

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

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

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LAURA SIEGEL LARSON

*Plaintiff, Counterclaim-Defendant, Appellant, and Cross-Appellee.*

v.

WARNER BROS. ENTERTAINMENT INC., DC COMICS

*Defendants, Counterclaimants, Appellees, and Cross-Appellants.*

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**APPELLANT LAURA SIEGEL LARSON'S THIRD BRIEF ON CROSS-APPEAL**

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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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## COUNTER-STATEMENT OF JURISDICTION

This court has jurisdiction over the F.R.C.P. 54(b) judgment on Plaintiff Laura Siegel Larson's First Claim, and Defendant DC Comics' First through Fourth Counterclaims. 28 U.S.C. § 1291.

### INTRODUCTION

The opposition and cross-appeal brief (Docket No. 31-1; "Opp.") of DC Comics (including its predecessors, "DC") and its parent, Warner Bros. Entertainment Inc. (including DC, "Warner") does little to address the real legal issues in this case. Instead, Warner uses catchphrases divorced from the law, erroneous arguments never made below, *ad hominem* attacks on opposing counsel, and extra-record materials to evade plaintiff Laura Siegel Larson's ("Plaintiff") statutory notices of termination regarding Superman ("Termination").

Touting "a deal is a deal" and Hollywood "custom and practice," Warner pretends it entered into a binding contract with Plaintiff in October 2001, when nothing could be further from the truth. In the three years before Plaintiff filed this action in 2004 to enforce her Termination, Warner never once claimed such a contract existed, and for good reason. The parties' objective written exchange of counteroffers with many different material terms, amply demonstrate that no contract was formed. As the District Court correctly held, "there is no document or set of documents reflecting agreement by the parties to singular, agreed terms."

ER 202.<sup>1</sup>

Warner's arguments as to the other issues fare no better. As to its purported statute of limitations defense, Warner argues, for the first time, a "trigger" date in May 2002, contradicting both its position below and the explicit terms of the parties' "tolling agreement."

As to its erroneous argument that Siegel and Shuster's conversion of their Superman story to a magazine format in *Action Comics, No. 1* was "work-for-hire," Warner pretends that the Second Circuit's decision in *Siegel v. Nat'l Periodical Publications*, 508 F.2d 909, 914 (2d Cir. 1974) – from which it has greatly benefited for four decades – is no longer preclusive.

Nor does Warner do anything to meaningfully counter Plaintiff's focused arguments in her opening brief (Docket No. 12; "App.") that the Superman newspaper strips, *Action Comics, Nos. 2-56* and *Superman, Nos. 1-6*, were not "work-for-hire." For pre-January 1, 1978 works, this sole exception to statutory termination is governed by the "instance and expense" test. "Expense" requires the publisher to assume upfront the expense and thus, the financial risk of a work's *creation*, which DC chose not to do. "Instance" requires that the publisher has the legal right to supervise and control the process and elements of creation, which DC

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<sup>1</sup> "ER" refers to Plaintiff's excerpts of record, served on December 22, 2011; "SER" refers to Warner's supplemental excerpts of record, served on March 23, 2012; "RER" refers to Plaintiff's reply excerpts of record, served concurrently.

lacked. Accordingly, Warner failed to meet its burden on summary judgment of demonstrating “instance and expense” by credible, admissible evidence.

On appeal, Warner sidesteps this governing test and spuriously argues that DC’s ownership of underlying Superman rights renders every derivative work “for-hire,” contrary to the Copyright Act and clear precedent. Warner also revises history to assert that Superman material produced in 1938-43 by Siegel and Shuster’s independent Cleveland operation was “work-for-hire,” when DC’s agreements said no such thing and independent contractors were not held to produce “work-for-hire” until the mid-1960s.

As Warner cannot meet its evidentiary burden, it freely distorts the record with misleading statements and fabrications in the hope this Court will not catch them – *e.g.*, falsely pretending that Jerry Siegel’s extra-record memoir supports their position.

In further desperation, Warner resorts to baseless irrelevant attacks on Plaintiff’s counsel to elicit prejudice and distract from the merits. Warner’s concocted “tortious interference” allegations, repeated here, were not before the District Court; are the subject of a different lawsuit (*DC Comics v. Pacific Pictures Corp., et al.*, C.D. Cal. Case No. 10-CV-03633 ODW (RZx)) still to be adjudicated; and are addressed in Plaintiff’s pending Anti-SLAPP appeal. 9th Cir. Case No. 11-71844. In willful violation of established appellate procedures,



Warner lards its excerpts of record with scores of documents that were also not before the District Court.

This Court should firmly reject Warner's meritless attempts to undermine and evade Plaintiff's statutory rights, affirm the District Court's judgment on Warner's cross-appeal, and reverse the District Court's judgment and remand for further proceedings on Plaintiff's appeal.

### **ISSUES PRESENTED ON CROSS-APPEAL**

1. Did the District Court correctly find, based on the undisputed documentary evidence, that no contract was formed when the parties exchanged counteroffers with numerous differences in material terms, and there was no signed written agreement, as contemplated by the parties and required by 17 U.S.C. § 204(a)?

2. Did the District Court correctly find that Plaintiff's claims were timely due to an explicit written tolling agreement between the parties?

3. Did the District Court correctly find that *Action Comics, No. 1* was not a "work-for-hire," where Warner's arguments were variations on those made by it and rejected by the Second Circuit in prior litigation, and Warner, in any event, has not met its evidentiary burden?

4. Did the District Court correctly find that portions of *Action Comics, No. 4* and *Superman, No. 1*, based on Siegel's pre-existing material, before any

relationship with DC, were not “work-for-hire”?

5. Did the District Court correctly find as to the first two weeks of “Superman” newspaper strips that: (a) they were not “work-for-hire” because they were created on a purely speculative basis; and (b) their inadvertent omission from Plaintiff’s notices of termination was “harmless error” under 37 C.F.R. §201.10(e)(1), because Plaintiff’s intent to “terminate” the strips was clear?

6. Did the District Court correctly enter a Rule 54(b) judgment on Plaintiff’s First Claim and Warner’s First Counterclaim, where such claims focused on the validity of Plaintiff’s Termination and were fully adjudicated by the District Court?

### **STATEMENT OF FACTS ON CROSS-APPEAL**

The facts set forth below concern parts of Warner’s cross-appeal. The facts relevant to Plaintiff’s appeal and “work-for-hire” issues are set forth in her opening brief.

#### **A. Settlement Negotiations Between The Siegels And DC**

On April 3, 1997, the widow (Joanne Siegel) and daughter (Laura Siegel Larson) of Jerry Siegel (the “Siegels”), exercised their rights under 17 U.S.C. § 304(c) by serving on DC/Warner and filing with the Copyright Office seven notices of termination of Jerry Siegel’s Superman copyright grants. ER 1023-1092.

Laura/Joanne Siegel and DC/Warner thereafter engaged in settlement negotiations. ER 161. On April 15, 1999, the day before the Siegel Termination was to take effect, DC contested its “validity and scope.” SER 390. Thereafter, the Siegels hired attorney Kevin Marks (“Marks”), and signed an explicit “Tolling Agreement” with DC as to any time-based defenses to contemplated litigation (the “Tolling Agreement”). SER 348-351.

The parties continued settlement negotiations in 2000-2001, conducted on DC’s behalf by Warner’s then-general counsel, John Schulman (“Schulman”). SER 456-528. The negotiations were complex, spanning a range of terms including copyright assignments, intricate studio definitions/calculations of multi-tiered royalties for different media, warranties and indemnifications. *Id.* Negotiations progressed in a telephone conference on October 16, 2001 between Schulman and Marks. SER 536:12. On October 19, 2001, Marks sent Schulman a six-page letter outlining the substance of what he believed was Warner’s settlement offer in the October 16, 2001 conference. SER 456-461. On October 26, 2001, DC responded with a materially different outline and counter-offer that contemplated further explication in a formal written agreement. SER 463-470. Months later, on February 1, 2002, DC sent the Siegels a 56-page settlement proposal with many more new and changed material terms, not in Marks’ October 19, 2001 offer or DC’s October 26, 2001 counter-offer. SER 472-528.

On May 9, 2002, Joanne Siegel sent a letter to Richard Parsons, President of AOL Time Warner, Inc., stating “we were stabbed in the back .... [y]our company’s unconscionable contract dated February [1], 2002 contained new, outrageous demands that were not in the proposal.... After four years we have no deal and this contract makes an agreement impossible.” SER 412-414.<sup>2</sup> Parsons wrote back on May 21, 2002, stating that “we expected that you and your representatives would have comments and questions on the draft, which comments and questions we would need to resolve” and “we continue to hope this agreement can be closed.” SER 416.

Aware of the Siegels’ extreme dissatisfaction with the “new” and “inconsistent” material terms, Marks began drafting a new proposal, which he never sent to DC. SER 418; RER 39:21-40:15. Nor did DC ever attempt to agree to Marks’ October 19, 2001 proposal, or to modify or retract DC’s October 26, 2001 or February 1, 2002 counter-proposals.

On September 21, 2002, the Siegels sent a letter to Marks, with a copy to DC’s Paul Levitz, terminating Marks and providing “notification that we are

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<sup>2</sup> Warner’s unsupported allegations that its settlement proposal generously “guaranteed” the Siegels “tens of millions” (Opp. 3, 4, 7) is both irrelevant to contract formation and false. Warner’s February 2002 Draft is rife with Hollywood accounting tricks for which studios in general, and Warner in particular, are notorious. SER 472- 523; *Ladd v. Warner Bros. Entm’t, Inc.*, 184 Cal. App. 4th 1298, 1300 (2010). Warner would not be trying to force on Plaintiff, and Plaintiff would never have rejected, such a lucrative settlement. SER 412-414.

totally stopping and ending all negotiations with DC.” SER 418; *see Siegel I*, 542 F. Supp. 2d at 1136. As this letter arguably did not comply with the express terms of the Tolling Agreement, the Siegels sent a further letter on October 28, 2002 that complied with such terms. SER 349-50 ¶¶7; RER 96-97 (October 28 2002 Letter).<sup>3</sup>

### SUMMARY OF ARGUMENT

I. No agreement was reached between the Siegels and DC as a matter of law. The parties’ correspondence shows that Kevin Marks’ October 19, 2001 letter, John Schulman’s October 26 letter, and Warner’s February 1, 2002 draft all had sharply varying material terms, and hence under clear California law were *counteroffers*, not acceptances, that terminated the preceding offer. Neither the basic scope of the agreement as to copyrights to be assigned, the complex royalties to be paid, the parties’ warranties and indemnifications, nor numerous other material terms were ever agreed-upon, as shown by this objective documented exchange. Furthermore, the parties clearly contemplated, and the Copyright Act required, a formal written agreement, executed by both parties, which never happened due to their disagreements over material terms. Against this, Warner

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<sup>3</sup> Warner’s gratuitous recitation of an August 2002 offer by Ari Emanuel (Opp. 18-19) and citation to extraneous materials, *not* part of the District Court record, is irrelevant to the legal issue of whether the parties formed a contract in October 2001. Warner’s improper inclusion in its Excerpts of Record of 166 pages of extra-record material, and raising of prejudicial, irrelevant new arguments on appeal, are addressed more fully in Plaintiff’s motion to strike, and in the appellants’ opening brief in *DC Comics v. Pacific Pictures Corp.*, 9th Cir. Case No. 11-71844.

cites inapposite cases where a written instrument *signed by both parties* was found to be enforceable, and pleads for the first time that established contract law should not apply to the entertainment industry. The District Court, applying well-settled California law to the parties' undisputed evidence, properly found that no agreement had been reached.

II. The District Court also correctly held that the Siegels' claims were timely filed due to the parties' written Tolling Agreement. On appeal, DC abandons all of its prior arguments, and frivolously argues for the first time that the May 9, 2002 letter from Joanne Siegel to AOL Time Warner's President, complaining about Warner's February 2002 draft, somehow cancelled the Tolling Agreement. But the Tolling Agreement expressly required specific, formal notice of cancellation by certified mail to both DC's general counsel and outside counsel, and the May 9, 2002 letter did none of this. The District Court correctly found that notice of cancellation was not given to DC until September 21, 2002 at the earliest, and Warner concedes that in such event this action would be timely. In fact, notice of cancellation, as explicitly defined in the Tolling Agreement, was not given until October 28, 2002.

III. The District Court correctly found that no part of Siegel and Shuster's Superman story, as published in Action Comics, No. 1 (*"Action Comics, No. 1"*), was "work-for-hire." The Second Circuit's decision in *Siegel v. Nat'l Periodical*

*Publications*, 508 F.2d 909, 914 (2d Cir. 1974), which specifically rejected Warner’s “work-for-hire” arguments (based on Siegel and Shusters’ conversion of their strip to a magazine format) bars Warner under preclusion doctrines. Notwithstanding this, Warner has presented no evidence that DC made the contributions it alleges (*e.g.*, choice of colors) or that Siegel and Shuster’s reformatting revisions were “work-for-hire.” Moreover, the alleged items, when compared to Siegel and Shuster’s pre-existing illustrated story contain minimal, if any, protectable new elements. Finally, even if “work-for-hire” and marginally protectable, these limited revisions would not transform DC into a “co-author” of Siegel and Shuster’s celebrated Superman story, per established precedent.

