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ORIGINAL

7
8 **UNITED STATES DISTRICT COURT**
9
10 **CENTRAL DISTRICT OF CALIFORNIA- EASTERN DIVISION**

11
12 JOANNE SIEGEL, an individual; and
13 LAURA SIEGEL LARSON, an
14 individual,

15 Plaintiffs,

16 vs.

17 WARNER BROS.
18 ENTERTAINMENT INC., a
19 corporation; TIME WARNER INC., a
20 corporation; DC COMICS, a general
21 partnership; and DOES 1-10,

22 Defendants.

23 DC COMICS,

24 Counterclaimant,

25 vs.

26 JOANNE SIEGEL, an individual; and
27 LAURA SIEGEL LARSON, an
28 individual,

Counterclaim Defendants.

Case No. CV 04-08400 SGL (RZx)

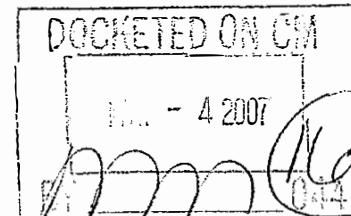
[Honorable Stephen G. Larson]

**PLAINTIFFS JOANNE SIEGEL
AND LAURA SIEGEL LARSON'S
MEMORANDUM OF POINTS
AND AUTHORITIES IN
SUPPORT OF MOTION FOR
PARTIAL SUMMARY
JUDGMENT**

[Complaint filed: October 8, 2004]

Date: ~~TBD~~ July 16, 2007
Time: 10:00 a.m.
Place: Courtroom 1

[Notice of Motion; Statement of
Uncontested Facts and
Conclusions Of Law; Declaration
of Marc Toberoff; Request For
Judicial Notice and [Proposed]
Order Filed Concurrently
Herewith]



PLAINTIFFS' MEMORANDUM IN SUPPORT OF MOTION FOR PARTIAL SUMMARY JUDGMENT

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1 **I. INTRODUCTION**

2 Plaintiffs Joanne Siegel and Laura Siegel Larson (“Plaintiffs”) are the widow
3 and daughter, respectively, of Jerome Siegel (“Siegel”), the co-author of the world
4 renowned comic book hero, “Superman,” and the author of “Superboy.” These cases
5 arise out of Plaintiffs’ proper exercise of their right under section 304(c) of the 1976
6 United States Copyright Act, 17 U.S.C. § 304(c), to recapture Siegel’s original
7 copyrights in “Superman” and “Superboy” by serving statutory notices on the
8 defendants herein (“Defendants”) on April 3, 1997 and November 8, 2002,
9 respectively terminating Siegel’s prior grant(s) of “Superman” (the “Superman
10 Termination”) and “Superboy” (the “Superboy Termination”) to Defendants’
11 predecessor(s). Plaintiffs’ statutory terminations complied with all the requirements
12 of 17 U.S.C. § 304(c) and 37 C.F.R. § 201.10, the regulations promulgated
13 thereunder by the Register of Copyrights.

14 On April 16, 1999, the noticed “Superman” termination date, the joint
15 copyright interest that Siegel had conveyed in “Superman” to Defendants’
16 predecessors, duly reverted to Plaintiffs, sixty-one years after Siegel’s original
17 conveyance. On November 17, 2004, the noticed “Superboy” termination date, the
18 copyrights that Siegel had conveyed in “Superboy” to Defendants’ predecessors duly
19 reverted to Plaintiffs, fifty-six years after Siegel’s original conveyance.

20 In the “Superboy” action (Case No. 04-8776 SGL (RZx)) Plaintiffs and
21 Defendants filed cross-motions for partial summary judgment and summary
22 judgment, respectively. The Honorable Ronald S.W. Lew denied Defendants’ motion
23 and granted Plaintiffs’ motion in its entirety, holding that Plaintiffs’ Superboy
24 Termination is valid and that Plaintiffs thereby recaptured the original “Superboy”
25 copyrights. In so holding the Court found that each of Defendants’ purported
26 defenses lacked merit. Defendants have asserted a number of the same defenses with
27 respect to the Superman Termination, discussed below.

28 Plaintiffs hereby move for partial summary judgment that their statutory

1 Superman Termination is valid as a matter of law with respect to the original
2 "Superman" comic strips comprising the "Superman" story published in "Action
3 Comics, No. 1," and that Plaintiffs have thereby recaptured Siegel's co-author share
4 of the copyrights therein.

5 Plaintiffs move to dismiss Defendants' First and Second Alternative
6 Counterclaims and parts of their Fifth Alternative Counterclaim, as such relate to
7 Plaintiffs' recapture of Siegel's original "Superman" copyrights, because the defenses
8 alleged therein lack merit.¹

9 Plaintiffs also seek a ruling that they are entitled to an accounting by
10 Defendants of all profits earned from Plaintiffs' recaptured "Superman" copyrights
11 both in the United States and foreign territories based on "black letter" state law
12 principles entitling co-owners to an accounting of *all* profits as "tenants-in-common."

13 Plaintiffs also move for an order dismissing Defendants' Third and Fourth
14 Alternative Counterclaims on the ground that no binding written agreement disposing
15 of Plaintiffs' recaptured copyrights was ever consummated by the parties in October,
16 2001, or thereafter, as a matter of law.

17 These issues are ripe for summary judgment in Plaintiffs' favor. There are no
18 material issues of fact because the relevant facts are undisputed or were adjudicated
19 in prior litigations between the parties' predecessors; and Defendants are unable to
20 demonstrate a genuine issue of material fact as to those matters as to which they bear
21 the burden.

22
23
24 ¹ Defendants allege: (i) that Action Comics No. 1 is in part excluded from 17 U.S.C. §304(c) as a
25 purported "work made for hire;" First Amended Counterclaims, Declaration of Marc Toberoff
26 (Toberoff Decl.), Exhibit ("Ex."), R ("FACC"), ¶¶ 132-135; (ii) that a May 19, 1948 consent
27 judgment, purportedly constitutes a copyright "grant," not specifically listed in Plaintiffs' notices;
28 FACC, ¶¶ 68-69; (iii) that a December 23, 1975 agreement, purportedly constitutes a copyright
Plaintiff Joanne Siegel's acceptance of pension benefits from Defendants; FACC, ¶¶ 70-76; (iv) that
the Superman Termination was purportedly not timely served; FACC, ¶¶ 86-89; and (v) that
Plaintiffs' Superman Termination is purportedly barred by the statute of limitations. FACC, ¶¶ 90-

1 **II. UNDISPUTED FACTS**

2 **A. Prior Legal Actions**

3 In 1947, Siegel and Shuster filed an action in the Supreme Court of the State of
4 New York, County of Westchester (the “1947 Action”) against Defendant DC
5 Comics’ predecessor, National Comics Publications, Inc. (“National”), to determine
6 the validity of various contracts between Siegel and Shuster and National’s
7 predecessors, including Detective Comics, Inc. (“Detective”), pursuant to which
8 National claimed to own “Superman,” and to determine ownership of Siegel’s
9 “Superboy.” *See Jerome Siegel and Joseph Shuster v. National Periodical*
10 *Publications et al.*, 364 F. Supp. 1032, 1034-1035 (S.D.N.Y. 1973), *aff’d* 508F.2d
11 909, 912-913 (2nd Cir. 1974)(both the district court and Second Circuit describe the
12 background of the 1947 Action).

13 Pursuant to stipulation of the parties the action was tried before an Official
14 Referee of the New York Supreme Court, Judge Addison Young (“Judge Young”).
15 *Id.* After trial of the 1947 Action, Judge Young rendered a comprehensive opinion
16 dated November 21, 1947. *Id.* On April 12, 1948, Judge Young signed detailed
17 findings of fact and conclusions of law and rendered an interlocutory judgment from
18 which no appeal was perfected. *Id.* After reviewing considerable documentary and
19 testimonial evidence, Judge Young found that National owned “Superman” pursuant
20 to a written grant dated March 1, 1938 (the “March 31, 1938 Grant”) but that Siegel
21 was the sole author and owner of “Superboy.” *See* Judge Young’s Findings of Fact
22 (“1948 FOF”) and Conclusions of Law (“1948 COL”) dated April 12, 1948
23 (collectively, the “1948 Findings”), Toberoff Decl., Ex. B and Request for Judicial
24 Notice (“RJN”), Ex. B.

25 Settlement negotiations ensued, resulting in a stipulation of settlement by the
26 parties dated May 19, 1948 (the “May 19, 1948 Stipulation”), and pursuant to the
27 stipulation the entry in the New York Supreme Court of a final consent judgment
28 dated May 21, 1948 (the “May 21, 1948 Consent Judgment”). *Siegel*, 364 F. Supp. at

1 1034-1035; 508 F.2d at 912-913. *See* Toberoff Decl., Exs. S, T.

2 In 1969, Siegel and Shuster sought declaratory relief in the U.S. District Court
3 for the Southern District of New York regarding ownership of the *renewal*
4 *copyright* to "Superman," resulting on appeal in the Second Circuit's decision in
5 *Siegel, supra*. The district court and Second Circuit relied upon Judge Young's
6 opinion, findings of fact, conclusions of law and resultant consent judgment after
7 settlement of the 1947 Action and held them binding on the parties under the doctrine
8 of *res judicata*. Based thereon it was held that National owned the renewal copyright
9 to "Superman" under the March 31, 1948 Grant. *Siegel*, F.2d at 912-913.

10 **B. The Creation of Superman**

11 The facts and conclusions set forth below are from the 1948 Findings, the
12 district court's and Second Circuit's decisions in *Siegel, supra*, and/or from
13 Defendants' First Amended Counterclaims as noted below.

14 In 1933, Siegel conceived of the original idea of a cartoon strip featuring a
15 unique man of superhuman powers who would perform feats for the public good.
16 Siegel called him "Superman." *Siegel*, 508F.2d at 911; 1948 FOF, fact 9; FACC, ¶ 6.
17 In or about 1933 Siegel wrote, and the artist, Shuster illustrated and "inked" multiple
18 "Superman" comic strips intended for publication in a newspaper format, *Siegel*,
19 508F.2d at 911, 1948 FOF, Facts 8, 10; FACC, ¶ 7, which consisted of "(a) twenty-
20 four days (four weeks) of Superman comic strips intended for newspapers (the "1933
21 Superman Strip"); (b) a seven page synopsis of the last eighteen days (weeks 2-4) of
22 such strips; (c) a paragraph previewing future Superman exploits; (d) a nine-page
23 synopsis covering an additional two months of daily [Superman] comic strips; and (e)
24 fifteen daily comic strips. FACC, ¶ 7; *see* 1948 FOF, Facts 8, 10.

25 By 1934, "Superman and his miraculous powers were completely developed
26 [by Siegel and Shuster]." *Siegel*, 508F.2d at 911, 914; 1948 FOF, Facts 8-11.
27 "Superman" was submitted by Siegel and Shuster "to a number of prospective
28 publishers and newspaper syndicates," but was not accepted for publication. FACC,

1 ¶ 8; 1948 FOF, Fact 10.

2 Meanwhile, from 1935 to 1937, Siegel and Shuster created other comic strips
3 that were published. On or about December 4, 1937, Siegel and Shuster entered into
4 an agreement with Detective (the "December 4, 1937 Agreement") to produce for
5 publication two comic features, "Slam Bradley" and "The Spy." FACC, ¶ 10.

6 One of the early entities to which Siegel had submitted "Superman" was The
7 McClure Newspaper Syndicate ("McClure"). In or about early 1938, McClure
8 forwarded Siegel and Shuster's 1934 Superman Comic Strip to Detective Comics for
9 potential publication in its contemplated new magazine, "Action Comics." 1948
10 FOF, Facts 18-19; *see* FACC, ¶ 11.

11 In early 1938, when Detective Comics expressed interest to Siegel and Shuster
12 in publishing their 1934 Superman Comic Strip in a magazine, Siegel and Shuster
13 "cut and pasted" it into a thirteen page format (the "Re-cut 1933 Superman Strip"), so
14 as to render their newspaper strip more suitable for a magazine publication. *Siegel*,
15 508 F.2d at 911; 1948 FOF, Facts 17-18, 31-33; FACC, ¶ 11. Siegel and Shuster
16 submitted their Re-cut 1933 Superman Strip to Detective in February, 1938.

17 1948 FOF, Fact 22. (The 1933 Superman Strip and the Re-cut 1933 Superman Strip
18 are hereinafter collectively referred to as the "Original Superman Strips.")

19 "In an agreement with [Detective] dated March 1, 1938 [the March 1, 1938
20 Grant], Siegel and Shuster...transferred to [Detective] 'the strip entitled
21 'Superman'...and all goodwill attached thereto and exclusive rights to use the
22 characters and story, continuity and title of the strip'" in consideration for \$130 (\$10
23 per page for the thirteen page Re-cut 1933 Superman Strip). FACC, ¶ 12; 1948 FOF,
24 facts 24, 25, 32; *see* March 31, 1938 Grant, Toberoff Decl., Ex. E.

25 The Re-cut 1933 Superman Strip "w[as] in existence...before the execution of
26 the instrument of March 1, 1938." 1948 FOF, Fact 32. The "March 1, 1938
27 [Grant]...was executed by [Siegel and Shuster] by reason of their desire to see
28 SUPERMAN in print and in order to induce its publication by DETECTIVE

1 COMICS, INC.” 1948 FOF, Fact 28.

2 Thereafter, Detective published Siegel and Shuster’s thirteen page “Re-cut
3 1933 Superman Strip” in the “June, 1938” issue of “Action Comics No. 1,” which
4 was first published on April 18, 1938. 1948 FOF, Fact 31; Toberoff Decl., Ex. F.²

5 Siegel and Shuster thereafter continued to create “Superman” comic strips
6 which were published by Detective in subsequent periodical issues. 1948 FOF, Fact
7 35. On September 22, 1938, Siegel and Shuster entered into an agreement with
8 Detective (the “September 22, 1938 Agreement”) to produce the “artwork and
9 continuity” for five existing comic strips created by Siegel and Shuster, including
10 “Superman.” 1948 FOF, Facts 39, 46; FACC, ¶ 15.

11 Also on September 22, 1938, Siegel and Shuster entered into an agreement
12 with Detective and McClure concerning the use of Superman in newspaper strips (the
13 “McClure September 22, 1938 Agreement”). FACC, ¶ 16.

14 On December 19, 1939, Detective and Siegel and Shuster entered into a
15 supplemental agreement raising Siegel and Shuster’s compensation rate for their
16 production of the increasingly popular “Superman” comic strip from \$10 to \$20 per
17 page (the “December 19, 1939 Agreement”). 1948 FOF, Fact 52; FACC, ¶ 20.

18 On December 23, 1975, Siegel and Shuster entered into an agreement with
19 Warner Communications Inc. (“WCI”) (the “December 23, 1975 Agreement”), then
20 National’s alleged parent company, which re-acknowledged that WCI was the
21 exclusive owner of “Superman,” and provided Siegel and Shuster with modest annual
22 payments and finally, credit as the “creators” of “Superman.” FACC, ¶ 30.

23 **C. Plaintiffs’ Notices of Termination Regarding “Superman”**

24 On April 3, 1997, Plaintiffs availed themselves of their legal right under the

25 ² Detective thereafter registered the Action Comics, No. 1 periodical with the Register of
26 Copyrights under copyright registration number B: 379787 in the name of Detective Comics, Inc.,
27 which was later renewed on June 1, 1965 in the name of National Periodical Publications, Inc.
28 under copyright renewal registration number R: 362187. The copyright in the “Superman” story
contained in the Action Comics, No. 1 periodical was also renewed on June 1, 1965 in the name of
National Periodical Publications, Inc., claiming as proprietor of copyright, under copyright renewal
registration number R: 362188. See Toberoff Decl., Ex. F; 1948 FOF, Fact 31.

1 United States Copyright Act, 17 U.S.C. § 304 (c) ("Section 304(c)"), as Siegel's
2 widow and daughter, respectively, to recapture Siegel's co-authorship share of the
3 copyrights in the Original Superman Strips and other Superman works, by serving a
4 statutory notice of termination on the Defendants that Plaintiffs were terminating the
5 March 1938 Grant. ("Termination Notice No. 1"). Toberoff Decl., Ex. G.

6 On April 3, 1997, Plaintiffs also served on Defendants separate notices of
7 termination of the following additional agreements, to the extent that any might be
8 construed to contain a grant to any of Siegel's "Superman" works, including the
9 Original Superman Strips: the December 4, 1937 Agreement (non-applicable)
10 ("Termination Notice No. 2"), the September 22, 1938 Agreement ("Termination
11 Notice No. 3"), the McClure September 22, 1938 Agreement ("Termination Notice
12 No. 4"), the 1948 Stipulation ("Termination Notice No. 5"), the December 19, 1939
13 Agreement ("Termination Notice No. 6") and the December 23, 1975 Agreement
14 (non-applicable) ("Termination Notice No. 7"). Toberoff Decl., Exs. H- M.
15 (Collectively, these seven notices of Termination are hereinafter referred to as the
16 "Termination Notices").

