

APPELLATE CASE NO. 11-55863;
CROSS-APPEAL CASE NO. 11-56034

**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

LAURA SIEGEL LARSON

Plaintiff, Counterclaim-Defendant, and Appellant.

v.

WARNER BROS. ENTERTAINMENT INC., DC COMICS

Defendants, Counterclaimants, and Appellees.

APPELLANT LAURA SIEGEL LARSON'S FIRST BRIEF ON CROSS-APPEAL

Appeal From The United States District Court for the Central District
of California,

Case No. CV-04-8400 ODW (RZx), Hon. Otis D. Wright II

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STATEMENT OF JURISDICTION

This action, seeking, *inter alia*, a declaration of rights under Section 304 of the United States Copyright Act, was filed by Joanne Siegel (deceased) and Laura Siegel Larson (the “Siegels” or “Plaintiff(s)”) against DC Comics (together with its predecessors, “DC”), Warner Bros Entertainment Inc. (“Warner”; together with DC, “Defendants”) and Time Warner Inc. in the United States District Court for the Central District of California. DC counterclaimed seeking a declaration under Section 304 as well as other relief. The District Court had jurisdiction under 28 U.S.C. §§ 1331, 1338 and 1367. This appeal arises from the district court’s May 20, 2011 judgment pursuant to Fed. R. Civ. P. 54(b). The notice of appeal was timely filed by Plaintiff Laura Siegel Larson (“Appellant”) on May 27, 2011. Fed. R. Civ. P. 4(a)(1)(A). This Court has jurisdiction under 28 U.S.C. § 1291.

ISSUES PRESENTED

1. Did the District Court err by finding, on Defendants’ *de facto* motion for summary judgment, that the following Superman works co-authored by Jerome Siegel (“Siegel”) and Joseph Shuster (“Shuster”) were “works made for hire,” exempt from Plaintiffs’ notices of termination under 17 U.S.C. § 304(c):

(a) *Action Comics*, Nos. 2-3, 5-6; (b) the 1939-1943 “Superman” newspaper strips (except for the first two weeks thereof) (the “Newspaper Strips”); and (c) *Action Comics*, Nos. 7-61 and *Superman*, Nos. 1-23 (except for pages 3-6 of *Superman*,

No.1)? See Appellant Laura Siegel Larson’s Excerpts of the Record (“ER”) 133-34. Standard of review: de novo. *Carson Harbor Village, Ltd. v. County of Los Angeles*, 433 F.3d 1260, 1265 (9th Cir. 2006).

STATEMENT OF THE CASE

Plaintiff-Appellant Laura Siegel Larson is the only surviving child of legendary comic book author Jerome Siegel, co-creator of the world-renowned Superman. This case concerns Plaintiffs’ notices of termination pursuant to the Copyright Act, 17 U.S.C. § 304(c) (“Section 304(c)”), of Siegel’s grants to DC of his copyright interests in the illustrated Superman stories published in *Action Comics, No. 1*, *Action Comics, Nos. 2-56*, *Superman, Nos. 1-23*,¹ and the daily Superman newspaper strips from 1939-1943 (the “Termination Notices”), all co-authored by Siegel and Shuster.

Siegel and Shuster’s first Superman comic book story, created circa 1934 (ER 143-149), was published in 1938 in the magazine *Action Comics, No. 1*, by Detective Comics, Inc. (“Detective”), predecessor of defendant DC. ER 154. By agreement dated March 1, 1938, Siegel and Shuster granted to Detective all rights in their Superman story and character. ER 151. From 1938 to 1943, Siegel and Shuster created hundreds of additional Superman comic book stories published by

¹ Throughout this brief, references to *Action Comics, Nos. 1-56* and *Superman, Nos. 1-23* refer to Siegel and Shuster’s Superman material published therein.

Detective, and hundreds of Superman newspaper strips syndicated by the McClure Newspaper Syndicate (“McClure”). ER 54-67.

The U.S. copyrights in Siegel and Shuster’s Superman works were originally set to expire in the mid-to-late-1990s. However, the copyright term was extended for nineteen years by the Copyright Act of 1976, and again for an additional twenty years by the 1998 Sonny Bono Copyright Term Extension Act. Congress intended that authors and their families have the opportunity to benefit from these extensions, rather than provide a windfall to assignees. S. Rep. No. 104-315 at 22-23 (1996). To that end, Congress granted authors and certain heirs the inalienable right to recapture their original copyrights by terminating prior transfers of copyright “notwithstanding any agreement to the contrary.” 17 U.S.C. §§ 304(c)(5), (d).

On April 3, 1997, Appellant, along with her late mother, Joanne Siegel, Siegel’s widow, availed themselves of this right by serving the Termination Notices on Defendants, with an effective date of April 16, 1999. ER 1023-1092. The Termination Notices were drafted, served and filed in full compliance with Section 304(c), and the regulations promulgated thereunder, 37 C.F.R. § 201.10. ER 165-203, 1093-1107.

Following protracted and unsuccessful settlement negotiations with Defendants, the Siegels filed the instant action in October 2004, including a claim

for declaratory relief that the Termination was valid. DC counterclaimed for declaratory relief that the Termination was invalid, including on the purported ground that all the Superman works created by Siegel and Shuster were allegedly “works for hire” owned at inception by DC, and exempt from Section 304(c). ER 164, 273-310, 324-348.

In 2007, the parties filed cross-motions for summary judgment. ER 164-165. In relevant part, the Siegels sought summary judgment that their Termination was valid as a matter of law with respect to the original Superman story published in *Action Comics, No. 1*, which Siegel and Shuster created long before any relationship with Detective. *Id.* The District Court granted Plaintiffs’ motion, concluding that “all the Superman material contained in *Action Comics, Vol. 1*, is not a work-made-for-hire and therefore is subject to termination.” ER 189.

Thereafter, at Defendants’ insistence, the parties briefed the issue of whether Siegel and Shuster’s post-*Action Comics, No. 1* Superman works were “made for hire.” On August 12, 2009, the District Court ruled that *Action Comics, No. 4*, part of *Superman, No. 1* and the first two weeks of the Superman newspaper strips were *not* works for hire, because these stories had clearly been created by Siegel and Shuster prior to or outside of any relationship with Detective. ER 43-141.

However, the District Court held on summary judgment that *all* of Siegel and Shuster’s numerous other Superman works within the Termination window

(see 17 U.S.C. § 304(c)(3)), namely *Action Comics*, Nos. 2-3, 5-56, *Superman*, Nos. 1-23, and the remaining 1939-1943 Superman newspaper strips, were “works for hire.” *Id.* In so ruling, the District Court failed to adhere to the standards governing summary judgment, and the test for determining whether such works were “made for hire.” The District Court also ignored or misconstrued much of the record evidence.

More specifically, the District Court ignored that Siegel and Shuster’s creation of these Superman works was speculative in that Detective’s payment for submitted works was contingent on it choosing to publish them. Siegel and Shuster, which shouldered all the expenses of producing these Superman works, bore the entire financial risk of creation, and Detective held no legal right to control Siegel and Shuster’s creative process. That is not “work for hire.”

On May 17, 2011, the District Court filed a Fed. R. Civ. P. 54(b) Judgment, as its rulings had fully adjudicated Plaintiffs’ First Claim, namely the validity of the Termination and the Superman works which Plaintiffs had recaptured, and DC’s relevant counterclaims. ER 232-234. This appeal followed.

STATEMENT OF FACTS

Siegel and Shuster’s Creation of Superman

In 1933, Jerome Siegel conceived of the original idea of a cartoon strip featuring a unique hero with superhuman powers called “Superman.” *See Siegel v.*

National Periodical Publications, 364 F. Supp. 1032, 1034-1035 (S.D.N.Y. 1973), *aff'd* 508 F.2d 909 (2d Cir. 1974); ER 275-276, 954-955. Circa 1933-34, Siegel wrote, and Joseph Shuster illustrated, Superman works intended for publication in a newspaper format, including without limitation: (i) twenty-four days (four weeks) of Superman newspaper comic strips (the “1934 Superman Strip”); (ii) an additional fifteen days of Superman comic strips; and Siegel also wrote: (iii) a seven-page synopsis of the last eighteen days (weeks 2-4) of such strips, plus (iv) a paragraph previewing future Superman exploits (“Preview”); (v) a nine-page synopsis covering an additional *two months* of daily Superman comic strips; and (vi) a complete “continuity” (script) of Superman winning a football game. *Siegel*, 508 F.2d at 911; ER 275-276, 502-531, 954-955.

By 1934, “Superman and his miraculous powers were completely developed [by Siegel and Shuster].” *Siegel*, 508 F.2d at 911, 914; ER 954-955. They submitted Superman to numerous newspaper syndicates, including McClure, and to publishers, but it was not purchased. ER 276, 955.

In or about early 1938, McClure forwarded Siegel and Shuster’s 1934 Superman Strip to Detective for potential publication in its new magazine, “Action Comics.” ER 276, 955-957. When Detective expressed interest in publishing their 1934 Superman Strip in a magazine, Siegel and Shuster “re-cut and pasted” it into a thirteen-page magazine format and submitted it to Detective. *Siegel*, 508 F.2d at

911; ER 276, 955-960.

Siegel and Shuster's Early Superman Publications

Action Comics, No. 1: In a March 1, 1938 agreement (the “March 1, 1938 Agreement”), Siegel and Shuster transferred to Detective “the strip entitled ‘Superman’ ... and all goodwill attached thereto and exclusive rights to use the characters and story, continuity and title of the strip” for \$130 (\$10 per page). ER 276, 916-917, 958-960. On April 18, 1938, Detective published the 1934 Superman Strip in *Action Comics, No. 1*. ER 154, 214-227, 960.

Action Comics, Nos. 2-6: Siegel and Shuster created additional Superman comics, adapting their pre-existing material, which were published by Detective in *Action Comics, Nos. 2-6*. ER 532-579, 960-961. They were not employed by Detective to create these works; Detective purchased these stories at the same going rate of \$10.00 per page. ER 960-961.

The Early Newspaper Strips: After submitting the re-cut 1934 Superman Strip to Detective, Siegel and Shuster again followed their dream of having Superman published as a newspaper comic strip. ER 615-617, 954-955, 957. Siegel thus wrote “a detailed two weeks ‘Superman’ daily strip continuity account of Superman’s origin.” ER 615. Without Detective’s involvement, Siegel sent this continuity to McClure, which preferred to revisit the project later. *Id.* Undeterred, Siegel had Shuster illustrate his continuity, and they submitted the complete first

two weeks of the Superman newspaper strips to McClure and other newspaper syndicators, again without Detective's involvement. ER 615-616, 621-630.

The 1938 Agreements with Detective and McClure

After sales of *Action Comics* escalated due to Superman, Detective entered into an agreement with Siegel and Shuster on September 22, 1938 (the "September 22, 1938 Agreement") to produce the "artwork and continuity" for five comic strips, including Superman. ER 604-607, 961-963. Thereafter, Siegel and Shuster submitted, and Detective purchased, further Superman stories that it published in *Action Comics*, Nos. 7-61 and *Superman*, Nos. 1-6. ER 52-63, 87-91.

