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25 **UNITED STATES DISTRICT COURT**
26 **CENTRAL DISTRICT OF CALIFORNIA - EASTERN DIVISION**

27 JOANNE SIEGEL and LAURA
28 SIEGEL LARSON,

Plaintiffs,

vs.

TIME WARNER INC.; WARNER
COMMUNICATIONS INC.;
WARNER BROS. ENTERTAINMENT
INC.; WARNER BROS. TELEVISION
PRODUCTION INC.; DC COMICS;
and DOES 1-10,

Defendants.

Case No.: CV 04-8400 SGL (RZx)

Hon. Stephen G. Larson, U.S.D.J.
Hon. Ralph Zarefsky, U.S.M.J.

**DEFENDANTS' RESPONSE TO
PLAINTIFFS' BRIEF ON
ADDITIONAL ISSUES**

Time: 10:00 a.m.
Date: August 11, 2008
Courtroom: 1
Judge Stephen G. Larson

AND RELATED COUNTERCLAIMS

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1 **INTRODUCTION**

2 Defendants hereby submit their response to Plaintiffs' July 21, 2008 brief on
3 additional issues pursuant to this Court's Order of July 3, 2008 ("Pl. Br."). Before
4 addressing these outstanding issues, however, Defendants are obliged to note that
5 Plaintiffs' opening brief is pervaded by two tactical endeavors, both of which
6 undercut its reliability and persuasiveness. First, Plaintiffs seek to obfuscate
7 matters by repeatedly referring to having recaptured broad, undefined rights in
8 Superman, including but not limited to his "character" (Pl. Br. at 5, 23-25, 48-53,
9 58-59, 61, 70, 72-73), "mythos" and "mythology" (*id.* at 2, 22-25, 70-71) or
10 "costume" (*id.* at 23, 50, 52, 54, 56-57, 72). The studied use of such loose
11 language is misleading and designed to foster the impression that Plaintiffs have
12 recaptured something they have not: section 304(c) of the Copyright Act only
13 permits the termination and recapture of the copyright in the protectable expression
14 of a particular, terminable work, here, the *Action Comics #1 Story* granted by
15 Siegel to Detective in the March 1, 1938 agreement. Second, Plaintiffs have
16 throughout engaged in misstating and distorting the content of case law and other
17 authorities to support untenable legal propositions. As shown below, they have far
18 exceeded the bounds of zealous advocacy through the (i) deceptive use of ellipses
19 to conceal contrary language;¹ (ii) citation of cases which stand for the *exact*
20 *opposite point* than that for which they were cited;² and (iii) omission of footnotes
21 and other citations which qualify various quoted or relied-upon language.³

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25
26 ¹ See *infra* at 8, & n.10, discussing Plaintiffs' citation of *Zuill* and *Goodman* cases.

27 ² See, e.g., *infra* at 35-36, n.41, discussing cases cited by Plaintiffs for the proposition that
copyright protects character names; 37-38, discussing *Sara Lee* and *Drop Dead* cases.

28 ³ See *infra* at 9 & n.11, discussing omitted portion of *Daisy Group v. Newport News* and
Moore's Federal Practice; 28-29, discussing omitted portion of *Nimmer*.

1 **ARGUMENT**

2 **I. APPORTIONMENT IS APPROPRIATE IN THIS EQUITABLE**
3 **ACCOUNTING ACTION TO PROPERLY CALCULATE THE**
4 **SHARE OF PROFITS TO WHICH PLAINTIFFS ARE ENTITLED**

5 Plaintiffs protest that because theirs is an accounting claim and not an
6 infringement claim, the principles of apportionment developed under almost
7 seventy years of copyright law have no place in their claim to share in Defendants'
8 profits generated from the exploitation of post-termination derivative works, and
9 that they are entitled to a flat 50% of those profits. Plaintiffs' position is a classic
10 case of overreaching: Plaintiffs do not co-own all that Defendants have exploited,
11 and accordingly are not entitled to share equally in the fruits of that exploitation.
12 An accounting between co-owners is an equitable process, and the only way to
13 equitably divide the relevant profits between Plaintiffs and Defendants is to
14 determine what is attributable to the jointly owned property (the *Action Comics #1*
15 *Story*) and what is not; that is, to conduct an apportionment analysis.

16 **A. Plaintiffs' Real Property Co-Tenancy Cases Are Inapposite**

17 As an initial matter, Defendants do not dispute that DC and Plaintiffs, as
18 joint owners of the copyright in the *Action Comics #1 Story*, are tenants in
19 common, and that the duty to account between them "comes from 'equitable
20 doctrines relating to unjust enrichment and general principles of law governing the
21 rights of co-owners'" and not from copyright's "proscription on infringement."
22 *Oddo v. Ries*, 743 F.2d 630, 633 (9th Cir. 1984). Defendants also acknowledge
23 that such accounting between co-owners is generally to take place under state law
24 principles applicable to jointly-owned property. However, the apportionment
25 analysis developed under infringement law is both necessary and appropriate in
26 this equitable accounting case to determine, in the first instance, what is
27 attributable to the jointly-owned property, and accordingly what is to be shared.