IV. The District Court correctly found that parts of *Action Comics, No. 4*, and *Superman, No. 1* were not “work-for-hire” and were successfully terminated, because they had been fully developed by Siegel “on spec” prior to any involvement by DC, and hence were not DC’s “work-for-hire.”

V. The District Court correctly found that the first two weeks of “Superman” newspaper strips were not “work-for-hire.” The strips were also created “on spec” by Siegel and Shuster who, on their own initiative, pitched these sample strips to several newspaper syndicators. The inadvertent omission of these strips from the hundreds of Superman newspaper strips from the same period listed in the Siegels’ Termination notices was correctly held to be “harmless error” under

37 C.F.R. § 201.10. DC had clear notice of the Siegels' intent to terminate all Superman works subject to termination, as this was both stated in and otherwise evident from their Termination notices.

VI. As set forth in Plaintiff's opening brief, the District Court erred in finding that *Action Comics, Nos. 2-3, 5-6, Superman, Nos. 1-23, and Action Comics, Nos. 7-56* were "works-for-hire." The works were done without any guaranteed financial compensation, negating "expense," and Warner's own evidence amply demonstrates that DC lacked any legal "right" to supervise and control Siegel and Shuster's creative process, negating "instance."

As to the remaining 1938-43 "Superman" newspaper strips, the District Court held on summary judgment that these strips were on "the outer edges of the work-for-hire doctrine" (ER 103), even though DC had failed to meet its burden of proving that the strips were created at DC's "instance and expense." The strips were not created at DC's "instance," as Siegel and Shuster, not DC, were the motivating factor in their creation and syndication; nor at DC's "expense," because Siegel and Shuster paid all expenses of creating the strips, were solely entitled to a contingent royalty, and thus assumed the costs and financial risks of creation.

The District Court also erred in ignoring other significant evidence that the strips were not "work-for-hire" including: (i) the McClure Syndicate's presumptively correct copyright registrations listing Siegel and Shuster as authors



of the strips; (ii) the September 22, 1938 joint venture agreement between McClure, Siegel and Shuster, and DC (the “McClure Agreement”) in which Siegel and Shuster were to receive a very large share of the profits, and DC a minor share; (iii) *National Comics Publications, Inc. v. Fawcett Publications, Inc.* (“*National Comics*”), 191 F.2d 594 (2d Cir. 1951), which held that McClure, the syndicator, was the assignee or “proprietor” of the strips, not the author; and (iv) McClure’s subsequent written assignment of the strips to DC.

VII. The District Court’s Rule 54(b) judgment was proper. Plaintiff’s First Claim, and Warner’s First through Fourth Counterclaims, required *only* that the District Court decide whether the Termination was valid and which Superman *works* were subject to termination as non-“work-for-hire.” The District Court fully adjudicated the First Claim and Warner’s purported defenses in three voluminous published opinions. Warner erroneously argues that the Rule 54(b) judgment is improper, because the District Court did not fully adjudicate the *literary elements* present in each “terminated” work. But such issues only pertain, if at all, to Plaintiff’s Second through Fourth Claims, concerning Warner’s accounting obligations, and are excluded from the Rule 54(b) judgment. For this reason, DC’s “Ads” argument is also a red herring. Even were this Court inclined to consider the Ads, the District Court correctly determined that the Ads contained no original Superman content. Lastly, Warner did not contest the Rule 54(b) judgment as to

its Second through Fourth Counterclaims, conferring jurisdiction in any event.

## **ARGUMENT**

### **I. NO AGREEMENT WAS REACHED BY THE PARTIES**

In 2004, after the Siegels filed suit for a declaration that they had successfully recaptured Siegel's original Superman and Superboy copyrights, Warner contended for the first time that they had reached a binding agreement with the Siegels in October 2001. ER 298-301.

Three key documents conclusively demonstrate that no agreement was consummated: (1) an October 19, 2001 letter (SER 456-61; the "October 19 Letter") from the Siegels' then-counsel, Kevin Marks to Warner's general counsel, John Schulman, containing one set of terms; (2) an October 26, 2001 reply from Schulman to Marks, containing a "more fulsome outline" of materially different deal terms (SER 463-70; the "October 26 Letter") to be fleshed out in a "draft agreement;" and (3) Warner's proposed February 1, 2002 draft agreement (SER 472-528; the "February 2002 Draft").

The fundamental differences between these counteroffers included the properties at issue (Superman, Superboy and Spectre in Marks' draft; nearly everything Siegel ever wrote in Warner's), the classification and calculation of royalties, warranties/indemnifications of/by the Siegels, and many other material differences. RER 140-49.

As the District Court aptly held, “[o]ne need only review the language of the parties’ correspondence, their conduct in reaction thereto, and the numerous material differences between the terms relayed in the October 19 and 26, 2001 letters and the February 2002, 2002 draft to reach the conclusion that the parties failed to come to an agreement on all material terms.” ER 202.

On appeal Warner advances erroneous arguments that: (i) the October 19 Letter, which Warner did not accept, still “settled the matter;” and (ii) despite the many material differences between the counteroffers, there are supposedly no differences in “essential terms.” For all of this, Warner relies on inapposite cases which simply find that clear agreements, *signed by both parties*, are enforceable.

**A. The October 19 Letter Was A Counter-Offer That Warner Never Accepted**

**1. Contract Formation Requires An Objectively Manifested Agreement To The Same Material Terms**

The glaring differences, set forth below, between the parties’ respective write-ups (Marks’ October 19 Letter and Schulman’s October 26 Letter), made within a week after the parties thought they had arrived at terms, demonstrate that the parties had not reached agreement. This divergence becomes even clearer with Warner’s February 2002 Draft, elaborating upon its October 26 Letter.

Contract formation requires that the parties “agree upon the same thing in

the same sense.” Cal. Civ. Code § 1580. “If there is no evidence establishing a manifestation of assent to the ‘same thing’ by both parties, then there is no mutual consent to contract and no contract formation.” *Weddington Productions, Inc. v. Flick*, 60 Cal. App. 4th 793, 811 (1998).

“[I]f the material facts are certain or undisputed, the existence of a contract is a question for the court to decide.” *Bustamante v. Intuit, Inc.*, 141 Cal. App. 4th 199, 208 (2006). *See Roth v. Malson*, 67 Cal. App. 4th 552, 559 (1998) (affirming summary judgment that no contract was formed because counteroffer was not accepted).

## **2. There Was No Accepted Offer, Merely An Exchange Of Unaccepted Counteroffers**

It is black-letter law that the “terms proposed in an offer must be met exactly, precisely, and unequivocally for its acceptance to result in the formation of a binding contract.” *Panagotacos v. Bank of America*, 60 Cal App 4th 851, 855-856 (1998) (citing *Apablaza v. Merritt & Co.*, 176 Cal. App. 2d 719, 726 (1959)).

“[A] qualified acceptance amounts to a new proposal or counteroffer putting an end to the original offer” (*id.*), and that “new proposal or counteroffer [] must be accepted by the former offeror now turned offeree before a binding contract results.” *Landberg v. Landberg*, 24 Cal. App. 3d 742, 750 (1972); *see* Cal. Civ. Code § 1585 (“An acceptance must be absolute.... A qualified

acceptance is a new proposal.”). “If the acceptance contains conditions not embraced in the offer or adds new terms, there is no meeting of the minds and no acceptance.” *In re Pago Pago Air Crash*, 637 F.2d 704, 706 (9th Cir. 1981). Thus, a counteroffer terminates the original offer and the power to accept the original offer. *See Panagotacos*, 60 Cal App 4th at 855-856; 1-3 *Corbin on Contracts* § 3.36 (2006).

Here, it is crystal-clear from the objective exchange of counteroffers that each contained material terms not accepted by the other party.

Marks’ October 19 Letter, though styled as an “acceptance” of Schulman’s oral “offer” of October 16, 2001, was actually a “counteroffer” because, according to Schulman and his October 26 “more fulsome outline,” something very different was discussed on October 16. SER 456-461; 463-470. *See Tibbs v. Smart & Final Iris Co.*, 152 Cal. App. 2d 618, 618, 623 (1957) (affirming summary judgment where “there is no enforceable written contract” despite a letter purporting to “accept[] said offer”).

Schulman’s October 26 Letter, which purported to outline Warner’s October 16 “offer,” contained materially different terms (more favorable to Warner) than those in Marks’ purported October 19 “acceptance,” “putting an end to” Marks’ counter-offer. *Apablasa*, 176 Cal. App. 2d at 726. *See ER 201; Devereaux v. Harper*, 210 Cal. App. 2d 519, 524-525 (1962) (no contract where “one person

offers to do a definite thing and another introduces a new term into the acceptance”); *Louis Lesser Enterprises, Ltd. v. Roeder*, 209 Cal. App. 2d 401, 407 (1962) (no binding agreement where letters contain “substantial changes in the proposed terms” that indicate the initial letter “was never intended to be the final memorial of the agreement of the parties”).

The February 2002 Draft, contemplated by Schulman’s October 26 outline, elaborated upon it with even more new or revised material terms, further showing that no agreement had been reached. SER 472-528.

**B. The Numerous Material Differences Between The Proposals Demonstrate That No Agreement Was Consummated**

**1. Material Differences As To Scope Of The Agreement**

Warner concedes that the scope of the rights assigned is an “essential” term. Opp. 29. But Warner fails to address the blatant differences: Marks’ October 19 Letter was specifically limited to “Superman, Superboy and related properties ... and the Spectre property.” SER 456. Schulman’s October 26 Letter was far broader, and included “all rights” in (1) anything related to “Superman, Superboy, Spectre and related properties – even if not created for DC Comics,” and (2) anything “arising out of Siegel’s authorship and/or contributions for DC Comics (whether or not published),” and whether or not related to Superman, Superboy or the Spectre. SER 456, 464, 533-4, 541-42.

Warner's counteroffers thus significantly broadened the scope of properties to be assigned, which alone is sufficient to defeat Warner's claim that a binding contract was formed. *See Roth v. Garcia Marquez*, 942 F.2d 617, 626-627 (9th Cir. 1991) (no contract where long-form document unsigned due to dispute over scope of rights to be transferred).

## **2. Material Differences As To Monetary Terms**

Warner also concedes that the royalty terms are "essential" (Opp. 29), but fails to address the substantial differences.

Recoupment: Under the October 19 and October 26 counteroffers, Warner would advance \$500,000/year, "recoupable" against the Siegels' royalties. Under Marks' October 19 proposal, those advances would never accumulate interest if unrecovered (*i.e.*, if advances exceeded royalties); under Warner's proposals, all advances were "non-interest bearing for year in which paid; then interest at 100% of prime on unrecovered amounts after 12/31 of year of payment." SER 458, 467.

Media Royalties: Marks' October 19 Letter proposed a royalty of 6% of DC's "gross revenues" derived from the "use of the property in any and all media, in and on merchandise and in promotional campaigns." SER 457.

Schulman's October 26 Letter proposed "6% of DC's receipts from all Media licenses for use of the Properties" (compare SER 457 and SER 467), without providing the definition of "Media licenses." Revenues from sources other

than “Media licenses” (*e.g.*, from direct sales or assignment by DC to third-parties as opposed to licenses) are thus excluded.

So, while the October 19 and October 26 letters both use “6%,” the “6%” applies to different things.

The February 2002 Draft deviated further, limiting the 6% royalty to “amounts actually received” by DC “in United States Dollars” from “licensing,” and excluding “any sums received by DC Comics for providing any services or materials in connection with the licensing.” SER 481, 545:17-546:13. The draft further reduced the applicable revenue stream by excluding cash advances paid to DC (against its royalties), unless such monies were or became non-returnable. SER 481.

Marks’ October 19 Letter envisioned a 6% royalty from any and all media and merchandising uses of Superman, subject to reduction (a) to 3% on a “pro rata” basis “when the property is used in conjunction with other book characters,” (b) to 1.5% in three instances: “Justice League of America,” “Superfriends” and “Superheroes,” and (c) to 1% in “extraordinary cases ... such as [Warner’s] license to Six Flags.” SER 457 ¶5, 536:4-537:5.

In contrast, Schulman’s October 26 counteroffer, and subsequent February 2002 Draft, reduced the 6% (a) to 3% for “licenses which commingle the Properties with another DC property similar in stature and used in a like manner,”



and (b) to 1.5% for “licenses which commingle the Properties with multiple other DC properties and where the Properties are neither the predominant creative element nor the sole predominant identity or title of the Media product in question (e.g., Justice League, Superfriends, Superheroes).” SER 467, 495. This transformed a limited reduction in three instances (“i.e.”), into a general principle (“e.g.”).