Under the September 22, 1938 Agreement, Siegel and Shuster received little to no creative guidance or story proposals from Detective before producing their works. ER 812-813. Siegel did not send his continuities to Detective for "approval" before Shuster illustrated them. ER 618, 761, 812. Their New York-based editor, Vince Sullivan, never visited them and his input was "limited to accepting or rejecting the[ir] finished stories." ER 679-680, 788, 812-813.

Based on their sample first two weeks of Superman newspaper strips, Siegel and Shuster entered into an agreement with McClure and Detective, dated September 22, 1938, concerning Siegel and Shuster's production and McClure's syndication of the strips (the "McClure Agreement"). ER 608-611. Siegel and Shuster's sole consideration for supplying Superman newspaper strips to McClure

was a contingent percentage of McClure's profits from licensing the strips. ER 606, 609.

Siegel and Shuster were self-employed, with their own expanding comic production business, the "American Artists League" (ER 605), which supplied and sold (a) finished comic book stories that Detective purchased for publication and (b) finished Superman comic strips that McClure distributed to newspapers. ER 606, 812-813. Siegel and Shuster set their own hours and working conditions and those of their sizeable staff that they hired, managed, and paid (from an American Artists League bank account). ER 583, 597-600, 726-754, 788, 812-813. Siegel and Shuster also paid all their other expenses without reimbursement, including their studio's equipment, furnishings, artistic materials, postage, utilities and travel, and kept their own financial records. ER 699-700, 747-754, 788, 812. Detective did not "withhold payroll or any other form of taxes, nor did Siegel and Shuster receive any health benefits or insurance, nor did they receive any other traditional employee benefits such as sick pay or vacation pay." ER 788, 812.

Siegel and Shuster's Litigation With Defendants' Predecessors

In 1947, Siegel and Shuster filed suit against Detective's successor National Comics Publications, Inc. ("National") seeking a declaration of rights with respect to Superman. *Siegel*, 364 F. Supp. at 1034-1035; 508 F.2d at 912-913; ER 939. The action was tried before Judge Addison Young, who thereafter rendered a

detailed opinion on November 21, 1947. ER 938-950. On April 12, 1948, after the trial and review of considerable evidence, Judge Young made lengthy findings of fact and conclusions of law, and held that National owned Superman pursuant to the March 1, 1938 Agreement. ER 951-993. The parties then entered into settlement negotiations which resulted in a stipulation dated May 19, 1948 and, pursuant to its express terms, Judge Young entered a consent judgment. *See Siegel*, 364 F. Supp. at 1034-1035; 508 F.2d at 912-913; ER 994-1017.

In 1969, Siegel and Shuster sought declaratory relief regarding ownership of the renewal copyrights to Superman, resulting in the Second Circuit's decision in *Siegel, supra*, 508 F.2d 909. The district court held and the Second Circuit affirmed that Judge Young's findings of fact and conclusions of law and the consent judgment (after settlement) were binding under *res judicata*, and that National owned the renewal copyright to Superman. *Id.* at 912-13.

Plaintiffs' Termination Pursuant to the Copyright Act

On April 3, 1997, Joanne Siegel and Laura Siegel Larson, Siegel's widow and daughter, exercised their right under Section 304(c) to recapture Siegel's share of the copyright to the Superman works he co-authored by serving Defendants with Termination Notices as to Siegel's March 1938 Agreement and subsequent purported grants of Superman rights. ER 1023-1107. The Termination Notices complied with 17 U.S.C. § 304(c) and 37 C.F.R. § 201.10, the relevant regulations,

and had an effective date of April 16, 1999.

Commencing in April 1999, the parties engaged in protracted negotiations of a complex transaction for Plaintiffs to re-license to DC their recaptured copyright interests in the Superman works. ER at 161-164. By 2002, these discussions broke down, and no agreement was consummated. ER 198-203.

The District Court Proceedings

In October 2004, Plaintiffs filed this action, including a First Claim for declaratory relief to validate their Termination under 17 U.S.C. § 304(c) and to determine the Superman works thereby recaptured, among other causes of action. ER 164, 338-339, 343-344. DC counterclaimed on various grounds: its First Counterclaim requested a declaration that the Termination was invalid; its Second Counterclaim requested a declaration that the Siegels' claims were barred by the statute of limitations; and its Third and Fourth Counterclaims alleged that the parties had entered into a purported settlement agreement. ER 293-301, 308-309.

On April 30, 2007, the parties filed cross-motions for partial summary judgment. ER 1143-1150. By order dated March 26, 2008, the District Court granted Plaintiffs' motion in relevant part, ruling that the Termination was valid and complied with 17 U.S.C. § 304(c) and 37 CFR § 201.10; that Plaintiffs' suit was not barred by the statute of limitations, and that no settlement agreement had been consummated by the parties. ER 165-213. The District Court held that

Plaintiffs had successfully recaptured, without limitation, Siegel’s co-authorship share of the copyright in the first Superman story, concluding that “all the Superman material contained in *Action Comics*, Vol. 1, is not a work-made-for-hire and therefore is subject to termination,” and that the Second Circuit’s determination in *Siegel*, 508 F.2d at 912-913, that *Action Comics*, No. 1 was not “work for hire” was binding under the *collateral estoppel* doctrine. ER 182-189.

Thereafter, at Defendants’ insistence, the parties filed briefing on so-called “Additional Issues,” wherein Defendants sought partial summary judgment that Siegel’s contribution to all Superman works other than *Action Comics*, No. 1 published within the 1938-1943 Termination “window” (17 U.S.C. § 304(c)(3)) were “works for hire,” not subject to termination. ER 74-134, 881-882. Plaintiffs asserted that such works were not “made for hire,” and that, as to certain works (*Action Comics*, Nos. 7-61, *Superman*, Nos. 1-23), Defendants’ motion, at most, implicated genuine issues of material fact for trial. ER 39, 881-882.

At issue was whether the following works were exempt from the Termination as “works for hire”: (i) *Action Comics*, Nos. 2-6, (ii) *Action Comics*, Nos. 7-61; (iii) *Superman*, Nos. 1-23; and (iv) the 1939-1943 Superman newspaper strips syndicated by McClure. The District Court treated Defendants’ “work for hire” motion as another motion for partial summary judgment (although the summary judgment deadline had lapsed), see ER 43-141, and ruled that: (i) the

Superman material in *Action Comics*, No. 4 and parts of *Superman*, No. 1 were *not* works for hire because they were created circa 1934 prior to any agreement with Detective (ER 74-81); (ii) “the two weeks’ worth of newspaper comic strip material created by Siegel and Shuster during the spring of 1938, before the execution of the McClure Agreement were *not* works made for hire” (ER 109-114); (iii) “the Superman material in *Action Comics*, Nos. 2-3 and Nos. 5-6 ... were works made for hire” as purportedly created under an implied understanding with Detective (ER 82-87); (iv) the Superman materials published under the September 22, 1938 Agreement (*Action Comics*, Nos. 7-61, and *Superman*, Nos. 1-23) were “works for hire” (ER 87-91); and (v) “the newspaper strips created by Siegel and Shuster after September 22, 1938, were works made for hire.” ER 99-108. Both sides filed motions for reconsideration, which were denied. ER 1-42.

Pursuant to the above decisions, Plaintiffs recaptured Siegel’s co-authorship share of, and co-own with DC, the copyrights to *Action Comics*, No. 1, *Action Comics*, No. 4, *Superman*, No. 1 (pages 3-6), and the first two weeks of the Superman newspaper strips containing Superman’s origin story. In light of these rulings, which fully adjudicated the validity of the Termination Notices and the works thereby recaptured, the District Court, on May 20, 2011, entered a judgment under Fed. R. Civ. P. 54(b) on Plaintiffs’ First Claim and on DC’s First, Second, Third and Fourth Counterclaims. ER 232-241. Plaintiff Laura Siegel Larson

timely filed a notice of appeal on May 27, 2011. ER 230-231.

STANDARD OF REVIEW

Summary judgment is appropriate only if the record discloses “that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c). The moving party bears the burden of identifying evidence demonstrating the absence of a genuine issue of material fact for trial. *Anderson v. Liberty Lobby*, 477 U.S. 242, 256 (1986). A fact is “material” if it affects the outcome of the suit under the governing substantive law. *Id.* at 248. In reaching its decision, the court must resolve all ambiguities and draw all reasonable inferences against the moving party. *Id.* at 249-250. These standards are equally applicable to motions for partial summary judgment. Fed. R. Civ. P. 56(c), (d). The entry of judgment on some, but not all, claims under Fed. R. Civ. P. 54(b) is an appealable judgment. 12 U.S.C. § 1291. This Court reviews summary judgment decisions *de novo*. *United States v. Alameda Gateway Ltd.*, 213 F.3d 1161, 1164 (9th Cir. 2000).

SUMMARY OF ARGUMENT

“Works for hire” are the sole exclusion from the inalienable termination rights granted by the 1976 Copyright Act. *See* 17 U.S.C. § 304(c). Accordingly, the District Court’s determination of which Superman works were “made for hire” determined the copyright interests recaptured by the Siegels’ Termination. The

“instance and expense” test for “works for hire” under the 1909 Copyright Act governs this determination, *Self-Realization Fellowship Church v. Ananda Church of Self-Realization* (“*Self-Realization*”), 206 F.3d 1322, 1326 (9th Cir. 2000), although that test has been widely criticized as based on a misreading of earlier assignment cases. See *Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc.* (“*Hogarth*”), 342 F.3d 149, 161 n.15 (2d Cir. 2003); 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* (“*Nimmer*”) § 9.03[D], at 9-30 to 9-32 (2011); 2 W. Patry, *Patry on Copyright* (“*Patry*”) § 5:45. The instance prong entails “an inquiry into whether ‘the motivating factor in producing the work was the employer who induced the creation,’” and “the degree to which the hiring party had ‘the right to control or supervise the artist's work.’” *Twentieth Century Fox Film Corp. v. Entertainment Distribution* (“*Twentieth Century*”), 429 F.3d 869, 879 (9th Cir. 2005) (citation omitted). A work is created at a party’s “expense” if that party takes on “all the financial risk” of the work’s creation. *Id.* at 881.

Although Defendants wholly failed to meet their burden as to their statutory “work for hire” defense, the District Court erroneously held on summary judgment that the following Superman stories were “works made for hire”:

Action Comics, Nos. 2-3, 5-6: Siegel and Shuster created these works “on spec,” at their own expense, without any proven agreement with, engagement by or commitment from Detective. Detective simply chose to purchase these works

from Siegel and Shuster for \$10/page, just as it had purchased *Action Comics, No. 1*, long held not to be “work for hire.” *Siegel*, 508 F.2d at 912-913. Because Siegel and Shuster took on all of the financial risk of creating these works, Defendants could not meet the “expense” prong of the test. The “instance” prong was also not met as Defendants presented no evidence that Detective had any right to control or supervise the creation of these works. In fact, the District Court ignored substantial evidence that Siegel wrote these Superman stories well before any relationship with Detective.