28 Plaintiffs' heavy reliance on California real-property cases to argue against
apportionment misses the mark. The authorities cited by Plaintiffs generally stand

1 for the proposition that one co-tenant does not have the right to require another co-
2 tenant to cooperate in the improvement of the common property, and in the
3 absence of authorization or agreement is generally not entitled to any contribution
4 for improvements or repairs made on the common property. (See 5 Harry D.
5 Miller, *Miller & Starr California Real Estate*, § 12.8 at 12-17-12-18 (3rd Edition
6 2006) and the cases cited therein.) However, the Superman works other than the
7 *Action Comics #1 Story* – including all the later comic books, graphic novels,
8 media properties and consumer products as well as the prior Promotional
9 Announcements – are not “improvements or modifications” to the co-owned
10 *Action Comics #1 Story*: Under the Copyright Act they are themselves *separate*
11 *properties*, subject to *separate ownership*. That is, the apportionment analysis
12 advanced by Defendants does not seek to shave off profits attributable to
13 “improvements to” a co-owned property; instead, it is the necessary first step to
14 separate the profits attributable to the co-owned property (the *Action Comics #1*
15 *Story*) from the profits attributable to the separately-owned property (everything
16 else).⁴ *Weissman v. Freeman*, 868 F.2d 1313, 1318 (2d Cir. 1989), *cert. denied*,
17 493 U.S. 883 (1989) (“Even though one co-author has the right to revise a joint
18 work in order to create an individual derivative work, the other co-author acquires
19 no property rights in the newly created work prepared without his involvement.”).

20 While the apportionment analysis was developed in the infringement context
21 to determine what portion of the infringer’s profits should be paid over to the
22 copyright owner, there is no logical or principled reason not to apply the same
23 analysis in the case of a jointly-owned work as opposed to an infringement. This
24

25 ⁴ Plaintiffs’ logically fallacious argument seems to be rooted in their continuing
26 misperception that they have, by virtue of the termination, effectively recaptured the
27 “Superman character” including all of his later “improvements” (see Pl. Br. at 5). But, as
28 explained in Defendants’ Opening Brief, the Copyright Act’s termination provision does
not permit the recapture of various individual copyrightable elements such as
characterization, but only permits the recapture of specific identified *works*. (See Def.
Br. at 18-21.) The relevant work here is the *Action Comics #1 Story*, and apportionment
is required to allow Plaintiffs to share in the profits attributable to that work only.

1 precise situation was discussed by *Nimmer* in addressing how profits should be
 2 shared in the event a co-ownership interest was transferred to a licensee, who then
 3 went on to produce a derivative work based on the co-owned copyright:

4 [I]f a transferee uses his non-exclusive rights in a joint work for the
 5 purpose of creating a derivative work (e.g., producing a motion
 6 picture based upon the joint work) then the transferee should be
 7 required to account to the other joint owners only for that portion of
 8 the profits from the motion picture which are attributable to the
 9 underlying joint work. Those profits which are attributable to other
 10 elements contained in the motion picture should not be the subject of
 an accounting. This concept of apportionment follows the principle
 laid down by the United States Supreme Court in *Sheldon v. Metro
 Goldwyn Pictures Corp.* **The fact that the Sheldon decision
 involved apportionment of profits payable by an infringer rather
 than by a joint owner does not render it any less applicable in
 these circumstances.**

11 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* (“*Nimmer*”)
 12 § 6.12 [C][3] at 6-40 (emphasis added).

13 That is precisely the situation that exists here. DC is a joint owner of the
 14 *Action Comics #1 Story*, but is a separate and sole owner of all the other Superman
 15 works and any added elements therein not present in the *Action Comics #1 Story*.
 16 DC is the sole owner of Batman, Wonder Woman, Green Lantern and all the other
 17 superheroes who contribute to the profits of *The Justice League*. DC is also the
 18 sole owner of its trademarks that generate substantial profits. Plaintiffs simply
 19 have no right to benefit from the profits generated from factors other than the
 20 terminated interest in the *Action Comics #1 Story*; indeed, applicable equitable
 21 principles prohibit such unjust enrichment. Accordingly, DC “should be required
 22 to account to the other joint owners only for that portion of the profits from the
 23 [derivative works] which are attributable to the underlying joint work. Those
 24 profits which are attributable to other elements contained in the [derivative work]
 25 should not be the subject of an accounting.” *Id.*

26 **B. That Costs Are Necessarily Deducted From Revenues Before**
 27 **Calculating Profits Does Not Render An Apportionment Analysis**
 28 **“Inequitable”**

Plaintiffs’ secondary argument – that requiring an apportionment of profits
 to account for other elements used in a post-termination work would be

1 “inequitable” because Plaintiffs have already effectively been required to share in
 2 the *costs* associated with acquiring or producing those additional elements (*see* Pl.
 3 Br. at 7-8) – is muddled to the point of being incomprehensible. A co-owner of
 4 copyright is supposed to share his *profits* from the co-owned work just as an
 5 infringer of copyright is supposed to disgorge his *profits* from the infringed work.
 6 Profits are generally calculated by taking gross revenues and subtracting expenses,
 7 17 U.S.C. § 504(b),⁵ and it is those resulting monies that are to be apportioned.
 8 That is, an apportionment of profits *always* requires the plaintiff to “effectively
 9 bear” the costs associated with creating a derivative work – even if it is an
 10 infringing work – yet the resulting profits are nonetheless apportioned to account
 11 for the contributions of elements other than the plaintiff’s copyright.⁶ Thus, in
 12 *Sheldon v. Metro Goldwyn Pictures Corp.*, 106 F.2d 45 (2d Cir. 1939), *aff’d*, 309
 13 U.S. 390 (1940), the infringer was entitled to deduct all of its expenses – including
 14 for actors, director, editor, sets, scenery and the like – before being required to
 15 share its profits with the plaintiff. And those *profits* were then apportioned to
 16 account for the contribution of the actors, director, producer, costumes, scenery
 17 and the like even though, yes, the *cost* of those various contributions had already
 18 been subtracted from the revenues to arrive at the profits. The fact that payment
 19 for those other elements had already been accounted for in the cost of the motion
 20 picture before determining the profits was of no moment in the subsequent analysis
 21 of apportioning the resulting profits to those attributable to the infringed work and
 22 those attributable to the other elements contributed by defendant.⁷

23
 24 ⁵ Defendants acknowledge that the parties are in disagreement as to what expenses are properly deducted to arrive at a profit figure.