17 In particular, Termination Notice No. 2 (re: December 4, 1937 Agreement)
18 and Termination Notice No. 7 (re: December 23, 1975 Agreement) were served and
19 filed by Plaintiffs out of an abundance of caution. *Id.*, Exs. H, M. The December 4,
20 1937 Agreement did not pertain to "Superman;" and the December 23, 1975
21 Agreement did not contain a grant of copyright in "Superman," and merely
22 acknowledged that Warner already owned all rights in "Superman." *Id.*

23 In each of the Termination Notices, the termination of the grant or potential
24 grant listed in the respective notice (the "Termination(s)") was noticed to take effect
25 on April 16, 1999 (the "Termination Date"). The Termination Notices were each
26 served by Regular Mail, as required, and additionally by Certified Mail, Return
27 Receipt Requested. *See* 37 C.F.R. § 201.10. Plaintiffs' Termination duly complied
28 with all the requirements of 17 U.S.C. § 304(c) and 37 C.F.R. § 201.10, the

1 regulations promulgated thereunder by the Register of Copyrights.

2 Defendants originally acknowledged that the Notices of Termination are
3 effective, and that Plaintiffs thereby recaptured and jointly own the copyright(s) to at
4 least the original "Superman" elements authored by Siegel and Shuster. On April 16,
5 1997, in response to the April 3, 1997 service of the Notices of Termination, John A.
6 Schulman, Executive Vice President and General Counsel of Defendant Warner Bros.
7 wrote a letter to Joanne Siegel, stating in relevant part:

8 "As to the Notices of Termination, I wasn't surprised at their
9 arrival...After the effective date of the termination, there will still
remain 14 years of copyright protection left to the joint copyright holders
10 of the original Superman elements. Those are what we should share."

11 Toberoff Decl., Ex. O.

12 Defendants similarly acknowledged that they have a duty to account to
13 Plaintiffs for Defendants' exploitation of the original "Superman" copyright(s). On
14 October 10, 1997, Paul Levitz, President and Publisher of Defendant DC Comics,
15 wrote a letter to Plaintiffs, stating in relevant part:

16 "The [Superman] rights involved are non-exclusive; they are shared with
17 DC. Since both you and DC would have these rights, we would each
18 have the obligation to pay the other for using those rights if you did not
re-grant them to DC."

19 Toberoff Decl., Ex. P.

20 However, two years later, when Defendants' initial overtures to buy-out
21 Plaintiffs had not succeeded, DC sent a letter to Plaintiffs, dated April 15, 1999, *one*
22 *day* before the Termination Date, denying the validity of the Terminations with
23 respect to any "Superman" copyrights. Toberoff Decl., Ex. Q.

24 Soon thereafter, commencing on or about April 30, 1999, the parties started
25 negotiations of a complex transaction regarding Plaintiffs' joint interest in the
26 "Superman" copyrights. FACC, ¶ 51. These discussions eventually broke down,
27 however, and no agreement was consummated. (For a detailed discussion of this
28 subject see section III. H., below.)

1 On November 8, 2002, Plaintiffs exercised their right under 17 U.S.C. § 304(c)
2 to recapture Siegel's original copyright in "Superboy" by serving statutory notice on
3 the Defendants herein terminating Siegel's prior grant(s) of "Superboy" to
4 Defendants' predecessor(s) on the noticed termination date of November 17, 2004.
5 See FACC ¶ 57. On August 27, 2004, Defendant DC sent a letter refusing to
6 recognize the Superboy Termination and Plaintiffs' statutory recapture rights. FACC,
7 ¶ 64.

8 **D. The Current Superman Action and Superboy Action**

9 On October 8, 2004, Plaintiffs commenced the instant action for declaratory
10 relief as to the validity of the "Superman" Notices of Termination, an accounting and
11 other relief with respect to "Superman" (Case No. 04-8770 SGL (RZx)) (the
12 "Superman Action"). *See* Plaintiffs' First Amended Complaint, Toberoff Decl., Ex.
13 GG. On October 22, 2004, Plaintiffs commenced a related action for declaratory
14 relief, copyright infringement and an accounting regarding the "Superboy" Notice of
15 Termination. (Case No. 04-8776 SGL (RZx))(the "Superboy Action"). *See* First
16 Amended Supplemental Complaint.

17 On March 24, 2006, this Court (the Honorable Ronald S. W. Lew presiding)
18 entered an order in the Superboy Action (the "March 24, 2006 Order") granting
19 Plaintiffs' motion for partial summary judgment and denying Defendants' motion for
20 summary judgment. Toberoff Decl., Ex. U. Judge Lew found that Plaintiffs' notice
21 of termination regarding "Superboy" was valid and that Plaintiffs thereby recaptured
22 Siegel's original "Superboy" copyright on November 17, 2004, the noticed
23 termination date. *Id.*, at 14-15. In so holding, the Court found that Defendants'
24 purported defenses lacked merit. *Id.*, at 8-14. The Court preserved for trial the issue
25 of Defendants infringement of Plaintiffs' "Superboy" copyrights. *Id.*, at 14-16.

26 Defendants thereafter moved for certification/interlocutory appeal of the March
27 24, 2006 Order under 28 U.S.C. §1292(b), which motion was denied by the Court by
28

1 an order entered on May 23, 2006.³ Toberoff Decl., Ex. V.

2 **III. LEGAL ANALYSIS**

3 **A. Standard Of Review**

4 Plaintiffs are entitled to the entry of summary judgment in their favor if, based
5 on the pleadings and evidence on file, there is no *genuine* issue of *material* fact and
6 Plaintiffs are entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). “Partial
7 summary judgment” where the Court disposes of some but not all claims or issues
8 within a claim, is also permitted. Fed. R. Civ. P. 56(c), (d).

9 “[T]he mere existence of some alleged factual dispute between the parties will
10 not defeat an otherwise properly supported motion for summary judgment; the
11 requirement is that there be no genuine issue of material fact.” *Anderson v. Liberty*
12 *Lobby, Inc.*, 477 U.S. 242, 247-48; 106 S. Ct. 2505, 91 L. Ed. 2d 202
13 (1986)(emphasis in original). Once Plaintiffs has met its initial burden of
14 demonstrating the absence of a genuine issue of fact, the burden shifts to Defendants,
15 as the non-moving parties, to go beyond the pleadings and “designate ‘specific facts
16 showing that there is a genuine issue for trial.’” *Celotex Corp. v. Catrett*, 477 U.S.
17 317, 324; 106 S. Ct. 2548; 91 L. Ed. 2d 265 (1986); *see Gasaway v. Northwestern*
18 *Mut. Life Ins. Co.* 26 F.3d 957, 960 (9th Cir. 1994) (“mere allegations or denials” do
19 not meet the non-movants’ burden). To avoid summary judgment the opposing party
20 must also demonstrate a “genuine” issue of “material” fact on all matters as to which
21 it bears the burden of proof. *Celotex*, 477 U.S. at 324; *see Lake Nacimiento Ranch*
22 *Co. v. San Luis Obispo*, 841 F.2d 872, 876 (9th Cir. 1987). If Defendants do not meet
23 these burdens summary judgment must be granted in Plaintiffs’ favor.

24 The instant motion presents a classic example of an issue of law that is ripe for
25 summary judgment; namely the validity of Plaintiffs’ Termination under 17 U.S.C. §

26
27

³ Judge Lew took senior status and recused himself, whereupon this case was re-assigned to the
28 Honorable Stephen G. Larson. Defendants seized this as an opportunity to improperly *re-argue* the
parties’ motions for summary judgment and Defendants’ motion for certification in a purported
“motion for reconsideration” of both of Judge Lew’s orders, which motion is pending.

1 304(c) and Plaintiffs' recapture, at a minimum, of the Original Superman Copyrights.
2 There are no material issues of fact because the relevant facts are undisputed or were
3 previously adjudicated in the 1974 Action and/or the 1947 Action, and Defendants
4 can not meet their burden as to their purported defenses to the terminations.

5 **B. The Recapture Right Under The United States Copyright Act**

6 The importance and legislative purpose of the current Copyright Act's
7 termination provisions at issue herein (17 U.S.C. § 304(c)) are best understood by
8 reviewing the policies underlying its enactment and the predecessor provisions which
9 led up to it. For over two centuries, the United States Copyright Act has consistently
10 provided authors and their families with the right to regain previously transferred
11 copyright interests. Over time, Congress strengthened and enhanced such "recapture"
12 rights to protect authors and their heirs so as to enable them to realize the enhanced
13 value of an authors' copyrighted work. *See Stewart v. Abend*, 495 U.S. 207, 219, 110
14 S. Ct. 1750, 109 L. Ed. 2d 184 (1990), quoting M. Nimmer & D. Nimmer, *Nimmer*
15 *On Copyright* (hereinafter, "Nimmer On Copyright"), § 9.02. These protections
16 culminated in the current Copyright Act's termination provisions. 17 U.S.C. §§
17 203(a), 304(c) and 304(d).

18 **1. Recapture Rights Under The Copyright Acts Of 1790**
19 **And 1831**

20 The initial copyright statute, the Copyright Act of 1790 (the "1790 Act"),
21 provided two separate copyright terms, an initial and renewal term of 14 years each.
22 *See* 1 Stat. 124; *Stewart*, 495 U.S. at 217. Under the 1790 Act, authors and families
23 were permitted during a copyright's renewal term to recapture copyrights assigned
24 away during their initial term. *Id.*

25 In the Copyright Act of 1831 (the "1831 Act"), Congress strengthened the
26 renewal/recapture right under the 1790 Act. *See* 4 Stat. 436. In so doing, it
27 recognized the right of authors and their families to recover copyrights during the
28 renewal term that had been previously sold to enable "the author, originally in a poor

1 bargaining position to renegotiate the terms of the grant once the value of the work
2 had been tested.” *Stewart*, 495 U.S. at 217. The 1831 Act also prohibited authors
3 from assigning away their spouse’s or children’s renewal rights. *Id.*; *see* 4 Stat. 436.
4 “The evident purpose of the [renewal provision] is to provide for the family of the
5 author after his death.” *Stewart*, 495 U.S. at 217, quoting *De Sylva v. Ballantine*, 351
6 U.S. 570, 582, 76 S. Ct. 974, 100 L. Ed. 1415 (1956).

7 The renewal term was intended as a new grant reverting to the author at the end
8 of the initial term. In fashioning the renewal term Congress was aware that authors
9 had relatively little bargaining power and often sold or assigned their copyrights to
10 publishers for small sums just to get their works published. The renewal term was
11 intended to protect authors who may have struck imprudent bargains and to allow
12 them to realize a portion of the true economic value of their work. *Stewart* at 217-20;
13 *see also Nimmer On Copyright*, § 9.02.

14 **2. Recapture Right Under The 1909 Copyright Act**

15 The Copyright Act of 1909 (“1909 Act”) continued the renewal system and
16 increased both the initial and renewal terms from 14 to 28 years. *See* 17 U.S.C. § 24;
17 H.R. Rep. No. 2222, 60th Congress, 2d Sess., 14 (1909). However, unlike the 1831
18 Act, the 1909 Act did not expressly prohibit authors from signing away their spouse’s
19 or children’s renewal rights. As a result, some publishers used their superior
20 bargaining position to force authors, their spouses and children, to assign to them
21 their renewal rights long before such rights vested. This practice of “contracting
22 around” the renewal rights was controversial until the Supreme Court in *Fred Fisher*
23 *Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 657-59, 63 S. Ct. 773, 87 L. Ed.
24 1055 (1943), held that the renewal copyright expectancy could be assigned during the
25 initial term, before the renewal copyright vested.

26 The legislative purpose of the renewal term was thereby effectively gutted by
27 *Fred Fisher*, *supra*. *See Mills Music, Inc. v. Snyder*, 469 U.S. 153, 185, 105 S. Ct.
28 638; 83 L. Ed. 2d 556 (1985) (White, J., dissenting) (*Fred Fisher* “substantially

1 thwarted” Congress’ goal of protecting authors through copyright recapture). After
2 *Fred Fisher*, publishers routinely insisted that authors assign *both* the initial and
3 renewal copyrights in their initial grants, effectively eliminating the intended benefits
4 to authors and their families of the renewal copyright plan. *Stewart*, 495 U.S. at 219.

5 **3. The Termination Rights Under The 1976 Copyright Act**

6 On January 1, 1978, the Copyright Act of 1976 went into effect, and with it
7 major changes to U.S. copyright law that significantly affected the rights of author’s
8 and their families. 17 U.S.C. § 101 *et seq.* (1978). The 1976 Act extended the
9 renewal term from 28 to 47 years for works, such as the early “Superman” works,
10 that were in their renewal term on January 1, 1978 when the 1976 Act took effect. 17
11 U.S.C. § 304(a). Congress intended to give the benefit of the 19 additional years of
12 copyright protection to authors and their families rather than to grantees, for whom
13 the automatic grant of the extended term would have constituted an unjustified
14 windfall. *See* H.R. Rep. No. 94-1476 (“H. R. Rep.”), at 140 (1976).

15 To that end, Congress coupled the term extension with a *new* right, at issue in
16 this case, of authors and their statutory heirs (principally spouse, children and
17 grandchildren) to terminate transfers of rights in a copyright’s renewal term,
18 provided that the grant was “executed before January 1, 1978,” *i.e.*, before the 1976
19 Act went into effect. 17 U.S.C. § 304(c).⁴ The termination clause provides in
20 pertinent part:

21 “In the case of any copyright subsisting in either its first or renewal term on
22 January 1, 1978, other than a copyright in a work made for hire, the
23 exclusive or nonexclusive grant of a transfer or license of the renewal
24 copyright or any right under it, executed before January 1, 1978, by any of
25 the persons designated by subsection (a)(1)(C) of this section, otherwise
26 than by will, is subject to termination under the following conditions:...”

27 ⁴ A closely related termination provision governs works copyrighted after January 1, 1978. *See* 17
28 U.S.C. § 203(a). Sections 203 and 304 are structurally parallel but diverge in some particulars. For
works copyrighted after January 1, 1978, Congress established the copyright term as the life of the
author plus 50 years (later extended for another 20 years). *See* 17 U.S.C. §302(a) (1982). Congress
also allowed the author or the author’s surviving family members to terminate any license 35 years
after any grant. *See* 17 U.S.C. § 203(a). Thus, for both existing and future copyrights, Congress
granted authors and their family members the right to terminate any grant after a period of time in
order to recapture the author’s copyright.

1 17 U.S.C. §§ 304(c) and 304(c)(5).

2 As the Supreme Court noted in *Mills Music*, 469 U.S. at 173: “The principal
3 purpose of... § 304 was to provide added benefits to authors... More particularly, the
4 termination right was expressly intended to relieve authors of the consequences of ill-
5 advised and unremunerative grants...” *Mills Music*, 469 U.S. at 172-73 *citing* H.R.
6 Rep. No. 94-1476, at 124 (1976). In devising Section 304(c), Congress recognized
7 that authors commonly agree to one-sided copyright grants that publishers with far
8 greater bargaining power design to be as expansive as possible in exchange for as
9 little payment as possible. H.R. Rep. at 124. The results are often supremely unfair,
10 as when a work proves financially successful for many years, but enriches only the
11 grantee and not the author or the author’s family.

12 Indeed, the Supreme Court recently recognized the overall intent of the 1976
13 Act to “enhance the author’s position” and to adjust “the author/publisher balance,”
14 emphasizing the “inalienable authorial right to revoke a copyright transfer.” *N.Y.*
15 *Times v. Tasini*, 533 U.S. 483, 496 121 S. Ct. 2381, 150 L. Ed. 2d 500 (2001); *see*
16 *also Stewart*, 495 U.S. at 230 (“[1976 Act] provides an inalienable termination
17 right”); *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002) (settlement
18 agreement cannot bar termination right); *Steinbeck v. McIntosh & Otis, Inc.*, 433 F.
19 Supp. 2d 395, 398 (S.D.N.Y. 2006).

20 The termination right lies in stark contrast to ordinary contract principles, as it
21 empowers authors and their statutory heirs to terminate grants of copyright *without*
22 *cause*, regardless of the contracting parties’ promises, intent or the assignee’s
23 expectations at the time the grant was made. 17 U.S.C. §304(c)(5).

24 In creating the new termination right, Congress directly addressed the
25 inequities caused by *Fred Fisher* and sought to prevent the future erosion of the right
26 of an author and his family to regain the copyright to an author’s original work.
27 Thus, in further abrogation of “freedom of contract” principles, Congress clarified
28 that the termination right cannot be waived, cancelled or contracted around, and that

1 “[t]ermination of the grant may be effected notwithstanding any agreement to the
2 contrary.” 17 U.S.C. § 304(c)(5) (works copyrighted before January 1, 1978); *see* 17
3 U.S.C. § 203(a)(1) (identical for authors’ grants executed after January 1, 1978).