The Newspaper Strips: Siegel and Shuster’s agreement to produce the Newspaper Strips with McClure (the syndicator) and Detective (the underlying rightsholder) had all the hallmarks of a joint venture, not employment. The “expense” prong was not met because Siegel and Shuster were entitled *solely* to a contingent profit participation, while shouldering the entire cost and financial risk of the strips’ creation. The “instance” prong was not met because the Newspaper Strips were the product of Siegel and Shuster’s entrepreneurship; they, not Detective or McClure, were, without doubt, the “motivating factor” behind the strips. Moreover, neither the September 22, 1938 Agreement nor the McClure Agreement gave Detective or McClure the right to control or supervise the strips’ creation. After acknowledging that the Newspaper Strips lay on the “outer edges” of the “work for hire” doctrine, the District Court nonetheless held on summary

judgment, and contrary to abundant evidence, that the Newspaper Strips were “work for hire.”

Action Comics, Nos. 7-61, Superman, Nos. 1-23: Under Detective’s September 22, 1938 Agreement with Siegel and Shuster, Detective was only obligated to pay the authors for that submitted work it chose to publish, rendering their work speculative by definition. ER 606. The “expense” prong was therefore not met because, while Siegel and Shuster shouldered all the expenses of creation, Detective was under no legal obligation to buy their work. Siegel and Shuster thus bore the entire financial risk of creation. The “instance” test was not met because Detective’s “right to reasonably supervise the editorial matter” of its publications reflected the standard editorial role of every publisher, and Detective had no legal right to control Siegel and Shuster’s creative process. ER 605-607. In fact, the evidence shows Detective’s frustration with its lack of control and limited input as to Siegel and Shuster’s Superman stories. ER 422-460.

ARGUMENT

I. THE TERMINATION RIGHT UNDER THE U.S. COPYRIGHT ACT

“The economic philosophy behind the [Copyright] clause ... is the conviction that encouragement of individual effort by personal gain is the best way to advance the public welfare through the talents of authors [] in ‘[] useful Arts.’” *Mazer v. Stein*, 347 U.S. 201, 219 (1954). Since the Copyright Act of 1831,

Congress has consistently provided authors and their heirs with the right to recover assigned copyrights, and has strengthened such “recapture” rights over time to enable authors and their heirs to better realize the value of an author’s work. *See Stewart v. Abend*, 495 U.S. 207, 219 (1990). These protections culminated in the current Copyright Act’s termination provisions. 17 U.S.C. §§ 203(a), 304(c)-(d).

Under the Copyright Act of 1909 (the “1909 Act”), copyright protection was divided into two separate, consecutive 28-year terms: the “initial” and “renewal” terms. 17 U.S.C. § 24 (1974). The renewal term was intended to be owned by the author at the end of the initial term, to protect authors who struck imprudent deals and allow them to participate in the increased value of their work. *See Stewart*, 495 U.S. at 217-220; *Classic Media, Inc. v. Mewborn*, 532 F.3d 978, 982 (9th Cir. 2008) (“[T]he renewal process was intended to give an author and his heirs a second chance to benefit from the fruits of his labors.”).

This clear legislative purpose to protect and benefit authors was undermined entirely by *Fred Fisher Music Co., v. M. Witmark & Sons*, 318 U.S. 643, 657-59 (1943), which held that the renewal interest could be assigned during the initial term. *Stewart*, 495 U.S. at 219. Thereafter, publishers routinely insisted that authors assign *both* terms, curtailing authors’ benefits from the economic success of their works. *Id.*

On January 1, 1978, the Copyright Act of 1976 (the “1976 Act”) went into

effect, and with it major changes to U.S. copyright law that significantly enhanced authors' rights. 17 U.S.C. § 101 *et seq.* (1978). *See Classic Media*, 532 F.3d at 982 (referring to "Congress's clear intent to benefit authors and their heirs with additional years of copyright protection in the 1976 Act"); *Greenberg v. National Geographic Society*, 533 F.3d 1244, 1259 n.1 (11th Cir. 2008) ("The 1976 Copyright Act was supposed to reverse two hundred years of publishers' exploitation of authors under the [] Copyright Act."). When Congress extended the renewal term from 28 to 47 years, it intended to benefit authors rather than grantees, *see* H.R. Rep. No. 94-1476 at 140 (1976), and therefore coupled the extension with a *new* right of authors and their heirs to terminate transfers of rights in the renewal term. 17 U.S.C. § 304(c).²

In recognition of this concerted legislative intent, the Supreme Court has emphasized the "inalienable authorial right to revoke a copyright transfer." *N.Y. Times v. Tasini*, 533 U.S. 483, 496 n.1 (2001). *See Abend*, 495 U.S. at 230 ("[1976 Act] provides an inalienable termination right"). This "termination right" lies in

² In addition, 17 U.S.C. § 203(a) allows an author or his heirs to terminate any post-January 1, 1978 grant by an author after 35 years. The 1976 Act thus granted a termination right for both existing and future grants. When the Sonny Bono Copyright Term Extension Act of 1998 further extended the renewal term, Congress again coupled the extension with a third termination right. 17 U.S.C. § 304(b), (d); S. Rep. No. 104-315 at 22-23 (1996); *see also* 3 *Nimmer* § 9.11[B][1] at 9-152; *Classic Media*, 532 F.3d at 985 ("In 1998, Congress reaffirmed its objectives with respect to the 1976 Act's termination provisions.").

stark contrast to ordinary contract principles, as it empowers authors and their statutory heirs to terminate prior grants of copyright without cause, regardless of the parties' promises, intent or expectations when the grant was made. 17 U.S.C. § 304(c)(5). Congress created this vital right to directly address the inequities caused by *Fred Fisher*, and “in large measure [it was] designed to assure that [the 1976 Act’s] new benefits would be for the authors and their heirs.” *Classic Media*, 532 F.3d at 984; *see also Marvel Characters v. Simon* (“*Marvel*”), 310 F.3d 280, 291 (2d Cir. 2002). Thus, in further abrogation of “freedom of contract” principles, the termination right cannot be waived or circumvented: “[t]ermination of the grant may be effected notwithstanding any agreement to the contrary,” and “[a] further grant ... is valid only if it is made after the effective date of termination ... [or as to] the original grantee or such grantee’s successor in title, after the notice of termination has been served....” 17 U.S.C. §§ 304(c)(5), (c)(6)(B).

II. THE DISTRICT COURT IMPROPERLY FOUND ON SUMMARY JUDGMENT THAT NUMEROUS SUPERMAN WORKS WERE “WORKS MADE FOR HIRE”

A. “Work For Hire” Under the 1909 Copyright Act

1. Derivation of the “Work For Hire” Doctrine

“Works for hire” are the sole exemption from the termination rights granted by the 1976 Act. 17 U.S.C. §§ 203(a), 304(c). Therefore, the District Court’s determination of which, if any, of Siegel and Shuster’s Superman works within the

Termination window (see 17 U.S.C. § 304(c)(3)) were “works made for hire” would effectively determine the copyright interests recaptured by the Siegels’ Termination. As these Superman works were created prior to 1978, the 1909 Act governs them. *Self-Realization*, 206 F.3d at 1326.

The 1909 Act did not define “work for hire,” but simply stated that “in the interpretation and construction of this title...the word ‘author’ shall include an **employer** in the case of works made for hire.” 17 U.S.C. § 26 (1974) (repealed) (emphasis added). Section 26 was to be narrowly applied:

[T]he provision was included in the draft bills at the behest of two groups: the publishers of encyclopedias, directories and other composite works and the publishers of prints and similar works of graphic arts. These publishers wished to insure their right to secure copyrights in material composed by their staffs without having to obtain their employees’ assignments.

Picture Music, Inc. v. Bourne, Inc., 314 F. Supp. 640, 649, 651-52 (S.D.N.Y. 1970). Thus, “[u]ntil the mid-1960’s, federal courts applied the work-for-hire doctrine only to cases in which a traditional employer/employee relationship existed between the hiring party and the creator.” *Twentieth Century*, 429 F.3d at 877 (citations omitted); *see also Hogarth*, 342 F.3d at 161 n.15 (same). In contrast, “[c]ommissioned works ... were treated as if the commissioned party impliedly agreed to convey the copyright along with the work itself to the hiring party.” *National Center for Jewish Film v. Goldman*, 943 F. Supp. 113, 116 (D. Mass. 1996).

As stated by the Copyright Office:

The statutory concept of employment for hire is based on the specific contractual relationship between employer and employee. The courts have not given a definition of that relationship which will cover all situations that may come up, but all the cases have involved salaried employees who received either a fixed salary or a minimum salary plus commission.... Hence, it may be concluded that section 26 [of the 1909 Act] refers only to works made by salaried employees in the regular course of their employment.³

However, “[i]n the last decade that the [1909] Act was effective, courts expanded the doctrine to include less traditional relationships....” *Twentieth Century*, 429 F.3d at 877. *Lin-Brook Builders Hardware v. Gertler* (“*Lin-Brook*”), 352 F.2d 298, 300 (9th Cir. 1965), citing early implied assignment cases like *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2d Cir. 1939), formulated an “instance and expense” test to determine whether the employer of an independent contractor was the copyright “proprietor” by implied assignment.⁴ *Lin-Brook* did not mention “work for hire.” Citing *Lin-Brook*, the Second Circuit in *Brattleboro Publishing Co., v. Winmill Publishing Corp.* (“*Brattleboro*”), 369 F.2d 565, 567-68 (2d Cir. 1966), also used an “instance and expense” test to find an implied

³ B. Varmer, Copyright Law Revision Study No. 13, “Works Made for Hire and on Commission,” Studies Prepared for the Copyright Office, Reprinted by the Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary, 86th Cong., 2d Sess. (“Copyright Law Revision Study No. 13”) 127, 130 (Comm. Print 1960).

⁴ See *Egner v. E. C. Schirmer Music Co.*, 139 F.2d 398, 399 (1st Cir. 1943) (“Proprietor means the same as ‘assigns.’”).

assignment of an independent author's copyright to a publisher. *See Hogarth*, 342 F.3d at 160 n.14.

Picture Music, Inc. v. Bourne, Inc., 457 F.2d 1213 (2d Cir. 1972) extended the “instance and expense” doctrine to find works by independent contractors were “for hire,” based on misinterpretations of these implied assignment cases as “work for hire” cases. *Hogarth*, 342 F.3d at 160.⁵ It was not until *May v. Morganelli-Heumann & Associates*, 618 F.2d 1363, 1368 (9th Cir. 1980) that this Circuit used the “instance and expense” test to determine if an independent contractor's work was “for hire.”