25 ⁶ Further, Plaintiffs’ argument, flawed as it is, fails to take into account those situations –
 26 as with all of DC’s comics and graphic novels – where other copyrightable elements
 27 owned by DC are used in the post-termination work without any “cost.” There, Plaintiffs
 28 would seek to recover a full share in the entirety of the profits even though a large portion
 may be attributable to non-*Action Comics #1 Story* elements contributed by DC “cost free.”

⁷ Plaintiffs’ argument in this regard assumes – incorrectly – that the profits attributable to a given contribution to a work (such as an actor or director) are limited to what was paid

1 Plaintiffs' *ad hominem* attacks regarding "notorious studio accounting"
 2 similarly miss the mark (and moreover are completely unsupported). Plaintiffs had
 3 access to a full audit to assess what the revenues and expenses of the various post-
 4 termination works were. If Plaintiffs dispute Defendants' calculation of profits,
 5 they are free to offer evidence of their contrary calculation. But once those profits
 6 are determined, they are properly subject to apportionment, even if Plaintiffs think
 7 the costs incurred to arrive at those profits were excessive.

8 Apportionment is obviously proper under the circumstances of this case;
 9 plaintiffs are entitled to their share of profits attributable to the exploitation of the
 10 terminated copyright in the *Action Comics #1 Story* – but that is all they are
 11 entitled to. Accordingly, Defendants respectfully submit that the established
 12 principles of apportionment should be applied as part of the equitable accounting
 13 claim here.

14 **II. THE BURDEN TO IDENTIFY THOSE WORKS IN WHICH**
 15 **PLAINTIFFS CLAIM A SHARE, AS WELL AS THE PROPER**
 16 **APPORTIONMENT OF PROFITS FROM THOSE WORKS, LIES**
 17 **WITH PLAINTIFFS, WHILE THE BURDEN OF ESTABLISHING**
 18 **THE EXPENSES TO BE DEDUCTED FROM REVENUES IN**
 19 **ORDER TO CALCULATE PROFITS LIES WITH DEFENDANTS**

20 To support their burden-of-proof argument, Plaintiffs do little more than
 21 recite the statutory burden of proof that applies in the copyright infringement
 22 context.⁸ Plaintiffs' simplistic approach to this issue is misguided, as it assumes
 23 that because the apportionment analysis from infringement cases provides an
 24 appropriate framework to determine the extent to which the co-owned copyright in
 25 the *Action Comics #1 Story* contributes to the profits of each of Defendants' post-

26 for such contribution. Of course, this is nonsense. However, if this principle was applied
 27 in the context of evaluating the profit attributable to the *Action Comics #1 Story*, such
 28 profit would be limited to the amount paid for it by DC in 1938: \$130. Defendants
 29 seriously doubt Plaintiffs would agree to *this* application of their argument.

30 ⁸ The case law cited in support of Plaintiffs' "affirmative defense" argument contains
 31 nothing more than a restatement of the statutory test for determining an infringer's
 32 profits. And the *Nimmer* passage Plaintiffs cite is taken out of context because the cited
 33 language directly follows a discussion of the particularized burdens in determining a
 34 defendant's profits and does not purport to include apportionment in its generalized
 35 statement about affirmative defenses. See 3 *Nimmer* § 12.11[F] at 12-216-12-217.

1 termination works, the Court should also import the burden of proof of determining
2 profits from those infringement cases. As explained in Defendants' opening brief,
3 however, the policy concerns that exist when a court or jury calculates an
4 infringer's profits are not present here, and the burden of proof should take into
5 account those differences. (Def. Br. at 75-79.)

6 It should first be noted that by adopting the burden of proof from copyright
7 infringement cases, Plaintiffs have conceded that, at a minimum, they should have
8 the same burden of proving profits as a copyright infringement plaintiff. Thus
9 Plaintiffs will have the initial burden of identifying the particular works that
10 incorporate material from their co-owned copyright in the *Action Comics #1 Story*.
11 See Def. Br. at 72-75. Likewise, Plaintiffs will have the burden of proving the
12 revenues DC has earned with respect to those works. *Id.* at 79-80.

13 Because Defendants have conceded the burden of proving their expenses, *id.*
14 at 79-80, the only remaining dispute is whether Plaintiffs or Defendants have the
15 burden of proving apportionment. That issue is addressed at length in Defendants'
16 opening brief. *Id.* at 75-79. To reiterate in brief, courts and Congress have
17 allocated the burden of proving apportionment to an infringer because the infringer
18 *is a wrongdoer* – he does not have permission to combine the copyright holder's
19 work with other elements. For this reason, the infringer is charged with any
20 difficulty in untangling the profits attributable to the copyright from those
21 attributable to other factors. *Data General Corp. v. Grumman Sys. Support Corp.*,
22 36 F. 3d 1147, 1176 (1st Cir. 1994) (citing *Sheldon*, 309 U.S. at 401). Because DC
23 is the co-owner of the copyrighted material in the *Action Comics #1 Story*,
24 however, DC and its licensees have every right to continue to exploit its co-owned
25 copyright by combining it with other elements in any way they would like, so this
26 policy argument does not support Plaintiffs' position.

27 In addition, other policy considerations support allocating the burden of
28 proof to Plaintiffs in this situation. First of all, both parties have equal access to

1 the works at issue, therefore both parties have access to the critical evidence for the
 2 apportionment analysis – the works themselves. Moreover, during the 61 years
 3 prior to termination when DC was the *sole* owner of the *Action Comics #1 Story*, it
 4 had no reason to track the extent to which the *Story* was incorporated in the
 5 countless works expanding the Superman universe during that time period. If DC
 6 were required to bear the burden of apportionment in this instance, it would be
 7 faced with a higher burden than that placed on an infringer, an inequitable result,
 8 given DC’s role in developing the Superman universe to its current prominence,
 9 which will now inure to the benefit of Plaintiffs. *See Id.* at 77-78. Furthermore,
 10 allocating the burden of proof to DC (or any other co-owner who has exploited a
 11 copyright) over a passive co-owner such as Plaintiffs would contravene the
 12 overriding policy of the Copyright Act to encourage creation of new works. *See*
 13 *Id.* at 78-79.