Merchandising Royalties: There were also material differences as to merchandising royalties – an extremely significant source of revenue.

As with “Media Royalties,” Marks’ and Schulman’s proposals differed in their 6%/3%/1.5% categorizations.

Furthermore, Marks’ October 19 letter limited the “1%” category to “extraordinary cases,” with the “Six Flags” license as an example. SER 457 ¶5. Schulman’s October 26 counteroffer added an entirely new category “with respect to licenses .... [for] a number of DC properties as well as the Properties, DC shall allocate the income from the license based on the actual sales of individual products based on information reasonably available from the licensees, but to the extent such information is not available, the 6% shall be reducible to not less than 1%” – meaning that the category was not limited to “extraordinary cases,” **and** the “floor” could be under 1% (based on purported licensee information). SER 467.

The February 2002 Draft added further new terms, including no payments

for the use of Superman in advertising and that “only 10% of Revenue, less costs, and subject to pro rata allocations” from merchandise “actually produced” by DC would be included. SER 496-97, 499-500. This contrasted sharply with Marks’ October 19 Letter, which stated that the 6% *would* apply to “promotional campaigns” and did not restrict revenue from merchandising. SER 457.

Publishing Royalties: The parties also never reached agreement on the royalty applicable to Superman’s exploitation in DC’s “non-Superman” publications. The October 19 Letter provided a baseline royalty of “1% of the cover price,” with a “pro rata” adjustment for non-“cameo” appearances, to a floor of .5%. SER 457-58 ¶6. Warner’s October 26 Letter stated that “there will be no royalties payable hereunder when the Properties appear in publications or stories based on other properties and the Properties do not appear in the title of the publication or feature in question.” SER 468 ¶25.

The February 2002 Draft expanded upon Warner’s new floor of *no royalties whatsoever* where Superman did not appear “in the title of the publication or feature.” SER 499. The February 2002 Draft further added that no royalties would be paid on units “returned, damaged, lost, distributed by DC as premiums or promotions and/or distributed to uncollectible accounts or sold at discounts of excess of seventy percent off of cover price.” SER 481.

Thus, under Marks’ October 19 proposal, the Siegels would have been paid

for nearly all appearances of Superman. Under Warner’s October 26 and February 2002 counteroffers, there were numerous new exclusions and reductions of the royalty rate and the revenues to which it would apply (*e.g.*, no revenues even if Superman appears for months as a main character in a “Green Arrow” comic).

### 3. Other Material Differences

Other material differences concerned, *inter alia*, warranties, indemnification, arbitration, audit rights, and credits. RER 140-49 (chart detailing differences between the proposals).

As to “warranties and representations,” the October 19 Letter stated that the “Siegel Family would *not* make any warranties as to the nature of rights, but would [only] *represent that they have not transferred the rights to any party.*” SER 460 ¶13 (emphasis added). Schulman’s October 26 Letter stated the “Siegels warrant and represent no termination nor any other rights remaining except for rights under this agreement,” and “no contract of any kind with any other party with respect to or related to the Properties,” and “not to interfere with or diminish DC/WB enjoyment of exclusive ownership, control, and use.” SER 464. Such broader warranties result in significant potential liability. SER 534:6-10.

As to “indemnification,” the October 19 Letter stated only: “Full E&O and general liability coverages and full indemnities for Joanne Siegel, Laura Siegel Larson, and Michael Siegel against liability for DC or affiliate actions” – all to

their benefit. SER 460 ¶14. Schulman’s October 26 Letter specifically added that the “Siegels defend and indemnify re third party claims,” “Siegels defend and indemnify re Dennis [Laura’s ex-husband] claims,” and “Widow and daughter [Joanne and Laura] indemnify re Michael Siegel for all expenses, costs, any reasonable settlement or get Michael Siegel to Sign.” SER 470; *see also* SER 517-18. In essence, Warner turned the October 19 Letter’s indemnification from Warner to the Siegels into significant obligations of the Siegels to indemnify Warner.

Furthermore, Marks’ October 19 Letter provided only for mutual non-disparagement. SER 460 ¶13. Schulman’s October 26 counteroffer required the Siegels to “positively publicize the Properties,” including “travel” for “public appearances,” and to “consult with DC prior to any personal appearances, written statements, interviews or other activities.” SER 464,535:19-536:3 (Marks: “[T]hat was a problem because we were dealing with a woman of advanced years and a woman who was ill, and travel on them could be a burden.... I wouldn’t have wanted there to be any dispute that they were not fulfilling an obligation ... and that ... being the basis for claiming breach and withholding royalty payments and the like.”).

The parties also diverged as to the credits to be accorded Jerome Siegel. *Compare* SER 459 ¶4 ER (October 19 Letter: credit to be given in “paid ads”

concerning the Properties) *with* SER 469 ER (October 26 Letter: no credit in “paid ads”); *see* SER 539:12-17 (Marks: “[C]redit in paid ads ... is something that’s very important to clients. They want to see the credit in the full-page ads in newspapers and posters, movie theaters and the like, and John’s letter provided for credit on screen only and not in paid ads.”).

Just as Schulman couched his October 26 counteroffer as a “more fulsome outline,” Warner dismisses vast differences in the February 2002 Draft as simply the product of it being a “long-form” or more “detailed.” Opp. 32. Warner’s subjective characterizations do nothing to change the objective manifestations of the parties’ intent in their competing written counteroffers, nor the numerous material differences between them. ER 201 (“Defendants ... seek to create issues of fact through post hoc testimony and rationalizations. None of this subjective belief is sufficient to defeat the objective manifestation of the parties’ intent relayed in the documents ....”).

**C. Warner’s Cases On This Issue Are Manifestly Inapposite As They Concern The Enforceability Of Signed Agreements**

To evade this clear lack of an agreement, Warner cites to cases that stand for the unremarkable proposition that a written agreement, signed by the parties, is an enforceable contract if sufficiently “definite.”

Warner relies primarily on *The Facebook Inc. v. Pac. Nw. Software, Inc.*,

640 F.3d 1034 (9th Cir. 2011) (“*Facebook*”) (Opp. 26-27), which is inapposite as it concerned an agreement signed by both parties. Furthermore, “[t]he parties stipulated that the Settlement Agreement was ... ‘binding’, and ‘may be submitted [to a court] to enforce [it].’” *Id.* at 1037. The question was whether the signed document had sufficiently definite material terms to be enforceable. *Id.* As the material terms were a lump-sum payment and a specified amount of stock, this Court unsurprisingly found the executed agreement binding and enforceable. *Id.*

*Facebook* is similar to *In Harris v. Rudin, Richman & Appel*, 74 Cal. App. 4th 299, 307 (1999), also relied upon by Warner (Opp. 26), which upheld an agreement to pay \$250,000 in exchange for a general release, executed by all parties, under a signature block stating “[a]ccepted and agreed.”

Warner’s other cases similarly involve a signed instrument demonstrating the parties’ intent to be bound. *See Estate of Thottam*, 165 Cal. App. 4th 1331, 1340-41 (2008) (parties agreed “by initial and by signature” and the terms are “sufficiently clear to determine obligations to which the parties agreed”); *Ersa Grae Corp. v. Fluor Corp.*, 1 Cal. App. 4th 613, 624 (1991) (enforcing signed agreement where agreed-upon material terms were “undisputed”); *Patel v. Liebermensch*, 45 Cal. 4th 344, 346 (2008) (signed contract enforceable, though it did not specify the “time and manner of payment” because “a reasonable time is allowed”).

Warner also relies on *Elite Show Servs. Inc. v. Staffpro, Inc.*, 119 Cal. App. 4th 263, 268-69 (2004), which did not concern contract formation, but simply found that a Cal. Civil Code § 998 litigation settlement offer (entitling one to fees and costs) was sufficiently definite.

If Marks' October 19 proposal contained signature lines executed by the parties, then *Facebook* and the other cases Warner cites might be applicable to whether the terms were sufficiently definite to be enforceable. That obviously did not happen. Instead, the parties' counteroffers demonstrate disagreement as to material terms preventing the formation of a contract.

Nor is it this Court's responsibility to relieve Warner from its failure to respond to Marks' October 19 Letter with an unqualified acceptance. As the District Court correctly noted, "there is no document or set of documents reflecting agreement by the parties to singular, agreed terms." ER 202. And where the parties have not agreed upon terms, "courts will not write a new contract" for them. *Industrial Indemnity v. Superior Court*, 224 Cal. App. 3d 828, 832 (1990).

**D. A Final Written Agreement Signed By The Parties Was Required**

It is equally clear from the parties' words and conduct that, given the importance and complexity of the subject matter and deal points, any agreement was subject to documentation and would need to be reduced to a mutually-acceptable written contract. ER 463 ("We're working on the draft agreement"),

SER 472. *See Rennick v. O.P.T.I.O.N. Care, Inc.*, 77 F.3d 309, 316 (9th Cir. 1996) (affirming summary judgment; no contract as a matter of law where “the parties intended ... not to be bound unless and until a subsequent agreement was made”).

“[W]hen it is a part of the understanding between the parties that the terms of their contract are to be reduced to writing and signed by the parties, the assent to its terms must be evidenced in the manner agreed upon or it does not become a binding or completed contract.” *Duran v. Duran*, 150 Cal. App.3d 176, 180 (1983) (citations omitted). *See Banner Entm’t Inc. v. Superior Court (Alchemy Filmworks Inc.)*, 62 Cal. App. 4th 348, 358 (1998) (“When it is clear ... that both parties contemplated that acceptance of the contract’s terms would be signified by signing it, the failure to sign the agreement means no binding contract was created.”) (citation omitted).

Moreover, as any such agreement would involve an assignment of the Siegels’ recaptured copyright interests, a written contract was required as a matter of law. 17 U.S.C. § 204(a) (“A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner’s duly authorized agent.”).<sup>4</sup>

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<sup>4</sup> On appeal Warner argues for the first time that a purported “handshake” is sufficient and relies on “principles essential to the entertainment industry, where many business deals are never formalized” (Opp. 3, 28-29), and on secondary



Marks' October 19 Letter cannot possibly qualify as the required "writing." While "[n]o magic words must be included in a document to satisfy § 204(a) .... the parties' intent as evidenced by the writing must demonstrate *a transfer* of the copyright." *Radio TV Espanola S.A. v. New World Entertainment, Ltd.*, 183 F.3d 922, 927 (9th Cir. 1999) (emphasis added). The October 19 Letter is not "a transfer" of the Siegels' copyrights to Warner; rather, it contemplates that the Siegels "would [make such] transfer" in a final executed agreement. SER 458.

Here, a signed written agreement assigning the Siegels' copyrights was both contemplated by the parties and required, but never approved and executed. *See Goodworth Holdings Inc. v. Suh* 239 F. Supp.2d 947, 958 (N.D. Cal. 2002) (granting summary judgment where parties "had a lot of conversations about putting a deal together, but when it finally came down to determining material terms ... in order to put them into writing, both parties walked away").

**E. The Clear Reservations Demonstrate That No Contract Was Formed**

*In Valente-Kritzer Video v. Callan-Pickney*, 881 F.2d 772, 775 (9th Cir.

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sources that nonetheless flag § 204(a)'s writing requirement, both placing it at issue. Opp. 28; *Oral Contracts In the Ent Industry* ("Oral Contracts"), 1 Va. Sports & Ent. L.J. 101, at 108-109), *Resolving Disputes over Oral and Unsigned Film Agreements* ("Resolving Disputes"), L.A. Law. 18 (Apr. 1999) at 20. Furthermore, as this "issue is one of law and ... the [factual] record has been fully developed," it can properly be raised on appeal. *In re Eliapo*, 468 F.3d 592, 603 (9th Cir. 2006). Plaintiff also addressed § 204(a)'s writing requirement on summary judgment (RER 100), albeit on another point.

1989), an attorney for one party sent a draft agreement accompanied by a letter that stated in part “Thank you for your cooperation and congratulations on landing the deal” and “Please call if you have problems.” This Court found that that there was no binding contract, despite the attorney’s repeated references to “the deal,” because the correspondence contained reservations, including the right to comment and a request for the other party to communicate any disagreements. *Id.*

The same type of reservations appears throughout the correspondence here, demonstrating that neither side viewed their proposals as final. Marks’ October 19 Letter concluded by stating “John, if there is any aspect of the above that is somehow misstated, please let me know....” SER 461. Schulman’s responsive October 26 Letter similarly stated “I enclose herewith ... *a more fulsome outline of what we believe the deal we’ve agreed to is. We’re working on the draft agreement* ... we will have this super-matter transaction in document form.” SER 463 (emphasis added). The correspondence accompanying Warner’s February 2002 Draft stated:

I am pleased to enclose a draft agreement between your clients and DC Comics concerning the Superman property. *As our clients have not seen this latest version* of the agreement, *I must reserve their right to comment.* In addition, you will note that the draft agreement makes reference to certain “Stand Alone Assignments.” We are finalizing those and, as soon as they are ready we will forward them to you.