As the extension of the “work for hire” doctrine to freelancers under the “instance and expense” test was based on a clear misreading of assignment cases, it has been roundly criticized by leading copyright authorities. *See 3 Nimmer* § 9.03[D], at 9-30 to 9-32 (decisions applying “instance and expense” doctrine to freelancers are “wrong both on principle and under the rule of the early cases”); 2 *Patry* § 5:45 (criticizing the vague expansion of “work for hire” to freelancers and

⁵ “[*Picture Music*] characterized *Brattleboro* as having ‘expressly applied the statutory work for hire doctrine to the case of an independent contractor’” when “what *Brattleboro* had done was [to] apply the ‘instance and expense’ test to determine that a party commissioned to create a work should be deemed to have assigned its copyright ... to the commissioning party.” *Hogarth*, 342 F.3d at 160 n.14. Similarly, “[*Picture Music*] stated that *Yardley* [] ‘held that one who commissions an artist to paint a mural owns all rights to its reproduction,’” when in fact “*Yardley* had recognized that the executor of the deceased artist, not the commissioning party, held the renewal right.” *Id.*

“the worst features of [the] presumptive ‘instance and expense’ approach.”).

Because the main issue in these early “instance and expense” cases was ownership, the line between ownership by implied assignment and ownership as “work for hire” was less important and often blurred. However, under 17 U.S.C. § 304(c), this distinction is critical because, while ownership is presumed by termination, “works for hire” are exempt, but works owned by assignment are not.

2. The Instance and Expense Test

The “instance” prong entails whether “the motivating factor in producing the work was the employer who induced the creation.” *Self-Realization*, 206 F.3d at 1326; *Siegel*, 508 F.2d at 914 (same). Courts also look to the degree to which the “hiring party had ‘the right to control or supervise the artist’s work.’” *Self-Realization*, 206 F.3d at 1327 (citing 1 *Nimmer* § 5.03[B][1][a][i] (1999)). See *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.* (“*Martha Graham*”), 380 F.3d 624, 635 (2d Cir. 2004) (“instance” requires the employer have “the right to direct and supervise the manner in which the work is carried out,” *i.e.*, the creative process) (original emphasis)).

A work is created at a party’s “expense” if that party takes on “all the financial risk” of the work’s creation. *Twentieth Century*, 429 F.3d at 881. See also *Community for Creative Non-Violence v. Reid* (“*CCNV*”), 490 U.S. 730, 741

(1989). “Plainly, it is the expense of creation, rather than publication, that is relevant” to the “expense” test. 1 *Nimmer* § 5.03[B][2][d] at 5-56.8 n.171c. As a publisher always bears the financial risk of publication and distribution, regardless of whether a work is “for hire,” the risks of distributing a work should not affect analysis of the “expense” prong. See 2 *Patry* § 5:54; *Epoch Producing Corp. v. Killiam Shows, Inc.* (“*Epoch*”), 522 F.2d 737, 745 (2nd Cir. 1975) (“The existence of evidence that is as consistent with such a [for hire] relationship as it is with numerous other hypotheses[] cannot be bootstrapped” to support a “work for hire” conclusion).

Where payment is *contingent* (e.g., a royalty or profit participation), this weighs very heavily against “work for hire,” because the author bears the financial risk of the work’s creation. See *Twentieth Century*, 429 F.3d at 881; 2 *Patry* § 5:61 (“Where payment is solely by royalties, this fact weighs against [work for hire].”); 1 *Nimmer* § 5.03[B][2][d] at 5-56.8 (same).

Lastly, whether or not the instance and expense test is met turns on the “mutual intent of the parties.” *Twentieth Century*, 429 F.3d at 877 (citations omitted).

3. In the Context of Statutory Termination, the “Instance and Expense” Test Should Be Narrowly Construed

If the “instance and expense” test is too broadly or literally construed, as it would be if equated with every publisher’s right to reject or edit works, or with

every publisher's payment for published material, the "test" would cease to have any meaning nor serve to differentiate between "work for hire" and speculative work, as it would apply equally to both.⁶

It is well-accepted that "where words are employed in a statute which had at the time a well-known meaning at common law ... they are presumed to have been used in that sense unless the context compels to the contrary." *Standard Oil Co. v. United States*, 221 U.S. 1, 59 (1911). This remains a "cardinal rule of statutory construction." *Molzof v. United States*, 502 U.S. 301, 307 (1992).

The "instance and expense" test, if too liberally extended to independent contractors, contradicts the common law meaning of "employer" in the 1909 Act which connotes a more "conventional master-servant relationship." *Clackamas Gastroenterology Associates, P.C. v. Wells*, 538 U.S. 440, 455, 445 n.5 (2003) (common-law of agency is used to "determin[e] whether a hired party is an employee," and "draw[s] a line between independent contractors and employees").

As to copyright law, the Supreme Court also drew a very clear distinction between an "employee" and an "independent contractor," and expressly stated that "when Congress has used the term 'employee' without defining it, we have

⁶ Unrestrained application of the "instance and expense" test also leads to absurdities. The work of an independent contractor would more easily qualify as "work for hire" than that of a traditional employee. For example, a work created by an employee "as a special job assignment, outside the line of the employee's regular duties" is not "work for hire," even though the employer pays for and has the right to supervise the work. *Martha Graham*, 380 F.3d at 635.

concluded that Congress intended to describe the conventional master-servant relationship as understood by common-law agency doctrine.” *CCNV*, 490 U.S. at 739-40. Notably, the Supreme Court unanimously *rejected* the use of the “instance and expense” test to determine who qualified as an employee under the 1976 Act, relying instead on the common law of agency to define an “employee.” *CCNV*, 490 U.S. at 749-50; *see* 1 *Nimmer* § 5.03[B][1][a][ii].

Twentieth Century, 429 F.3d at 878-79, declined to read *CCNV* as overruling the “instance and expense” test under the 1909 Act, stating that *CCNV*’s definition of “employee” was “dictum.” However, it never reconciled the “instance and expense” test with the 1909 Act’s limitation of “work for hire” to an “employer” or its common law definition.

The clear legislative intent behind the termination provisions was “to benefit authors and their heirs.” *Classic Media*, 532 F.3d at 982. The Supreme Court recently confirmed that the objective of this “inalienable authorial right to revoke a copyright transfer” was to readjust the “author/publisher balance” by “enhanc[ing] the author’s position.” *N.Y. Times*, 533 U.S. at 496 n.1; *see also* H.R. Rep. 94-1476 at 124 (1976).

Moreover, this Circuit has never applied the “instance and expense” test to determine “work for hire” under the 1976 Act’s termination provisions. None of its post-*CCNV* “instance and expense” cases relate to termination. *See Twentieth*

Century, 429 F.3d at 878-79; *Dolman v. Agee*, 157 F.3d 708, 712 (9th Cir. 1998); *Self-Realization*, 206 F.3d at 1326. Similarly, none of its cases regarding the termination right involved the “work for hire” exception. *See, e.g., Classic Media*, 532 F.3d 978; *Milne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005).

When the Second Circuit addressed the “work for hire” exception to the termination right, it construed “work for hire” under the 1909 Act quite narrowly. *Marvel*, 310 F.3d at 290 (holding “an agreement made after a work’s creation stipulating that the work was created as a work for hire constitutes an ‘agreement to the contrary’” barred by the termination statute).

In light of the concerted legislative objective behind the 1976 Act’s termination right, the controversial “instance and expense” test should be applied narrowly, and with care. If this already vague test is too loosely applied, the “work for hire” exception will swallow the rule, and effectively gut this “inalienable authorial right,” just as *Fred Fisher Music*, 318 U.S. at 657-59, eviscerated the authorial benefits of Congress’ copyright renewal scheme.

4. Defendants Bear the Burden on “Work For Hire”

To prove “work for hire,” this Circuit requires a defendant to come forth with “credible evidence that [the] work was done at the ‘instance and expense’ of [the commissioning party].” *Self-Realization*, 206 F.3d at 1326. Defendants bear the burden because: (i) “work for hire” is a statutory exception to the termination

right, *see* 17 U.S.C. § 304(c); *Woods v. Bourne Co.*, 60 F.3d 978, 994 (2d Cir. 1995); (ii) “work for hire” is an affirmative defense, *see Dolman*, 157 F.3d at 712; and (iii) Defendants moved for summary judgment on this issue, *see Celotex Corp. v. Catrett*, 477 U.S. 317, 323–25 (1986).

B. Action Comics, Nos. 2-3, 5-6 Were Not “Works For Hire”

The District Court erroneously held that *Action Comics, Nos. 2-3, 5-6* were “works for hire,” on the slim basis of correspondence implying that Detective contemplated Siegel and Shuster’s submission of more Superman material, “the regular appearance of the Superman feature in subsequent publications,” and a supposed “implied agreement” of which there was no real evidence. ER 83. The District Court acknowledged, however, that “there was no guarantee by Detective Comics that it would accept it and thereby pay Siegel and Shuster for their work.” ER 84. Despite this lack of a proven agreement and guaranteed compensation, rendering Siegel and Shuster’s work speculative by definition, the District Court nonetheless held on summary judgment that *Action Comics, Nos. 2-3 and 5-6* were “works for hire.” ER 86-87.

This decision was in error, as Defendants failed to even meet the threshold burden of showing that Siegel and Shuster had been “engaged” (ER 88) or “commissioned” by Detective to create *Action Comics, Nos. 2-3 and 5-6*. *Self-Realization*, 206 F.3d at 1326.

After submitting *Action Comics, No. 1* to Detective on February 22, 1938, Siegel and Shuster continued to create Superman comic strips (ER 957, 960) “on spec,” at their own expense, without a contract or any commitment from Detective to pay for such material, as the District Court acknowledged. ER 84. The District Court did not and could not cite any evidence that at the time Siegel and Shuster created *Action Comics, Nos. 2-3, 5-6*, Detective was “the hiring party [that] t[oo]k on ‘all the financial risk’” of such creation. *Twentieth Century*, 429 F.3d at 880-81 (citing publisher’s payment of (i) a fixed guaranteed sum to the author, (ii) “the expense for the entire staff who assisted [the author] in drafting the manuscript” and (iii) “the costs necessary to produce [material] ... included in the book” to satisfy the “expense” prong).

The subsequent September 22, 1938 Agreement strongly suggests that Siegel and Shuster had ***not*** previously been engaged by Detective to create Superman works: after noting that “you [Siegel and Shuster] have been doing the art work and continuity [for Superman],” it states: “We wish you to continue to do said work and *hereby* employ and retain you for said purpose....” ER 605 (emphasis added).

Defendants did not proffer and the District Court did not cite any evidence that Detective met the “instance” test and “had the right to control or supervise” Siegel and Shuster’s creation of *Action Comics, Nos. 2-3, 5-6*. *Twentieth Century*,

429 F.3d at 879; *see also Martha Graham*, 380 F.3d at 635 (referring to “[t]he right to direct and supervise the manner in which the work is created”).