4 To further protect authors and heirs against a repetition of *Fred Fisher*,
5 Congress specified that the termination right or interest may not be assigned away
6 until exercised by service of a notice of termination. *See* 17 U.S.C. § 304(c)(6)(B)
7 (“[a] further grant, or agreement to make a further grant, of any right covered by a
8 terminated grant is valid only if it is made after the effective date of termination...[or
9 as to] the original grantee or such grantee’s successor in title, after the notice of
10 termination has been served...”). Once a prior copyright grant is terminated, an
11 author’s statutory heirs may grant their recaptured copyright to whomever they wish,
12 fulfilling the purpose to provide such heirs with an opportunity to realize the
13 enhanced value of such copyrights. *Nimmer On Copyright*, §11.01[A].

14 At the same time, the 1976 Act reflected “a practical compromise that [would]
15 further the objectives of the copyright law while recognizing the problems and
16 legitimate needs of all interests involved.” H.R. Rep. at 124. Thus, termination
17 under Section 304(c) is not “automatic.” *Id.* Rather, authors and their statutory heirs
18 are only permitted to terminate such grants during a five year window beginning
19 fifty-six years after copyright had originally been secured in order to “recapture” the
20 copyright for the extended renewal term. 17 U.S.C. § 304(c)(3). Termination is
21 carried out by serving “advance notice” of the termination “not less than two or more
22 than ten years before” its effective date. 17 U.S.C. § 304(c)(4)(A).

23 **4. The Termination Right Under The Sonny Bono**
24 **Copyright Term Extension Act**

25 In 1998, Congress re-affirmed their objectives with respect to the 1976 Act’s
26 termination provisions. The Sonny Bono Copyright Term Extension Act of 1998
27 (“CTEA”), effective October 27, 1998, extended the term of protection for works
28 created prior to January 1, 1978 from 75 to 95 years. 17 U.S.C. § 304(b). As with

1 the 1976 Act's original term extension, Congress intended this unforeseen term
2 extension as a benefit to authors and their families, not as a windfall for grantees or
3 their successors. Congress therefore once again coupled the extended term with a
4 termination right for authors and their families, provided they had not exercised their
5 termination right under Section 304(c). 17 U.S.C. § 304(d). *See* S. Rep. No. 104-
6 315, at 22-23 (1996); *Nimmer on Copyright* § 9.11[B] [1].

7 The economic philosophy behind our copyright law is the conviction that the
8 public welfare is advanced by providing economic incentives to authors to exercise
9 their creative talents. *Mazer v. Stein*, 347 U.S. 201, 219, 74 S.Ct. 460, 98 L.Ed. 630
10 (1954); *Sony Corp. v. Universal Studios*, 464 U.S. 417, 429, 104 S.Ct. 774, 78
11 L.Ed.2d 574 (1984). Congress provided this incentive by giving authors and
12 thereafter, their immediate family, exclusive copyrights to their work and the ability
13 to market those rights. 17 U.S.C. §106. When Congress' reversionary renewal
14 scheme was thwarted, it carefully fashioned the 1976 Act's termination provisions
15 and subsequently CTEA's termination provisions to cure the inequities caused by
16 *Fred Fisher*, "level the playing field" and promote the economic interests of authors.
17 17 U.S.C. §§304(c),(d).

18 **C. Defendants Are Bound By The 1947 State Action and 1974 Federal**
19 **Action Under Res Judicata and Collateral Estoppel**

20 It is well established that the findings in a prior litigation are binding on the
21 parties or their successors in a subsequent litigation involving the same facts under
22 the doctrines of *res judicata* and/or collateral estoppel. *Kamilche Co. v. United*
23 *States*, 53 F.3d 1059, 1062 (9th Cir. 1995). Strong policies favor repose and the
24 finality of prior litigation on the merits. *Res judicata* and collateral estoppel protect
25 litigants against "the expense and vexation attending multiple lawsuits, conserve
26 judicial resources, and foster reliance on judicial action by minimizing the possibility
27 of inconsistent decisions." *Montana v. U.S.*, 440 U.S. 147, 153-154, 99 S. Ct. 970, 59
28 L. Ed. 2d 210 (1979). In light of these policies, preclusion is not to be applied in an

1 overly technical manner. *Tillman v. Nat. City Bank of N.Y.*, 118 F.2d 631, 634 (2d
2 Cir. 1941).

3 For preclusion purposes, the true identity of the facts surrounding an
4 occurrence constitutes the cause of action, not the legal theory upon which a party
5 chooses to frame his complaint. *Woods v. Dunlop Tire Corp.*, 972 F.2d 36, 38 (2d
6 Cir. 1992), *cert. denied*, 506 U.S. 1053 (1993). *See Berlitz Sch. Of Lang. of Am., Inc.*
7 *v. Everest House*, 619 F.2d 211, 215 (2d Cir. 1980) (“When the factual predicate upon
8 which claims are based are substantially identical, the claims are deemed to be
9 duplicative for purposes of *res judicata*”); *In re Teltronics Servs., Inc.*, 762 F.2d 185,
10 193 (2d Cir. 1985) (“New legal theories do not...defeat *res judicata*”).

11 “Collateral estoppel prevents a party from re-litigating an issue decided against
12 that party in a prior adjudication” in which that party had a ““full and fair
13 opportunity”” to litigate. *Fuchsberg & Fuchsberg v. Galizia*, 300 F.3d 105, 109 (2d
14 Cir. 2002), quoting *Johnson v. Watkins*, 101 F.3d 792, 794-95 (2d Cir. 1996) and
15 *Schwartz v. Pub. Adm'r*, 24 N.Y.2d 65, 71 (1969). Preclusion applies to issues raised
16 as well as to issues that could have been raised at the time of the earlier action.

17 *Migra v. Warren City Sch. Dist. Bd. of Ed.*, 465 U.S. 75, 84, 104 S.Ct. 892, 79 L.Ed.
18 2d 56 (1984). The preclusive effect also extends to issues not specifically addressed,
19 but which “by necessary implication . . . [are] contained in that which [was] explicitly
20 decided.” *Norris v. Grosvenor Mktg. Ltd.*, 803 F.2d 1281, 1285 (2d Cir. 1986).

21 **1. The Findings of Fact and Conclusions Of Law in the 1947**
22 **Action Have Preclusive Effect**

23 The Full Faith and Credit Act, 28 U.S.C. § 1738, commands that a federal
24 court must accord a state court’s resolution of claims and issues the same preclusive
25 effect as would be accorded in the rendering court. *See Matsushita Elec. Indus. Co.*
26 *v. Epstein*, 516 U.S. 367, 369, 116 S. Ct. 873, 878, 134 L. Ed. 2d 6 (1996); *Allen v.*
27 *McCurry*, 449 U.S. 90, 96, 101 S. Ct. 411, 66 L. Ed. 2d 308 (1980).

28 Both parties agree that the preclusive effect of the 1947[New York]Action is

1 determined under New York law. *See Pension Trust Fund for Oper. Engrs v. Triple*
2 *A Mach. Shop, Inc.*, 942 F.2d 1457, 1464-1465 (9th Cir. 1991). New York has
3 adopted a transactional approach to the doctrine of *res judicata* or claim preclusion.
4 *Garguili v. Thompkins*, 790 F.2d 265, 269 (2d Cir. 1986). If a subsequent claim
5 arises from the same “factual grouping” as a previously resolved claim, the
6 subsequent claim is barred regardless of whether the two suits are based on different
7 legal theories or seek different remedies. *Smith v. Russell Sage College*, 54 N.Y.2d
8 185, 192 (1981); *Reilly v. Reid*, 45 N.Y.2d 24, 29-30 (1978); *EFCO Corp. v. U.W.*
9 *Marx, Inc.*, 124 F.3d 394, 397 (2d Cir. 1997). In New York “once a claim is brought
10 to a final conclusion, all other claims arising out of the same transaction or series of
11 transactions are barred...” *O’Brien v. City of Syracuse*, 54 N.Y.2d 353, 357 (1981).

12 The 1948 Findings, as later argued by National, were held to be binding on
13 the parties’ predecessors with respect to “Superman” under *res judicata* and collateral
14 estoppel principles by the Southern District of New York and the Second Circuit in
15 the federal *copyright* action, *Siegel v. National Periodical Publ., et al.*, 364 F. Supp.
16 1032, 1034-1035 (S.D.N.Y. 1973), *aff’d* 508 F.2d 909, 912-13 (2d Cir. 1974).

17 Toberoff Exs. S, T.

18 The *Siegel* district court explicitly relied on the 1948 findings of fact in holding
19 that the 1948 Action was *res judicata* as to National owning the “Superman” renewal
20 copyright. 364 F. Supp. at 1035-1036 (“The findings of the State Supreme Court in
21 the Westchester action are binding on us here.”), *citing Vernitron Corp. v. Benjamin*,
22 440 F.2d 105, 108 (2d Cir. 1971); and also quoted and gave preclusive effect to the
23 1948 conclusions of law. 364 F. Supp. at 1035-1036; Toberoff Decl., Ex. S.

24 The Second Circuit, in affirming the district court’s decision, likewise *quoted*
25 Judge Young’s first conclusion of law (“[b]y virtue of the instrument of March 1,
26 1938...Detective Comics, Inc. became the absolute owner of the comic strip
27 Superman”), *Siegel*, 508 F.2d at 912; and delved into the heart of the case: “the state
28 court action determined that the agreements conveyed *all* of the plaintiffs’

1 rights....Under the doctrine of *res judicata* we are not free collaterally to re-examine
2 the agreements to determine whether the construction placed on them was
3 warranted." *Id.* at 913. "The state court...construe[d] these instruments...[and] that
4 decision is binding on us here." *Id.*

5 Defendants' predecessor, National, emphatically claimed in *Siegel* that the
6 1948 Findings were strictly binding under *res judicata* or collateral estoppel
7 regarding its *federal* claim that it owned the *renewal copyright* in "Superman," even
8 though this copyright issue was *not* addressed in the 1948 state action:

9 "It should be noted that application of the doctrines of *res judicata* and
10 *collateral* estoppel here is not only proper but based on good reason.
11 There is little about the underlying facts and transactions that can be
supplied by testimony of witnesses decades after the events and almost
twenty-six [now fifty-nine] years after the prior litigation"

12 See National's Appellate Brief, p. 12 *citing Picture Music, Inc. v. Bourne, Inc.* 314 F.
13 Supp. 640, 652 (S.D.N.Y. 1970), *aff'd* 457 F.2d 1213 (2d Cir. 1972), *cert. den.* 409
14 U.S. 997 (1972); *see also* pp. 2-3, 6-14, Toberoff Decl, Ex. W; March 24, 2006 Order
15 at 6-7, Toberoff Decl, Ex. U.

16 Defendants, after benefiting enormously from the *Siegel* holding for over thirty
17 years, are judicially estopped from taking inconsistent positions in this action
18 regarding the preclusive effect of the 1948 Findings. *Hamilton v. State Farm Fire &*
19 *Cas.*, 270 F.3d 778, 782 (9th Cir. 2001); *New Hampshire v. Maine*, 532 U.S. 742, 749
20 (2001). *See* March 24, 2006 Order at 6:21-24, Toberoff Decl, Ex. U.

21 The 1948 Findings of Judge Young, nine years after the events in question,
22 provide "a much more reliable index of the truth" than anything that can be mustered
23 by Defendants today. *See Picture Music*, 314 F. Supp. at 652. "The subsequent
24 [preclusive] effect...is a result which should be welcomed to avoid the task of
25 reconsidering issues that have already been settled by another competent tribunal."
26 *Vernitron Corp. v. Benjamin*, 440 F.2d 105, 108 (2d Cir. 1971), *cert. denied*, 402 U.S.
27 987, 29 L. Ed. 2d 154, 91 S. Ct. 1664 (1971), *citing Klein v. Walston Co.*, 432 F.2d
28 936 (2d Cir. 1970). There is little about these underlying facts that can be supplied

1 by new testimonial evidence. Siegel is no longer alive and the majority of those who
2 dealt with "Superman" at the time of its creation by Siegel and Shuster are also dead.

3 On summary judgment in the Superboy Action, Judge Lew thus held that the
4 1948 Findings had preclusive effect:

5 Having relied on Judge Young's findings for previous favorable
6 determinations regarding Superman, Defendants now take the
7 inconsistent position that this Court is not bound by the state court
8 findings ... Defendants attempt to raise genuine issues of material fact,
where the facts were clearly determined by Judge Young after the
opportunity to take evidence and hear testimony on that evidence from
the parties directly involved in creating this relationship.

9 Contrary to Defendants' assertions now, both the Southern District of
10 New York and the Second Circuit looked directly to, even citing to,
11 Judge Young's findings of facts. This Court holds that it is consistent to
12 continue this position and will look to Judge Young's findings as
binding where relevant ... [T]his Court in keeping a consistent position
with the previous litigation holds that Judge Young's findings of fact
have preclusive *res judicata* and collateral estoppel effect on this Court.

13 March 24, 2006 Order, at 7, Toberoff Decl., Ex. U.

14 **2. The Findings And Conclusions In The 1974 Action Have**
15 **Preclusive Effect In This Action**

16 The federal copyright action between the parties predecessors, *Siegel v.*
17 *National Periodical Publ., et al.*, 364 F. Supp. 1032, (S.D.N.Y. 1973), *aff'd* 508 F.2d
18 909 (2d Cir. 1974) held that "Superman" as originally published in Action Comics,
19 No. 1 was not a "work made for hire" under the 1909 Copyright Act, and that Siegel
20 and Shuster transferred to National, *all* rights to "Superman," including the renewal
21 copyright, in the March 1, 1938 Grant. The Second Circuit decision clearly has
22 preclusive effect under the doctrines of *res judicata* and collateral estoppel, where
23 relevant to the parties' "Superman" claims and defenses herein. *Kamilche*, 53 F.3d at
24 1062.

25 **D. Plaintiffs' Duly Exercised Their Termination Right And Recaptured**
26 **Siegel's Joint Copyright Interest In The Original Superman Strips**
27 **1. Plaintiffs' Termination Complied with the Copyright Act**

28 Plaintiffs fully satisfied the requirements for statutory termination set forth in

1 17 U.S.C. § 304(c) (“Section 304(c)”:

2 • Section 304(c) applies to “any copyright ... subsisting in its renewal term on
3 the effective date of the [1976 Act].” 17 U.S.C. § 304(c). Copyright in “Superman”
4 subsisted in its renewal term on the effective date of the 1976 Act, January 1, 1978.
5 It is undisputed that Siegel and Shuster’s Original Superman Strips were published in
6 the serialized magazine, Action Comics, No. 1, for which copyright was first secured
7 on April 18, 1938, when Action Comics, No. 1 was first published with a copyright
8 notice. Toberoff Decl., Ex. F; *see* Copyright Act of 1909, § 10 (“Any person entitled
9 thereto by this title may secure copyright for his work by publication thereof with the
10 notice of copyright required by this title....”). The blanket copyright to the Action
11 Comics, No. 1 periodical was thereafter registered with the Register of Copyrights
12 under copyright registration number B: 379787 in the name of Detective Comics, Inc.,
13 and renewed on June 1, 1965 in the name of National Periodical Publications, Inc.,
14 claiming as proprietor of copyright, under copyright renewal registration number R:
15 362187. *Id.*⁵ The copyright in the story entitled “Superman” contained in the Action
16 Comics, No. 1 periodical was also renewed on June 1, 1965 in the name of National
17 Periodical Publications, Inc., claiming as proprietor of copyright, under copyright
18 renewal registration number R: 362188. *See* Toberoff Decl., Ex. F; 1948 FOF, Fact
19 31.

20 • Section 304(c) applies only to transfers or licenses “executed before January
21 1, 1978,” by the author, the author’s surviving spouse, children (or certain other
22 designated persons). 17 U.S.C. § 304(c). The principal March 1, 1938 Grant and
23 other agreements (to the extent applicable) which were terminated by Plaintiffs were

24
25 ⁵ The statutory copyright in this collective periodical (Action Comics, No. 1) secures the statutory
26 copyright in its component part – the Original Superman Strips. *See Self-Realization Fellowship*
27 *Church v. Ananda Church*, 206 F.3d 1322, 1329 (9th Cir. 2000) (a blanket copyright on a periodical
28 protects its constituent parts); *Morse v. Fields*, 127 F. Supp. 63, 64-65 (SDNY 1954) (publication in
a collective work will secure a copyright in all component parts); *see also* 2-7 *Nimmer on Copyright*
§ 7.12 (“The rule with respect to collective works under the 1909 Act...provided that a single notice
in the name of the copyright owner of the collective work was sufficient to protect each contribution
contained therein.”).

1 all pre-1978 instruments. No post-1978 grant of "Superman" by Siegel or his heirs
2 exists and none has been alleged by Defendants.