14 **III. PLAINTIFFS HAVE NO JURY RIGHT FOR THEIR EQUITABLE** 15 **ACCOUNTING CLAIMS**

16 Plaintiffs are not entitled to a jury trial on their accounting claim. The
 17 Seventh Amendment’s preservation of the right to a jury trial only applies to legal
 18 claims, while the historical nature of the issues involved and the specific remedy
 19 sought in the accounting in this case are squarely equitable.⁹ *See Chauffers,*
 20 *Teamsters & Helpers Local 391 v. Terry*, 494 U.S. 558, 559 (1990). The
 21 accounting of profits that Plaintiffs seek “arises from equitable doctrines relating
 22 to unjust enrichment and general principles of co-ownership.” *Zuill v. Shanahan*,
 23 80 F.3d 1366, 1369 (9th Cir. 1996) (emph. added); *see also* Pl. Br. at 4, n.1

24
 25
 26 ⁹ Defendants do not dispute that an “accounting” on a legal claim, *i.e.* to calculate
 27 damages arising from waste, would be entitled to a jury. However, this fact does not
 28 compel a jury trial as to an equitable accounting. *See, e.g. Dairy Queen, Inc. v. Wood*,
 369 U.S. 469, 479 (1962). The parties’ right to a jury trial may be adequately
 safeguarded by sequencing the trial, such that any legal issues are disposed of before
 consideration of the equitable accounting claims. *See id.*; *Beacon Theaters, Inc. v.*
Westover, 359 U.S. 500, 510-11 (1959).

1 (quoting *Zuill* but replacing bold language with ellipses).¹⁰ This action is not an
 2 “accounting” to calculate the recoverable damages for injury from a violation of a
 3 plaintiff’s property or contractual rights, but rather it is a restitutionary remedy with
 4 a direct historical basis cognizable only in equity. *See generally Dairy Queen*, 369
 5 U.S. at 480 (1962) (J. Harlan, concurring). As the accounting claim here seeks
 6 only to recognize and administer equitable remedies, the Seventh Amendment is
 7 not implicated, and the jury demand should be stricken. *Feltner v. Columbia*
 8 *Pictures*, 523 U.S. 340, 348 (1996).

9 Defendants do not dispute, as suggested by Plaintiffs (Pl. Br. at 11) that
 10 federal law governs in determining whether or not a jury trial is warranted.
 11 According to the Supreme Court, the governing test to determine whether a party
 12 has a Seventh Amendment right to a trial by jury is a two-part inquiry into “the
 13 nature of the issues involved and, more importantly, the remedy sought.”

14 *See*, 494 U.S. at 559; *Feltner*, 523 U.S. at 348. Courts are to consider (1)
 15 whether the action would have been brought in the courts of law or equity in the
 16 18th-century; and (2) whether the remedy is legal or equitable in nature. *Chauffeurs*,
 17 494 U.S. at 565.

18 Contrary to Plaintiffs’ assertions, an action for an accounting between co-
 19 owners historically was an action in equity, not in law. *See* Joseph Story,
 20 *Commentaries on Equity Juris. as Administered in Eng. & Am.* § 622 at 37 (14th
 21 ed. 1918); *Phillips v. Kaplus*, 764 F.2d 807, 813-14 (11th Cir. 1985); 9 Charles

22
 23 ¹⁰ Plaintiffs use the same concealing tactic in their citation of *Goodman v. Lee*, 78 F.3d
 24 1007, 1012 (5th Cir. 1996). *Compare id.* at 1012 (“The duty to account does not derive
 25 from copyright law’s proscription of infringement. Rather, it comes from ‘equitable
 26 doctrines relating to unjust enrichment and general principles of [state] law governing
 27 the rights of co-owners.’”) (emph. added) to Pl. Br. at 4, n.1 (replacing the bold language
 28 with ellipses). Such affirmative misrepresentation of case holdings and discussions –
 particularly where done repeatedly as have Plaintiffs in their brief – is sanctionable under
 Fed. R. Civ. P. 11. *See, e.g., Precision Specialty Metals, Inc. v. United States*, 315 F.3d
 1346, 1353-55 (Fed. Cir. 2003) (lawyer violated Rule 11 because she “signed a brief
 before this court which omitted directly relevant language from what was represented as
 precedential authority, which effectively changed the meaning of at least one quotation,
 and which intentionally or negligently misled the court”) (discussing Court of Int’l Trade
 Rule 11, which is “identical” to Fed. R. Civ. P. 11).

1 Alan Wright & Arthur Miller, *Fed. R. Civ. P.*, § 2310 at 48. *See also* Def Br. at 62-
 2 64.¹¹ To negate this, Plaintiffs rely in part on *Daisy Group v. Newport News*, 999
 3 F. Supp. 548, 552 (S.D.N.Y. 1998), an action for trademark infringement, for the
 4 proposition that an “action for accounting originated in the common law, not
 5 equity.” (Pl. Br. at 12). The “accounting” in *Daisy Group*, however, was to
 6 determine damages resulting from the infringement tort. Plaintiffs omit the
 7 discussion therein of the historically equitable nature of accounting between
 8 partners, which states that although a “claim of accounting for profits, standing
 9 alone, did not give rise to equity jurisdiction”:

10 ***accountings historically were deemed inherently equitable only in***
 11 ***cases between partners*** and others in certain relationships, or – as the
 12 Supreme Court noted in *Dairy Queen* – when an accounting was too
 complex for a jury to understand.