SER 472 (emphasis added). Such reservations, along with the numerous material

differences in the parties' counteroffers, make plain that they had not arrived at a contract.

**F. Established Contract Law Applies To The Film Industry**

This Court should give no currency to Warner's frivolous suggestion – not made below – that the entertainment industry requires deviation from established contract and copyright law. Opp. 28. *See Effects Assocs. v. Cohen*, 908 F.2d 555, 556-557 (9th Cir. 1990) (rejecting argument that “[m]oviemakers do lunch, not contracts” and enforcing 17 U.S.C. § 204(a)); *Weinstein Co. v. Smokewood Entm't Group*, LLC, 664 F. Supp. 2d 332, 348 (S.D.N.Y. 2009) (same).

In support of the proposition that it is “standard” in the entertainment industry to forgo written contracts, Warner cites to articles, not before the District Court, that contradict their position and, in any event, are unsupported by any testimony, expert or otherwise. Opp. 28-29. *Oral Contracts*, 1 Va. Sports & Ent. L.J. at 108-09, 111-12, cautions against oral agreements for anything but “simple and short-term contracts;” and notes that 17 U.S.C. § 204(a) mandates an executed written instrument for copyright transfers. *Resolving Disputes*, L.A. Law. at 20, 48, notes “evidence of industry custom and practice is not [admissible] if it is offered to prove or disprove whether or not a contract was formed,” and similarly emphasizes § 204(a)'s writing requirement.

**G. Summary Judgment Is Appropriate Because No Enforceable Agreement Existed As A Matter of Law**

**1. Summary Judgment As To Contract Formation Is Proper**

Warner contends that “at a minimum” a jury should consider its position. Opp. 34-37. However, Warner has not met the threshold to survive summary judgment. Once Plaintiff met her initial burden of demonstrating the absence of a genuine issue of fact, the burden shifted to Warner to “designate ‘specific facts showing that there is a genuine issue for trial.’” *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986) (citation omitted). Warner points to no real evidence contradicting the facially-obvious correspondence that objectively demonstrates that no contract was formed. As this documentary evidence is “undisputed,” the question of whether or not a contract was formed “is a question [of law] for the Court to determine.” *Bustamante*, 141 Cal. App. 4th at 208.

Courts thus routinely decide the issue of whether a contract was formed on summary judgment. *See Novak v. Warner Bros Pictures, LLC*, 387 Fed. Appx. 747, 749 (9th Cir. 2010) (affirming summary judgment where “[t]he evidence conclusively establishes that, when negotiations broke off, the parties had not reached agreement” and “[n]o rational jury could find that a contract was entered between the Producers and Warner”); *Krasley v. Superior Court*, 101 Cal. App. 3d 425, 432 (1980) (“A number of cases have found [summary judgment] proper and

indeed required in situations involving ... contracts which were in fact illusory and consisted only of ... offers and counteroffers.”) (collecting cases and upholding summary judgment).

While Warner claims “whether parties intended to be bound by terms expressed in an informal agreement is one of fact,” and summary judgment somehow improper, the cases it cites are either inapposite or to the contrary. *Opp.* 35; *Bustamante*, 141 Cal. App. 4th at 208 (affirming summary judgment that “no enforceable contract was ever formed between the parties,” despite purported oral agreement); *Banner Entertainment, Inc.*, 62 Cal. App. 4th at 359-62 (unsigned draft agreements did not create enforceable contract despite testimony as to oral agreements); *Clarke v. Fiedler*, 44 Cal. App. 2d 838, 846 (1941) (“When, as here, the evidence indisputably shows that all the terms and conditions of the understanding between the parties were definitely agreed upon ... the parties are bound.”); *S. Cal. Painters & Allied Trade Dist. Council No. 36 v. Best Interiors, Inc.*, 359 F.3d 1127, 1132 (9th Cir. 2004) (applying federal labor law, not California law, to find “triable issues of fact” as to a collective-bargaining agreement); *Callie v. Near*, 829 F.2d 888 (9th Cir. 1987) (applying Arizona law regarding a “court[’s] equitable power to enforce summarily a [*complete*] agreement to settle a case pending before it”).

## **2. None Of Warner’s Purported Evidence Does Anything To Establish That A Contract Was Formed**

To distract from glaring material differences in the parties’ written counteroffers, Warner grossly mischaracterizes Marks’ testimony to claim that a binding contract had been reached. Opp. 28-29, 32. Warner asserts that “Marks told Schulman the draft was ‘not contrary to what [had been] agreed to’ and the parties could ‘deal with it.’” Opp. 32. The quotes were not even Marks’ words, but inadmissible hearsay in the form of Schulman’s purported notes that Plaintiff objected to below. RER 88 ¶15. Marks testified to the opposite. SER 127. Marks also testified in detail how Warner’s counteroffers contained “many additional terms not agreed to.” SER 128, 533-547.

Warner leans heavily on Marks’ alleged subjective beliefs as to “a deal.”<sup>5</sup> This approach is fundamentally incorrect, because whether a binding contract was formed is not based on subjective belief, but on objective manifestation of intent – here, the competing counteroffers. *See Meyer v. Benko*, 55 Cal. App. 3d 937, 942–943 (1976) (mutual consent “is determined by objective rather than subjective criteria”); *Rael v. Davis*, 166 Cal. App. 4th 1608, 1618 n.11 (2008) (“Contract

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<sup>5</sup> To do so, Warner improperly goes well “beyond the record evidence” and mischaracterizes inadmissible hearsay in a letter from Plaintiff to her half-brother. Opp. 37. Plaintiff’s concurrently-filed motion to strike details Warner’s brazen attempt to inject 166 pages of new material into the record on appeal in willful violation of established appellate procedures. F.R.A.P. 10(a); Circuit Rule 10-2; *Lowry v. Barnhart*, 329 F.3d 1019, 1025-26 (9th Cir. 2003).

formation is governed by objective manifestations, not subjective intent of any individual involved.”).

Notwithstanding this, Marks’ testimony is consistent with the evidence and the District Court’s ruling that a binding contract was never consummated. RER 55 (Marks: “Well, if the question is did I think at this point there was a final, binding, enforceable agreement, the answer would be no ....”).

Warner falsely asserts that the differences between the outlines were not raised at the time. Opp. 33. Schulman sent his October 26 Letter when Marks was away for a month in China. SER 461; RER 21:16-24. Upon Marks’ return he attempted to contact Schulman, but Schulman was on vacation. RER 29:4-7. On May 9, 2002, Joanne Siegel wrote a letter to Parsons, President of AOL Time Warner, specifically condemning the “unconscionable contract dated February, 2002 [which] contained new, outrageous demands that were not in the proposal.” SER 412-414.

Warner also conspicuously omits Parsons’ May 21, 2002 reply to Ms. Siegel, in which he states “we continue to hope that this agreement can be closed.” SER 416. Parson did *not* claim a binding agreement had ever been reached, but instead indicated that the parties had yet to reach an agreement. *See* ER 163 (District Court: “Time Warner ‘expected’ that the submission of the draft agreement would result in further ‘comments and questions on the draft’ by Siegel

family's representatives that 'would need to [be] resolve[d].''").

Warner also relies on its purported post-agreement conduct. Yet, at no time in the three years before the Siegels filed suit did Warner/DC ever assert that a settlement agreement had been reached. Nor did Warner/DC ever retract their October 26, 2001 or February 1, 2002 counteroffers.

Warner weakly claims that DC "manifested its understanding of the agreement" by "setting aside a reserve account for the Siegels and including in its license agreement with Warner Bros. a requirement that the Siegel family be given screen credit in an upcoming Superman movie." Opp. 30. This supposed "reserve account" was anything but. RER 73-74 (DC: "None of the Defendants have ever represented ... that an actual escrow fund had been created," and admitting that DC had only "summary statements ... consisting of one-line quarterly total entries.'). Warner also never states that it provided the Siegel family credit on its 2005 film. SER 459 ¶4.

Warner's *de minimis* purported performance does nothing to overcome the fact that there was no meeting of the minds. *See Banner Entertainment, Inc.*, 62 Cal. App. 4th at 359 ("[T]he failure to reach a meeting of the minds on all material points prevents the formation of a contract *even if the parties have orally agreed upon some of the terms, or have taken some action related to the contract.*") (emphasis in original).



\* \* \*

As the District Court correctly held: “[Warner’s] argument ... is premised on the notion that they can limit the scope of the legal analysis to the October 19, 2001, letter, and call it a contract, regardless of their materially different October 26, 2001 letter ... and their vastly different February 1, 2002 draft, which were both part and parcel of the same settlement negotiation.” ER 201. None of Warner’s arguments can withstand the great weight of the objective evidence that no contract was formed.

## **II. THE SIEGELS’ ACTION WAS TIMELY FILED**

The Copyright Act provides a three-year statute of limitations for copyright claims. 17 U.S.C. § 507(b). The District Court held, and Warner does not dispute here, that the Siegels’ claims accrued at the earliest on April 16, 1999. ER 197.

To facilitate settlement negotiations, DC and the Siegels entered into a tolling agreement dated and effective April 6, 2000 (the “Tolling Agreement”) (SER 348-51) that neither “would assert any statute of limitations or laches defenses relating to ...the [Termination] Notices” based on “the passage of time during the period from the date hereof until cancellation of this Tolling Agreement pursuant to paragraph 7 hereof.” SER 348 at ¶1. Paragraph 7 provides that the Tolling Agreement remain in force “until 10 business days after the earlier of: (a) one of the parties terminating negotiations, in writing, relating to the Notices [of

Termination], or (b) the parties reaching an amicable resolution of the disputes between them relating to the Notices,” and that “[a]ny [such] notices required under this Agreement shall be sent by United States Mail, Return Receipt Requested to: To DC Comics[’] Lillian J. Laserson[,], General Counsel ... With a copy to: Carol F. Simkin/Roger L. Zissu,” DC’s outside counsel. SER. 349-350.

On September 21, 2002, the Siegels mailed a letter to their counsel, terminating them, and stating that “effective immediately, we are totally stopping and ending all negotiations with DC.” A copy of this letter was sent by regular mail to Paul Levitz, then President of DC. RER 96-97.

Realizing that such cancellation notice did not precisely comport with paragraph 7 of the Tolling Agreement, the Siegels sent formal notification of cancellation on October 28, 2002 “[p]er the Tolling Agreement.” SER 420.

The District Court correctly found that notice of cancellation was given, at the earliest, by the September 21, 2002 letter. Warner admits that “[i]f [the September 21, 2002] letter terminated negotiations” the Siegels’ claims would be timely. Opp. 38. As “cancellation of th[e] Tolling Agreement” (SER 348 at ¶1, 349-50 at ¶7) did not occur until September 21, 2002, at the earliest, or October 28, 2002, at the latest, this action is timely.

Tellingly, Warner argued to the District Court that the statute was triggered on October 30, 2001 (RER 134-37), but now argues for the first time that “[t]here

are two possible ... ‘triggers’” – May 9, 2002 or September 21, 2002. Opp. 38.

Warner’s argument is premised on a false construct. Opp. 37-39. Warner improperly claims for the first time on appeal (see *Janes v. Wal-Mart Stores, Inc.*, 279 F.3d 883, 888 n.4 (9th Cir. 2002)) that Joanne Siegel’s May 9, 2002 letter to Parsons at Time Warner, complaining about the February 2002 Draft, triggered the statute because she said it “makes an agreement impossible.” Opp. 38.<sup>6</sup> The May 9, 2002 letter did not constitute “cancellation of th[e] Tolling Agreement pursuant to paragraph 7 [t]hereof” as it was not “sent by United States Mail, Return Receipt Requested” to DC’s general and outside counsel – it was not even sent to DC.

Warner argues that a statement in another lawsuit that negotiations were “moribund” as of the May 9, 2002 letter is at odds with the fact that the Tolling Agreement was not cancelled until months later. Opp. 39. First, “moribund” means dying, not cancelled or terminated. Second, this has no bearing on the plain language and effect of the Tolling Agreement, which expressly requires a formal cancellation notice “pursuant to paragraph 7 [t]hereof.” SER 348 at ¶1, 349-50 at ¶7.

The District Court correctly concluded that “the present action is timely.” ER 198.

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<sup>6</sup> Before the District Court, Warner took the opposite position that the May 9, 2002 letter “confirmed” an “amicable resolution.” RER 136.