3 • Section 304(c) allows termination by the author's "widow" and "surviving
4 children" which together own and are entitled to exercise more than one-half of the
5 author's termination interest under the statute. 17 U.S.C. §304(c)(1) and (c)(2)(A)
6 and (B). Plaintiff Joanne Siegel is the author Siegel's widow and she therefore owns
7 fifty percent (50%) of Siegel's termination interest. 17 U.S.C. §304(c)(2)(A); FACC,
8 ¶ 2. Plaintiff Laura Siegel Larson is one of Siegel's two children, and she therefore
9 owns twenty-five (25%) of Siegel's termination interest. 17 U.S.C. §304(c)(2)(A);
10 FACC, ¶ 3. Together Plaintiffs own and constitute the more than one-half of Siegel's
11 termination interest required to effect the Termination. 17 U.S.C. § 304(c)(1).

12 • Section 304(c) requires the termination notice to "state the effective date of
13 termination, which shall fall within the five-year period" "beginning at the end of 56
14 years from the date copyright was originally secured," 17 U.S.C. §§ 304(d)(1),
15 (c)(4)(A), and requires that the termination notice be "served not less than two or
16 more than ten years" before the effective date of termination. 17 U.S.C. §
17 304(c)(4)(A). Accordingly, Plaintiffs would have had to serve notice of termination
18 on or before April 19, 1997 to comply. Service of the Termination Notices took
19 place on April 3, 1997 by First Class Mail, postage pre-paid (per 37 C.F.R. § 201.10
20 (d)) and, in addition, by Certified Mail, Return Receipt Requested, which April 3,
21 1997 service date is "not less than two or more than ten years" before the effective
22 April 16, 1999 Termination Date. Toberoff Decl., Exs.G-N; 17 U.S.C. §
23 304(c)(4)(A). Plaintiffs' Termination Notice stated the date of termination, April 16,
24 1999, which fell within the proper time-frame from the date the copyright was
25 originally secured on April 18, 1938. *Id.*; 17 U.S.C. §§ 304(d)(1), (c)(4)(A).

26 • Section 304(c) requires that a copy of the termination notice be "recorded in
27 the Copyright Office before the effective date of termination," 17 U.S.C. §
28 304(c)(4)(A), and that it comply "in form, content, and manner of service, with

1 requirements that the Register of Copyrights shall prescribe by regulation," 17 U.S.C.
2 § 304(c)(4)(B). Plaintiffs' Termination Notices were recorded in the Copyright
3 Office on February 2, 1998, well before the April 16, 1999 Termination Date
4 (Toberoff Decl., Ex. F); and the notice fully complied with 37 C.F.R. § 201.10, the
5 regulations issued by the Register of Copyrights under 17 U.S.C. §304(c).

6 Because Plaintiffs met all of the statutory requirements of Section 304(c), their
7 Termination should be deemed effective. On April 16, 1999, the noticed Termination
8 Date, Plaintiffs recaptured Siegel's joint copyright interest in the Original Superman
9 Strips comprising Action Comics, No. 1 (hereinafter, the "Recaptured Superman
10 Copyrights").

11 **2. Plaintiffs' Own An Undivided Fifty Percent Interest In**
12 **The Copyrights To The Original Superman Strips**

13 Plaintiffs' Recaptured Superman Copyrights constitutes Siegel's undivided
14 fifty percent (50%) joint interest in the copyrights to the Original Superman Strips for
15 the extended renewal term.

16 The Original Superman Strips published in Action Comics, No. 1 were joint
17 works created by co-authors, Siegel and Shuster. The 1909 Act did not contain a
18 definition of "joint authorship" or "joint work," which was left to the Courts to
19 define. *Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 161 F.2d 406, 409 (2d
20 Cir. 1946) *cert. denied*, 67 S.Ct. 1310 (1947), a leading joint authorship case under
21 the 1909 Act, defined a "joint work" as "a work by two or more authors who merge
22 their contributions into a single composition which is perceived by the audience as a
23 unit."⁶

24 "Superman" satisfies this definition as Siegel merged his story/continuity with
25 Shuster's illustrations into a single composition in the Original Superman Strips
26 comprising Action Comics, No. 1 which is perceived as a unified work. As joint

27
28 ⁶ The 1976 Copyright Act did not alter this definition. It defines "joint work" as "a work prepared
by two or more authors with the intention that their contribution be merged into inseparable or
interdependent parts of a unitary whole." 17 U.S.C. § 101.

1 authors of the Original Superman Strips, Siegel and Shuster owned an undivided fifty
2 percent interest in the entire copyrights therein as *tenants-in-common*. *See Pye v.*
3 *Mitchell*, 574 F.2d 476,480 (9th Cir. 1978); *Sweet Music, Inc. v. Melrose Music Corp.*,
4 187 F. Supp. 655, 659 (S.D. Cal. 1960). It is undisputed that Siegel and Shuster
5 conveyed their entire copyrights to the Original Superman Strips to Detective in the
6 March 1, 1938 Grant. *Siegel*, 508 F. 2d at 911, 913; FACC, ¶¶ 12, 26; 1948 FOF,
7 Facts 24 - 25, 32; *see* Toberoff Decl., Ex. E.

8 Section 304(c)(1) of the Copyright Act specifically addresses the termination
9 procedures with respect to jointly authored works, such as "Superman." A co-author,
10 if living, or if deceased, his widow, children or grandchildren, can recapture the
11 copyright for the extended renewal term to the extent of the "particular author's share
12 of the renewal copyright" in such work. 17 U.S.C. § 304(c)(1). Therefore, on April
13 16, 1999, when the March 1, 1938 Grant was terminated pursuant to Plaintiffs'
14 Termination Notice No. 1., Plaintiffs became the owners of an undivided fifty
15 percent interest in the copyrights to the Original Superman Strips comprising Action
16 Comics, No. 1, pursuant to 17 U.S.C. 304(c)(1).

17 **E. Defendants Have A Duty To Account To Plaintiffs For Fifty Percent**
18 **Of The Profits Earned From The Recaptured Superman Copyrights**

19 Whereas, Plaintiffs recaptured Siegel's joint ownership interest in the Original
20 Superman Strips on April 16, 1999 pursuant to Section 304(c), Defendants, as the
21 successors to Detective, retain Shuster's joint ownership interest in the copyrights to
22 the Original Superman Strips, with the consequent duty to account to Plaintiffs for
23 fifty percent of the profits earned by such copyrights. *Bernstein & Co. v. Jerry Vogel*
24 *Music Co.*, 221 F.2d 569 (2nd Cir. 1955), *modified*, 223 F.2d 252 (1955); *see also*
25 *Piantadosi v. Loew's Inc.*, 137 F.2d 534, 536-537 (9th Cir. 1943) (publisher becomes
26 a joint owner of a work via assignment by a joint author). *See also* 1-6 *Nimmer on*
27 *Copyright* § 6.12[B] (Courts have "uniformly recognized that one joint owner is
28 accountable to the others for their rateable share of the profits that he has realized

1 from licensing of the work.”)

2 In *Bernstein*, the co-authors of a song, the “12th Street Rag,” each assigned
3 their respective joint fifty percent interest in the song’s renewal copyright to a
4 different company. The lyricist assigned his half interest to the defendant; the
5 composer assigned his half interest to a company which, in turn, assigned it to the
6 plaintiff. The Court held that each company as a successor joint owner of the song’s
7 copyright had a duty to account to the other for half the moneys earned from its
8 exploitation of the song. 221 F.2d at 571.

9 Defendants’ duty to account to Plaintiffs for the profits earned from
10 Defendants’ exploitation of the Original Superman Strips applies to profits earned
11 from all sources from the publication of Action Comics, No. 1 and from the
12 exploitation of new derivative “Superman” works, in any and all media, created on or
13 after the April 16, 1999 Termination Date. 17 U.S.C. § 304(c)(6)(A).

14 **1. Defendants’ Duty To Account Includes Profits**
15 **Earned In Foreign Territories**

16 Claims by a co-owner of a copyright for an accounting are not governed by
17 copyright law, but are governed by state common law property principles such as
18 tenancy in common. *Oddo v. Ries*, 743 F.2d 630, 633 (9th Cir. 1984) (“A co-owner of
19 a copyright must account to other co-owners for any profits he earns from licensing
20 or use of the copyright, but the duty to account does not derive from the copyright
21 law’s proscription of infringement. Rather, such duty to account is derived from
22 ‘equitable doctrines relating to unjust enrichment and general principles of law
23 governing the rights of co-owners’”) (internal citations omitted). *See also*
24 *Community for Creative Non-Violence*, 846 F.2d 1485, 1498 (D.C. Cir. 1988) (“Joint
25 authors co-owning copyright in a work are deemed to be tenants in common, with
26 each having an independent right to use or license the copyright, subject only to a
27 duty to account to the other co-owner for any profits owned thereby.”) (internal
28

1 quotations omitted), *aff'd on other grounds*, 490 U.S. 730 (1989).⁷

2 As there can "be no copyright infringement between co-authors of a work, it
3 follows that state courts have exclusive competence to determine the fact of co-
4 authorship and the rights of assignment *and accounting* that flow therefrom."
5 (emphasis added). 3-12 *Nimmer on Copyright* § 12.01[A][1][b] (citing *Oddo v. Ries*,
6 743 F.2d 630, n.2 (9th Cir. 1984)). *See also Korman v. Iglesias*, 736 F. Supp. 261,
7 265 (S.D. Fla. 1990) ("The Copyright Act neglected to provide for remedies between
8 co-authors ... The District of Columbia, Second, and Ninth Circuits have held and
9 Congress must have intended that co-authors may claim for an accounting...under
10 common law principles since the Copyright Act makes no mention of how co-authors
11 should enforce their rights to royalties as against each other." Applying state law to
12 plaintiff's claim for share of royalties derived from joint work).

13 *Goodman v. Lee*, 78 F.3d 1007 (5th Cir. 1996) *cert denied* 519 U.S. 861 (1996)
14 is instructive. The court affirmed a judgment declaring plaintiff a joint owner of the
15 copyright to the song "Let the Good Times Roll" and awarded plaintiff royalties
16 because, as a joint owner under Louisiana law, he was entitled to an accounting and
17 royalties based on all proceeds that defendants received from the song. *Id.* at 1012.
18 The Fifth Circuit held that while the issue of joint ownership of the song arises under
19 copyright law, once this issue was resolved, the accounting dispute among joint
20 owners was properly governed by state law. *Id.* The court held:

21 "The applicability of federal law ends with that [joint ownership]
22 determination, as Goodman's claim for an accounting is governed in all
23 respects by state law. It is widely recognized that "[a] co-owner of a
copyright must account to other co-owners for any profits he earns from

24 ⁷ H.R. Rep. No. 94-1476, at 120 (1976) ("Under the bill, as under the present law, co-owners of a
25 copyright would be treated generally as tenants in common, with each co-owner having an
26 independent right to use or license the use of a work, subject to a duty of accounting to the other co-
27 owners for any profits"); *Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640, 646-47 (S.D.N.Y.
28 1970) ("It is clearly established that where a truly 'joint work' is created, each co-owner is akin to a
tenant in common. Accordingly...compensation obtained from the unilateral exploitation of the
joint work by one of the co-owners without the permission of the others is held in a 'constructive
trust' for the mutual benefit of all owners, and there is a duty to account therefor.")(internal
citations omitted), *aff'd on other grounds*, 457 F.2d 1213 (2d Cir.), *cert. denied*, 409 U.S. 997
(1972); *Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 223 F.2d 252 (2d Cir. 1955).

1 the licensing or use of the copyright.... Significantly, 'the duty to account
2 does not derive from the copyright law's proscription of infringement.
3 Rather, it comes from "... general principles of law governing the rights
4 of co-owners.' As those general principles are rooted in state law, we
look to the law of Louisiana for answers to the remaining issues
presented by this appeal."

5 *Id.* (emphasis in the original).

6 **Notably, the 5th Circuit affirmed the district court's finding that the co-**
7 **owners of the song had to account to each other for royalties earned both**
8 **domestically and outside the United States:**

9 "It is true that United States Copyright laws do not have extraterritorial
10 effect and therefore, 'infringing actions that take place entirely outside
11 the United States are not actionable.' Plaintiff's claim for an accounting
12 of royalties as co-owner of the copyright to 'Let the Good Times Roll' is
13 not, however, an action based upon an infringement of her copyright.
Indeed, a co-owner of a copyright cannot be liable to another co-owner
14 for infringement of the copyright. 'Consequently, a suit to bring the co-
owner of a copyright to account does not fall within the district court's
jurisdiction over actions arising under the copyright law.' The extra-
territorial nature of copyright law is inapposite to whether plaintiff is
entitled to an accounting of foreign royalties received by defendants."

15 (internal citations omitted). *Goodman v. Lee*, 1994 U.S. Dist. LEXIS 18468, *11, 13
16 (E.D. La. 1994). *See also Goodman v. Lee*, 78 F.3d 1007, 1015 (5th Cir. 1996);
17 *Oddo v. Ries*, 743 F.2d 630, 633 (9th Cir. 1984) ("A co-owner of a copyright must
18 account to other co-owners for *any* profits he earns from licensing or use of the
19 copyright") (emphasis added).

20 Both state and federal courts in California have consistently held that an action
21 for an accounting between joint owners of a copyright is governed by state law under
22 which they are *tenants in common* entitled to share in *all proceeds* from such jointly
23 owned copyright. *See In re Marriage of Worth*, 195 Cal. App. 3d 768, 776 (Cal.
24 App. 1st Dist. 1987) (husband and wife hold title to copyrights as tenants in common
25 and thus wife entitled "to share in *all* of the proceeds therefrom, including any
26 settlement or award of damages resulting from the copyright infringement"); *Dead*
27 *Kennedys v. Biafra*, 37 F. Supp. 2d 1151, 1153 (N.D. Cal. 1999) (action for
28 accounting amongst joint authors brought in federal court remanded to California

1 state court because an “action for an accounting or determination of ownership as
2 between alleged co-owners is founded in state law and does not arise under the
3 copyright laws”); *Morrill v. Smashing Pumpkins*, 157 F. Supp. 2d 1120, (C.D. Cal.
4 2001)(“Each author of a joint work is a tenant in common”); *Durgom v. Janowiak*, 74
5 Cal. App. 4th 178, (Cal. App. 4th Dist. 1999)(court held nonpayment of royalties was
6 a contract issue not preempted by federal copyright law, and states are expressly
7 permitted to regulate activities violating legal or equitable rights, including the right
8 to an accounting).

9 Plaintiffs are entitled as a matter of law to an accounting from Defendants for
10 half the profits earned by the jointly owned Original Superman Copyrights embodied
11 in Action Comics, No. 1. *Oddo v. Ries*, 743 F.2d at 633. As noted in *Goodman*,
12 1994 U.S. Dist. LEXIS 18468, at 11, 13 *aff'd* 78 F. 3d at 1015, this includes profits
13 from the exploitation of such copyrights and derivative works in foreign territories
14 because an accounting between copyright co-owners is governed by state law
15 principles governing tenants in common, and is not subject to the copyright law’s
16 “extraterritoriality” proscription.

17 **F. Defendants’ Alleged Defenses To The Termination Lack Merit**

18 **1. Action Comics, No. 1 Was Not A Work-Made-For-Hire**

19 Section 304(c)’s termination provisions do not apply to a “work made for
20 hire.” 17 U.S.C. § 304(c). Defendants thus claim that part of the Re-Cut 1933
21 Superman Strip created by Siegel and Shuster and thereafter purchased and published
22 in Action Comics, No. 1 was still somehow owned by Detective at inception as
23 “works made for hire” under the now repealed 1909 Copyright Act. 17 U.S.C. § 26.
24 As set forth below, Defendants’ argument is precluded by the Second Circuit’s 1974
25 decision in *Siegel*, 508F.2d 909, 914 under the doctrines of *res judicata* or *collateral*
26 *estoppel*. Notwithstanding this, it is also refuted by the plain fact that Detective
27 *purchased* the “Superman” material at issue in the March 1, 1938 Grant *after* it had
28 been independently created and submitted to Detective.

1 a. **“Work for Hire” Under The 1909 Copyright Act**

2 The 1909 Act does not provide any definition of “work made for hire” or
3 “employer.” In the vast majority of cases under the 1909 Act, federal courts
4 consistently applied the work-for-hire doctrine *only* to traditional hierarchical
5 employment relationships. *Twentieth Century Fox Film Corp. v. Entertainment*
6 *Distrib.*, 429 F.3d 869, 877 (9th Cir. 2005). However, “[i]n the last decade of the
7 [1909] Act the Courts expanded the doctrine *somewhat* to include less traditional
8 relationships.” *Id.*, quoting *Self-Realization Fellowship Ch. v. Ananda Ch.*, 206 F.3d
9 1322, 1331 (9th Cir. 2000)(emphasis added). The Ninth Circuit has “evaluated
10 claims that a work was ‘made for hire’ by requiring “credible evidence that the work
11 was done at the ‘instance and expense’ of the commissioning party.” *Self-Realization*,
12 206 F.3d at 877, quoting *Dolman v. Agee*, 157 F.3d 708, 712 (9th Cir. 1998).