Nor did Detective’s purchase of the underlying rights to Superman in the March 1, 1938 Agreement render subsequent Superman works “for hire.” To hold otherwise would contradict an author’s clear ability to own the copyright in his derivative work. *See Stewart*, 495 U.S. at 223 (“The aspects of a derivative work added by the derivative author are that author’s property.”); ER 82 (“[T]he fact that a work is a derivative of another does not automatically translate into it being considered a work for hire or as being produced at the instance of the owner of the pre-existing work.”).

In order to find that *Action Comics*, Nos. 2-3, 5-6 were “works for hire,” Defendants would have had to prove that Detective had engaged Siegel and Shuster to create this material, committing to pay them for their services, and that Detective controlled their creative process, *none of which* was shown by Defendants or present in the record.

Instead, the District Court simply assumed that *Action Comics*, Nos. 2-3, 5-6 “w[ere] part of a pre-arranged, implicit understanding between the artists and Detective,” citing pre-*Action Comics*, No. 1 correspondence from Detective expressing concern over Shuster’s workload. ER 53-54, 83-84. A publisher’s routine concern over deadlines, however, applies to “work for hire” and non-

“work-for-hire” alike.

It was also undisputed that portions of *Action Comics*, Nos. 2- 6, and *Superman*, No. 1, drew heavily on Siegel and Shuster’s pre-existing material, created prior to even meeting Detective. For example, Siegel’s 1934 Preview of Superman exploits to follow his 1934 Superman story, later published in *Action Comics*, No. 1, bears an uncanny resemblance to the stories in *Action Comics*, Nos. 2, 4 and 5.⁷

Of these stories, Plaintiffs were able to track down Siegel’s full 1934 Superman football story, which matched Siegel’s 1934 Preview and was later published in *Action Comics*, No. 4. ER 502-514, 551-558. Plaintiffs also demonstrated that the first week of Siegel and Shuster’s 1934 Superman daily newspapers strips was dropped from *Action Comics*, No. 1, and that such material was thereafter published in *Superman*, No. 1 (1939). See ER 513-525, 575-579. This evidence carried a strong inference that, prior to 1938, Siegel had already written the stories later published in *Action Comics*, Nos. 2-6. The District Court

⁷ Compare ER 509 (1934 Preview: “He will win a war single-handed, battle an airplane with his bare hands, swim several hundred miles and think nothing of it, etc. He’ll participate in sports and astound the nation; he’ll single handed[ly] rescue a town from a flood through his superstrength”), 533-540 (*Action Comics*, No. 2, Superman intervening to single-handedly stop a war, battling a fighter plane with his bare hands, and swimming great distances with ease), 551-558 (*Action Comics*, No. 4 Superman interceding in a college football game and using his superpowers on the gridiron to astound the crowd), 559-565 (*Action Comics*, No. 5, Superman saving a town from a flood after a dam breaks).

duly found that *Action Comics, No. 4* and *Superman, No. 1* were not “for hire” because they published Siegel’s 1934 stories, but otherwise ignored the strong inference that Siegel had conceived the other early Superman stories prior to 1938 as well.

Nor does Detective’s payment of a going rate of \$10 a page for *speculative* submissions it published transform such works into “works for hire” owned at inception by Detective. Detective purchased *Action Comics, Nos. 1 and 4*, which the District Court held were clearly not “works for hire,” for the same going rate as *Action Comics, Nos. 2-3, 5-6*. ER 960. These stories are no more “work for hire” based on this payment than were *Action Comics, Nos. 1 and 4*.

The District Court should have found that *Action Comics, Nos. 2-3, 5-6*, like *Action Comics, Nos. 1 and 4*, were not “works for hire” because Defendants wholly failed to meet their evidentiary burden. The District Court’s conclusory assumption that all work published by Detective was “work for hire,” unless Plaintiffs affirmatively proved that a work was fully created prior to 1938, improperly reversed the evidentiary burden. At a bare minimum, Plaintiffs’ evidence, viewed in the light most favorable to them, raised genuine issues of material fact for trial.

C. The Superman Newspaper Strips Were Not “Works For Hire”

The District Court correctly found that the first two weeks of Superman

newspaper strips, created by Siegel and Shuster “on spec” in early 1938 as a sample, were not “works for hire,” but it erroneously held on summary judgment that all of their subsequent Superman newspaper strips (the “Newspaper Strips”) were “works for hire,” even though the District Court could not determine whether the strips were Detective’s or McClure’s “work for hire,” and the evidence “place[d] this case on the outer edges of the work for hire doctrine.” ER 103, 108.

1. The “Expense” Prong Was Not Met

The McClure Agreement between McClure, Siegel and Shuster and Detective was not an employment agreement; rather, it closely resembled a joint venture. In essence, Siegel and Shuster were the product suppliers. The Newspaper Strips were created at Siegel and Shuster’s Cleveland production house at their sole expense; McClure was the distributor via syndication to newspapers; and Detective was the licensor as the owner of underlying Superman rights via the March 1, 1938 Agreement. ER 608-611. Compensation was solely from profit sharing between the three. ER 606, 609, 675.

As a district court found, closer to the time in question, “[t]he agreement with McClure contains all the elements of a joint []venture,” not employment. *National Comics Publications, Inc. v. Fawcett Publications, Inc.* (“*National Comics*”), 93 F. Supp. 349, 357 (S.D.N.Y. 1950), *rev’d on other grounds* 191 F.2d 594.

McClure did not pay Siegel and Shuster under the Agreement, but remitted a percentage of the “net proceeds” to Detective (40% escalating to 50% by year three), of which Detective remitted the lion’s share (over 80%) to Siegel and Shuster. ER 606, 609. Detective simply gave its permission as a rights holder in exchange for the smallest “piece of the action” (7.5% to 10%), with Siegel and Shuster to receive 36% to 40%, and McClure retaining the remainder of “net proceeds.” ER 606, 609. Per the McClure Agreement, Siegel and Shuster received a monthly profit statement from McClure, not from Detective, and had the independent right to “inspect [McClure’s] books of account ... at any reasonable time.” ER 610.

The Newspaper Strips were by no stretch created by Siegel and Shuster at either Detective’s or McClure’s “expense.” While McClure invested some overhead and expenses in syndicating the completed strips, Siegel and Shuster invested and took on 100% of the financial risk of *creating* the Newspaper Strips in their Cleveland “shop” (employee salaries, rent, equipment, paper, ink, delivery costs, *etc.*). Because Siegel and Shuster’s compensation was *purely* from a contingent share of “net proceeds” they, by definition, bore the cost and financial risk of the works’ creation. There was no guarantee that, after deducting McClure’s syndication expenses, there would be “net proceeds,” or that Siegel and Shuster’s share would exceed their costs of creating the Newspaper Strips.

There is no evidence that Detective invested any money or shared any real financial risk. ER 609.

Thus, Siegel and Shuster were the only parties that invested in and took on the *financial risk* of creating the Newspaper Strips. Their purely contingent profit share, an effective royalty, weighs heavily against a finding that the Newspaper Strips were “work for hire.” See *Twentieth Century*, 429 F.3d at 881; 2 *Patry* § 5:61; *Martha Graham*, 380 F.3d at 641 (evidence that author “received royalties” for her work weighs against work for hire); *Playboy Enterprises, Inc. v. Dumas* (“*Playboy*”), 53 F.3d 549, 555 (2d Cir. 1995) (“royalty” payments “generally weigh[] against finding a work-for-hire relationship”).

Siegel and Shuster’s large share of the profits (32.5%-40%), consonant with their financial risk, especially compared to Detective’s (7.5%-10%), also weighs heavily against “work for hire.” *Donaldson Publishing Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639, 642 (2d Cir. 1967) (that “the money arrangement was heavily weighted in [the creator’s] favor” “corroborate[s] the conclusion” that the work was not “for hire”); 3 *Nimmer* § 11.02[A][2].

The District Court clearly erred in finding that Siegel and Shuster’s purely contingent and speculative royalty arrangement satisfied the “expense” test.

2. The “Instance” Prong Was Not Met

The Superman Newspaper Strips were also not created at the “instance” of

either Detective or McClure. The strip was the brainchild of Siegel and a long-held ambition of Siegel and Shuster as far back as 1933-34, when they created weeks of Superman strips “on spec” for newspaper syndication. ER 273-276, 954-955. The McClure Agreement itself was initiated by Siegel, who sent McClure and other syndicators his continuity for the first two weeks of Superman strips. ER 616-617, 621-630. When that proved insufficient, Shuster illustrated this continuity, and the two created a finished sample product. ER 593-595, 616, 650-651, 810. Siegel also prodded Detective, as the underlying rights holder, to participate in the transaction. ER 619-621.

This record evidence amply demonstrates that Siegel, not Detective or McClure, was the “motivating factor” behind the Newspaper Strips. *Self-Realization*, 206 F.3d at 1326.

While Siegel and Shuster agreed to produce Newspaper Strips in conformity with a sample newspaper format supplied by McClure, which could “have *reasonable* editorial supervision of the strips,” this was not in the context of an employment relationship. ER 610 (emphasis added). McClure, the mere syndicator of the strips, did not have any real input in the creative process. *See 2 Patry* § 5:54 (“Control” should not be found “where, as a practical matter, the hiring party does not participate in the elements of the work’s creation....”).

The Newspaper Strips were also not created at the “instance” of Detective.

As set forth above, Siegel independently corresponded with syndicators, provided two weeks of completed sample strips, and, after obtaining McClure's interest, prodded Detective to participate. The creation of the Newspaper Strips did not fall within the scope of Siegel and Shuster's duties under their September 22, 1938 Agreement with Detective. ER 604-607. That agreement clearly stated that the authors were furnishing the Newspaper Strips *pursuant to the McClure Agreement*. ER 605-606. At most, the Newspaper Strips would be a "special job assignment, outside the line of [Siegel and Shuster's] regular duties," and thus not "works for hire." *Martha Graham*, 380 F.3d at 635, 640-41.

Neither the September 22, 1938 Agreement nor the McClure Agreement gave Detective the required "right to direct and supervise the manner in which the work is created." *Martha Graham*, 380 F.3d at 635; *see also Twentieth Century*, 429 F.3d at 879. Tellingly, the Newspaper Strips were to be furnished by Siegel and Shuster directly to McClure, not Detective. ER 610. Detective was so far removed that it insisted that McClure "provide Detective with all the original drawings of the Superman strip," not *vice versa*. ER 610.

Like McClure, Detective was by no means "the motivating factor" behind the strips. *Twentieth Century*, 429 F.3d at 879. Detective even acknowledged as much. ER 426-427 ("As I pointed out to you many times, our company has very little to gain in a monetary sense from the syndication [W]ithout our consent

this feature would not be syndicated It is entirely up to you and Joe ... whether you wish the strip ‘Superman’ to be syndicated.”).

3. The District Court Erred In Failing to Determine the “Author” of the Newspaper Strips

As Defendants could not demonstrate that the Newspaper Strips were created at the “instance and expense” of either Detective or McClure, the District Court avoided determination of the entity for whom the Newspaper Strips were purportedly “works made for hire.” ER at 103. This was fundamental error. A work must be created at the “instance and expense” of an ascertained employer to be “works for hire,” *Twentieth Century*, 429 F.3d at 877 (“works ... may qualify as works-for-hire so long as they were created at the instance and expense of the commissioning party”), which necessarily determines the “authorship” of the work. 17 U.S.C. § 26 (1974). *See Epoch*, 522 F.2d at 743-45 (where multiple companies were potentially the employer “for hire,” the court analyzed and decided whether the work was “for hire” for each company separately).