### III. NO PART OF *ACTION COMICS, NO. 1* IS WORK-FOR-HIRE

#### A. The District Court Properly Rejected Warner's "Work-for-Hire"

##### Claim As To *Action Comics, No. 1*

The District Court correctly rejected Warner's tenuous claim that random aspects of *Action Comics, No. 1* (i.e., sparse added panels, colorization and cover art by Shuster) necessary to convert it from a newspaper format to a magazine format were "work-for-hire," because "the thrust of [Warner's] argument was made and rejected by the Second Circuit in the 1970s Superman copyright renewal litigation, and is thus precluded as a matter of collateral estoppel here." ER 183.

In *Siegel v. Nat'l Periodical Publications*, 508 F.2d 909, 914 (2d Cir. 1974) ("*Siegel*"), the Second Circuit held that *Action Comics, No. 1* was not a work-for-hire, based on the record before it and 1948 findings of fact from a prior state-court lawsuit between the authors and DC:

The court below held that Superman was also a 'work for hire' within the meaning of the Copyright Act, 17 U.S.C. § 26 .... We disagree.... On the contrary, th[e] [state] court's finding of fact no. 8 was that the plaintiffs were "the originators and authors of the cartoon character SUPERMAN and of the title SUPERMAN and first created cartoon material in which the said character and title first appeared in 1934 ... ." The court below instead relied upon finding of fact no. 22 in which the state court found that *the plaintiffs did revise and expand the Superman material at the request of the defendants and that this revised material constituted the formula for the ensuing series of strips. We do not consider this tantamount to a conclusion that Superman was a work for hire. .... In the case before us Superman and his miraculous powers were completely developed long before the employment relationship was*

*instituted. The record indicates that the revisions directed by the defendants were simply to accommodate Superman to a magazine format. We do not consider this sufficient to create the presumption that the strip was a work for hire.*<sup>7</sup>

As the District Court correctly held, Warner’s claim is precluded by this decision that the “revisions ...were simply to accommodate a magazine format,” and that this is “not ... sufficient” to establish “work-for-hire.” *Id.*

**1. Claim And Issue Preclusion Apply To Issues And Claims Raised Or Which Could Have Been Raised**

Findings in prior litigation are binding on the parties and their successors in subsequent litigation under claim and issue preclusion. *Kamilche Co. v. United States*, 53 F.3d 1059, 1062 (9th Cir. 1995). *See Montana v. U.S.*, 440 U.S. 147, 153-154 (1979) (preclusion doctrines protect litigants against “the expense and vexation attending multiple lawsuits, conserve judicial resources, and foster reliance on judicial action by minimizing ... inconsistent decisions”).

“[C]laim preclusion[] prohibits lawsuits on ‘any claims that were raised *or could have been raised*’ in a prior action.” *Stewart v. U.S. Bancorp*, 297 F.3d 953, 956 (9th Cir. 2002) (emphasis added).

Claim preclusion applies where there is “(1) an identity of claims, (2) a

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<sup>7</sup> The Second Circuit spoke of a “presumption” because satisfaction of the “instance and expense test” creates a rebuttable presumption that a work is “for-hire” under the 1909 Act. *Twentieth Century Fox Film Corp. v. Entertainment Distributing* (“*Twentieth Century*”), 429 F.3d 869, 881 (9th Cir. 2005).

final judgment on the merits, and (3) identity or privity between parties.” *Owens v. Kaiser Found. Health Plan, Inc.*, 244 F. 3d 708, 713 (9th Cir. 2001). Identity of claims exists when two suits arise from “the same transactional nucleus of facts.” *Id.* What matters are the facts constituting the cause of action, not the legal theory upon which a party chooses to frame its complaint. *Id.*

Issue preclusion “bars relitigation of issues ‘actually litigated and necessarily determined by a court’” in “subsequent suits based on a different cause of action involving a party to the prior litigation.” *Durkin v. Shea & Gould*, 92 F.3d 1510, 1515 (9th Cir. 1996) (citations omitted). Issue preclusion applies where:

(1) [T]he issue necessarily decided at the previous proceeding is identical to the one which is sought to be relitigated; (2) the first proceeding ended with a final judgment on the merits; and (3) the party against whom [issue preclusion] is asserted was a party or in privity with a party at the first proceeding.

*Hydranautics v. FilmTec Corp.*, 204 F.3d 880, 885 (9th Cir. 2000) (citation omitted).

As with claim preclusion, “once an issue is raised and determined, it is the entire issue that is precluded, not just the particular arguments raised in support of it in the first case.” *Kamilche Co. v. United States*, 53 F.3d 1059, 1063 (9th Cir. 1995) (citations omitted). *See In re Marshall*, 600 F.3d 1037, 1061 (9th Cir. 2010) (“[P]reclusion applies even when the subsequent litigation rests on a new theory of recovery.”); *Davis & Cox v. Summa Corp.*, 751 F.2d 1507, 1518 (9th Cir. 1985)

(“The judgment prevents litigation of all grounds and defenses that were or could have been raised in the action.”).

Accordingly, the Second Circuit’s *Siegel* decision that *Action Comics, No. 1* was not a work-for-hire prevents Warner from again arguing that *Action Comics, No. 1*, in whole or in part, was a “work-for-hire.” *Kamilche*, 53 F.3d at 1062.

## 2. Warner’s Arguments Are Unpersuasive

Warner lamely claims that, notwithstanding the Second Circuit’s clear decision in *Siegel*, 508 F.2d at 912-914, that “portions” of *Action Comics, No. 1* were “work-for-hire.”

### a. The “Work-For-Hire” Issue Was Decided

Warner argues that, while the Second Circuit clearly stated “the evidence was not otherwise ‘sufficient to create the presumption that [*Actions Comics No. 1*] was a work-for-hire’ .... neither the district court nor the Second Circuit reached the opposite conclusion.” *Opp.* 70.

This is sophistry. *Siegel* acknowledges that “the court below held that Superman was [] a ‘work-for-hire,’” explains the district court’s reasoning, and plainly holds: “We disagree.” 508 F.2d at 909. The Second Circuit found that *Action Comics, No. 1* was **not** a “work-for-hire,” as later recognized by both this and the Second Circuit. *See Twentieth Century*, 429 F.3d at 880 (stating that *Siegel* held that “the Superman comic strip was not created at the employer’s instance

where the Superman character ‘had been spawned by the [author] four years before the relationship between [the] authors and the [employer]’); *Playboy Enters. v. Dumas* (“*Playboy*”), 53 F.3d 549, 554 (2d Cir. 1995) (“[I]n *Siegel*, we found that the comic strip character Superman was not a “work-for-hire” because although the creators revised and expanded the comic strip at the request of the publishers and were paid for that work, the Superman character was completely developed long before the employment relationship existed.”).

b. The “Work-For-Hire” Issue Was Litigated And The Second Circuit’s Ruling Is Not *Dicta*

Warner falsely argues that, because it purportedly did not present the same arguments about revisions and colorization to the Second Circuit in *Siegel*, the issue was not “actually litigated.” Opp. 70.

In *Siegel*, Warner sought summary judgment that it owned the Superman renewal copyright, arguing that *Action Comics, No. 1* was “work-for-hire,” which the district court accepted. *Siegel v. Nat’l Periodical Publications*, 364 F. Supp. 909, 1033-37 (S.D.N.Y. 1973). In rejecting this, the Second Circuit expressly considered DC’s so-called “revised and expanded material” (Opp. 68), and concluded that this was insufficient to establish “work-for-hire,” as the “the revisions ... were simply to accommodate Superman to a magazine format.” *Siegel*, 508 F.2d at 914. As the District Court correctly noted, DC’s supposed



“contributions” were expressly litigated and considered in *Siegel*:

The evidence that was proffered during the 1970s litigation in the trial court on the work-for-hire question included declarations from Siegel and Shuster discussing what took place during the reformatting process. This is the same evidence that defendants now seek to use in this case to argue that the reformatted material was a work made for hire.

ER 183-184; *see* ER 653-54 (Siegel affidavit); SER 385-386 (Shuster affidavit).

On appeal, DC again relies on the testimony of Siegel and Shuster’s testimony in *Siegel*. Opp. 67.

Nor was the Second Circuit’s finding “dicta.” Opp. 69. If DC had owned this Superman story as a “work-for-hire,” there would have been no need for the remainder of the Second Circuit’s holding that Siegel and Shuster owned this copyright, but transferred it to DC in a March 1, 1938 assignment (ER 917; the “March 1938 Grant”).

To the extent Warner relies on evidence or argument not presented in *Siegel*, such does not change the analysis. *See Paulo v. Holder*, 669 F.3d 911, 918 (9th Cir. 2011) (“If a new legal theory or factual assertion raised in the second action is relevant to the issues that were litigated and adjudicated previously, the prior determination of the issue is conclusive....”); *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 352 F. Supp. 2d 1119, 1125 (C.D. Cal. 2005) (“Preclusion cannot be avoided simply by offering evidence in the second proceeding that could have been admitted, but was not, in the first.”); *Chicot County Drainage Dist. v. Baxter*

*State Bank*, 308 U.S. 371, 378 (1940) (preclusion applies “not only as respects matters actually presented ... ‘but also as respects any other available matter which might have been presented to that end’”) (citation omitted).

The Second Circuit specifically considered and addressed the additions to *Action Comics, No. 1. Siegel*, 508 F.2d at 914. However, even if it had not, Warner’s claim that limited portions of *Action Comics, No. 1* are “work-for-hire” is naturally subsumed within the litigated issue of whether *all* of it was a “work-for-hire.” As the entirety of *Action Comics, No. 1* was held not to be “work-for-hire,” a portion of it cannot be “work-for-hire.” See *Kamilche*, 53 F.3d at 1063; *Norris v. Grosvenor Mktg. Ltd.*, 803 F.2d 1281, 1285 (2d. Cir. 1986) (issue preclusion extends to issues which “by necessary implication... [are] contained in that which [was] explicitly decided.”); *Westinghouse Elec. Corp. v. General Circuit Breaker & Elec. Supply, Inc.*, 106 F.3d 894, 901 (9th Cir. 1997) (same).

**B. The Alleged Additions Were Not “Work-For-Hire”**

Even notwithstanding the preclusive effect of *Siegel*, no part of *Action Comics, No. 1* was “work-for-hire.”

Siegel and Shuster’s 1938 Material: Warner’s claim that it owns as “work-for-hire” Siegel and Shuster’s limited “additions” to their pre-existing material when they re-cut it to accommodate a magazine format is unpersuasive. Opp. 67-68. When Siegel and Shuster re-cut their Superman strip they did so “on spec” of

their own volition, as they were still merely trying to get their pre-existing work published. ER 511-12, 960 ¶¶32, 34.

To prove “work-for-hire,” DC must establish “instance” – which requires that the “hiring party had ‘the right to control or supervise the artist’s work’” (*Self-Realization Fellowship Church v. Ananda Church of Self-Realization* (“*Self-Realization*”), 206 F.3d 1322, 1327 (9th Cir. 2000)) and “expense” – which requires that the hiring party take on the “financial risk” of the work’s creation. *Twentieth Century*, 429 F.3d at 881. DC had neither.

DC purchased Siegel and Shuster’s pre-existing thirteen-page strip in the March 1, 1938 Grant *after* it was re-cut with extra interstitial panels, submitted to DC and accepted for publication. *See* ER 960 ¶32 (“The first thirteen pages of SUPERMAN material ... were in existence ... before the execution of the instrument of March 1, 1938.”); *Siegel*, 364 F. Supp. at 1034; 508 F.2d at 911.

DC’s purchase of this finished product in the March 1, 1938 Grant belies the notion that the reformatted strip was “for hire.” *See* ER 917; *Dolman v. Agee*, 157 F.3d 708, 712 (9th Cir. 1998) (noting that, “even if [defendant] had established that [the author] created the songs at the instance and expense of [employer] or [movie company], [plaintiff] rebutted the work-for-hire presumption” by executing an assignment to his employer’s company).

Warner grossly mischaracterizes Siegel and Shuster’s 1970s affidavits

regarding the minor revisions they made to convert their Superman strip to a magazine format. Opp. 67. Siegel and Shuster both clearly testified that this was done on their own volition and at their own expense to facilitate their story's acceptance for publication. SER 386; ER 653-54; *Siegel*, 364 F. Supp. at 1034; 508 F.2d at 911, 914. DC merely provided format specifications (13 pages with 8 panels per page) and left it to the authors to figure it out. *See* SER 386 (DC: "just lay the thing out.").

Shuster was adamant that none of these revisions were done at DC's direction: "I am aware that the defendants on this motion have taken the position that they directed Jerry and I to revise and expand the Superman material submitted to them. This contention is false.... We were given no instructions or directions by Detective as to what to do or what to include in Superman." SER 386. Shuster explains that these changes were done only to "conform to [DC]'s page size" and to be certain of "having a sufficient number of panels to make a thirteen page release." *Id.*

Siegel is equally clear in his affidavit: "At no time did [DC] direct or even request that this material be revised. In fact it was published as we submitted it...." ER 653-54. Siegel also points out that the minor panels added to satisfy the format "illustrated the story continuity [Siegel] had already written." ER 654.