13 Under the 1909 Act, when one person employs another to create an artistic
14 work it gives rise to a *presumption* that the parties’ *mutual intent* is for title to the
15 copyright to belong to the employer at whose instance and expense the work is
16 created. *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir 1965)
17 (work for hire status turns on “mutual intent of the parties”). However, the
18 presumption of copyright in the employer is rebuttable, as it “is based on the
19 presumed mutual intent of the parties.” *May v. Morganelli-Heumann & Assoc.*, 618
20 F.2d 1363, 1368 (9th Cir.1980); *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2nd
21 Cir. 1939), *cert. denied*, 309 U.S. 686 (presumption rests upon presumed intention).

22 Thus courts have often refused to apply the work for hire doctrine *even in the*
23 *context of an employer-employee relationship*. See e.g., *Dolman*, 157 F.3d at 712 (no
24 evidence that songs written within scope of author’s employment and the written
25 assignment of songs to employer’s company rebutted any work for hire presumption);
26 *Shapiro, Bernstein & Co. v. Jerry Vogel Music Co.*, 221 F.2d 569, 570 (2d Cir. 1955),
27 *modified on other grounds*, 223 F.2d 252 (2d Cir. 1955) (where employer purchased
28 song lyric from employee by paying him to write the lyric, court found that because

1 this was in addition to his salary and a special job assignment, it was not a work for
2 hire); *see also Forward v. Thorogood*, 985 F.2d 604, 606-7 (1st Cir. 1993) (court
3 refused to apply work for hire doctrine to music demo tapes created with plaintiff's
4 financial assistance, because while he booked and paid studio to create tapes, "he
5 neither employed nor commissioned the band members.").

b. Defendants' "Work For Hire" Claim Is Precluded
By Res Judicata And Collateral Estoppel

8 Defendants did not allege that Action Comics, No. 1 (*i.e.*, the Original
9 Superman Strips) was a work for hire in their Counterclaim or Answer, in apparent
10 recognition that it was not and that they are precluded from claiming otherwise. *See*
11 FACC (Toberoff Decl., Ex. R) and Answer. However, Defendants allege that at
12 Detective’s request Siegel and Shuster cut and pasted their pre-existing “Superman”
13 newspaper strip into a magazine format and that “upon information and belief” they
14 added additional material (“*Purported Additional Material*”) to create the Re-cut 1933
15 Superman Strip published as Action Comics, No 1. FACC, ¶¶ 11, 14. Defendants
16 erroneously claim that the *Purported Additional Material* is “work for hire” as
17 allegedly prepared “at the instance and expense of [Detective] and subject to its right
18 of control,” “and that the copyright therein was owned by Detective *ab initio*,” that is,
19 from inception. FACC, ¶ 132.

20 Defendants have the burden to prove what Purported Additional Material they
21 refer to because by all accounts the conversion of the 1933 Superman Strip
22 (newspaper format) to the Re-cut 1933 Superman Strip (magazine format) published
23 in Action Comics, No. 1 was largely mechanical involving cut and pasting, slight re-
24 lettering, and trimming panels to fit a magazine format. *Siegel*, 508 F.2d at 914.

25 In *Siegel*, 508F.2d at 914, the Second Circuit held that “Superman” as first
26 published by Detective (in Action Comics, No. 1) was not a “work for hire.” (“The
27 court below had held that **Superman** was also a “work for hire” within the meaning
28 of the Copyright Act, 17 U.S.C. § 26...We disagree.”). Defendants are therefore

1 precluded under *res judicata* and collateral estoppel principles from again claiming
2 that Action Comics, No. 1, or any part thereof, is a “work for hire.”

3 In fact, Defendants’ claim as to the Purported Additional Material is
4 specifically precluded by *Siegel*. The Second Circuit expressly considered the 1948
5 Findings on the conversion of Siegel and Shuster’s 1933 “Superman” newspaper strip
6 to a magazine format *at Detective’s request* at that this was insufficient to transform it
7 into a work for hire:

8 “There was no conclusion of law in the state court that the comic strip
9 was a work for hire so as to create the presumption that the employer
10 was the author. That issue was not litigated at all in state court. On the
11 contrary, the court’s finding of fact no. 8 was that the plaintiffs were “the
12 originators and authors of the cartoon character **SUPERMAN** and of the
13 title **SUPERMAN** and first created cartoon material in which the said
14 character and title first appeared in 1934. . . .” The court below instead
15 relied upon finding of fact no. 22 in which the state court found that the
16 plaintiffs did not revise and expand the **Superman** material at the
17 request of the defendants and that this revised material constituted the
18 formula for the ensuing series of strips. We do not consider this
19 tantamount to a conclusion that **Superman** was a work for hire.”

20 508 F.2d at 914. The Second Circuit concluded that “Superman” and his powers had
21 been fully developed by Siegel and Shuster on their own and that any mechanical
22 revisions that may have been directed by Detective shortly before “Superman’s” first
23 publication in Action Comics, No. 1 were simply to accommodate a magazine format

24 “Superman had been spawned by the plaintiffs four years before the
25 relationship between the authors and the defendants existed...Superman
26 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.”

27 *Id.* (emphasis added).

28 Defendants are thus precluded from re-litigating the claim or issue of whether
the Purported Additional Materials comprising such “revisions” was a “work for
hire” under the doctrines of *res judicata* or collateral estoppel.

1 c. The Purported Additional Material, To

2 The Extent It Exists, Was Not "Work For Hire"

3 Even if the Court re-opened the "work for hire" issue, contrary to the
4 preclusive effect of *Siegel*, 508 F.2d at 914, Defendants' admissions and
5 documentary evidence also mandate a finding that the Purported Additional Material,
6 to the extent it exists, was not "work made for hire."

7 Defendants claim that they owned the Purported Additional Material "at
8 inception" merely because they requested that Siegel and Shuster cut and paste their
9 newspaper strip into a magazine format makes no sense. When Siegel and Shuster
10 re-cut their Superman strip they did so "on spec" on their own volition as they were
11 still merely trying to get their work published. 1948 FOF, Fact 32, 34; Toberoff
12 Decl., Ex. B.

13 It is undisputed that they presented their Re-cut 1933 Superman Strip to
14 Detective in February, 1938. *Siegel*, 364 F.Supp. at 1034; *Siegel*, 508 F.2d at 911. At
15 that point Detective had not even accepted their work for publication. Detective
16 purchased Siegel and Shuster's thirteen page *Re-cut 1933 Superman Strip* in the
17 March 1, 1938 Grant *after* it was submitted to Detective and accepted for publication.
18 See 1948 FOF, Fact 32 ("The first thirteen pages of SUPERMAN material ...were in
19 existence...before the execution of the instrument of March 1, 1938."); *Siegel*, 364
20 F.Supp. at 1034; *Siegel*, 508 F.2d at 911. Defendants acknowledge this. FACC, ¶ 11
21 ("Siegel and Shuster cut and pasted the [newspaper]comic strips...to create a thirteen
22 page comic book story which was accepted for publication by [Detective]").

23 Detective was under no obligation to pay Siegel and Shuster for their Re-cut
24 1933 Superman Strip until such had been completed by Siegel and Shuster on spec
25 and Detective had accepted it for publication and *purchased* the finished product in
26 the March 1, 1938 Grant. See Toberoff Decl., Ex. E.

27 *Dolman*, 157 F.3d at 712, is instructive. The plaintiff copyright owner sued a
28 music publisher regarding certain movie soundtrack compositions created in the

1 1930s. The author had composed the songs as an employee of a company that had
2 contracted with a movie company to create soundtracks, and he later assigned the
3 songs to the music publishing arm of his employer. The Ninth Circuit affirmed the
4 district court's refusal to apply the "work for hire" doctrine on the grounds that there
5 was no evidence that the songs were within the scope of the author's employment;
6 nor written at his employer's "instance and expense." Significantly, the Court stated:

7 "Moreover, even if [defendant] had established that [the author] created
8 the songs at the instance and expense of [his employer] or [the movie
9 company], [plaintiff] rebutted the work for hire presumption," by
10 having executed an assignment to his employer's company: "Had the
11 works been intended to be works for hire for [his employer], there would
12 have been no reason for [the music publishing subsidiary] to accept an
13 invalid assignment of rights from [the author], knowing that its parent
14 company already owned those rights." *Id.* at 712-13. Additionally, "[the
15 music publishing subsidiary] licensed the synchronization rights in the
16 songs to [the movie company]. Had the songs been written for [the
17 movie company] as works for hire, there would have been no need for
18 such a license." *Id.*

19 Here, as in *Dolman*, the very existence of the March 1, 1938 Grant belies the
20 notion that the Re-cut 1933 Comic Strip was "for hire." If it were a work for hire,
21 there would be no rights to grant because the work would have been owned at
22 inception by Detective. It is undisputed that the parties executed the March 1, 1938
23 Grant after receiving the Re-cut 1933 Superman Strip in February, 1938, Detective
24 decided to publish it, and thus purchased the material in the March, 1938 Grant.
Siegel, 364 F.Supp. at 1034; Siegel, 508 F.2d at 911; 1948 FOF, Fact 32. It is clear
that the copyright to both the Original Superman Strips resided with Siegel and
Shuster, to be assigned if and only if their speculative work was thereafter accepted
and purchased by Detective. As such, no portion of the Original Superman Strips,
published in Action Comics, No. 1, is "work for hire."

25 **2. The Termination Notice Was Not Required To List The**
26 **1948 Consent Judgment**

27 As set forth above, all rights to Siegel's Original Superman Strips were granted
28 to Defendants' alleged predecessor, Detective, in the March 1, 1938 Grant. Siegel,

1 508 F.2d at 913-914; 1948 COL, Conclusion 1. The regulations promulgated under
2 17 U.S.C. § 304(c) by the Register of Copyrights ask for “a brief statement
3 reasonably identifying the grant to which the notice of termination applies.” 37
4 C.F.R. § 201.10(b)(1)(iv). In compliance, Plaintiffs’ Termination Notice No. 1
5 identified the March 31, 1938 Grant as the grant being terminated. Toberoff Decl. Ex.
6 G. On the noticed April 16, 1999 Termination date, Siegel’s joint copyright interest
7 in the Original Superman Strips reverted to Plaintiffs as further set forth above.

8 As discussed above, Plaintiffs’ served on Defendants and filed with the
9 Copyright Office six additional Termination Notices, Nos. 2-7, out of an abundance
10 of caution, to the extent that the respective agreement set forth in each such notice,
11 granted *or might be construed to have granted* “Superman” works by Siegel.
12 Toberoff Decl. Ex. H-M.

13 Amongst Plaintiffs’ additional notices, Termination Notice No. 6 listed the
14 May 19, 1948 Stipulation which settled the 1947 Action, wherein Siegel and Shuster
15 re-acknowledged National’s ownership of “Superman” and received money for
16 Siegel’s grant of “Superboy” to National. Termination Notice No. 5, ¶ 3, p. 551,
17 Toberoff Decl., Ex. K; May 19, 1948 Stipulation, Toberoff Decl., Ex. C. The May
18 19, 1948 Stipulation provided for the May 21, 1948 Consent Judgment that was
19 entered into two days later incorporating the terms agreed upon in the stipulation.

20 Defendants nonetheless asserted that Plaintiffs’ Terminations are purportedly
21 defective for not *also* listing the May 21, 1948 Consent Judgment. See FACC, ¶¶ 66-
22 68. Firstly, the May 21, 1948 Consent Judgment is a judgment, not a “grant” of
23 copyright. See 37 C.F.R. § 201.10 (b)(1)(iv). Secondly, the May 21, 1948 Consent
24 Judgment merely follows the parties’ underlying May 19, 1948 Stipulation entered
25 into two days earlier which *is* explicitly identified in Plaintiffs’ Termination Notice
26 No. 6. Thirdly, because the March 1, 1938 Grant constituted the operative grant of
27 “Superman” to National’s predecessors-in-interest, the subsequent May 21, 1948
28 Consent Judgment did not as a matter of law convey that which was previously

1 granted in 1938, and already in National's possession on May 21, 1948. *Siegel*, 508
2 F.2d at 913-914; 1948 COL, Conclusion 1.

3 The Consent Judgment also has no adverse impact on Plaintiffs' Termination
4 as "[t]ermination...may be effected notwithstanding any agreement to the contrary"
5 17 U.S.C. § 304(c)(5); and Siegel's or Plaintiffs' reversionary termination interest
6 under Section 304(c) could not have been assigned, as a matter of law, until "after the
7 notice of termination ha[d] been served [in 1997]". 17 U.S.C. § 304(c)(6)(B),(D).

8 As stated, the 1948 Consent Judgment merely acknowledges what was
9 previously granted to Detective and National in agreements explicitly identified in
10 Plaintiffs' Termination Notices (e.g., the March 1, 1938 Grant of the Original
11 Superman Strips.) However, even if the May 21, 1948 Consent Judgment is
12 somehow deemed a grant of rights previously granted (it is not and can not be),
13 Plaintiffs' identification of the underlying May 19, 1948 Stipulation "reasonably
14 identifies" the parallel May 21, 1948 Consent Judgment which was issued pursuant to
15 the stipulation and mirrors it. *See* 37 C.F.R. §201.10 (b)(1)(iv).

16 There is little case law on notice of termination formalities. In *Burroughs v.*
17 *MGM*, the court found that a Section 304(c) termination notice identifying a single
18 1923 grant and 35 titles, applied to only the titles listed, but was not rendered
19 ineffective with respect to those 35 titles by the fact that many of the titles were
20 assigned by the author in subsequent grants that had not been identified in the
21 termination notice. 683 F.2d 610, 614, 618, 622 (2d. Cir. 1982) ("As further Tarzan
22 books were written, the rights in these were also transferred to the corporation").

23 *Music Sales Corp. v. Morris*, 73 F. Supp. 2d 364, 378 (SDNY 1999), came to a
24 similar conclusion. There, the termination notice simply identified the grant as "grant
25 or transfer of copyright and the rights of copyright proprietor, including publication
26 and recording right only." *Id.* The Court held that the notice was adequate even
27 though this "generic statement would not seem to reasonably identify the grant." *Id.*

28 Defendants received more than ample *notice* within the statutory time frame of

1 Plaintiffs' intention to terminate prior grants of Siegel's "Superman" work and were
2 in no way prejudiced by Plaintiffs' not listing the May 21, 1948 Consent Judgment in
3 addition to the parallel May 21, 1948 Stipulation, the operative March 1, 1938 Grant
4 and three other prior agreements. *See* Terminations Nos. 1-6, Toberoff Exs. G-L.
5 The regulations of the Register of Copyright, on which Defendants purport to rely,
6 specifically dissuade such hyper-technical attempts to invalidate termination notices:
7 "Harmless errors in a notice that do not materially affect the adequacy of the
8 information required to serve the purposes of ...section 304(c) of title 17,
9 U.S.C....shall not render the notice invalid." 37 CFR § 201.10(e)(1). Nor is such a
10 result supported by case law as set forth above.

11 Defendants alleged the same unavailing Consent Judgment defense with
12 respect to Plaintiffs' Superboy Termination in the Superboy Action (Case No. 04-
13 8776). In granting Plaintiffs' motion for partial summary judgment, Judge Lew
14 dismissed this purported defense as without merit:

15 "Defendants argued that Plaintiffs failed to comply with the termination
16 regulations, because the termination notices only list the May 19, 1948
stipulated agreement, but did not list the May 21, 1948 'Final Consent
Agreement.

17 This court finds that *no genuine issue exists that the operative grant of*
18 *“Superboy” by Jerome Siegel was the May 19, 1948 stipulated*
19 *settlement* and that the consent judgment merely followed the parties’
20 stipulation and was entered by the Court two days later. Additionally,
Regulation 201.10(b)(1)(iv) merely requires a “brief statement
reasonably identifying the grant to which the notice of termination
applies.” In fact, Regulation 201.10(e) provides that:

23 Here, by listing the May 19, 1948 stipulated settlement, the termination
24 notices provide a brief statement reasonably identifying the grant in
25 question. Even, if including the May 21, 1948 consent judgment would
have provided additional notice, its absence in no way materially
affected the adequacy of Plaintiffs' notice.”

27 Order Granting Plaintiffs' Motion For Partial Summary Judgment & Denying
28 Defendants' Motion for Summary Judgment, entered March 24, 2006, at pp. 12-13,

1 Toberoff Decl., Ex. U. This holding and logic applies with equal force to the
2 Superman Action “where the operative grant” of the Original Superman Strips was
3 the March 1, 1938 Grant.

3. The December 23, 1975 Agreement Was Unaffected By Defendants Later Payment Of A Pension To Joanne Siegel And, In Any Event, Was Not An Operative "Superman" Grant

7 The December 23, 1975 Agreement was listed by Plaintiffs in the separate
8 Termination Notice No. 7 out of an abundance of caution, though it did not constitute
9 or contain a copyright grant in Siegel and Shuster's "Superman" works. Toberoff
10 Decl., Exs. M, Y. Moreover, Plaintiffs need not have served and filed Termination
11 Notice No. 7 to have recaptured Siegel's copyright interest in the Original Superman
12 Strips because this was accomplished by Plaintiffs' Termination No. 1 of the
13 operative March 1, 1938 Grant which had assigned all rights therein to Detective.
14 *Siegel*, 508 F.2d at 913-914; 1948 COI, Conclusion No. 1

15 Yet, Defendants erroneously claim herein that Plaintiff Joanne Siegel's
16 continued receipt of a widow's benefit after the Termination Date effectively
17 reinstated and somehow transformed the December 23, 1975 Agreement into a
18 subsisting "Superman" copyright grant by Siegel and Shuster. FACC, ¶¶ 70-76.