4. The District Court Misapplied *Picture Music*, While Ignoring Clear Ninth Circuit Authority

The District Court’s sole basis for not adhering to the abundant case law enforcing the “expense” prong, and for ignoring this Circuit’s clear guidance in *Twentieth Century*, 429 F.3d at 881, that sole payment in royalties weighs heavily against a finding of “work for hire,” was *Picture Music, Inc.*, 457 F.2d 1213, a

cursorious 1972 out-of-Circuit decision that is factually distinguishable and flawed. ER 104-106.

The *Picture Music* facts much more closely approximate traditional employment than those surrounding the creation of the Newspaper Strips. While both cases involve three parties, the cases significantly diverge as to the *creation* of the respective works – the touchstone of “work for hire” analysis. *Twentieth Century*, 429 F.3d at 879. In *Picture Music*, Disney, the owner of a musical film score, and Irving Berlin Inc., the score’s composer, decided to adapt the score into a song, and *employed* Ann Ronell to assist in this narrow, controlled task in collaboration with a Berlin employee. 457 F.2d at 1214-17. Ronell had very little artistic input,⁸ and for 27 years did not claim co-ownership. *Id.*

As set forth above, Siegel and Shuster were the driving force behind the creation of the Newspaper Strips. They did not make marginal contributions; they created and produced the strips in their entirety. Siegel and Shuster did not lie silent for 27 years; they consistently protested and took legal action regarding Superman in 1947 and 1974. *See Siegel*, 508 F.2d at 912-13.

Picture Music also failed to properly apply the “instance and expense” test. The perfunctory decision is based on a surface analysis of “instance” and whether

⁸ The district court found Ronell’s “additions” so slight that their copyrightability was “shrouded in doubt.” *Picture Music, Inc.*, 314 F. Supp. at 647.

Disney/Berlin were “‘motivating factors’ in the composition of the new song.” 457 F.2d at 1217. Its sole mention of the “expense” prong is a passing disregard for Ronnel’s royalty, citing *Brattleboro*, 369 F.2d 565, which did *not* entail a royalty or other contingent participation. 457 F.2d at 1217.

Unsurprisingly, *Picture Music* has been roundly criticized by leading copyright authorities and within its own circuit. See *Hogarth*, 342 F.3d at 160, 160 n.14; 3 *Nimmer* § 9.03[D] at 9-30-9-31, 9-31 n.98 (“*Picture Music* relied upon two prior decisions, *i.e.*, *Brattleboro* [], and *Yardley* []. Neither *Brattleboro* nor *Yardley* support [its] conclusion; indeed, they point to a contrary result.”).

5. The Second Circuit Previously Held That McClure Was the “Proprietor,” as Opposed to the “Author,” of the Strips

The District Court held that DC was bound by the judgment in *National Comics*, 191 F.2d 594 (2d Cir. 1951), but effectively did not adhere to it. ER 98. In that case, National and McClure brought suit for alleged infringement of Superman copyrights. Fawcett’s main defense was that the Newspaper Strips had been injected into the public domain through publication with a copyright notice in McClure’s name, arguing that “McClure was neither the author, nor the proprietor ... but [] a mere licensee” of the strips, contrary to the copyright notice requirements of the 1909 Act. *National Comics*, 93 F. Supp. 349, 357-58.

Sections 9 and 10 of the 1909 Act, at issue in *National Comics*, 191 F.2d at 599, distinguish between an “author” and a “proprietor.” Under the 1909 Act, the

“author” of a work was either the individual creator or the “employer in the case of works made for hire.” *See* 17 U.S.C. § 26 (1974). In contrast, and as the District Court improperly ignored (ER 39-40), the “proprietor” of a work under the 1909 Act was an “assign.” *Public Ledger v. N.Y. Times*, 275 F. 562, 563-64 (S.D.N.Y. 1921) (Hand, L.). *See Egner*, 139 F.2d at 399 (“Proprietor means the same as ‘assigns.’”) (citing *Mifflin v. R. H. White*, 190 U.S. 260 (1902)); *Jacobs v. Robitaille*, 406 F. Supp. 1145, 1150 (D.N.H. 1976) (refers to “proprietor or assign” as synonyms); *Morse v. Fields*, 127 F. Supp. 63, 64 (S.D.N.Y. 1954) (“[A] person to whom the right to copyright is assigned is a proprietor.”); *see also* 17 U.S.C. § 24 (1974) (distinguishing between copyright notices that bear the “author’s true name” and those where “copyright was originally secured by *the proprietor thereof*, or of any work copyrighted by a corporate body ... *or by an employer for whom such work is made for hire*”) (emphasis added).⁹

Fawcett’s defense clearly placed at issue whether McClure was the “author” (as the employer of a “work for hire”) or a “proprietor” of the Newspaper Strips. Also at issue was whether McClure or Detective was the original owner of the

⁹ Those few cases that use the term “proprietor” to refer to “works for hire” do so in a colloquial sense, *see Estate of Hogarth v. Edgar Rice Burroughs, Inc.*, 2002 U.S. Dist. LEXIS 4219, at *67 (S.D.N.Y. Mar. 15, 2002) and *Shapiro, Bernstein & Co. v. Bryan*, 123 F.2d 697, 700 (2d Cir. 1941), not in analyzing the difference between “author or proprietor” in Sections 9 and 10 of the 1909 Act at issue in *National Comics*, 191 F.2d at 599. *See* 17 U.S.C. §§ 9, 10 (1974).

copyrights to the Newspaper Strips. *National Comics*, 93 F. Supp. at 357-58. The Second Circuit held that McClure was “the ‘proprietor’ of the copyrights” in the Newspaper Strips and that McClure, not Detective, held the initial copyrights to the strips. 191 F.2d at 599 (“[U]ntil the contract came to an end, ‘McClure’ was to have the ‘title’ to the copyrights.”). *National Comics* precludes finding McClure to be the “author” of the Newspaper Strips as “works for hire,” rather than the “proprietor” by assignment. The decision also runs contrary to any finding that the Newspaper Strips were owned at inception as Detective’s “work for hire.” *Id.* (“The copyrights [in the strips] were only in the future to become [Detective’s] property.”).

6. The Parties’ Conduct Also Demonstrates That McClure and Later Detective Owned the Newspaper Strips By Assignment, Not As “Work for Hire”

The evidence shows that McClure owned the copyrights in the Newspaper Strips through an implied assignment of Siegel and Shuster’s common law copyrights in the strips. The McClure Agreement provided that the Superman newspaper feature “will be copyrighted in [McClure’s] name,” and the original copyright registrations for the Newspaper Strips expressly state “Author: Jerry Siegel and Jerome Shuster, of the United States,” while listing McClure as the owner. ER 381-417, 610, 634-648; *see Hogarth*, 342 F.3d at 165–66 (failure to list putative employer as an “author” in copyright registration creates presumption that

the work was not “for hire”). McClure’s copyright registrations constitute “prima facie evidence of the facts stated therein.” 17 U.S.C. § 209 (1974).

While there is no express mention of a transfer of Siegel and Shuster’s copyrights to McClure, it is clearly implied by both the McClure Agreement and the parties’ course of conduct. “Under the 1909 Copyright Act, common law copyright ownership ... vested initially in the authors.” *Jim Henson Productions v. John T. Brady & Associates*, 16 F. Supp. 2d 259, 284 (S.D.N.Y. 1997); *see also* 1 *Nimmer* § 5.01[B] at 5-6. “Under the 1909 Act, common law copyright terminated when a work was published, at which point the work became eligible for federal statutory copyright.” *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1428 (9th Cir. 1996). No writings or other formalities were required for Siegel and Shuster to transfer their common law copyrights to McClure, as such could be assigned by an express or implied, oral or written, grant. *See Urantia Foundation v. Maaherra*, 114 F.3d 955, 960 (9th Cir. 1997) (“Under the 1909 Act, a common law copyright could be assigned without the necessity of observing any formalities.”), *citing* 3 *Nimmer* § 10.03[B][2]; *Epoch*, 522 F.2d at 747; 2 *Patry* § 5:106.

The McClure Agreement is consistent with a transfer by Siegel and Shuster of their common law copyrights in the Newspaper Strips to McClure, in expressly giving McClure the right to register the copyrights in McClure’s name in consideration for its syndication of the strips. ER 610.

Courts routinely find an implied assignment in analogous situations involving the submission for publication of literary material protected by a common law copyright. *See Martha Graham*, 380 F.3d at 643 (the “fact that [the] publishers had the manuscript ... sufficed to imply assignment of common law copyright”) (citing *Houghton Mifflin Co. v. Stackpole Sons, Inc.*, 104 F.2d 306, 311 (2d Cir. 1939) (“Since [the author] did not himself take out the copyright there was no need of a formal assignment by him mere delivery of the manuscript to the publishers was sufficient [to establish such assignment].”) (citations omitted)); *Self-Realization*, 206 F.3d at 1327-28 (citing assignee’s possession of a manuscript as evidence that the common-law copyright had been impliedly assigned).

McClure’s subsequent copyright registration of the Newspaper Strips in McClure’s name as owner – while properly listing Siegel and Shuster as the “Author[s]” (ER 381-417) – is also consistent with such a copyright transfer by Siegel and Shuster to McClure. 17 U.S.C. § 209 (1974).

Years later, on July 3, 1944, McClure assigned to Detective in writing the copyrights to the Newspaper Strips per the terms of the McClure Agreement, further undermining any notion that the strips were Detective’s “works for hire.” ER 368-378; *Dolman*, 157 F.3d at 712 (“Had the works been intended to be works for hire ... there would have been no reason for ... an invalid assignment of rights.”).

All of this is consistent with Siegel and Shuster assigning their original common-law copyrights in the Newspaper Strips to McClure. *See 3 Nimmer* § 10.09[B] at 10-80 n.14 (“[N]umerous chains of title of statutory copyright [] rely at one or more links upon an oral or implied transfer of common law copyright, which when granted were perfectly valid”).

Moreover, if the Newspaper Strips had been Detective’s “works for hire,” Siegel and Shuster need not have been parties to the McClure Agreement. Detective could simply have contracted with McClure to syndicate the Newspaper Strips. By contrast, in the McClure Agreement, McClure and Siegel and Shuster gave Detective the right to use the original Newspaper Strips “in the publication of ‘Action Comics,’ six months after newspaper release, without charge, or for any substituted magazines.” ER 610. This also strongly suggests that Detective did not own this material at inception as “work for hire.” *See National Comics*, 191 F.2d at 599 (“‘McClure’ assumed ‘to provide Detective with all the original drawings so that said drawings may be used by Detective in the publication ‘Action Comics’ six months after newspaper release.’ That is the language of a ‘proprietor,’ who assumes power to license another to copy the ‘works.’”).