13 *Id.* at 552 (internal citations and quotations omitted). Here, of course, the duty to
 14 account arises *from the parties’ relationship* such as partners, co-owners of
 15 property, or beneficiaries and trustees, with the purpose of determining the proper
 16 sharing of partners’ profits or the dividing up of co-owned property. *Oddo*, 743
 17 F.2d at 633.¹² Plaintiffs themselves have characterized the accounting they seek as
 18 based upon “equitable doctrines . . . governing the rights of co-owners.” (Pl. SJ
 19 Reply at 51 (quoting *Oddo*)). Therefore, as the relationship between the parties as
 20 partners creates the duty to account in this case, such accounting is historically
 21 equitable in nature. *Towers v. Titus*, 5 B.R. 786, 793 (N.D. Cal. 1979).

22 The remedy sought is also equitable in nature. *See generally Siegel v.*
 23 *Warner Bros. Ent. Inc.*, 542 F. Supp. 2d 1098, 1144 (C.D. Cal. 2008) (“*Siegel IP*”
 24 (“the accounting sought by plaintiffs in this action is an equitable remedy.”).

25 ¹¹ *Moore’s Federal Practice & Procedure* § 38.10 is not to the contrary – Plaintiffs’
 26 quotation, Pl. Br. at 11, left out the next sentence: “By its terms, the Seventh
 Amendment applies *only* to ‘[s]uits at common law.’” (emph. added).

27 ¹² Indeed, the “accounting” cases cited by Plaintiff *all* involve an accounting in the
 28 context of *infringement damages*, not as between partners or co-owners. *See, e.g., Sid &*
Marty Krofft Television Prods., Inc. v. McDonald’s Corp., 562 F.2d 1157 (9th Cir.
 1977); *Dairy Queen*, 369 U.S. 469.

1 Despite Plaintiffs' assertions to the contrary, their accounting does not seek to
2 make a "calculation of their money damages." (Pl. Br. at 12). There has been no
3 tortious act or breach of contract by Defendants that gives rise to a damage claim,
4 nor could there be, as co-owners of copyright cannot be liable to each other for
5 infringement. *See, e.g., Oddo*, 743 F.2d at 632-33. Instead, Plaintiffs' accounting
6 claim seeks "to restore to the plaintiff particular funds or property in the
7 defendant's possession" and not "to impose personal liability on the defendant."
8 *See Great West Life & Annuity Ins. Co. v. Knudson*, 534 U.S. 204, 214 (2002). As
9 such, the relief sought is equitable in nature. *Id.* *See also SCO Group, Inc. v.*
10 *Novell, Inc.*, 2007 WL 268453, Civ. No. 2:04CV139DAK at *4 (D. Utah Sept. 7,
11 2007) ("Legal damages compensate a plaintiff for its injuries such as lost profits,
12 expenses incurred as a consequence of the harm, etc. Equitable remedies such as
13 restitution, unjust enrichment, disgorgement, accounting, constructive trust, etc.,
14 require a defendant to turn over the benefits the defendant gained unjustly.").

15 Plaintiffs' semantic twist on the accounting as involving "money damages"
16 is misleading: simply because a claim involves monetary relief does not make it
17 legal relief in nature. *See Curtis v. Loether*, 415 U.S. 189, 196 (1974); *SEC v.*
18 *Rind*, 991 F.2d 1486, 1493 (9th Cir. 1993) ("the fact that disgorgement involves a
19 claim for money does not detract from its equitable nature"). As the Second
20 Circuit explained:

21 not all money claims are triable to a jury. A historic equitable remedy
22 was the grant of restitution by which defendant is made to disgorge ill-
23 gotten gains or to restore the status quo, or to accomplish both
24 objectives. And when restitution is sought in the form and in the
25 situations allowed in equity prior to the rules or authorized by valid
26 statutes there is no right to a jury trial.

27 *SEC v. Commonwealth Chem. Sec., Inc.*, 574 F.2d 90, 95 (2d Cir. 1978) (internal
28 citations omitted). The equitable nature of the relief sought cannot be altered by
the fact that the ultimate goal of the requested accounting is to have Defendants
make a payment. *See Rind*, 991 F.2d at 1493.

At bottom, Plaintiffs' jury demand is based on their flawed endeavor to

1 mislead the Court and conflate the restitutionary remedy of an accounting between
 2 co-owners, which is at issue in this case, with an “accounting” for damages in the
 3 infringement context, which is not. (Pl. Br. at 12-14.) Plaintiffs accurately
 4 recognize that a “request for a profit ‘accounting’ connotes a *remedy* more than a
 5 cause of action *per se*” (see Pl. Br. at 12 (citing cases)), but the cases they cite
 6 supporting such a proposition all involve an “accounting” as a mechanism for
 7 calculating damages for infringement. In *Dairy Queen*, the Supreme Court
 8 recognized that a jury right could not be avoided merely by a plaintiff casting its
 9 trademark infringement complaint as an action for “an ‘accounting’ rather than in
 10 terms of an action for ‘debt’ or ‘damages.’” 369 U.S. at 477-78. But the
 11 accounting claim here was fashioned by Plaintiffs themselves and is *not* merely a
 12 remedy, *i.e.*, a means of determining “damages”; instead, it is an independent
 13 substantive claim for a “truly equitable” accounting,¹³ similar only in name to the
 14 colloquial use of “accounting” in the infringement context. As a result, Plaintiffs’
 15 attempt to link certain cases recognizing a jury trial right for “accounting claims for
 16 profits” in infringement actions to a “modern trend” to “increasingly classify
 17 previously ‘equitable’ remedies for monetary relief as legal” is particularly
 18 deceptive. (Pl. Br. at 13-14).