19 The 1974 Action confirmed that Defendants' predecessor, Detective, was
20 assigned all rights in "Superman" by Siegel and Shuster in their March 1, 1938 Grant.
21 *Siegel*, 508 F.2d at 913-914.⁸ WCI, to engender good will prior to the release of its
22 first "Superman" movie, nonetheless agreed in the December 23, 1975 Agreement to
23 pay Siegel and Shuster a small monthly stipend. December 23, 1975 Agreement, ¶ 5,
24 Toberoff Decl., Ex. Y. Plaintiffs were not parties to the December 23, 1975
25 Agreement. *Id.*

²⁷ ⁸ Additional agreements followed the March 1, 1938 Grant as set forth above which re-affirmed Detective's and then their successors' ongoing ownership of "Superman" as follows: the September 22, 1938 Agreement, the McClure September 22, 1938 Agreement, and the December 19, 1939 Agreement. *See Siegel*, 364 F. Supp. at 1034.

1 Tellingly, the December 23, 1975 Agreement specifically acknowledged that
2 the 1974 Action held that WCI already owned all rights to "Superman": "The Court
3 of Appeals unanimously decided that 'all rights in Superman, including the renewal
4 copyright, have passed forever to [National Periodical Publications, Inc., a Warner
5 subsidiary.]'" December 23, 1975 Agreement, ¶ 3, Toberoff Decl., Ex. Y; *see also*
6 *Siegel*, 508 F.2d at 913-914. The December 23, 1975 Agreement therefore
7 acknowledged that the payment to Siegel and Shuster was not a negotiated payment
8 in exchange for a grant of "Superman" rights and specifically stated that WCI had no
9 obligation to make such payment:

10 "4. Warner does not have any legal obligation to pay you any sum of
11 money whatsoever and does not acknowledge that any wrong has been
done to you.

12 5. Warner has nevertheless determined, in consideration for your
13 past services to Warner and in view of your present circumstances, to
make the following voluntary payments."

14 *Id.*, ¶¶ 4-5. The December 23, 1975 Agreement further provided as follows:

15 "In addition, if Jerry Siegel dies, on or before December 31, 1985, Warner
16 will pay his wife, Joanne Siegel, if she survives him, monthly payments at
the rate of \$20,000 a year, commencing on the date of Jerry's death, and
17 ending December 31, 1985, and thereafter monthly payments at the rate of
\$10,000 a year for the balance of her life."

18 *Id.*, ¶ 5 b. It is undisputed that Jerry Siegel died on January 28, 1996. Thus, Joanne
19 Siegel was not eligible for any payments under the December 23, 1975 Agreement.

20 At Joanne Siegel's request, Warner agreed by letter dated March 15, 1982 that
21 they would pay her a widow's pension if her husband predeceased her. This payment
22 was also voluntary and in no respect tied to any grant of rights in "Superman" or the
23 Original Superman Strips. Toberoff Decl., Ex. FF.

24 Firstly, the December 23, 1975 Agreement, as set forth above, does not contain
25 a grant of any copyrights in "Superman." Toberoff Decl., Ex. U. Secondly, the
26 December 23, 1975 Agreement, as a matter of law, could not have granted copyrights
27 in "Superman" that were already in WCI's possession, as acknowledged by the
28 December 23, 1975 Agreement, itself. This entirely moots Defendants' purported

1 defense. Even in the unlikely event that Joanne Siegel's receipt of her widow's
2 benefit after April 16, 1999 was found to have somehow reinstated the December 23,
3 1975 Agreement, this, at best, could affect only Plaintiffs' Termination of the
4 December 23, 1975 Agreement. Because the December 23, 1975 Agreement did not
5 contain a grant of any rights in "Superman," and certainly did not grant rights in the
6 Original Superman Strips transferred in the March 31, 1938 Grant, this purported
7 reinstatement, no matter how unlikely, would have no affect.

8 The December 23, 1975 Agreement, even if it contained a grant and had been
9 reinstated (it did not and was not)⁹, it could not, in any event, effectively assign
10 Plaintiffs' termination interest because Plaintiffs *were not parties* to the December
11 23, 1975 Agreement. Additionally, Plaintiffs' reversionary termination interest under
12 Section 304(c) could not have been assigned by Jerome Siegel in 1975 because under
13 the Copyright Act such an interest can not be assigned until "after the notice of
14 termination ha[d] been served [in 1997]." 17 U.S.C. § 304(c)(6)(B),(D).

15 Lastly, if Warner's agreement to pay Joanne Siegel a widow's pension is
16 misconstrued to somehow re-instate the December 23, 1975 Agreement and
17 transform it into a copyright grant such would also contradict the Copyright Act's
18 prohibition that "[t]ermination...may be effected notwithstanding any agreement to
19 the contrary" 17 U.S.C. § 304(c)(5). *See Marvel*, 310 F.3d at 291.

20 **4. Plaintiffs' Ownership Of The Recaptured Superman**
21 **Copyrights Is Not Barred By The Statute of Limitations**

22 Plaintiffs' claims for declaratory relief as to the validity of their "Superman"
23 Terminations are not barred by the Copyright Act's three year statute of limitations,
24 17 U.S.C. § 507(b), or other statute of limitations, as alleged by Defendants. FACC,
25 ¶¶ 90-96; Answer, ¶ 110.

26 ⁹ As shown above, Joanne Siegel was not eligible for any payments under the express terms of the
27 December 23, 1975 Agreement because the condition precedent that Siegel "die[], on or before
28 December 31, 1985" did not occur. December 23, 1975 Agreement, ¶ 5 b., Toberoff Decl., Ex. U.
It is unlikely that her acceptance today of a pension voluntarily paid by Warner has the effect of
reinstating the December 23, 1975 Agreement to which she was not a party. Toberoff Decl., Ex. FF.

1 a. Plaintiffs' Complaint Was Filed Within the
2 Purported Statute of Limitations

3 As shown below, 17 U.S.C. § 507(b)'s three year statute of limitations does not
4 act as a bar to copyright recapture pursuant to 17 U.S.C. §304(c). Notwithstanding
5 this, even if the three year statute of limitations were held to be triggered by a
6 publisher's express repudiation of a §304(c) termination, Plaintiffs nonetheless filed
7 their complaint *before* the statute ran.

8 As set forth above, Plaintiffs served their Terminations on April 3, 1997 by
9 regular mail and by certified mail, return receipt requested. Toberoff Decl., Exs. G-
10 M. On April 15, 1999, one day before the effective Termination Date, DC sent
11 Plaintiffs a letter (the "April 15, 1999 Letter") "rejecting the scope and validity of the
12 [Terminations]." FACC, ¶ 71. It states in relevant part:

13 "[T]he absence of any steps towards negotiation for two years,
14 particularly on the "eve" of the April 16, 1999 purported "effective" date
15 of the termination, leaves us concerned. Thus our client has no
16 alternative **but to move to the stage of putting your clients on clear**
17 **notice**, as set forth below, of DC Comics' rights and of its
18 determination, if it becomes necessary, to take all appropriate and
necessary steps to protect those rights. First, your clients are hereby put
on notice that DC Comics rejects both the validity and scope of the
Notices and will vigorously oppose any attempt by your clients to
exploit or authorize the exploitation of any copyrights, or indeed any
rights at all, in Supe nan."

19 Toberoff Decl. Ex. Q. (emphasis added).

20 To facilitate settlement negotiations, the parties entered into a tolling
21 agreement dated April 6, 2000 (the "Tolling Agreement"), effective as of said date,
22 just in case any time based defenses could later be claimed by either side. *Id.* Ex. Z,
23 at ¶ 1. By its express terms the Tolling Agreement remained in force until:

24 "10 business days after the earlier of: (a) one of the parties terminating
25 negotiations, in writing, relating to the Notices, or (b) the parties
reaching an amicable resolution of the disputes between them relating to
the Notices [of Termination]."

27 *Id.* at ¶ 7.

28 On September 21, 2002, Plaintiffs sent a letter to DC, indicating that they were

1 "stopping and ending negotiations with DC Comics, Inc., its parent company AOL
2 Time Warner and all of its representatives and associates, effective immediately."
3 *Id.*, Ex. AA. Consequently, the Tolling Agreement ended "10 business days" later on
4 October 4, 2002. *Id.*

5 The statute of limitations cannot be used to effectively bar Plaintiffs' section
6 304(c) Terminations. However, in the unlikely the statute is even held to apply, it
7 would not start to run until Defendants had communicated to Plaintiffs a *clear* and
8 *express repudiation* of their Terminations. *Aalmuhammed v. Lee*, 202 F.3d 1227,
9 1231 (9th Cir. 2000) (a "plain and express repudiation" is required under § 507(b)).

10 By Defendants' own admission this did not happen until **April 15, 1999**. *See*
11 FACC, ¶ 91 ("effective at least as early as April 15, 1999, Plaintiffs/ Counterclaim
12 Defendants were on notice that DC Comics rejected the Superman Notices."); *see*
13 *also* April 15, 1999 Letter ("our client has no alternative but to move to the next stage
14 of putting your clients on clear notice ... that DC Comics rejects both the validity and
15 scope of the Notices"), Toberoff Decl., Ex. Q.

16 Therefore the statute of limitations calculation (to the extent the statute is even
17 applicable) is as follows. Three years equals 1,095 days. April 15, 1999 to April 6,
18 2000 (the date the Tolling Agreement commenced) equals 357 days, with 738 days
19 left to run. Tolling Agreement, ¶ 1, Toberoff Decl., Ex. Z. The Tolling Agreement
20 was in place until October 4, 2002, "ten business days after [Plaintiffs] terminat[ed]
21 negotiations" by letter dated September 21, 2002. *Id.*, ¶ 7; Toberoff Decl., Exs. Z;
22 AA. October 4, 2002 plus the 738 days left to run means the statute, if applicable,
23 would run on October 12, 2004. Thus, to the extent the statute of limitations is even
24 held to run against Plaintiffs' Terminations, they would have had until **October 12,**
25 **2004** to file their complaint in the Superman Action. Plaintiffs timely filed their
26 complaint regarding the "Superman" Terminations on **October 8, 2004**. Toberoff
27 Decl., Ex. X.

28 b. **Strong Policies Disfavor Using The Statute of**

Limitations To Bar Termination Under § 304(c)

The legislative purpose of the Section 304(c) termination right is to relieve authors “of the consequences of ill-advised and unremunerative grants” to publishers in recognition of the unequal bargaining power between authors and publishers. *Mills Music*, 469 U.S. at 172-73. One could find not better example of this than Siegel and Shuster’s March 1, 1938 Grant of “Superman” to Detective for \$130 in order to see their work published. Toberoff Decl., Ex. E.

8 So important are the policies behind this authorial recapture right that it trumps
9 ordinary principles of contract and can be effected simply by the ministerial act of
10 giving notice within a defined time window. *See* 17 U.S.C. §§ 304(d)(1), (c)(4)(A).
11 The importance Congress placed on this statutory recapture right is further evidenced
12 by the concerted safeguards it built into the 1976 Act’s termination provisions. *See*
13 *e.g.*, §304(c)(5) (“Termination of the grant may be effected notwithstanding any
14 agreement to the contrary”); 17 U.S.C. § 304(c)(6)(B),(D) (reversionary termination
15 interest can not be conveyed to original assignee until “after the notice of termination
16 has been served.”). Thus, this recapture right has repeatedly been held to be
17 “inalienable.” *Mills Music*, 469 U.S. at 172-73, quoting H.R. Rep. at 124; *Stewart v.*
18 *Abend*, 495 U.S. at 230; *Tasini*, 533 U.S. at 497 (discussed author’s comparable
19 termination right under 17 U.S.C. § 203(a)(5)).

20 Congress surely did not intend that its concerted efforts to safeguard this
21 important recapture right could so easily be foiled by a publisher's predictable denial
22 of a termination notice's validity, allegedly triggering the statute of limitations.¹⁰
23 This would effectively mean that an author or his family, after waiting 56 years for
24 the termination window to open, would purportedly forever lose their recaptured

¹⁰ Interestingly, if the three year statute of limitations were to apply to Plaintiffs' Termination, then it would appear that any claims by Defendants would be barred as they failed to seek declaratory relief until long after April 3, 2000, i.e., within 3 years of being served with Plaintiffs' Terminations on April 3, 1997. Plaintiffs' Termination surely constitutes a clear and express repudiation of Defendants' exclusive copyright interests in "Superman." *Aalmuhammed*, 202 F.3d at 1231. As mere successors in interest, Defendants do not sit on a higher plain than the statutorily endowed widow and children of "Superman's" co-creator. 17 U.S.C. § 304(c)(1).

1 copyright if they did not undertake or, as will often be the case, could not afford to
2 undertake, the enormous expense of full blown litigation, within three years of any
3 repudiation by the publisher, *regardless of its merit*. See 17 U.S.C. §§ 304(d)(1),
4 (c)(4)(A). Clearly such interpretation contradicts the strong policies underlying the
5 recapture right and its objective of “leveling” the playing field for authors and their
6 families. *Stewart*, 495 U.S. at 230.

c. Section 507(b) Is Not A Bar To Copyright Ownership

8 The Copyright Act's three year statute of limitations, 17 U.S.C. § 507(b),
9 does not eliminate the substantive right of copyright ownership; it only limits a
10 copyright owner's remedies to three years before suit. In much the same way that a
11 copyright owner does not lose his copyright by failing to sue an infringer within three
12 years, an owner does not lose his copyright interest by failing to request declaratory
13 relief and an accounting within three years. *Stone v. Williams*, 970 F.2d 1043, 1051
14 (2d Cir. 1992), *cert. denied*, 508 U.S. 906 (1993).

15 A request for declaratory relief under the Copyright Act is “a procedural device
16 used to vindicate substantive rights, it is time-barred only if relief on a direct claim
17 would also be barred.” *Stone*, 970 F.2d at 1048; *see Luckenbach S.S. Co. v. U.S.*, 312
18 F.2d 545, 548 (2d Cir. 1963); *Romer v. Leary*, 425 F.2d 186, 188 (2d Cir. 1970)(in
19 declaratory relief actions, one looks to the underlying coercive claim in applying the
20 statute of limitations). The coercive relief Plaintiffs’ seek is payment of their share of
21 the income earned by the Recaptured Superman Copyrights. Plaintiffs’ property right
22 is violated each time Defendants fail to account to them and the limitations period
23 begins to run regarding that wrong. *See Shapiro, Bernstein & Co. v. Jerry Music Co.*,
24 223 F.2d 252, 254 (2d Cir. 1955); *Stone*, 970 F.2d at 1051. Because Plaintiffs’
25 underlying coercive claim for profits from the Recaptured Superman Copyrights is
26 not time-barred, Plaintiffs’ procedural claim for declaratory relief is not time-barred.

27 *Stone, supra*, is factually on point and based on controlling law. *Stone* held
28 that 17 U.S.C. § 507(b) does not bar a declaratory relief action to establish copyright

1 ownership or an accounting action but only limits the damages (past profits) to three
2 years within suit. 970 F.2d at 1051. While potentially limiting damages, *Stone* held
3 that the statute cannot terminate the substantive right of copyright co-ownership.

4 The plaintiff in *Stone* was the daughter of country singer songwriter Hank
5 Williams, Sr. In 1985, she filed suit seeking a declaration that she is a one-third co-
6 owner of the renewal copyright to her father's songs and to an accounting of her
7 share of profits from their exploitation. *Id.* at 1046. Ms. Stone was legally entitled to
8 share in the profits at least six years earlier in 1979. The district court granted
9 summary judgment holding her barred by § 507(b) because she had notice of her
10 copyright claim more than four years prior to filing her lawsuit. *Id.* at 1047.

11 The Second Circuit *reversed* and held, based on established precedent, that 17
12 U.S.C. § 507(b) cannot be applied to cause the forfeiture of copyright ownership as
13 the statute limits only *remedies* to three years from when suit is filed. *Id.* at 1051.
14 The *Stone* Court expressly rejected the proposition that copyright ownership is
15 forfeited when a co-owner fails to assert her rights within the limitations period. *Id.*
16 at 1050-51; *citing Hampton v. Paramount Pictures Corp.*, 279 F.2d 100, 104 (9th Cir.
17 1960), *cert. denied*, 364 U.S. 882 (1960) (upheld owner's failure to assert copyright
18 for 25 years).