Any claim that Detective owned the Newspaper Strips as its “works for hire,” but impliedly licensed exclusive newspaper rights to McClure would be

inconsistent with the “indivisibility doctrine,”¹⁰ and with McClure’s registration of the copyrights in its own name. It would also flatly contradict *National Comics*, because, in that event, McClure would be a mere “licensee,” not the “proprietor” of the strips’ copyright, injecting the strips into the public domain. 191 F.2d at 599. Nor, in that case, would McClure’s written assignments of the copyrights to Detective in 1944 make sense.

In short, *all* of the parties’ conduct under the McClure Agreement is consistent with the explanation that Siegel and Shuster owned the common law copyright in the Newspaper Strips at inception and impliedly transferred the copyrights to McClure, who registered the copyrights in its name upon publication (citing Siegel and Shuster as the “Authors”) and years later assigned the copyrights to Detective. It is thoroughly inconsistent with the District Court’s holding, on the “outer edges” of the doctrine, that the Newspaper Strips were “works for hire” for an undetermined entity. ER 103.

D. Action Comics, Nos. 7-61 and Superman, Nos. 1-23 Were Not “Works For Hire”

The District Court erred in holding that *Action Comics, Nos. 7-61* and *Superman, Nos. 1-23* were “works for hire.” The District Court largely based its

¹⁰ See *Jim Henson Prods.*, 16 F. Supp. 2d at 288 (“Under the 1909 Copyright Act ... copyrights were “indivisible,” meaning that the bundle of rights that accrued to a copyright owner could only be assigned as a whole, and the transfer of anything less than all rights was deemed a license rather than an assignment.”).

decision on the fact that the September 22, 1938 Agreement states: “We...hereby *employ and retain you* ... [to] supply us ... in sufficient time for publication in our monthly magazines, sufficient copy and art for each of said [five] features [including Superman].” ER 605 (emphasis added). However, the phrase “employ and retain” is not dispositive: work-for-hire analysis under the 1909 Act requires evaluation of the “actual relationship between the parties.” *Marvel*, 310 F.3d at 291. The “business relationship” between Siegel and Shuster and Detective was more akin to an “output deal” than employment – Siegel and Shuster were independent suppliers, supplying completed artistic product on a steady basis from their shop in Cleveland to Detective in New York for publication/distribution. ER 605-611.

1. *Action Comics, Nos. 7-61 and Superman, Nos. 1-23 Were Not Created at Detective’s “Expense”*

Siegel and Shuster shouldered all of the expenses of creation – they managed and paid a large staff; paid for studio space, furnishings, equipment and materials, postage, utilities and travel; kept their own financial records; and set their own hours and working conditions. ER 584, 597-600 (testimony from employee Wayne Boring), 694-697, 701-702 (testimony of Defendants’ expert); 726-754, 812-813.

Yet under the express terms of the September 22, 1938 Agreement, Detective would pay Siegel and Shuster \$10 per page *only for their Superman*

stories it decided to publish. ER 606 (“We agree to pay you *on publication*, for any and all said comics *published by us* and supplied by you, the following rates: Superman \$10.00 per page.”) (emphasis added). This is, by law, a discretionary *purchase* of completed material, not “work made for hire.”

The “expense” prong necessarily entails some legal obligation on the part of the putative employer to pay for services and work that it commissions. If legally the hiring party “had no commitment to purchase any of [the author’s] work” this supports a finding that such was not “made-for-hire.” *Playboy*, 53 F.3d at 563. In numerous cases finding “work for hire,” based on the payment of a “sum certain,” the putative employer was obliged to pay the author, regardless of whether his work was ultimately published. *See Twentieth Century*, 429 F.3d at 881 (finding “instance and expense” because publisher was contractually obligated to pay author a nonrefundable cash advance); *Brattleboro*, 369 F.2d at 568 (2d Cir. 1966) (finding “instance and expense” because hiring party obliged to bear expense of creating the ad regardless of whether it was accepted and used, *see also Brattleboro*, 250 F. Supp. 215, 218 (D. Vt. 1966)); *Hogarth*, 342 F.3d at 163, 2002 U.S. Dist. LEXIS 4219, at *57 (contractual obligation to pay a guaranteed fixed sum); *Playboy*, 960 F. Supp. 710, 715-16 (S.D.N.Y. 1997) (obligation to pay ““turn-down”” fee for “unused work” weighs in favor of “work for hire”; “[t]he logical conclusion ... is that Playboy paid Nagel for works it did not use because he

created them at its instance”).

If, as here, payment is expressly contingent on whether a putative employer chooses to publish a work, then the logic of the “work for hire” doctrine collapses. A “work for hire” is owned at inception “automatically upon the employee’s creation of the work,” and the employer is considered the “author” of the commissioned work. *Hogarth*, 342 F.3d at 162; *Avtec Systems, Inc. v. Peiffer*, 21 F.3d 568, 575 (4th Cir. 1994) (where work was “for hire,” employer owned the copyright “from the moment of the [work’s] inception”). Thus, whether a work is “made for hire” must be determined by the relationship of the parties *prior to the work’s creation*, not by after-the-fact contingencies, such as ultimate publication. Copyright “vest[s] in the author of an original work from the time of its creation.” *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 547 (1984). If payment turned on whether the putative employer felt like publishing the work, it could have no “authorship” (or ownership) of the work at “the time of its creation,” rendering the transaction a “purchase” as a matter of law.

It is far more consistent with the “work for hire” doctrine that the putative employer be *legally obligated*, prior to creation of the work, to pay the author a non-contingent, fixed sum. If it failed to pay that sum, the work would remain “for hire,” but the author would have a breach of contract claim. *See Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136, 1143 (9th Cir. 2003).

Where, as here, payment is based on contingencies or the discretion of the putative employer, it is, by definition, speculative – the antithesis of “work for hire.” It is for this reason that purely contingent compensation, such as a royalty, weighs heavily against a finding of “work for hire.” *See* Section II.C.1, *supra*. Whereas Siegel and Shuster bore all of the expenses of creation (ER 584, 597-600, 694-697, 701-702, 726-754, 812-813), Detective had no legal obligation to pay for that work it chose not to publish. ER 606. Siegel and Shuster, not Detective, thus bore the financial risk of creating these Superman works. Decades later, Detective’s successors “want to have their cake and eat it too.”

The District Court avoided this contradiction by *assuming*, contrary to the September 22, 1938 Agreement, that Detective paid for all material submitted by Siegel and Shuster regardless of whether Detective published the work. ER 89-90. In so doing, the District Court improperly ignored and/or misconstrued the record evidence, and its own decision in *Siegel v. Time Warner Inc.*, 496 F. Supp. 2d 1111, 1138 (C.D. Cal. 2007) (“Siegel was also paid nothing by Detective Comics when he submitted his Superboy material to it, and it rejected the material for publication.”).

Plaintiffs’ experts, noted comic book historians Mark Evanier and James Steranko, *as well as Defendants’ own expert*, Mark Waid, *all* testified that Siegel and Shuster were not paid for work Detective chose not to publish, consistent with

the September 22, 1938 Agreement. *See* ER 689 (Waid: “If they [Detective] rejected it, they didn’t pay for it”), 788, 812. The District Court simply discounted the expert testimony of *both* parties and drew unsupported inferences about “what actually occurred with respect to the specific business relationship between Detective Comics and Siegel and Shuster.” ER 90.

Specifically, the District Court focused on language in a December 1939 agreement between Siegel and Shuster and Detective, concluding that it “creates the strong inference that Shuster had been paid by Detective Comics for all or a portion of that prior year's artwork for comic strips (other than Superman) that he did not supply.” ER 90. The agreement simply stated that “Mr. Shuster no longer furnishes the artwork” for such strips. ER 765. The logical inference is that Siegel and Shuster’s staff, rather than Shuster himself, drew the artwork that Detective purchased, not that Detective paid for work it did not publish. Moreover, as noted by the District Court, this language did not refer to Superman works.

Notably, Defendants’ own conduct supports the conclusion that Detective only owned those Superman stories it purchased for publication. In 1988, Mr. Waid, while a DC employee, discovered a fascinating, unpublished 26-page Superman continuity (story) by Siegel dated August 7, 1940. ER 686-687, 691-692, 705-711. According to Waid, this K-Metal from Krypton story contains the first use of “Kryptonite,” and its weakening of Superman’s powers. ER 707, 712-

725.

Waid sought to have this very significant work illustrated and published by DC Comics: “[the K-Metal story was] circulated to then-Superman editor Mike Carlin and to our mutual bosses in hopes we could obtain Siegel’s blessing to have the story re-illustrated and released at last, but ... nothing ever came of it.” ER 686-687, 691-693, 710. Yet Defendants *never* published the K-Metal story per se, despite its obvious historical importance. If DC had “owned” this material as “work for hire,” there would have been no need to obtain Siegel’s permission. DC appears to have known that it did not own this work because Detective had not published it and thus had not paid for it.

The District Court disregarded this evidence by averring to the lack of “any direct evidence indicating that the pair were not paid for this rejected submission” (ER 89), rather than draw appropriate inferences from the evidence that did exist.

The September 22, 1938 Agreement and other record evidence reflects what one would expect – payment was *contingent* on Detective’s decision to publish completed work and thus to purchase it. Siegel and Shuster bore all expenses of creating such works, and thus the financial risks of their creation. That is not “work for hire.” *See Twentieth Century*, 429 F. 3d at 881; 1 *Nimmer* § 5.03[B][2][d] at 5-56.8 n.171c. The District Court not only failed to consider the evidence in the light most favorable to Plaintiffs, but virtually ignored the evidence

that Detective was not legally obligated to pay Siegel and Shuster for their work, to incorrectly conclude that *Action Comics*, Nos. 7-61 and *Superman*, Nos. 1-23 were created at Detective's "expense."

2. *Action Comics*, Nos. 7-61 and *Superman*, Nos. 1-23 Were Not Created at Detective's "Instance"

As stated above, the "instance" requirement is largely determined by the degree to which the hiring party had "the right to control or supervise the artist's work." *Twentieth Century*, 429 F.3d at 879. As a matter of law and logic, this "right" to control a work's creation must refer to a legal right. "Control" cannot be construed as the practical power or superior bargaining position exercised by a buyer, or the kind of editorial supervision exercised by a publisher, with respect to both "works for hire" and "non-works-for-hire." *Id.* at 880 (distinguishing right of control under "instance" prong from a publisher's "typical process" of "discussing possible improvements with the author"); *see Epoch*, 522 F.2d at 745. The right of control also does not refer to the ultimate control every publisher has over whether to accept and publish a work; it refers to the much more specific "right" to control the creative process and "participate in the elements of the work's creation." 2 *Patry* § 5:54 ("Any hiring party ultimately has the ability to 'control' the work in the sense of accepting or rejecting it."); *Martha Graham*, 380 F.3d at 635.

