 1326 (2009); *Steinbeck v. Steinbeck Heritage Found.*, 400 F. Appx 572, 579 (2d Cir. 2010), *cent. denied*, U.S. , 131 S. Ct. 2991, 180 L. Ed. 2d 836 (2011).

Plaintiffs are attempting to use this Court, after having exhausted their attempts in the Second Circuit, to revoke the validity of the 1983 agreement to recover rights to the Steinbeck Works, after Plaintiffs, cognizant of the value inherent in copyrights of the Steinbeck Works, signed over control and authority to Elaine Steinbeck (Estate).

This action is barred by collateral estoppel.

75a

It is ORDERED that Defendants' motion to dismiss be, and hereby is, Granted with prejudice.

Date: August 11, 2015

Terry J. Hatter, Jr.
Senior United States District Judge

17 U.S. Code § 203. Termination of transfers and licenses granted by the author

(a) Conditions for Termination.—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by one author, termination of the grant may be effected by that author or, if the author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, the termination interest of any such author may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a

widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

(4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or the grantee's successor in title.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination 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.

(b) Effect of Termination.—Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the author, authors, and other persons owning termination interests under clauses (1) and (2) of subsection (a), including those owners who did not join in signing the notice of termination under clause (4) of subsection (a), but with the following limitations:

(1) 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.

(2) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of subsection (a). The rights vest in the author, authors, and other persons named in, and in the proportionate shares provided by, clauses (1) and (2) of subsection (a).

(3) Subject to the provisions of clause (4) of this subsection, a further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under clause (2) of this subsection, as are required to terminate the grant under clauses (1) and (2) of subsection (a). Such further grant or agreement is

effective with respect to all of the persons in whom the right it covers has vested under clause (2) of this subsection, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this clause.

(4) 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. As an exception, however, an agreement for such a further grant may be made between the persons provided by clause (3) of this subsection and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of subsection (a).

(5) Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(6) Unless and until termination is effected under this section, the grant, if it does not provide otherwise, continues in effect for the term of copyright provided by this title.

(Pub. L. 94-553, title I, § 101, Oct. 19, 1976, 90 Stat. 2569; Pub. L. 105-298, title I, § 103, Oct. 27, 1998, 112 Stat. 2829; Pub. L. 107-273, div. C, title III, § 13210(9), Nov. 2, 2002, 116 Stat. 1909.)

17 U.S. Code § 304. Duration of copyright: Subsisting copyrights

(a) Copyrights in Their First Term on January 1, 1978.—

(1)

(A) Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for 28 years from the date it was originally secured.

(B) In the case of—

(i) any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or

(ii) any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire,

the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of 67 years.

(C) In the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work—

(i) the author of such work, if the author is still living,

(ii) the widow, widower, or children of the author, if the author is not living,

(iii) the author's executors, if such author, widow, widower, or children are not living, or

(iv) the author's next of kin, in the absence of a will of the author,

shall be entitled to a renewal and extension of the copyright in such work for a further term of 67 years.

(2)

81a

(A) At the expiration of the original term of copyright in a work specified in paragraph (1)(B) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in the proprietor of the copyright who is entitled to claim the renewal of copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in the person or entity that was the proprietor of the copyright as of the last day of the original term of copyright.

(B) At the expiration of the original term of copyright in a work specified in paragraph (1)(C) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

(i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in any person who is entitled under paragraph (1)(C) to the renewal and extension of the copyright at the time the application is made; or

(ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in any person entitled under paragraph (1)(C), as of the last day of the original term of copyright, to the renewal and extension of the copyright.

(3)

(A) An application to register a claim to the renewed and extended term of copyright in a work may be made to the Copyright Office—

(i) within 1 year before the expiration of the original term of copyright by any person entitled under paragraph (1)(B) or (C) to such further term of 67 years; and

(ii) at any time during the renewed and extended term by any person in whom such further term vested, under paragraph (2)(A) or (B), or by any successor or assign of such person, if the application is made in the name of such person.

(B) Such an application is not a condition of the renewal and extension of the copyright in a work for a further term of 67 years.

(4)

(A) If an application to register a claim to the renewed and extended term of copyright in a work is not made within 1 year before the expiration of the original term of copyright in a work, or if the claim pursuant to such application is not registered, then a derivative work prepared under authority of a grant of a transfer or license of the copyright that is made before the expiration of the original term of copyright may continue to be used under the terms of the grant during the renewed and extended term of copyright without infringing the copyright, except that such use does not extend to the preparation during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant.

(B) If an application to register a claim to the renewed and extended term of copyright in a work is made within 1 year before its expiration, and the claim is registered, the certificate of such registration shall constitute prima facie evidence as to the validity of the

copyright during its renewed and extended term and of the facts stated in the certificate. The evidentiary weight to be accorded the certificates of a registration of a renewed and extended term of copyright made after the end of that 1-year period shall be within the discretion of the court.

(b) Copyrights in Their Renewal Term at the Time of the Effective Date of the Sonny Bono Copyright Term Extension Act.—

Any copyright still in its renewal term at the time that the Sonny Bono Copyright Term Extension Act becomes effective shall have a copyright term of 95 years from the date copyright was originally secured.

(c) Termination of Transfers and Licenses Covering Extended Renewal Term.—In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section, otherwise than by will, is subject to termination under the following conditions:

(1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.

(2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:

(A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.

(B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.

(C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.

(D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.

(3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.

(4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection,

or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.

(A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, or, in the case of a termination under subsection (d), within the five-year period specified by subsection (d)(2), and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

(B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.

(5) Termination 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.

(6) In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest

under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the reversion of rights is subject to the following limitations:

(A) 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.

(B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.

(C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.

(D) 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. As an exception, however, an agreement for such a further grant may be made between the author or any of the persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

(E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.

(F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.

(d) Termination Rights Provided in Subsection (c) Which Have Expired on or Before the Effective Date of the Sonny Bono Copyright Term Extension Act.—In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act for which the termination right provided in subsection (c) has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination under the following conditions:

(1) The conditions specified in subsections (c)(1), (2), (4), (5), and (6) of this section apply to terminations of the last 20 years of copyright term as provided by the amendments made by the Sonny Bono Copyright Term Extension Act.

(2) Termination of the grant may be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured.

(Pub. L. 94-553, title I, § 101, Oct. 19, 1976, 90 Stat. 2573; Pub. L. 102-307, title I, § 102(a), (d), June 26, 1992, 106 Stat. 264, 266; Pub. L. 105-80, § 12(a)(9), Nov. 13, 1997, 111 Stat. 1535; Pub. L. 105-298, title I, §§ 102(d)(1), 103, Oct. 27, 1998, 112 Stat. 2827, 2829; Pub. L. 107-273, div. C, title III, § 13210(10), Nov. 2, 2002, 116 Stat. 1910.)