19 *Stone* should be applied to the case at bar given the symmetry of facts and legal
20 issues presented in the two cases. In reversing the lower court, *Stone* addressed the
21 same issue that is before this Court: the application of 17 U.S.C. §507(b) to a
22 declaratory relief action regarding a fractional copyright ownership interest and a
23 request for an accounting, constructive trust and profits. 970 F.2d at 1048; *see First*
24 *Amended Complaint*, ¶¶ 52-73. While Ms. Stone's copyright entitlement is based on
25 her status as Hank Williams' daughter under 17 U.S.C. § 304(a), Plaintiffs'
26 entitlement is based on their status as Siegel's widow and daughter, respectively,
27 under 17 U.S.C. §§304(a) and (c), and the exercise of their termination rights under
28 §304(c) by the ministerial act of giving notice.

1 Stone correctly relied on “the long established rule” directly applicable to the
2 case at bar that “statutes of limitations bar remedies, not the assertion of rights.” *Id.*
3 at 1051. This bedrock principle of law is expressly acknowledged by the Supreme
4 Court: “[A]s a matter of constitutional law...statutes of limitations go to matters of
5 remedy, not to destruction of fundamental rights.” *Chase Securities Corp. v.*
6 *Donaldson*, 325 U.S. 304, 314, 89 L.Ed. 1628, 65 S.Ct. 1137 (1944).

7 The Ninth Circuit also holds that “[s]tatutes of limitations generally cut off the
8 remedy without extinguishing the right.” *Osmundsen v. Todd Pac. Shipyard*, 755
9 F.2d 730, 733 (9th Cir. 1985). This “constitutional” principle has been directly
10 applied to the Copyright Act. In *Prather v. Neva Paperbacks, Inc.*, 446 F.2d 338, 340
11 (5th Cir. 1971), the Court held that 17 U.S.C. § 507(b) “affect[s] the remedy only, not
12 the substantive right” based on the legislative history of its nearly identical
13 predecessor, § 115(b).¹¹ Because Plaintiffs’ substantive copyright ownership exists
14 by *operation of law*, it can *not* be extinguished by § 507(b).

15 **G. No Agreement Was Consummated By The Parties Regarding**
16 **Plaintiffs’ Recaptured Superman Copyrights Or Recaptured**
17 **Superboy Copyrights As A Matter Of Law**

18 After the within actions were filed by Plaintiffs on October 4, 2004 for a
19 declaration that they had successfully recaptured Siegel’s original “Superman” and
20 “Superboy” copyright interests, Defendants claimed *for the very first time* that they
21 purportedly purchased such interests in October, 2001 in a supposed written
22 agreement even though it was clear from the record and the parties’ conduct that no
23

24 ¹¹ The *Prather* Court referred to Senate Report which stated, “The committee [on the Judiciary]
25 wishes to emphasize that it is the committee’s intention that the statute of limitations, contained in
26 this bill, is to extend to the remedy of the person affected thereby, and not to his substantive rights.”
27 S. Rep. No. 1014, 85th Cong., 1st Sess. 3 (1957). The House Report stated: “[A]ll state statutes of
28 limitation, which now govern the Federal courts in copyright actions, are limitations upon the
remedy, and the present bill has been drawn to apply this concept to a uniform Federal period of
limitations.... Moreover, it was considered that the long-standing fact that both the copyright bar and
the courts have become accustomed to a limitation based upon the remedy warranted a continuation
of this concept in the present bill.” H.R. Rep. No. 150, 85th Cong., 1st Sess. 2 (1957).

1 agreement had been made. See Counterclaim, ¶¶ 98-105, Answer, ¶¶ 112-113.

2 Three key documents demonstrate that as a matter of law no agreement was
3 ever consummated: (1) a letter dated October 19, 2001 (the October 19, 2001
4 Letter") from Plaintiffs' then counsel, Kevin Marks ("Marks") to Warner's general
5 counsel, John Schulman ("Schulman"), Toberoff Decl., Ex. BB; (2) a reply letter
6 dated October 26, 2001 from Schulman to Marks, attaching an outline of purported
7 deal terms (collectively, the "October 26, 2001 Letter"), Toberoff Decl., Ex. CC; and
8 (3) a proposed first draft of an agreement sent by Defendants' outside counsel to
9 Marks on February 1, 2002 (the "February 1, 2002 Draft"), Toberoff Decl., Ex. DD.

10 The relevant history is as follows. In 2000 and 2001 the parties communicated
11 sporadically concerning the potential settlement (*i.e.*, purchase or license) of
12 Plaintiffs' Recaptured Superman Copyrights (and regarding another character called
13 "Spectre," not at issue herein). FACC, ¶¶ 51, 52. These negotiations became
14 increasingly complex and led to an October 16, 2001 conference between the parties'
15 counsel, Schulman and Marks, in which many different terms, including complicated
16 contingent compensation formulas, were discussed. Toberoff Decl., Exs. BB, CC.
17 Thereafter, Marks sent Schulman the October 19, 2001 Letter which stated as
18 follows:

19 "The Siegel Family (through Joanne Siegel and Laura Siegel Larson, the
20 majority owners of the terminated copyright interests) has accepted D.C.
21 Comics' offer of October 16, 2001 in respect of the "Superman" and
"Spectre" properties. The terms are as follows: . . ."

22 Toberoff Decl., Ex. BB, p. 1. The October 19, 2001 Letter proceeded to set forth
23 financial and other terms and concluded by stating:

24 "***John [Schulman], if there is any aspect of the above that is somehow
misstated, please let me know... I will be out of the office... for the
following four weeks.***"

25 *Id.*, at p. 1-6 (emphasis added).

26 Schulman responded to Marks' October 19, 2001 Letter by his October 26,
27 2001 Letter, stating as follows:

1 “I have received, and have finally had a chance to review, your outline
2 fax of October 19. *I enclose herewith* for you and Bruce ~~the~~ *a more fulsome outline of what we believe the deal we've agreed to is.*
3 We're working on the draft agreement so that by the time you

4 [return]...we will have this super-matter transaction in document form.”

5 Toberoff Decl., Ex. CC (emphasis added). As clearly demonstrated below,
6 Schulman's “*more fulsome outline*” entitled “October 2001 Outline” contained *new*
7 and *different material terms* than that contained in Marks' October 19, 2001 Letter,
8 and was never accepted by Marks or Plaintiffs. *Id.*

9 Defendants' outside counsel thereafter furnished to Marks the February 1, 2001
10 Draft – a first draft of a proposed agreement – along with a cover letter dated
February 1, 2002, which stated as follows:

11 “I am pleased to enclose a *draft* agreement between your clients and DC
12 Comics concerning the Superman property. *As our clients have not*
13 *seen this latest version of the agreement, I must reserve their right to*
14 *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.”

15 Toberoff Decl., Ex. DD (emphasis added).

16 As demonstrated below, Defendants' February 1, 2002 Draft contained even
17 more material *new or changed terms* than that contained in Schulman's October 26,
18 2001 Letter; plus “trap doors” that effectively minimized key financial terms set forth
19 in Marks' October 19, 2001 Letter. *Id.*; *see also* Excerpts of Deposition Transcript of
20 Kevin Marks, at 183:1 - 7, 184:13 - 190:6, Toberoff Decl., Ex. EE (“Marks Depo.
21 Tr.”). The February 1, 2002 Draft was rejected by Plaintiffs. Toberoff Decl., Ex. AA.

22 Disappointed and disillusioned by Defendants' overreaching tactics, Plaintiffs
23 terminated further negotiations by letter dated September 21, 2002. *Id.* Yet, at no
24 time prior to the filing of their original Answer and Counterclaim on November 22,
25 2004 did Defendants ever claim that a binding settlement agreement had been
26 reached. Nor did Defendants ever proffer to Plaintiffs the fixed compensation for
27 Plaintiffs' recaptured copyrights expressed in either the October 19, 2001 Letter, the
28 October 26, 2001 Letter or the February 1, 2001 Draft. Toberoff Decl., Exs. BB-DD.

1 Set forth below is a graph illustrating that there was no "meeting of the minds"
 2 between the parties by showing some of the material differences between the terms
 3 set forth in Marks' October 16, 2001 Letter, Schulman's October 26, 2001 Letter and
 4 Defendants' February 1, 2002 Draft.

5 TERMS	6 OCT. 19, 2001 LETTER	7 OCT. 26, 2001 LETTER	8 FEB. 1, 2002 DRAFT
9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 Scope of Agreement	29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 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1	television. 6% royalty	5-6:	Revenues to which reduced 1.5% royalty applicable are much broader, encompassing all products where Superman / Spectre is not "predominant creative element" nor the "sole predominant identity or title." <i>See</i> 2/1/02 Draft at pp. 24; Marks Depo. Tr. at 159: 10-12.
2	will be adjusted pro-rata if property is used in conjunction with other book characters (other than "cameo" type appearance) but to no less than 3%. The royalty can be further reduced to 1.5% in the case of "Justice League of America," "Superfriends" and "Superheroes" merchandise and to 1% for DC Comics/Warner Bros.' overall license to Six Flags. <i>See</i> 10/19/01 Letter at p. 2, ¶ 5; Marks Depo. Tr. at 158:4-159:5.	"[W]ith respect to licenses wherein the licensee is granted rights to utilize 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 license, but to the extent such information is not available, the 6% shall be reducible to not less than 1%." <i>Id.</i>	Revenues to which reduced 1% royalty applicable broadened to include not only Six Flags but "other Licenses where Revenues from such Licenses are not specifically attributed to royalties earned by the sale of character merchandise that can be directly allocated either to the SUPERMAN property and/or SPECTRE Property or to other properties in which THE PLAINTIFFS do not share..." <i>See</i> 2/1/02 Draft at p. 25.
3		"[W]ith respect to merchandise actually produced by DC Comics, an allocable portion of the revenue, consistent with licensed merchandise produced by third parties, shall be deemed DC Comics' revenue for purposes of royalty computation." <i>Id.</i>	Added term that only "10% of Revenue, less costs, and subject to pro rata allocations" from merchandise "actually produced" by DC "shall be deemed DC Comics' Revenues for purposes of royalty computation." <i>See</i> 2/1/02 Draft at pp. 24-25.
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27	Royalty re: DC Publications	1% of cover price of DC publications when Property is	Changed the works to which the 0.5% royalty rate is applicable. Instead
28			Changed the works to which the 0.5% royalty rate is applicable. Instead of paying

	<p>used alone. Adjusted pro-rata when the Property is used in conjunction with other comic book characters (other than “cameo” appearance), but in no event less than 0.5%.” <i>See</i> 10/19/01 Letter at pp. 2-3, ¶ 6.</p>	<p>of paying a minimum 0.5% royalty anytime Superman or Spectre appear:</p> <p>“[T]here will be no royalties payable hereunder when the Properties appear in publications or stories based on other properties and the Properties’ characters do not appear in the title of the publication or feature in question” <i>See</i> 10/26/01 Letter at p. 6.</p>	<p>a minimum 0.5% royalty anytime Superman or Spectre appear:</p> <p>“[T]here will be no royalties payable hereunder when the SUPERMAN Property and/or the SPECTRE property appear in publications or stories based on other properties and the Properties’ characters do not appear in the title of the publication or feature in question.” <i>See</i> 2/1/02 Draft at p. 27.</p>	
<p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p>			<p>Added that no royalties are paid on units “returned, damaged, lost, distributed by DC as premiums or promotions and/or distributed to uncollectible accounts or sold at discounts in excess of seventy percent off of cover price.” <i>See</i> 2/1/02 Draft at p. 9.</p>	
<p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>26</p> <p>27</p> <p>28</p>	<p>Royalty Extension (“Tail”)</p>	<p>Royalty payments cease at the expiration of the Action Comics No. 1 copyright, except for 1) films released during last five years of the copyright (royalties paid for 5 years from release), 2) TV series where royalties would be paid until the end of consecutive original episodes plus 3 years (to cover first syndication sale), and 3) “other substantial projects” (akin to motion picture and TV projects) released during the last 5 years</p>	<p>Royalty payments extended only for film and TV projects for same periods, but not “other substantial projects.” <i>See</i> 10/26/01 Letter at p. 6.</p>	<p>Royalty payments extended only for film and TV projects for same periods, but not “other substantial projects.” <i>See</i> 2/1/02 Draft at p. 27.</p>
				<p>Royalties limited to revenues from direct “Licensing of exhibition and/or broadcast rights to the above motion pictures and television series,” not to the associated “sale of any goods or provision of any services ancillary or collateral thereto. <i>See</i> 2/1/02 Draft at p. 27.</p>

1	2	3	of copyright (royalties paid for 5 years from release). See 10/19/01 Letter at p.3, ¶ 9.	
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1	2	10/19/01 Letter at p.4; ¶4. Marks Depo. Tr. at 161:12-20.			
3	4	Continuing relationship/ Publicity	Provided only for mutual non-disparagement. <i>See</i> 10/19/01 Letter at p.5, ¶13.	<p>New terms that Plaintiffs must furnish DC with Jerry Siegel's biography and photos for publicity purposes, and that AOLTW companies would get "first opportunity to negotiate for any biographical works in any media" by the Plaintiffs. <i>See</i> 10/26/01 Letter at p. 2; Marks Depo. Tr. at 157:4-8.</p> <p>New terms imposing an affirmative obligation on the Plaintiffs to "positively publicize the Properties," including "public appearances" and related "travel," in the future. New terms included Plaintiffs issuing "a joint press release" and "consulting with DC prior to any personal appearances, written statements, interviews, or other activities they may wish to conduct relating to the Properties." <i>See</i> 10/26/01 Letter at p. 2; Marks Depo. Tr. at 157:19-158:3.</p>	<p>New terms regarding continuing relationship and Plaintiffs' publicity obligations:</p> <ol style="list-style-type: none"> 1) Plaintiffs have obligation to positively publicize Properties, including making themselves available for public appearances/ travel; 2) DC consent required for all appearances, statements, interviews by Plaintiffs regarding Superman, etc; 3) Plaintiffs must issue joint press release with DC; 4) No contact by Plaintiffs with DC licensees is permitted. <i>See</i> 2/1/02 Draft at p. 37; Marks Depo. Tr. at 157:19-158:3. <p>New terms providing DC or its designee with "the first opportunity to negotiate" to buy "any biographical works in any media pertaining to Jerome Siegel." <i>See</i> 2/1/02 Draft at p. 41; Marks Depo. Tr. at 157:19-158:3.</p>
24	25	Attorney in Fact	Appoints DC as attorney in fact. <i>See</i> 10/19/01 Letter at p. 5, ¶12.	Plaintiffs "will designate WB as attorney in fact." <i>See</i> 10/26/01 Letter at p. 2	Appoints DC as attorney in Fact. <i>See</i> 2/1/01 letter at p. 36.
26	27	Provide Rights Documents	Not mentioned.	New term that Plaintiffs "[g]ive copies of all documents relating to rights/history." <i>See</i> 10/26/01 Letter at p.2.	Not mentioned.