19 Finally, just because apportionment is necessary to conduct the accounting
 20 demanded by Plaintiffs does not give rise to a jury trial right with respect to the
 21 apportionment issue. *Ross v. Bernhard*, 396 U.S. 531, 538 n.10 (1962) (court must
 22 look to the “nature of the issue to be tried”); *Chauffeurs*, 494 U.S. at 569-70
 23 (quoting *Ross*). The apportionment sought by Defendants is a necessary process
 24 for calculating what profits from new derivative works are fairly attributable to the
 25

26 ¹³ The concurrence in *Dairy Queen* explicitly distinguished an “accounting” for damages
 27 from a “truly ‘equitable’” claim where the ‘substantive claim is one cognizable only in
 28 equity.’” 369 U.S. at 480 (J. Harlan, concur); see also *Towers*, 5 B.R. at 793 (“Although
Dairy Queen abolished the use of an equitable accounting as merely incidental to
 equitable relief in an otherwise legal action . . . it left intact the right to an equitable
 accounting where the duty to account is itself of an equitable origin.”)

1 *Action Comics #1 Story* as opposed to other elements. Defendants contend there
2 should be a bench trial to determine the apportionment of profits to be shared with
3 Plaintiffs in the manner in which an apportionment is made under section 504(b) of
4 the Copyright Act(which contemplates apportionment in the infringement context),
5 and further maintain that as co-owners they should be entitled to be treated at least
6 as fairly as infringers under that section. Again, Plaintiffs rely entirely on cases
7 involving a damages accounting in the infringement context to claim entitlement to
8 a jury trial, none of which involve an accounting between co-owners. (Pl. Br. at
9 15). In such cases, the jury right existed by virtue of the *legal* claim for
10 infringement, and thus the jury was required to make all findings of fact; not so
11 here, where Plaintiffs have cited no law nor put forth any logical argument to
12 suggest that they are entitled to a jury simply because their *equitable* claims seek an
13 order for a payment and involve factual findings, all of which can be made by the
14 Court without a jury.

15 In short, where, as here, the Seventh Amendment is not implicated, concerns
16 about violating Plaintiffs' Seventh Amendment rights are no more relevant than
17 concerns about violating their Second Amendment rights. Plaintiffs' jury demand
18 should thus be stricken.

19 **IV. EACH POST-TERMINATION WORK MUST BE INDIVIDUALLY**
20 **AND SEPARATELY CONSIDERED ON A WORK BY WORK BASIS**
21 **IN CONNECTION WITH THE REQUIRED APPORTIONMENT**
22 **ANALYSIS**

23 No matter how the Court allocates the parties' respective burdens of proving
24 what portion of DC's profits is attributable to the *Action Comics #1 Story* (and
25 what portion is attributable to everything else), neither party should be deprived of
26 its right to satisfy its burden by presenting evidence with respect to each individual
27 work put at issue in this litigation. The work-by-work framework Defendants have
28 proposed is grounded soundly in the approach taken in copyright infringement
cases dealing with the issue of how to apportion profits when a copyright is one of
many elements contributing to the success of the work, and there is no rational

1 basis for altering that analysis just because of the large number of works at issue in
2 this case. Rather than propose an alternative grounded in the law or in reason,
3 Plaintiffs instead contend that the Court (or jury, or special master) should use an
4 amorphous “template” analysis that is not tied to any individual work, but is
5 instead based on some generalized notion of Superman. As explained below,
6 Plaintiffs’ objections cannot overcome Defendants’ absolute right to a work-by-
7 work analysis, and their counter-proposal is also unavailing.

8 Before addressing Plaintiffs’ individual arguments, it is important to
9 understand the import of what Plaintiffs are proposing. First, there is no doubt that
10 Plaintiffs are only entitled to share in the profits Defendants have earned from their
11 exploitation of the co-owned copyrightable material from the *Action Comics #1*
12 *Story*. Thus Plaintiffs would receive a windfall at Defendants’ expense if they
13 were to receive profits from works not incorporating any copyrightable component
14 of the *Action Comics #1 Story*. And Plaintiffs would also receive a windfall to the
15 extent they are awarded profits from works incorporating the *Action Comics #1*
16 *Story* if those profits are from elements other than that copyrightable material –
17 such as Batman.

18 Furthermore, as discussed in Section II above and in Defendants’ moving
19 brief, Defendants believe that Plaintiffs should have the burden of identifying each
20 work purportedly incorporating the co-owned copyrightable material from the
21 *Action Comics #1 Story* and then establishing what percentage of the profits from
22 each of those works is attributable to that material. Plaintiffs, on the other hand,
23 have adopted the burden of proof from copyright infringement cases, which would
24 similarly require Plaintiffs to identify each work incorporating the co-owned
25 copyrightable material from the *Action Comics #1 Story* but, as to the burden of
26 proving apportionment, would place that on Defendants. Regardless of how the
27 Court allocates the burden of proof, however, it is implicit in each party’s
28 argument that *some* party has the burden of presenting evidence with respect to

1 *each work at issue* – and as to the burden of *identifying* those works, implicit in
2 both parties’ arguments is that the burden rests on Plaintiffs.

3 Plaintiffs’ position that the Court should refrain from undertaking a work-
4 by-work analysis goes a step further than their burden-of-proof argument. Not
5 only would Plaintiffs allocate the burden of proving apportionment to Defendants,
6 but they would also forbid Defendants from satisfying that burden by
7 demonstrating how much or how little the *Action Comics #1 Story* contributes to
8 each of those works. Conversely, Plaintiffs’ position seems to be that if they are
9 required to prove apportionment, they can satisfy their burden by presenting a
10 global apportionment percentage that not only assumes that every post-termination
11 work in the Superman universe incorporates the *Action Comics #1 Story*, but that is
12 also not tied to any of the particular works at issue. When viewed from this
13 perspective, Plaintiffs’ “template” approach can be seen for what it is – an attempt
14 to lay claim to Defendants’ profits from every post-termination work in the
15 Superman universe without being required to present any evidence on the issue
16 *and* without giving Defendants the opportunity to present the evidence they have
17 developed on the issue.¹⁴

18 The simple response to Plaintiffs’ cries that a work-by-work analysis is
19 “unworkable” and “burdensome,” is that they are the masters of their own
20 Complaint. Plaintiffs are the ones who have claimed a share of the profits
21 Defendants have earned from the creation of thousands of post-termination works
22 – some derivative of the *Action Comics #1 Story* and some not – and they have the
23 right to circumscribe their claims to seek profits from a limited amount of works if
24 they are concerned about overtaxing the Court, a jury, a special master, or
25 themselves. Plaintiffs have cited no cases supporting the proposition that the Court

26
27 ¹⁴ As “support” for their position, Plaintiffs cite to their subjective belief about the merits
28 of Defendants’ arguments. See Pl. Br. at 25 (“Defendants will surely overstate the ‘bells
and whistles’ they have added to the core ‘Superman’ character/format established in
Action Comics No. 1.”; “Try as Defendants might, Plaintiffs’ recaptured Superman core
will be difficult to water down.”).

