Five Decades down and One to go in the Pooh Saga

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Litigation is unlikely to end before Milne's last copyright expires in 2023.

In the 1920s, A.A. Milne wrote four books about Winnie-the-Pooh and other anthropomorphic creatures as playmates for a fictionalized version of his son, Christopher Robin. *See, e.g.*, Milne ex rel. Coyne v. Stephen Slesinger, Inc., 430 F.3d 1036, 1039 (9th Cir. 2005) (Milne I). In 1930, Stephen Slesinger, a TV producer and pioneer in licensing characters for children, saw expanded potential for the works, traveled to England, and obtained exclusive U.S. and Canadian rights. *Id*. Respective rights in the contracts were later transferred to a Milne trust and SSI, a Slesinger-created entity. *Id*. The agreement was amended in 1932. *See Milne II*, 2009 WL 3140439 at *2 (C.D.Cal.).

In 1961, Walt Disney, Inc. (Disney) entered the picture when SSI conveyed to it rights received from Milne. *Id*. As Meg James reports in the December 21st L.A. Times, "Over the next four decades, Disney created a multibillion-dollar merchandising empire around Winnie the Pooh, whose popularity eclipsed that of Mickey Mouse, Disney's longtime mascot. Pooh became Disney's most profitable character."

After the 1976 Copyright Act permitted termination of rights previously granted in works other than those for hire, Disney approached Christopher Milne. As the party apparently capable of terminating his father's assignments, in 1983, he agreed to forego termination of "existing arrangements in return for executing [a] new agreement… re-granting… rights in the Pooh works to SSI." *Milne I* at 1040. SSI, in turn, granted rights under the new agreement to Disney. *Id*. As a result, the Milne Trust ended up with a four-fold improvement in royalties compared to those received by SSI and a net gain estimated in "hundreds of millions of dollars." *Id*.

Believing that its royalties were being underpaid, SSI filed suit against Disney in state court. It was bitterly fought and ultimately dismissed for SSI's misconduct. Although Disney had also been found guilty of misconduct, an appeals court affirms a finding that SSI's suit should be dismissed. Doing so, it concludes, "Disney did not 'get away' with its own misconduct. The demise of SSI's lawsuit has one cause only: the deliberate and egregious misconduct of SSI itself, making any sanction other than dismissal inadequate to ensure a fair trial." Stephen Slesinger, Inc. v. Walt Disney Co., 155 Cal. App.4th 736 (Ct. App. 2d Dist. 2007).

Dismissal of its state claims for underpayment, however, did not mean that SSI lost its right to diminished royalties under the 1983 agreement. A second suit by A.A. Milne's granddaughter, underwritten by Disney, attempted to set that agreement aside. *See Milne I* at * 1040 n.5. There, Clare Milne claimed that a (Disney-supported) 1998 copyright amendment designed primarily to extend copyright terms by 20 years also conferred a renewed right to terminate. In *Milne I*, however, the Ninth Circuit affirms a ruling to the contrary. *Id*. at 1048.

Meanwhile in the same suit, the district court was considering a host of SSI counterclaims centering on infringement. It, however, finds such claims precluded "under the clear terms of the parties' agreements." *Milne II* at *4. In support, it notes, "[N]o evidence has been offered that SSI ever attempted to perfect or register any such rights…. Disney, on the other hand, registered at least 15 trademarks… between 1983 and 2006. In 2004, Disney registered copyrights in 45 works featuring Pooh characters, and renewed copyright registrations for another 14 such works. SSI never objected to those registrations until 2006, when the state action for breach of the royal agreement was dismissed, and these counter-claims were filed." *Id*. at *4.

Moreover, the district court finds, "Not only are SSI's counterclaims unsupported by the language of the contracts, they are inconsistent with statements made and positions taken by

SSI in the state court litigation." *Id*. As seen by that court, "SSI's conduct demonstrates a blatant effort to salvage its lawsuit against Disney by an taking (sic) entirely inapposite and inconsistent posture in this case. Between 2003 and 2006, it filed three counterclaims…. None ever made reference to copyright, trade mark or trade dress. The issue only arose after SSI could no longer proceed with its breach of contract claims." *Id*. at *5. Thus, infringement-related claims are also precluded by resort to judicial estoppel. That, however, seems unnecessary to resolve the dispute and seems not to consider that state courts may resolve royalty disputes but not ones involving copyright or federal trademark registrations.

Milne II sets the stage for Slesinger, Inc. v. Disney Enterprises, Inc., 2012 WL 6634221 (Fed. Cir.) (Slesinger). There, the court affirms TTAB findings that SSI was collaterally estopped from opposing or seeking to cancel multiple Disney trademark registrations. The key is whether Disney is an assignee or licensee of SSI; as the latter, it would lack standing to register. Collateral estoppel would apply, however, only if the issue is resolved by *Milne II*.

Slesinger says, "the parties' district court briefing extensively addressed the agreement's scope as an assignment or a license." *Id*. at 3. The court also cites the statement, "nowhere in its motion papers does SSI identify precisely what rights it believes it retained. Nor can any such rights be discovered by reading the contracts." *Slesinger* at *2 (quoting *Milne II* at *3).

Judge Reyna dissents, arguing that collateral estoppel is inapplicable because Milne II does not resolve ownership of the trademarks. *Slesinger* at *5. That SSI failed to identify retained rights precisely cannot resolve the issue: If nothing else, SSI is apparently entitled to royalties under the 1983 agreement. *See Milne I* at 1040-41 (discussing payments). Nor does language in party briefs seem necessarily determinative of Disney's status as licensee or assignee.

Judge Reyna's objections seem well taken. Yet SSI's failure to object to Disney's actions

between 1983 and 2006 is compelling. Implications inherent in such a failure seem ample to support ruling in Disney's favor, whether based on an administrative counterpart to judicial estoppel, laches, acquiescence or something else.

Zeroing in on more defensible grounds in an ever longer, more complex record would seem to accomplish little, but potential for another decade of royalty disputes remains. "U.S. copyright in the Pooh works was registered between 1924 and 1928, and renewed between 1952 and 1956." *Milne I* at 1039 (note omitted). Under § 304(b), works in their renewal term in 1998 "shall have a copyright term of 95 years from the date copyright was originally secured." Barring modification of the 1983 agreement, SSI should be entitled to royalties through 2023.

Thanks to the outcome of this case, however, Disney will thereafter be beholden to no one in exercising dominion over its Pooh franchise.