		<i>See Marks Depo at 156:20-157:3.</i>	
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Release and Covenant Not To Sue	Not mentioned.	Adds “[r]elease and covenant not to sue by [Plaintiffs] [t]hrough date of signing of all claims past, present, and/or future, actual or potential.” Adds that Plaintiffs “[a]pprove all deals made before 12/31/00.” <i>See 10/26/01 Letter at p. 8.</i>	Adds full detailed mutual release by the parties and mutual covenants not to sue. <i>See 2/1/02 Draft at pp. 42-45.</i>
Plaintiffs' Warranties & Representations	“Siegel Family would not make any warranties as to the nature of rights, but would represent that they have not transferred the rights to any party.” <i>See 10/19/01 Letter at p.5, ¶ 13. See also Marks' Depo. at 156:6-10.</i>	Changed terms requiring that the Plaintiffs “warrant and represent,” “jointly and severally”: <ul style="list-style-type: none"> 1) that they have “no termination nor any other rights remaining except for under this agreement;” 2) that they have entered into “no contract of any kind with any other party with respect to or related to the Properties;” 3) that they will not “exploit or enter into any agreements” re: the Properties; and 4) that they will not “diminish the DC/WB enjoyment of exclusive ownership, control, and use” of the Properties. <i>See 10/26/01 Letter at p. 2; Marks' Depo. at 156:6-10.</i>	Changed terms that Plaintiffs warrant and represent, jointly and severally, that: <ul style="list-style-type: none"> 1) Plaintiffs or Siegel have not granted any rights in or encumbered the Properties; 2) “they know of no other party with any rights of any kind or that claim to any rights of any kind” in the subject works or trademarks; 3) they shall not negotiate or enter into any agreement concerning the subject works; 4) any of their rights in the works derive from Siegel; 5) “no person or entity other than [Plaintiffs/DC] own any rights or could possibly claim any rights of any nature arising out of any [Siegel] Works;” 6) they know of no other Siegel works in which they claim any rights; 7) they know of no Superman works not listed in the Termination Notices; 8) that Joanne Siegel is the sole executor, trustee, administrator, and personal rep. of the Siegel Estate. <i>See 2/1/02 Draft at pp. 41-42; Marks' Depo. at 156:6-10.</i>

1	2	3	4	New terms affirming that Plaintiffs have no right to challenge the agreement; and that Plaintiffs have no right to terminate any new grant of the Siegel works. <i>See</i> 2/1/02 Draft at pp. 30-31.
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		If Rights Not Transferred	If transfer prevented for "legal reason" (e.g., change in law),	Changed term. In the event Plaintiffs "attempt to assert claims, all but

	<p>“everything in this deal applies as a prepayment to any future transfer, except \$100,000 per year would not be applicable against the compensation (if any) for a future transfer...For the sake of clarity, this provision will not in any circumstances reduce the monies due the Siegel Family under this deal.” <i>See 10/19/01 Letter at p. 3 ¶ 2.</i></p>	<p>\$100,000/year creditable to any other obligation WB has or may have to Siegels. If any claim by Plaintiffs or successor results in DC expense or liability, compensation (over \$100,000 annually) will be reduced thereby, and “only total due hereunder is ever due.” <i>See 10/26/01 Letter at p. 8.</i></p>	<p>a claim or have reversionary rights, resulting in any liability or damage to DC, any amounts due Plaintiffs will thereby be reduced (except \$100,000 annually). Plaintiffs must acknowledge that the amount payable is more than they would have received in a court if they attempted to enforce their termination notices, and agree that any compensation payable to them, including due to a change in the law, will be capped by the amount payable in the agreement. <i>See 2/1/02 Draft at pp. 48-49.</i></p>
	<p>Arbitration Provisions</p>	<p>Expedited dispute resolution in one instance: “if the Plaintiffs were to challenge an intercompany deal that was outside a safe harbor.” <i>See 10/19/01 Letter at p.5, ¶10; Marks Depo. Tr. at 159:17-19.</i></p>	<p>Terms broadly require expedited dispute resolution / arbitration of “any claims between the parties.” <i>See 10/26/01 Letter at p. 8; Marks Depo. Tr. at 159:21-23.</i></p>
	<p>Audit Rights</p>	<p>Plaintiffs have “full audit rights.” <i>See 10/19/01 Letter at p.5, ¶ 10.</i></p>	<p>Plaintiffs have audit rights subject to “[s]tandard WB language and time frames” and limitation of “[o]ne audit per any period.” <i>See 10/26/01 Letter at p. 7.</i></p>
			<p>Plaintiffs have audit rights subject to new limitations:</p> <ol style="list-style-type: none"> 1) No audit will begin later than 12 months after royalty statement provided; 2) No audit for longer than 5 business days; 3) Records supporting any royalty statement may not be audited more than once; 4) All statements binding unless majority of Plaintiffs object in writing within 12 months of receipt of statement, or if audit started, within 30 days of completion; 5) Plaintiffs audit at their own expense; and

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			6) Confidentiality provisions. See 2/1/02 Draft at pp. 35-36.
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1. The October 19, 2001 Letter Constitutes A Counteroffer That Was Not Accepted By Defendants

In a nutshell, Marks' October 19, 2001 Letter though styled as an "acceptance" of Schulman's "offer" of October 16, 2001 is, in reality, a "counteroffer" because, according to Schulman and his "more fulsome outline" something different was discussed on October 16, 2001 ("I enclose herewith... a more fulsome outline of what we believe the deal we've agreed to is.") Toberoff Decl., Ex. CC. The October, 2001 Outline attached by Schulman, which purported to be Defendants' October 16, 2001 "offer," contained materially different terms (more favorable, of course, to Defendants) than that contained in the purported October 19, 2001 "acceptance." Therefore, Marks' October 19, 2001 Letter was, in reality, a counteroffer. It was not accepted by Schulman, and did not result in a contract as a matter of law.

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); *Apablasa v. Merritt & Co.*, 176 Cal. App. 2d 719, 726 (1959). A qualified acceptance constitutes a rejection terminating the original offer and the making of a counteroffer to the original offeror which must be accepted by the former offeror now turned offeree before a binding contract results. *Panagotacos*, 60 Cal App 4th at 855-856; *In re Pago Pago Air Crash*, 637 F.2d 704, 706 (9th Cir. 1981); *Landberg v. Landberg* 24 Cal.App.3d 742, 750 (1972); Cal. Civ. Code § 1585 ("An acceptance must be absolute and unqualified...A qualified acceptance is a new proposal.") See also 1-3 *Corbin on Contracts* § 3.36 (2006)(a counter-offer ordinarily terminates the power to accept the previously made offer to which it is a "counter" or reply in a negotiation.)

In *Glendale Motor Co. v. Superior Court*, 159 Cal.App.3d 389 (1984), where a settlement agreement was claimed, the court held that plaintiff's qualified acceptance

1 constituted a counteroffer and thus terminated the defendant's settlement offer as a
2 matter of law. The court noted that "California law has generally held that a qualified
3 acceptance or counteroffer affects the viability of the offer itself, so that 'a qualified
4 acceptance amounts to a new proposal or counteroffer *putting an end to the original*
5 *offer.*'" *Id.* at 396, quoting *Apablaza v. Merritt & Co.* 176 Cal.App.2d at 726.

6 In *Smith v. BioWorks, Inc.*, 2007 LEXIS U.S. Dist. 6157 at *27 (ED CA 2007)
7 the court held that the plaintiff's reservation and assertion of rights evidenced that "he
8 signed the Agreement with the proviso that he did not accept certain terms. Because
9 plaintiff's letter constituted only a qualified acceptance, no binding contract was
10 formed, and the rejection terminated defendant's offer. Defendant's response letter,
11 dated January 10, 2005, does not indicate an acceptance of plaintiff's counter-offer."

12 **2. No Contract Was Formed Because There Was Never A**
13 **"Meeting Of The Minds" On All Material Terms**

14 "California law is clear that there is no contract until there has been a meeting
15 of the minds on *all* material points." *Banner Entnm't v. Superior Court*, 62 Cal. App.
16 4th 348 (1998) (citations omitted). The failure to reach a meeting of the minds on all
17 material points prevents the formation of a contract even though the parties have
18 orally agreed upon some of the terms, or have taken some action related to the
19 contract. *Grove v. Grove Valve & Reg. Co.*, 4 Cal. App. 3d. 299, 311-312 (1970).

20 Here, Schulman's March 26, 2001 Letter made clear ("I enclose... a more
21 fulsome outline of what we believe the deal we've agreed to is") and Defendants'
22 February 1, 2002 Draft further confirmed that there had been no "meeting of the
23 minds" between the parties and widened the gap between them by changing material
24 terms and adding new material terms than that set forth in Marks' October 19, 2001
25 Letter (counteroffer). See Comparison Graph, *supra*; Toberoff Decl., Exs. BB- EE.

26 An essential element of any contract is "consent." Civ. Code, § 1550; 1
27 Witkin, Summary of Cal. Law (9th ed. 1987) Contracts, § 6, p. 44. Such "consent"
28 must be "mutual." Cal. Civ. Code, § 1565; 1 Witkin, Summary of Cal. Law,

1 Contracts, § 119, p. 144; *Meyer v. Benko*, 55 Cal. App. 3d 937 (1976). Consent is
2 not mutual, unless the parties agree upon the same thing in the same sense. *Banner*
3 *Entertainment, Inc. v. Superior Court*, 62 Cal.App.4th 348, 358-359 (1998). There is
4 no contract formation without a manifestation of assent to the “same thing” by both
5 parties. Cal. Civ. Code, §§ 1550, 1565 and 1580. Contract law precludes specific
6 enforcement of a contract when it cannot be determined exactly what terms the
7 parties agreed upon. *Weddington Prods. v. Flick*, 60 Cal. App. 4th 793, 801 (1998).

8 The Ninth Circuit has made clear that district courts “may enforce only
9 complete settlement agreements.” *Callie v. Near*, 829 F.2d 888, 891 (9th Cir. 1987).
10 See also *Ozyagcilar v. Davis*, 701 F.2d 306, 308 (4th Cir. 1983); *Gardiner v. A.H.*
11 *Robins Co.*, 747 F.2d 1180, 1189 (8th Cir. 1984).

12 “In addition to the intent of the parties to bind themselves, the formation of a
13 settlement contract requires agreement on its *material terms*.” *Callie v. Near*, 829
14 F.2d at 891. In *Callie*, the appellants’ counsel wrote a letter to the other side “to
15 confirm’ the terms of the settlement” as the parties were in agreement as to most
16 material terms, including the settlement payment. *Id.*, at 889. However, because they
17 failed to agree on other terms, there could be no “meeting of the minds.” *Id.*, at 891.

18 *Levitz v. The Warlocks*, 148 Cal. App. 4th 531, 534 (2007) is also illustrative.
19 In ruling that a settlement agreement had not been reached although key terms had
20 been agreed upon the Court held:

21 “In their first communication with the court about their tentative
22 settlement, the parties notified it they had a settlement “in principle,”
23 meaning they had yet to fix its exact terms. A settlement with open
24 material terms is not a “conditional settlement.” To the contrary, it is not
25 a settlement at all because, like all contracts, it is not binding until the
26 settling parties agree on all its material terms.”

27 In this case no contract was made because the parties attempted, but failed, to
28 agree on all material terms (see above). Moreover, even had they provisionally so
agreed (they did not) it is clear from their conduct that, given the importance and
complexity of the subject matter and proposed deal points, any agreement would need

1 to be reduced to a written contract in a mutually acceptable fashion. See October 26,
2 2006 Letter ("We're working on the draft agreement..."). Toberoff Decl., Ex.CC.

3 3. A Complete Written Agreement In Final Form, Signed By
4 Both Parties, Was Contemplated But Never Completed,
5 Approved Or Executed

6 It is further evident that the parties contemplated a complete written agreement
7 in final form, which would contain additional terms, subject to the parties' mutual
8 consent; and that there would be no binding contract until such final written
9 agreement was reviewed, approved and executed by both parties. *See* Cover letter
10 attaching Defendants' February 1, 2002 Draft ("As our clients have not seen this
11 latest version of the agreement, I must reserve their right to comment"), Toberoff
12 Decl., Ex. DD. *See Patch v. Anderson*, 66 Cal. App. 2d 63 (1944)(court found no
13 enforceable written contract, merely an agreement to execute a contract whose
14 material terms had not all been settled and agreed upon); *see also* 1 Williston on
15 Contracts (4th ed. 1990) § 4:18, at 414; § 4:26, at 585-7.

16 "When it is clear...that both parties contemplated that acceptance of the
17 contract's terms would be signified by signing it, the failure to sign the agreement
18 means no binding contract was created." *Weddington*, 60 Cal. App. 4th at 801, *citing*
19 *Beck v. Amer. Health Group Intern., Inc.*, 211 Cal. App. 3d 1555, 1562 (1989). Thus,
20 "it is a general rule...that, when it is a part of the understanding between the parties
21 that the terms of their contract are to be reduced to writing and signed by the parties,
22 the assent to its terms must be evidenced in the manner agreed upon or it does not
23 become a binding or completed contract." *Duran v. Duran*, 150 Cal. App.3d 176, 180
24 (1983) (citations omitted). *See also Roth v. Garcia Marquez*, 942 F.2d 617, 626-627
25 (9th Cir. 1991); *Forgeron, Inc. v. Hansen*, 149 Cal. App. 2d. 352, 360 (1957).

26 "Preliminary negotiations or an agreement for future negotiations are not the
27 functional equivalent of a valid, subsisting agreement. 'A manifestation of
28 willingness to enter into a bargain is not an offer if the person to whom it is addressed

1 knows or has reason to know that the person making it does not intend to conclude a
2 bargain until he has made a further manifestation of assent.” *Kruse v. Bank of*
3 *America*, 202 Cal. App.3d 38, 59 (1988) (citations omitted).

4 *Weddington*, 60 Cal. App. at 799, like this case, concerned a disputed
5 settlement agreement which purported to license certain *copyrights*. The parties *both*
6 *signed* a settlement memorandum before a private settlement judge that, like the
7 October 19, 2001 Letter here, included “significant deal points,” and described
8 payment dates and amounts material to both sides. *Id.* When, as here, subsequent
9 disagreements arose during the parties efforts to draft the final settlement agreement,
10 the settlement judge, upon application of the putative licensee, signed an expanded
11 settlement order (under Cal. Civ. Proc. Code § 664.6), imposing a copyright license
12 “consistent with” the signed settlement memorandum; which order was entered by
13 the trial court. *Id.* at 804.

14 The Court of Appeals reversed, holding that no “meeting of the minds”
15 occurred on the material terms of the contract, and that a final agreement had not
16 been signed by the parties. “As a result, there was no settlement agreement to
17 enforce, pursuant to Cal. Civ. Proc. Code § 664.6 or otherwise.” *Id.* at 812. The
18 court noted: “The fact that the context was one of settlement negotiation...has no
19 analytical impact on the question of whether an enforceable contract was ever
20 formed.” *Id.* at 815. It further noted that a court does not have the authority to create
21 material terms of a settlement. *Id.* at 810-811. *See Terry v. Conlan*, 131 Cal. App.
22 4th 1445, 1459-1461 (2005) (trial court improperly attempted to define material terms
23 and fill in the gaps of a settlement agreement).

24 Here, the documentary evidence and conduct of the parties clearly
25 demonstrates that there was no meeting of the minds as to all material terms of an
26 agreement, and that as a matter of law a binding contract was never reached,
27 completed, approved and executed by the parties.

28

1 **IV. CONCLUSION**

2 For the foregoing reasons, Plaintiffs respectfully requests that the Court grant
3 their motion for summary adjudication in the form lodged separately herewith as the
4 Proposed Judgment.

5 DATED: April 30, 2007

6 LAW OFFICES OF ARC TOBEROFF, PLC

7 By

8 
Marc Toberoff

9 Attorneys for Plaintiffs JOANNE SIEGEL
10 and LAURA SIEGEL LARSON

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1

PROOF OF SERVICE

2

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

3

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen
4 years and not a party to the within action; my business address is: 2049 Century Park East, Suite 2720,
5 Los Angeles, California 90067.

6

On April 30, 2007, I served the attached documents described as:

7

**Plaintiffs Joanne Siegel and Laura Siegel Larson's Notice of Motion And Motion
For Partial Summary Judgment**

8

**Plaintiffs Joanne Siegel and Laura Siegel Larson's Memorandum of Points And
Authorities in Support Of Motion For Partial Summary Judgment**

9

**Declaration of Marc Toberoff In Support of Plaintiffs' Motion For Partial
Summary Judgment**

10

**Plaintiffs Joanne Siegel and Laura Siegel Larson's Statement of Uncontroverted
Facts And Conclusions of Law in Support of Motion for Partial Summary
Judgment**

11

**Plaintiffs Joanne Siegel and Laura Siegel Larson's Request For Judicial Notice In
Support of Motion For Partial Summary Judgment**

12

[Proposed] Order Following Partial Summary Judgment

13

as follows:

14

[X] :BY HAND:

15

As follows: I delivered to the address listed above by hand the documents listed herein.

16

Michael Bergman
WEISSMAN WOLFF BERGMAN COLEMAN GRODIN & EVALL LLP
9665 Wilshire Boulevard, Ninth Floor
Beverly Hills, CA 90212

17

[X] :BY MAIL:

18

As follows: I am "readily familiar" with the firm's practice of collection and processing
correspondence for mailing. Under that practice it would be deposited with the U.S. postal service on
that same day with postage thereon fully prepaid at Los Angeles California in the ordinary course of
business. I am aware that on motion of the party served, service is presumed invalid if postal
cancellation date or postage meter date is more than one day after date of deposit for mailing in
affidavit. I placed _____ the original X a true copy thereof enclosed in sealed envelope(s) addressed
as follows:

19

James D. Weinberger
FROSS ZELNICK LEHRMAN & ZISSU, P.C.
866 United Nations Plaza
New York, NY 10017

20

[X] :BY FACSIMILE:

1 As follows: I caused the transmission of the above named documents to the fax number set
2 forth below, or on the attached service list.

3 James D. Weinberger
4 FROSS ZELNICK LEHRMAN & ZISSU, P.C.
5 866 United Nations Plaza
6 New York, NY 10017
7 Facsimile No. 212-813-5901

8 Patrick T. Perkins
9 PERKINS LAW OFFICE, P.C.
10 1711 Route 9D
11 Cold Spring, NY 10516
12 Facsimile No. 845-265-2819

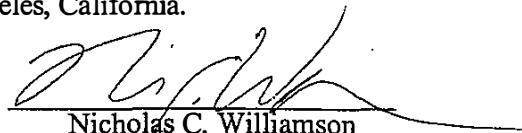
13 Michael Bergman
14 WEISSMAN WOLFF BERGMAN COLEMAN GRODIN & EVALL LLP
15 9665 Wilshire Boulevard, Ninth Floor
16 Beverly Hills, CA 90212
17 Facsimile No. 310-550-7191

18 :STATE) - I declare under penalty of perjury under the laws of the State of California that the
19 above is true and correct.

20 [X] :FEDERAL) - I declare that I am employed in the office of a member of the bar of this court at
21 whose direction the service was made.

22 I declare under penalty of perjury that the foregoing is true and correct.

23 EXECUTED on April 30, 2007, in Los Angeles, California.

24 
25 Nicholas C. Williamson