Nor did the March 1937 agreement between Siegel and Shuster and DC (ER

1115-16; the “March 1937 Agreement”) make Siegel and Shuster’s work “for-hire.” *Siegel*, 508 F.2d at 914. That agreement concerned other properties (*Slam Bradley* and *The Spy*) and merely gave DC a right of “first refusal” to purchase additional material, incompatible with ownership of “work-for-hire” at the moment of creation. *See Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc.* (“*Hogarth*”), 342 F.3d 149, 162 (2d Cir. 2003) (“[W]ith a true work for hire, copyright ownership. . . [is] with the employer automatically upon the employee's creation of the work”); *LIN Broadcasting Corp. v. Metromedia Inc.*, 74 N.Y.2d 54, 56 (1989) (“[A] right of first refusal merely provides . . . a chance to buy.”).

Colorization: Warner contends, without support, that DC, not Siegel and Shuster, chose the colors in *Action Comics, No. 1*, and misrepresents the declaration of Jack Adler (Opp. 61-62), which the District Court properly eviscerated:

***Mr. Adler does not state that he worked on the colorizing of Action Comics, Vol. 1, itself.*** Instead he states that he “worked for the engraving company that made the metal plates for printing of, among other things, comic books for Detective Comics.” . . . . Siegel and Shuster may have also placed certain color directions with their material to be utilized in the engraving process. ***In fact, that the earlier incarnation of Superman as hulking strongman in the tradition of Tarzan was created by the pair as a comic book with color illustrations lends to the possibility that they already had pre-conceived color choices in mind . . . .***

***Moreover, viewed in context, Mr. Adler’s declaration appears to describe procedures generally employed in the printing process, not as evidence of what actually occurred with respect to the printing of Action Comics, Vol. 1, itself. . . . Without any direct link***

between Mr. Adler’s work and the printing of *Action Comics*, Vol. 1, in particular, there exists an insufficient evidentiary foundation for his conclusions ....

ER 186-87 (citations omitted). This conclusion was supported by expert testimony. *See* RER 84-85 ¶¶6-10. As noted by the District Court, even if the physical colorization of *Action Comics*, No. 1 was handled by others, this would not prevent Siegel and Shuster from choosing the colors in the form of “color guides” or sketches for their “pet project.” This was both commonplace for contemporary comic artists, and there was evidence that Siegel and Shuster actually did so. RER 85 ¶9.

Cover Art: Warner’s claim that DC’s artists “created” the *Action Comics*, No. 1 cover (“Cover”) is equally unpersuasive. Opp. 62. Warner cites to an ambiguous letter by Vince Sullivan (Opp. 63), which the District Court properly viewed as just as easily referring to a pre-existing cover illustration by Shuster. ER 188 (“[G]iven the limited nature of the information contained in the passage it could also be argued that, in his earlier letter, Siegel enclosed an illustration by Shuster as a suggestion for the comic book’s cover and Detective Comics decided to ‘use’ this suggestion.”).

DC misleads when it claims “per Siegel’s suggestion, DC used one of the panel drawings from the Superman story as a template to create the cover art. Siegel confirmed these events in his memoir.” Opp. 63. First, the part of the

memoir it cites was not before the District Court and is not part of the record.

Second, the memoir confirms that the District Court’s “alternative reading” was correct – Shuster’s pre-existing promotional art was used for the Cover, and not as a mere “template” by DC:

A couple *large promotional* panel-drawings had several years earlier been prepared by Joe and me to illustrate Superman in action; these were shown by Joe and me to syndicate editors to demonstrate the impact and appeal of the feature. *At my suggestion, Sullivan selected one of them and used it for the now very famous cover for [Action Comics, No. 1]. .... This cover has been very frequently reprinted.*

SER 804. Shuster’s “large promotional” drawing, used as the Cover, was obviously adapted from the similar interior panel. Opp. 65. DC pretends that Siegel’s memoir refers to the interior panel (as opposed to Shuster’s “promotional” drawing) to falsely claim that “DC’s artists ... created the cover.” Opp. 62.

Moreover, DC’s contention that the Cover is “independently copyrightable” (Opp. 62) leads nowhere. First, the Cover is so closely derived from an interior panel of Siegel and Shuster’s Superman story that it is a part of that joint work. *See Wolff v. Inst. of Elec. & Electronics Engineers, Inc.*, 768 F. Supp. 66, 68 (S.D.N.Y. 1991) (“[N]o substance to. . . argument that the cover of [a work] should be regarded as a ‘derivative work constitut[ing] an entirely new copyrighted product that is separate and distinct from the pre-existing work[] on which it is based.’”). Second, a comparison of the Cover to that interior panel and the remainder of Siegel and Shuster’s illustrated story reveals differences so *de*

*minimis* or “trivial” as not to qualify it as a copyrightable derivative work. *Entertainment Research Group, Inc. v. Genesis Creative Group, Inc.*, 122 F.3d 1211, 1222 (9th Cir. 1997) (holding that, though not “exact replica” of underlying copyrighted character, works contained “trivial” differences unworthy of copyright).<sup>8</sup> Third, even if the Cover was an “independently copyrightable” derivative work, its copyright would only adhere to these minor differences, to the extent each are not unprotectable. *See Rice v. Fox Broad. Co.*, 330 F.3d 1170, 1175 (9th Cir. 2003).

\* \* \* \*

Warner has utterly failed to provide admissible evidence demonstrating that DC chose the colors of *Action Comics, No. 1*, that it tweaked Siegel and Shuster’s interior panel to produce to the Cover, or that the disparate additional panels added by Siegel and Shuster in the reformatting process were DC’s “work-for-hire.” Even if Warner were not precluded by *Siegel*, it provided no admissible evidence to sustain its “work-for-hire” defense.

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<sup>8</sup> Warner’s assertion that Superman “bears a visible S-crest on his chest” or has “facial features and musculature” is irrelevant as *all of this* also exists in the pre-existing Superman story. ER 214-227. To highlight supposed differences Warner also improperly compares a high-resolution copy of the Cover to a low-resolution copy of only the interior panel, ignoring the rest of the Superman story. Opp. 65-66.



C. **DC Is Not A Joint Author Of *Action Comics*, No. 1**

Finally, even if Warner could show that certain additions were DC’s “work-for-hire” *and* copyrightable, none of this rises to the level of making DC a joint author/owner of Siegel and Shuster’s celebrated work, as it erroneously contends. Opp. 61-62, 64.

Warner assertion that such things as “adding colors ... may constitute an original copyrightable contribution,” or its dubious contention that the trivial differences between the Cover and interior panel are copyrightable, are both irrelevant. *Id.* As this Court held in *Aalmuhammed v. Lee*, 202 F.3d 1227, 1232-1233 (9th Cir. 2000), the “authorship [] required under the statutory definition of a joint work [17 U.S.C. §101] ... is not the same thing as making a valuable and copyrightable contribution” and “contribution of independently copyrightable material to a work .... will not suffice to establish authorship of a joint work.”<sup>9</sup>

*Aalmuhammed* declined to extend joint authorship to the writer of *original scenes* in a movie. 202 F.3d at 1231, 1236. In so doing, this Court emphasized that it is “‘the inventive or master mind’ who ‘creates or gives effect to the idea’” who is a co/joint-author, and that “putative coauthors make objective manifestations of a shared intent to be coauthors, as by denoting the authorship of

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<sup>9</sup> “Because the 1976 Act incorporated the well-established case law interpreting the definition of ‘joint work’ under the 1909 Act, we may assess [joint authorship claims] under the more fully developed rubric of the 1976 Act.” *Richlin v. Metro-Goldwyn-Mayer Pictures, Inc.*, 531 F.3d 962, 968 (9th Cir. 2008).

The Pirates of Penzance as ‘Gilbert and Sullivan.’” *Id.* at 1234 (citations omitted).

Consistent with Siegel and Shuster’s status as the only “authors” of Superman, the very first page of DC’s *Action Comics, No. 1* states its authorship – “Superman: Jerome Siegel & Joseph Shuster.” ER 215. DC does not, and cannot, point to *any* “objective manifestation of a shared intent” that DC or its staff be considered “coauthors” of the *Action Comics, No. 1*.

#### **IV. ACTION COMICS, NO. 4 AND SUPERMAN, NO. 1 ARE NOT WORKS-FOR-HIRE**

The District Court correctly found that portions of *Action Comics, No. 4* and *Superman, No. 1*, like *Action Comics, No. 1*, were not “works-for-hire” because they were created independently “on spec,” prior to any involvement by DC.

*Superman, No. 1*: Plaintiff demonstrated to the District Court through both a detailed comparison and expert testimony that Siegel’s 1934 scripts for 15 Superman daily comic strips, published in *Superman, No. 1*, predated any contractual relationship with DC. *See* ER 514, 516, 526, 785-88; RER 69:13-70:15.

DC falsely claims that Siegel created this work after a DC editor “specif[ied] in detail the contents of ‘the first six pages’” (Opp. 78); in fact, as found by the District Court, “there is nothing in Mr. Gaines’ letter indicating that the material was created contemporaneously with Superman No. 1’s publication in 1939” (ER

80-81), nor is there any “admission” by Siegel to that effect.

Finally, Warner, who had the burden on “work-for-hire,” presented “no evidence” (ER 81) that this material was “work-for-hire.”

Action Comics, No. 4: Warner does not contest the ruling that Siegel’s 1934 script published in *Action Comics, No. 4* was not “work-for-hire,” as it predated his relationship with DC. Instead, DC frivolously argues it owns Joe Shuster’s artwork as “work-for-hire.” This is erroneous, but not before the Court in this appeal. Warner also completely contradicts the notion that the artwork is “independently copyrightable” (Opp. 79) by admitting that *Action Comics, No. 4* is a “joint work.” Opp. 80. As joint authors, Siegel and Shuster each owned an undivided fifty percent interest in the entire copyrights. 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* (“Nimmer”) § 6.03 at 6-7 (2011) (joint owner possesses “undivided ownership in the entire work, including all of the contributions contained therein”). Thus, Plaintiff’s Termination recaptured Siegel’s joint copyright interest in *Action Comics, No. 4*.

## **V. THE SIEGELS’ TERMINATION RECAPTURED THE FIRST TWO WEEKS OF SUPERMAN NEWSPAPER STRIPS**

### **A. The Strips Were Not “Work-For-Hire”**

The District Court correctly found that the first two weeks of the “Superman” newspaper strips (the “Spec Strips”) were *not* works-for-hire because

they “were not created at the instance of either [DC] or McClure.” ER 109-14.

The evidence is clear: Siegel wrote the Spec Strips without DC’s involvement (ER 615; 954-57 ¶¶9-10, 20); Shuster illustrated the strips before McClure committed to buy them (ER 615-16, 625-30); Siegel submitted the strips to syndicators other than McClure (ER 622); Siegel and Shuster were not engaged to produce this material; and Siegel and Shuster were compensated only later, under the September 1938 McClure Agreement, in the form of a royalty percentage of “net profits,” in any. ER 606, 609.

DC ignores the “instance and expense” test, and asserts its ownership of the underlying Superman rights transforms the Spec Strips into “works-for-hire.” DC’s argument is contrary to controlling Supreme Court precedent, which permits authors of derivative works to own the copyright to their added material. *See Stewart v. Abend*, 495 U.S. 207, 223 (1990) (recognizing, under the 1909 Act, that “[t]he aspects of a derivative work added by the derivative author are that author’s property”); *Siegel v. Time Warner Inc.*, 496 F. Supp. 2d 1111, 1142 (C.D. Cal. 2007) (“Were the Court to adopt defendants’ approach [of basing “work-for-hire” determinations on ownership of underlying rights], every derivative work would also be considered a work made for hire.”); *Schrock v. Learning Curve Int’l, Inc.*, 586 F.3d 513, 523 (7th Cir. 2009) (“[T]here is nothing in the Copyright Act requiring the author of a derivative work to obtain permission to copyright his

work from the owner of the copyright in the underlying work.”).

Similarly false is DC’s suggestion (Opp. 71) that the March 1937 Agreement rendered Siegel and Shuster’s work “for-hire” (see *Siegel*, 508 F.2d at 914), when it only gave Detective a right of “first refusal” to purchase new material by the authors. See *LIN Broadcasting Corp.*, 74 N.Y.2d at 56 (“[A] right of first refusal merely provides . . . a chance to buy.”). This is fundamentally incompatible with “work-for-hire,” which a putative employer owns at inception as the “author.” *Hogarth*, 342 F.3d at 162.

Lastly, Warner asserts that “these strips were only completed *after* DC gave its consent,” but undermines itself by admitting that Siegel had Shuster illustrated his scripts without any “definite offer.” Opp. 72. In any event, DC cites no supporting authority that such is sufficient to transform the Spec Strips into “work-for-hire.”