1 can avoid determining the extent to which the *Action Comics #1 Story* is
 2 incorporated in the post-termination works from the Superman universe, or if the
 3 story is in those works at all, simply because Plaintiffs have claimed that they are
 4 entitled to share in the profits from a large number of works.

5 **A. Plaintiffs Do Not Present Any Authority Contradicting**
 6 **Defendants' Right To A Work-By-Work Analysis**

7 In fact, the cases Plaintiffs have cited *confirm* Defendants' position that the
 8 Court will need to evaluate each work on an individual basis to determine the
 9 extent to which each work incorporates the *Action Comics #1 Story*. For instance,
 10 Plaintiffs cite three cases in support of the proposition that "[t]he trier of fact can
 11 readily establish a template that qualitatively evaluates and weighs Plaintiffs'
 12 recaptured 'Superman' elements against any additional elements exclusively
 13 owned by Defendants within the overall Superman mythology." Pl. Br. at 22.
 14 However, none of those copyright infringement cases suggested that the Court
 15 should employ any test other than a work-by-work analysis to determine whether
 16 and to what extent the plaintiffs' copyrights were incorporated into the infringing
 17 works.

18 In *Multitherm Corp. v. Fuhr*, 1991 U.S. Dist. LEXIS 10475 (E.D. Pa. Jul.
 19 24, 1991), the parties were both in the business of selling heat transfer fluids, and
 20 the plaintiff alleged that the defendant's sales bulletins infringed its own bulletins.
 21 The case was tried without a jury, and the Court issued detailed findings of fact
 22 and conclusions of law, analyzing each particular bulletin at issue. The court first
 23 evaluated plaintiff's two copyrighted bulletins. *Id.* at *10-*12. It then compared
 24 those bulletins to the allegedly infringing bulletins *on a work-by-work basis*,
 25 examining specific components of each bulletin. *Id.* at *10-*21.¹⁵

26
 27 ¹⁵ As a result of that detailed analysis, the court concluded that: 1) "[Defendant's]
 28 December 1988 Paratherm NF bulletin is almost identical to [plaintiff's] Multitherm PG-
 1 bulletin"; 2) "[Defendant's] 1988 Paratherm HE bulletin is almost identical to
 [plaintiff's] Multitherm IG-2 bulletin"; 3) [Defendant's] February 1989 Paratherm NF
 bulletin is very similar to [plaintiff's] multitherm PG-1 bulletin; 4) "[Defendant's]
 February 1989 Paratherm HE bulletin is very similar to [plaintiff's] Multitherm IG-2

1 The *Multitherm* court undertook a work-by-work analysis to determine
 2 whether and to what extent the defendant's works infringed the plaintiff's
 3 copyrighted brochures. But it could not evaluate the defendant's profits on a work-
 4 by-work basis because the defendant did not make money by selling the brochures;
 5 it used the brochures to help it market its products. As the court explained, "[i]n a
 6 typical infringement action the defendant has earned profit by selling or
 7 performing the infringing work. Here, the copyrighted material had little or no
 8 intrinsic value in its own right, but rather was used to sell something else." *Id.* at
 9 *43. Because of this disconnect between the infringed works and the defendant's
 10 profits, the only profits the court could evaluate were the profits from defendants'
 11 sale of the heat transfer fluids described in the brochures. The court apportioned
 12 "ten percent of [the defendant's] total sales effort . . . to the bulletins and the
 13 remainder to [the defendant's] salesmanship." *Id.* at *45. In addition, the Court
 14 did allocate the profits on a work-by-work basis to the extent possible, given the
 15 indirect nature of the profit analysis: "[b]ecause I find that [defendant's June 1990]
 16 bulletins do not infringe upon [plaintiff's] bulletins and that none of the infringing
 17 bulletins were distributed after June of 1990, [plaintiff] is not entitled to recover
 18 any of [defendant's] profits for the period after June of 1990." *Id.* at *46 (prorating
 19 the overall 1990 profit figures for the six months the infringing bulletins were in
 20 use).

21 In *Roulo v. Russ Berrie & Co., Inc.*, 886 F.2d 931 (7th Cir. 1989) the
 22 plaintiff alleged that the defendant had infringed its greeting card line with its own
 23 line of greeting cards. Contrary to Plaintiffs' intimation, the jury in that case *did*
 24 undertake a work-by-work analysis, evaluating each individual card in Plaintiffs'
 25 line and in Defendants' line.¹⁶ See *Roulo v. Russ Berrie & Co., Inc.*, 1988 U.S.