The September 22, 1938 Agreement ambiguously states: "The standard of the said comics shall be equal to the present standards." ER 605. This by no

means connotes a legal right to control Siegel and Shuster's creative process in Cleveland. Detective's right "to reasonably supervise the editorial matter of all features" (ER 607) is also not persuasive as it reflects the standard supervisory role of every publisher. *See Twentieth Century*, 429 F.3d at 880; 2 *Patry* § 5:54. All Detective really had was the purchasing power of any buyer.

In fact, Detective's letters to Siegel and Shuster demonstrate its growing frustration as to its lack of control over their creative process, a point ignored by the District Court when it presumed a right to control based on the ambiguous language of the September 22, 1938 Agreement. *See* ER 430-443, 450-451.

Siegel himself testified that Detective exerted little editorial control over the *creation* of Superman works. ER 758. Siegel and Shuster received little to no creative guidance or story proposals from Detective before starting work. ER 812-813. Siegel did not send his scripts to Detective for "approval" before Shuster illustrated them. ER 618, 761, 812. Siegel and Shuster's New York-based editor, Vince Sullivan, never visited them and his input was "limited to accepting or rejecting the finished stories they submitted." ER 788, 812-813.

3. The Parties Could Not Have Intended That Siegel and Shuster's Superman Works Were "Works For Hire"

It is well accepted that whether material is "work for hire" under the 1909 Act "always turn[s] on the intention of the parties." 1 *Nimmer* § 5.03[B][2][c] at 5-56.1; *see May*, 618 F.2d at 1368; *Dolman*, 157 F.3d at 712. Yet, until 1965-66,

“the courts had applied the work for hire doctrine under the 1909 Act exclusively to traditional employees.” *CCNV*, 490 U.S. at 749. As the “work for hire” doctrine only applied to traditional employees during the 1938-1943 period at issue, and Siegel and Shuster were clearly independent contractors, the parties could not have intended that Siegel and Shuster’s work was “for hire.”

As late as 1963, the first edition of the *Nimmer* treatise stated: “Sec[ti]on 26 expressly renders an employer for hire an ‘author’ but makes no comparable provision with respect to commissioned works.” M. Nimmer, *Nimmer on Copyright*, § 63 at 245 n.80 (1963). “If in the creation of such material the employee is to work as an independent contractor ... then the employer must claim such ownership by virtue of an assignment and not merely by virtue of his status as an employer.” *Id.* § 62.4 at 242, 244-245. The legislative history from 1960 of the 1976 Copyright Act also made it clear that the definition of “work for hire” under the 1909 Act “refers only to works made by salaried employees in the regular course of their employment.” B. Varmer, Copyright Law Revision Study No. 13 (1960).

This understanding of “employer” and “employee” to mean traditional employment and hiring is consistent with the contemporary legal definition of

these terms when the 1909 Act was passed, and later as well.¹¹ In short, even if Detective and/or Siegel and Shuster had retained sophisticated legal counsel in 1938 (or anytime prior to 1965) as to the “work for hire” issue, they would have been advised that the Superman works were unequivocally not “works made for hire.” Accordingly, the parties could not have then intended, as a matter of law, that Siegel and Shuster’s freelance creations be owned by Detective at inception as “work for hire,” instead of by implied assignment.

4. At a Minimum, the Evidence Raised Triable Issues of Fact

Given all of the above, it cannot be said that *Action Comics, Nos. 7-61* and *Superman, Nos. 1-23* were “works made for hire” as a matter of law, and that no reasonable trier of fact could find in Plaintiffs’ favor on this issue. The “work for hire” defense, because it turns on the mutual intent of the parties, is often ill-suited for summary adjudication due to its inherently fact-intensive nature. *See Twentieth Century*, 429 F.3d at 874-75 (noting prior reversal of summary judgment as to work for hire because “there were genuine issues of material fact”); *Self-Realization*, 206 F.3d at 1330 (summary judgment was inappropriate for a work-

¹¹ *See* Black’s Law Dictionary, 2d Ed. (1910) at 421 (defining “employer” as “one who employs the services of others; ... who pays their wages or salaries” and “employee” “mean[s] some permanent employment or position”), 4th Ed. (1951) at 617-18 (defining “employer” in the same manner, and as “the correlative of employee,” and “employee” as “a person working for salary or wages;... ‘employee’ must be distinguished from ‘independent contractor’”).

for-hire determination because district court improperly “ma[de] a determination of credibility”); *May*, 618 F.2d at 1368; *Marvel*, 310 F.3d at 292 (finding issues of fact as to “work for hire” preventing summary judgment; “[i]t will be up to a jury to determine whether Simon was the author of the Works and, therefore, whether he can exercise § 304(c)’s termination right”).

With respect to *Action Comics*, Nos. 7-61 and *Superman*, Nos. 1-23, the record evidence, viewed in the light most favorable to Plaintiffs, at a minimum raised genuine issues of material fact as to whether such works were “made for hire,” precluding summary judgment.

STATEMENT OF RELATED CASES

Pursuant to Ninth Circuit Rule 28-2.6, Defendants’ cross-appeal of the District Court’s judgment, *Larson v. Warner Bros. Entertainment Inc., et al.*, 9th Circuit Case No. 11-56034, is related to this case. The related district court case, *DC Comics v. Pacific Pictures Corporation, et al.*, C.D. Cal. Case No. 10-CV-03633 ODW (RZx), arises out of Superman notices of termination filed by the Estate of Joseph Shuster. There are two proceedings before this Court arising out of *DC Comics*: *In re Pacific Pictures Corp.*, 9th Circuit Case No. 11-71844, a writ proceeding regarding the theft of privileged documents during the District Court proceedings in this action; and *DC Comics v. Pacific Pictures Corporation*, 9th Circuit Case No. 11-56934, an appeal of the district court’s denial of an anti-

SLAPP motion filed in *DC Comics*.

CONCLUSION

Plaintiff-Appellant respectfully requests that this Court reverse the judgment of the District Court, with instructions to enter partial summary adjudication in her favor on her First Claim as to *Action Comics*, Nos. 2-3, 5-6, the Newspaper Strips, and *Action Comics*, Nos. 7-61 and *Superman*, Nos. 1-23, and to remand for further proceedings.

Dated: December 22, 2011

TOBEROFF & ASSOCIATES, P.C.

/s/ Marc Toberoff

Marc Toberoff

Attorneys for Appellant, Laura Siegel Larson

CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rules of Appellate Procedure 27(d) and 32(a), I certify that the appellant Laura Siegel Larson's attached opening brief is proportionately spaced, has a typeface of 14 points or more, and does not exceed 14,000 words.

Dated: December 22, 2011

TOBEROFF & ASSOCIATES, P.C.

/s/ Marc Toberoff

Marc Toberoff

Attorneys for Appellant, Laura Siegel Larson

STATUTORY ADDENDUM

17 U.S.C. § 9 (1974 Rev.; Repealed)

§ 9. AUTHORS OR PROPRIETORS, ENTITLED; ALIENS. – The author or proprietor of any work made the subject of copyright by this title, or his executors, administrators, or assigns, shall have copyright for such work under the conditions and for the terms specified in this title: Provided, however, That the copyright secured by this title shall extend to the work of an author or proprietor who is a citizen or subject of a foreign state or nation only:

17 U.S.C. § 10 (1974 Rev.; Repealed)

§ 10. PUBLICATION OF WORK WITH NOTICE. – Any person entitled thereto by this title may secure copyright for his work by publication thereof with the notice of copyright required by this title; and such notice shall be affixed to each copy thereof published or offered for sale in the United States by authority of the copyright proprietor, except in the case of books seeking ad interim protection under section 22 of this title.

17 U.S.C. § 24 (1974 Rev.; Repealed)

§ 24. DURATION; RENEWAL AND EXTENSION. – The copyright secured by this title shall endure for twenty-eight years from the date of first publication, whether the copyrighted work bears the author's true name or is published anonymously or under an assumed name: Provided, That in the case of any

posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or of 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 twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright: And provided further, That 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, the author of such work, if still living, or the widow, widower, or children of the author if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright, office and duly registered therein within one year prior to the expiration of the original term of copyright: And provided further, That in default of the registration of such application for renewal and extension, the copyright in any work shall determine at the expiration of twenty-eight years from first publication.

17 U.S.C. § 26 (1974 Rev.; Repealed)

§ 26. TERMS DEFINED. – In the interpretation and construction of this title “the date of publication” shall in the case of a work of which copies are reproduced for sale or distribution be held to be the earliest date when copies of the first authorized edition were placed on sale, sold, or publicly distributed by the proprietor of the copyright or under his authority, and the word “author” shall include an employer in the case of works made for hire.

....

17 U.S.C. § 209 (1974 Rev.; Repealed)

§ 209. CERTIFICATE OF REGISTRATION; EFFECT AS EVIDENCE; RECEIPT FOR COPIES DEPOSITED. – In the case of each entry the person recorded as the claimant of the copyright shall be entitled to a certificate of registration under seal of the copyright office, to contain the name and address of said claimant, the name of the country of which the author of the work is a citizen or subject, and when an alien author domiciled in the United States at the time of said registration, then a statement of that fact, including his place of domicile, the name of the author (when the records of the copyright office shall show the same), the title of the work which is registered for which copyright is claimed, the date of the deposit of the copies of such work, the date of publication if the work has been reproduced in copies for sale, or publicly distributed, and such marks as to class

designation and entry number as shall fully identify the entry. In the case of a book the certificate shall also state the receipt of the affidavit, as provided by section 17 of this title, and the date of the completion of the printing, or the date of the publication of the book, as stated in the said affidavit. The Register of Copyrights shall prepare a printed form for the said certificate, to be filled out in each case as above provided for in the case of all registrations made after July 1, 1909, and in the case of all previous registrations so far as the copyright office record books shall show such facts, which certificate, sealed with the seal of the copyright office, shall, upon payment of the prescribed fee, be given to any person making application for the same. Said certificate shall be admitted in any court as prima facie evidence of the facts stated therein. In addition to such certificate the register of copyrights shall furnish, upon request, without additional fee, a receipt for the copies of the work deposited to complete the registration.

17 U.S.C. § 101 (2010)

A “work made for hire” is –

- (1) a work prepared by an employee within the scope of his or her employment; or
- (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a

written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a “supplementary work” is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an “instructional text” is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

17 U.S.C. § 203

(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:

17 U.S.C. § 304

(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 Act⁹ 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.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served electronically by the Court's ECF system and by first class mail on those parties not registered for ECF pursuant to the rules of this court. Pursuant to Circuit Rule 31-1, submission of one original and seven copies of the brief was deferred. Pursuant to Circuit Rule 30-1.3, four copies of the excerpts of the record have been mailed to the Court, and one copy of the excerpts of the record have been mailed to opposing counsel on the date this brief was electronically filed.

Dated: December 22, 2011

TOBEROFF & ASSOCIATES, P.C.

/s/ Keith G. Adams

Keith G. Adams

Attorneys for Appellant, Laura Siegel Larson