**B. Not Listing The Strips Separately In The Termination Was Harmless Error**

**1. “Harmless Error” Is Broadly Defined**

As the District Court correctly found, any failure to specifically list the Spec Strips in the Siegels’ Termination was “harmless error,” under the regulations governing such notices:

(e)(1) *Harmless errors in a notice that do not materially affect* the adequacy of the information required to serve *the purposes* of . . . **section 304(c)**... shall not render the notice invalid.

(2) ***Without prejudice to the general rule provided by paragraph (e)(1)*** of this section, errors made in [examples given] ... shall not affect the validity of the notice if the errors were made in good faith ... .

37 C.F.R. § 201.10(e) (emphasis added). *See also* 74 F.R. 12554, 12555.

Contrary to this clear language, Warner claims that harmless error “applies **only** to mistakes concerning those ‘specific items’ of information” listed in (e)(2). Opp. 74. The obvious objective of the “harmless error” rule is to avoid invalidating termination notices based on inadvertent mistakes where, as here, the terminated party has actual or effective notice of the intent to terminate. *See Music Sales Corp. v. Morris*, 73 F. Supp.2d 364, 378 (S.D.N.Y. 1999) (finding actual notice although “generic statement would not seem to reasonably identify the grant”).<sup>10</sup>

## **2. Warner Was On Notice Of The Siegels’ Intent To Terminate The Newspaper Strips**

Warner cannot seriously claim that it did not have notice of the Siegels’ intent to terminate the dozen Spec Strips inadvertently omitted from the Termination, which listed *hundreds* of such “Superman” strips. ER 161:6-9. The Siegel Termination unambiguously provided notice of intent to terminate *all* grants of copyright in Superman to Warner’s predecessors; as to every work portraying Superman; and states “if any such work has been omitted, such omission is unintentional and involuntary.” ER 1026, 1036, 1046, 1056. As the District Court

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<sup>10</sup> Warner relies on *dicta* in *Music Sales*, 74 F. Supp.2d at 380, which did not concern a failure to list any works in a termination notice. Opp. 75.

noted, “any recipient of the termination notice would quickly understand that the plaintiffs have sought to reclaim the copyright in any and all Superman works ever created.” ER 131.

### **3. Warner’s Reliance On *Burroughs* Is Misplaced**

Warner relies on *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 683 F.2d 610, 618, 622 (2d Cir. 1982), which does not concern § 201.10(e)’s “harmless error” rule. *Burroughs* is also distinguishable because (1) the termination notice intentionally omitted five Tarzan titles (see ER 132:11-18, RER 51-52); and (2) the termination notice did not, as here, contain a statement of intent to terminate *all works* relating to the character. The single, terminated 1923 grant assigned specified titles, not Tarzan, and excluded four works published after 1923 which were thus omitted from the termination notice. *See Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 491 F. Supp. 1320, 1322 (S.D.N.Y. 1980). The fifth work omitted from the notice was not renewed, injecting it into the public domain. *Id.*; see RER 51-52.

### **4. Warner’s Remaining Arguments Lack Merit**

Warner’s remaining arguments (Opp. 76-77) are likewise untenable.

Superman’s characterization as a “conglomerate” or a “character” is irrelevant to the court’s “harmless error” analysis, as is the court’s mention of “Krypton,” because the court did not base its decision on this. Plaintiff’s concerted

efforts in assembling a comprehensive list of nearly all Superman copyrights supported the conclusion that the omission of the Spec Strips was inadvertent.

Warner's math is also misleading. The Termination attempted to list every Superman work out of an abundance of caution. The Spec Strips inadvertently not listed constitute a tiny fraction of the hundreds of Superman works that fell within the 1938-1943 statutory termination window. 17 U.S.C. § 304(c)(3).

## **VI. SIEGEL AND SHUSTER'S OTHER SUPERMAN WORKS WERE NOT "WORKS-FOR-HIRE"**

Siegel and Shuster's other 1938-1943 Superman works were not created at DC's "instance and expense." "Instance" requires that "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 at the degree to which the "hiring party had 'the [legal] 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)). 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. As a publisher invariably bears the costs of publication, that is immaterial. *See 2 Patry* § 5:54; *Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737, 745 (2nd Cir. 1975). "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.



Where payment is *contingent* (e.g., a royalty), this weighs very heavily against “work-for-hire,” as the author bears the financial risk of creation. *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).

As set forth above, (1) the March 1937 Agreement, which related to *Slam Bradley* and *The Spy*, not *Superman*, is irrelevant to Superman works published after DC’s purchase of Superman in the March 1938 Grant; and (2) DC’s ownership of the underlying rights is not determinative, and works are not “for hire” simply because they are derivative. *See Stewart*, 495 U.S. at 223.<sup>11</sup>

Warner cannot refute that Siegel and Shuster assumed all of the financial risk of *creation*: they paid their own overhead, materials, and other expenses, including the expenses of multiple employees at their Cleveland company, none of which DC reimbursed. ER 583, 597-600, 606, 699-700, 726-754, 788, 812-813. Warner instead conflates the risks of creation with those relating to *publication and distribution* (e.g., “printing, distributing, and promoting”). Opp. 46. *See* 1 *Nimmer* § 5.03[B][2][d] at 5-56.8 n.171c (“[I]f funding publication could convert a manuscript into a “work-for-hire,” then the category would soon subsume all

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<sup>11</sup> Nothing in either *Hogarth* or *Picture Music, Inc.* even remotely stands for the ridiculous proposition that “any derivative work [is] a work-for-hire” when “the commissioning party owns the copyright in the underlying work,” as DC erroneously contends. Opp. 47.

published material ....”).

**A. Action Comics, Nos. 2-3, 5-6**

DC fails to meet its burden of demonstrating that these early Superman stories were “for-hire.” As the District Court noted, “there was no guarantee by [DC] that it would accept it and thereby pay Siegel and Shuster for their work,” negating expense. ER 84. Warner’s claim that “courts have found work-for-hire where there was no obligation to pay for unpublished works” is not supported by its citations. Opp. 49. *See Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136, 1142 (9th Cir. 2003) (arising under the 1976 Act, not 1909 Act, and involving contract that specified “work-for-hire”); *Picture Music*, 457 F.2d at 1216 (guaranteed payment); *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”; “Playboy paid Nagel for works it did not use.”).

Furthermore, there was no evidence that DC “had the [legal] right to control or supervise” the creation of *Action Comics, Nos. 2-3, 5-6*, as required for “instance.” *Twentieth Century*, 429 F.3d at 879; *see also Martha Graham School and Dance Foundation Inc. v. Martha Graham Center of Contemporary Dance, Inc.* (“*Martha Graham*”), 380 F.3d 624, 635 (2d Cir. 2004).

The September 22, 1938 Agreement, entered into well after the creation of *Action Comics, Nos. 2-3, 5-6*, specifies “[DC] hereby employ[s] and retain[s]”

Siegel and Shuster (ER 605 (emphasis added)), as they had *not* previously been engaged to create Superman stories. DC plainly waited six months to see if Superman was successful.

Nor was there any evidence that the September 22, 1938 Agreement “simply ‘formalized what had informally been ongoing beforehand.’” Opp. 50, quoting ER 85. Prior to that, DC had only purchased Siegel and Shuster’s Superman story in the March 1938 Grant; there is no evidence that DC did otherwise with respect to *Action Comics, Nos. 2-6*. This is further supported by the “spec” stories written by Siegel corresponding to *Action Comics, No. 4* and *Superman, No. 1*, and Siegel’s preview of stories corresponding to the plots of *Action Comics, Nos. 2, 5, and 7*, which long predated their DC relationship. ER 502-531; RER 65-70.

DC failed to meet its burden as to *Action Comics, Nos. 2-6*, and the District Court, on summary judgment, improperly ignored the reasonable inferences that such works were not “for-hire.”

**B. The Newspaper Strips**

As set forth above, the “Superman” newspaper strips (“Strips”) were Siegel and Shuster’s brainchild, and the entire project was undertaken at their initiative.

DC presents no evidence that the Strips “were created at DC’s expense.” Opp. 57. Pursuant to the McClure Agreement, Siegel and Shuster were solely entitled to a contingent royalty equal to 36-40% of “net profits,” with the

syndicator McClure entitled to 56.5% -50%, and DC as licensor of underlying rights only entitled to 7.5-10%.”<sup>12</sup> Siegel and Shuster paid for all the costs of producing the Strips in exchange for a purely contingent percentage of “net profits,” if any, and thus bore the financial risk of the Strips’ success.

Warner’s argument that “it is irrelevant that [Siegel and Shuster] were not paid a guaranteed amount” (Opp. 57) is contradicted by every precedent. *See Twentieth Century*, 429 F.3d at 881 (“expense” test met because employer “took on all the financial risk” and “agree[d] to pay ... a lump sum for writing the book, instead of negotiating a royalty deal”); *Martha Graham*, 380 F.3d at 641 (evidence that author “received royalties” for her work weighs against “work-for-hire”); *Playboy*, 53 F.3d at 555 (“royalty” payments “generally weigh[] against finding a work-for-hire relationship”); 2 *Patry* § 5:61 (“Where payment is solely by royalties, this fact weighs against [work-for-hire].”).

Nor does Warner fare any better on “instance.” It again improperly relies on DC’s status as a rightsholder, and on letters showing its lack of control over the creative process. Opp. 55-56. Faced with uncontroverted evidence that Siegel was the motivating factor behind the syndication of their strips (ER 109-14), DC attempts to bootstrap “instance” with weak argument that “DC itself also actively

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<sup>12</sup> Warner baldly misrepresents that Detective “grant[ed] McClure a six-month exclusive license in the Strips – in exchange for 40-50% of the net proceeds from the Strips.” Opp. 60.

sought newspaper syndication” (Opp. 57) – citing a single advertisement in *Action Comics, No. 2* imploring fans to send letters. SER 290.

DC falsely claims that Siegel and Shuster had a “contractual obligation to create [the Strips] for DC” under a September 22, 1938 agreement (Opp. 57), which merely references the “agreement ... with the McClure Syndicate, [and] all of the art and continuity for the newspaper strips entitled ‘Superman’ called for by said agreement.” ER 607

Warner also does nothing to rebut the detailed arguments in Plaintiff’s opening brief that showed that the parties did not intend or understand the Strips to be “work-for-hire.” App. 41-47.

Warner limply argues that “work-for-hire” was not at issue in *National Comics*, 191 F.2d 594, 599 (2d Cir. 1951), which focused on whether and how McClure and/or DC owned the Strips. Warner does not distinguish *National Comics*’ holding that McClure was “the ‘proprietor’ of the copyrights” in the Strips under the 1909 Act, and that “the copyrights [in the strips] were only in the future to become [DC’s] property.” *Id.* Under the 1909 Act, the “proprietor” of the Strips is clearly an “assign,” not the “author” of a “work-for-hire.” *See Public Ledger v. N.Y. Times*, 275 F. 562, 563-64 (S.D.N.Y. 1921) (Hand, L.); App. 41-43. Thus, under *National Comics*, McClure owned the Strips not as “works-for-hire,” nor as DC’s assignee, but as the assignee of Siegel and Shuster – the authors.

Warner also does nothing to refute that McClure owned the Strips by implied assignment from the authors, and that DC later obtained the strips via a written assignment from McClure. App. 43-47. Rather, Warner misrepresents *Twentieth Century*, 429 F.3d at 881, as holding that “assignment” language is irrelevant, when it merely found, under its facts, that surplus assignment language “alone ... is insufficient” to rebut “work-for-hire” because “instance and expense” had been firmly established. As DC cannot establish “instance and expense,” McClure’s express assignment to DC is telling.

Warner dismisses McClure’s copyright registration of the Strips, listing Siegel and Shuster as “authors,” and mischaracterizes *Hogarth*. Opp. 59. A copyright registration constitutes “prima facie evidence of the facts stated therein.” 17 U.S.C. § 209 (1974). Accordingly, in *Hogarth*, 342 F.3d at 167, the registrations weighed against “work-for-hire;” but, unlike here, the putative employer “discharged its burden of rebutting the presumption to be accorded the facts reflected in the original registrations.”

Finally, Warner vaguely argues that DC “could [have] grant[ed] McClure a six-month exclusive license in the Strips.” Opp. 60. But under the 1909 Act, “the transfer of anything less than all rights was deemed a license rather than an assignment” as copyrights were “indivisible.” *Jim Henson Productions v. John T. Brady & Associates*, 16 F. Supp. 2d 259, 288 (S.D.N.Y. 1997). If McClure was

the “licensee” of the Strips, its improper registration in its own name would have injected them into the public domain. As that did not happen, the only explanation is that McClure owned the Strips via implied assignment from Siegel and Shuster, and later assigned the Strips to DC, consistent with the McClure Agreement, McClure’s registrations, and McClure’s assignment to DC.

All of this evidence did not merely “place this case on the outer edges of the work-for-hire doctrine” (ER 103, 108) – it demonstrated that the Strips were *not* “works-for-hire.” As Warner did not come close to meeting its burden of establishing its “work-for-hire” defense, the District Court should have granted summary judgment to the Siegels on this issue.

**C. Action Comics, Nos. 7-61, Superman, Nos. 1-23**

The 1938 Agreement did not make *Action Comics, Nos. 7-61* and *Superman, Nos. 1-23* “works-for-hire.” “Expense” was not met because Siegel and Shuster shouldered all the financial risks of creating their material, while DC was only obligated to pay them for submissions it chose to publish (ER 606; Opp. 52 (“DC was obligated to pay only for works DC decided to publish”)); and “instance” was not met by DC’s standard editorial role as a publisher. ER 605-607.

Warner admits that Siegel and Shuster “incurred [the] costs” of creating their material. Opp. 53. As DC was not obligated to purchase the material or reimburse costs, Siegel and Shuster naturally bore “the financial risk” of creation.

*Twentieth Century*, 429 F.3d at 881. If legally the hiring party “had no commitment to purchase...[the author’s] work” this supports a finding that such was not “made-for-hire.” *Playboy*, 53 F.3d at 563.

Warner’s “instance” claim boils down to another variation on its unpersuasive argument that ownership of underlying Superman rights transforms any derivative work into a “work-for-hire.” Opp. 54. Warner fails to demonstrate the requisite legal “right” to “participate in the elements of the work’s creation.” 2 *Patry* § 5:54; *Martha Graham*, 380 F.3d at 635.

Warner cannot evade the evidence that DC lacked editorial control (ER 758, 812-813); that Siegel did not submit scripts to DC for approval before Shuster illustrated them (ER 618, 761, 812); and that DC, like every publisher, was “limited to accepting or rejecting the finished stories [Siegel and Shuster] submitted.” ER 788, 812-813.

Nor do the letters Warner relies on change this analysis. First, none were properly authenticated, but were simply attached to an attorney’s declaration, as objected to below. RER 62. *See Beyene v. Coleman Security Services, Inc.*, 854 F.2d 1179, 1182 (9th Cir. 1988) (“A writing is not authenticated simply by attaching it to an [attorney’s] affidavit....”). Second, the letters do not evidence “control,” but frustrations as to DC’s lack of control over Siegel and Shuster’s creative process. *See* ER 431, 434, 442, 445, 451.



Given the above, the District Court's granting of summary judgment on this issue was erroneous, as at a minimum a reasonable trier of fact could readily find that *Action Comics, Nos. 7-61* and *Superman, Nos. 1-23* were not "for-hire."

**VII. THIS COURT HAS JURISDICTION OVER THE APPEAL OF THE FIRST CLAIM AND FIRST – FOURTH COUNTERCLAIMS**

**A. The District Court Fully Adjudicated The First Claim And First – Fourth Counterclaims, Which Did Not Include The "Ads" Issue**

Federal Rule of Civil Procedure 54(b) allows a district court to enter an appealable judgment on interlocutory orders that constitute "an ultimate disposition of an individual claim," provided there is no just reason to wait until the entire case concludes. *Curtiss-Wright Corp. v. General Electric Co.*, 446 U.S. 1, 7-8 (1980).

Rule 54(b) certification is left to the sound discretion of the district court, and is proper if it aids in expeditious resolution while avoiding piecemeal appeals. *See Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1484 (9th Cir.1993). "The trend is towards greater deference to a district court's decision to certify under Rule 54(b)." *Texaco, Inc. v. Ponsoldt*, 939 F.2d 794, 798 (9th Cir.1991).

Plaintiff's First Claim, as amended, requests only the following relief:

74. For a declaration as follows:

a. That pursuant to the Copyright Act, 17 U.S.C. § 304(c), Plaintiffs validly terminated on April 16, 1999 all prior grants, assignments or transfers to any of the Defendants and any of their predecessors-in-interest, of the renewal copyrights in and to each and/or all of the Works; and

b. That, as of the Termination Date, Plaintiffs owned and continue to own fifty percent (50%) of the aforesaid Recaptured Copyrights.

ER 343-44 ¶74. Plaintiff's First Claim thus required the District Court: (a) to determine that the Termination complied with section 304(c) of the Copyright Act; and (b) to determine those "works" recaptured by the Termination. *See* 17 U.S.C. §§ 304(c)(1), (4) (referring to "the work"); 37 C.F.R. § 201.10(b)(1)(iii) (focusing on "each work to which the notice of termination applies"). It did *not* call for the adjudication of the literary elements contained in each work. In contrast, Plaintiff's Second through Fourth Claims, which seek an accounting of profits from such works, could involve an evaluation of their literary "elements" due to general exploitation of the Superman franchise.

In several lengthy decisions, the District Court found that the Termination is valid as to *Action Comics, No. 1*, as well as *Action Comics, No. 4, Superman, No. 1* (pages 3-6), and the Spec Strips, but that the remaining Superman works within the 1938-43 termination window were "for-hire." ER 1-227.

The District Court also fully adjudicated Warner's First through Fourth Counterclaims, which sought to invalidate the Termination on various grounds.<sup>13</sup>

Accordingly, on May 17, 2011, the District Court properly entered a Partial

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<sup>13</sup> Warner admits that the Rule 54(b) judgment on its Second through Fourth Counterclaims was proper (Opp. 1), which alone is a sufficient basis for jurisdiction. *See Reiter v. Cooper*, 507 U.S. 258, 265 (1993); *Amerisource Bergen Corp. v. Dialysist West, Inc.*, 465 F.3d 946, 954 (9th Cir. 2006).

Judgment under Rule 54(b) as to Plaintiff's First Claim and as to Warner's First through Fourth Counterclaims. ER 232-3, 293-300 ¶¶66-105, 343-344 ¶74.

Warner argues that Rule 54(b) certification was supposedly improper because (a) there are purported open issues as to the impact, if any, of limited promotional materials ("Ads") held to be excluded from the Termination, and (b) there is disagreement as to whether statements regarding literary elements in *Action Comics, No. 1* made in the background section of the District Court's first order, constitute "dicta." Opp. 40-41.

The "dicta" issue is irrelevant to the First Claim, which does not seek relief as to the "literary elements" contained in *any* work. ER 343-44 ¶74.

The District Court decided two "Ads" issues. **First**, it held that the Ads were not subject to the Termination because their publication date fell outside the termination "window." ER 167-76. This is all that is relevant to the First Claim. **Second**, it properly determined that the derivative Ads' content was extremely limited (ER 176-82), as the Ads' reduced, black-and-white, and wholly derivative copy of the *Actions Comics, No. 1* cover was divorced from the Superman storyline and character in *Actions Comics, No. 1*. But this determination is not part of the First Claim, which solely concerned whether the Termination was effective as to a given work.<sup>14</sup> At most, this issue affects Plaintiff's Second through Fourth

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<sup>14</sup> Warner's contention that Plaintiff has "waived" her right to challenge the

“accounting” claims (ER 344-346 ¶¶75-79), none of which are part of the Rule 54(b) Judgment.

As the First Claim and the First through Fourth Counterclaims have been fully adjudged and are severable from the other claims, the District Court’s Rule 54(b) judgment was proper.

**B. The District Court Accurately Described The Promotional Announcements**

If the Court is nonetheless inclined to reach the issue of the “copyrightable content” of the Ads, the District Court’s ruling as to the Ads’ negligible content was correct.

Warner falsely claims the “the *scope* of the rights at issue” was not at issue in the summary judgment motion. Warner acknowledges (Opp. 81-82) that courts have the inherent power to order summary judgment *sua sponte* so long as the adverse party had “a full and fair opportunity to develop and present facts and legal arguments” and “reasonable notice that the sufficiency of his or her claim will be in issue.” *Portsmouth Square Inc. v. Shareholders Protective Committee*, 770 F.2d 866, 869 (9th Cir. 1985).

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District Court’s limited “Ads” ruling (Opp. 80-81) is misleading. Plaintiff maintains that, while the trivial, wholly derivative Ads were not “terminated,” they have no impact on the copyrights (*e.g.*, *Action Comics, No. 1*) recaptured by the Termination. As this issue is not part of the Rule 54(b) judgment, Plaintiff could hardly have raised it on appeal. *See* Docket No. 7 at 11.

“Reasonable notice” requires that the party be on notice that the court might “reach” the issue. *Id.* at 869-70.

Warner had more than adequate notice. In fact, Warner asserted on summary judgment that “DC and its licensees continue to have the right to use the copyrightable elements contained in the [Ads] without the need to account to Plaintiffs.” SER 708. In response, Plaintiff emphasized the lack of “copyrightable elements” in the Ads and submitted the reports of both parties’ experts on the subject. SER 356:19-357:6; RER 104-106, 108-133 ¶¶30-41. In reply, Warner argued that the Ads “represent the first publication of the appearance of the Superman character” (RER 91:16-20), that “any question about [the Ads’] contents is most obviously answered by the ads which speak for themselves,” and that “no special ‘lens’ is required.” RER 93:18-20.

Finally, the Court clearly indicated at the hearing on the parties’ summary judgment motions that it believed the Ads contained minimal copyrightable material, at best, and gave Defendants a fair opportunity to respond. RER 78:17-24. Defendants’ counsel even discussed this issue with the Court:

The Court: How do you respond to *counsel’s argument that all you have is the actual picture itself*, and not necessarily any of the elements therein?

Mr. Zissu: Okay. Well, the thing about visual works, multi-media works, is that pictures are worth -- can be worth many words. We do have, if you look at it -- *if you look at it, you have the figure of Superman as he appears there in his costume; you have his strength lifting a car; and you don’t have that much more.*

The Court: *That's about it; right.*

RER 80:12-22 (emphasis added).

Warner was not “denied” “an opportunity to be heard” but rather had a full and fair opportunity to litigate, ample warning that the Court was considering the issue, engaged with the District Court, and chose to dodge questioning and submit what it now dismisses as a “multiple-generation photocopy” only after losing on the issue. Opp. 82.

Warner’s arguments about the contents of the Ads – an issue which it concedes is not part of this appeal (Opp. 86) – are erroneously premised. Siegel’s copyright in *Action Comics, No. 1* was correctly held by the District Court to have been recaptured pursuant to the Termination. ER 133-4. The Ads’ reduced black-and-white copy of the mere cover of *Action Comics, No. 1* are entirely derivative, add no new copyrightable elements, and under clear Ninth Circuit law, derivative works *cannot* limit, restrict, or divest the copyrights in underlying work. *See Batjac Productions Inc. v. GoodTimes Home Video Corp.*, 160 F.3d 1223, 1227 (9th Cir. 1998) (“[P]ublication of a derivative work does not affect the validity of a subsisting copyright in the preexisting work.”).

Furthermore, the critical point is that the image on the comic book cover has meaning *only* in the context of the Superman storyline, character and other aspects of *Action Comics, No. 1*, not found in the Ads: “[N]othing concerning the

Superman storyline, that is, the literary elements contained in Action Comics, Vol. 1, is on display in the ads.” ER 181:9-10.

### CONCLUSION

Plaintiff respectfully requests that this Court: (1) affirm the judgment of the District Court that no agreement was reached between the Siegels and DC Comics; that Plaintiff’s action was timely filed; that *Action Comics*, Nos. 1 and 4, *Superman*, No. 1 and the first two weeks of Superman newspaper strips were not “work-for-hire;” and were successfully recaptured by the Siegel Termination; and (2) reverse the judgment of the District Court with instructions to enter partial summary adjudication in Plaintiff’s favor as to the Superman works within the 1938-1943 Termination window (i.e., *Action Comics*, Nos. 2-3, 5-56, *Superman*, Nos. 1-6, and the remaining “Superman” newspaper strips); and (3) to remand for further proceedings.

Dated: May 24, 2011

TOBEROFF & ASSOCIATES, P.C.

/s/ Marc Toberoff

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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 this brief is accompanied by an unopposed motion, pursuant to F.R.A.P. 27, 28 and 32, and Circuit Rules 27-1 and 32-2, for leave to file an oversize brief of no more than 17,500 words, and that the attached opposition and reply brief is proportionately spaced, has a typeface of 14 points or more, and contains \_\_,\_\_\_\_ words, as measured by the Microsoft Word program used to generate the brief.

Dated: May 24, 2011

TOBEROFF & ASSOCIATES, P.C.

/s/ Marc Toberoff

Marc Toberoff

Attorneys for Appellant, Laura Siegel Larson



## **STATUTORY ADDENDUM**

All applicable statutes, rules, regulations, etc., are contained in the Statutory Addendum of Appellant Laura Siegel Larson's First Brief on Cross-Appeal and of the Principal and Response Brief of Cross-Appellants and Appellees Warner Bros. Entertainment Inc. and DC Comics.

**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 reply 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: May 24, 2011

TOBEROFF & ASSOCIATES, P.C.

/s/ Pablo D. Arredondo

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