26
 27 bulletin"; and 5) "[Defendant's] June 1990 Paratherm Bulletins are much less similar to
 28 [plaintiff's Multitherm] PG-1 and IG-2 bulletins than are the December 1988 and
 February 1989 Paratherm bulletins." *Id.*

¹⁶ Moreover, the jury found infringement of the "concept, general arrangement and make-
 up" of Plaintiffs' line of cards. *Roulo*, 1988 U.S. Dist. LEXIS 5567 at *3. Although it is

1 Dist. LEXIS 5567 (N.D. Ill. June 10, 1988) (“[A] simple side-by-side comparison
 2 of the two card lines, a comparison the jury was exposed to every day of the trial
 3 and during its deliberations, overwhelmingly demonstrated [substantial
 4 similarity.]”); *Roulo*, 886 F.2d at 935 (“Since [the appellant’s] challenges on
 5 appeal inextricably involve the visual appearance of the two greeting card lines,
 6 and indeed a display of each [line of cards] was presented to the jury for a side-by-
 7 side comparison, a detailed description of each is necessary and black and white
 8 reproductions of the cards are appended to this opinion.”) The issue in that case
 9 was different from what we are presented with here, however, because the plaintiff
 10 claimed that the combination of non-copyrightable elements in each of the
 11 defendant’s cards – the “concept, general arrangement, and make-up” – was what
 12 infringed the plaintiff’s line of cards. *Roulo*, 1988 U.S. Dist. LEXIS 5567 at *3.
 13 Thus the Court affirmed the jury’s minimal apportionment and/or deduction of
 14 expenses when calculating damages because the defendant “appropriated the ‘total
 15 concept and feel’ of [plaintiff’s] cards, rather than a few distinct protected
 16 elements.” *Roulo*, 886 F.3d at 942.¹⁷

17 None of these cases undermine the core principle that the trier of fact must
 18 examine each claimed work to determine whether and to what extent the *Action*

19
 20 unclear from the opinion, it appears as if the jury determined that the elements common
 21 to each of Defendants’ cards in its line infringed the elements common to each of
 22 Plaintiffs’ cards in its line. Thus, the “works” at issue were the lines of cards, and each
 23 card in Defendants’ line contained the same amount of infringing elements. *See Roulo*,
 24 886 F.2d at 940 (“[Defendant’s] cards not only used the same unprotectable elements as
 25 [Plaintiff’s] cards, but also used them in a format nearly identical to that used by
 Plaintiffs’ cards.”); *id.* (“Under the unique facts of this case, the protected copyright
 material is the same thing as the trade dress.”) (internal citation omitted). We are not
 presented with the same situation in the present case because there are different
 percentages of the “work”, *i.e.*, the *Action Comics #1 Story*, in each of Defendants’ post-
 termination works at issue.

26 ¹⁷ Moreover, contrary to Plaintiffs’ assertion, it is not evident from the opinion whether
 27 the jury considered evidence of apportionment on a work-by-work basis or for each line
 28 as a whole. *Id.* at 941. The same is true in *Aerospace Services Int’l v. The LPA Group, Inc.*,
 57 F.3d 1002 (11th Cir. 1995), which Plaintiffs have also cited. In that case, the
 court aggregated the fees allocable to two infringing documents, but it likely evaluated
 each separate infringing document to determine how to apportion the contributions of the
 plaintiff’s infringed work. *Id.* at 1004.

1 *Comics #1 Story* is incorporated into that work.¹⁸ And as discussed below,
2 Plaintiffs' proposed "template" approach does not present a workable alternative.

3 **B. Plaintiffs' Vague "Template" Analysis Cannot Withstand Scrutiny**

4 It is difficult to decipher from Plaintiffs' briefing what they mean when they
5 say that the Court should come up with a "template" to analyze their claims to
6 Defendants' profits. Plaintiffs argue that "[t]he Superman mythos more closely
7 resembles a unified property than a collection of unrelated works" and then state
8 that "[f]rom this elemental comparison, a fair percentage (%) can be fixed by the
9 jury that can then be reasonably applied to the totality of Defendants' Superman
10 profits." Pl. Br. at 22. They later claim that "an apportionment ratio arrived at
11 through a comparative 'template,' weighing material elements within the
12 Superman mythos, would reasonably approximate the average ratio arrived at
13 through a laborious work-by-work analysis, while rationally crediting Defendants'
14 contributions." *Id.* at 25. Thus it appears as if Plaintiffs propose coming up with
15 an apportionment number to apply to every work in the Superman universe
16 (whether incorporating components from the *Action Comics #1 Story* or not), but
17 they have not explained how the Court, the jury, or the special master would go
18 about doing that. How should the trier of fact come up with an apportionment
19 percentage that will be equally applied to profits from the sale of a *Superman*
20 comic book, a *Justice League* comic book, a T-shirt bearing DC's trademarked

21
22 ¹⁸ Defendants do not disagree with the general proposition that DC's license fees already
23 include an apportionment of the contributions of artists, writers, directors, actors, and
24 other persons employed by the licensees who create works under license. *See* Pl. Br. at
25 21; Def. Br. at 37-38. But Plaintiffs' position goes too far because the licenses at issue
26 grant not only the rights to use the *Action Comics #1 Story*, but also the rights to use
27 literally thousands of other works and characters in the Superman Universe as well as
28 associated intellectual property rights, such as trademarks. *See, e.g.,* Toberoff Decl. Ex.
F at 17, Ex. G at 6. Accordingly, the most appropriate way to determine how the *Action
Comics #1 Story* contributes to the license fees earned by DC is for the trier of fact to
look at the works created under each particular license. For instance, if a vendor only
sells T-shirts bearing the Superman crest, none of its license fees should be apportioned
to the *Action Comics #1 Story*. Conversely, Defendants do not deny that some of the
profits from *Superman Returns* are attributable to the *Action Comics #1 Story*, and the
monies DC has received from Warner Bros. from the exhibition and distribution of
Superman Returns should be apportioned accordingly.

1 Superman shield, a Lex Luthor action figure, a *Smallville* episode focusing on
 2 Aquaman, an episode of *Krypto the Superdog*, and the myriad of other works in the
 3 Superman universe that have been created since April 16, 1999? Plaintiffs leave
 4 this question unanswered, and Defendants submit that the only legally sanctioned
 5 methodology is to evaluate each individual work.

6 The cases cited by Plaintiffs in this section (*see* Pl. Br. at 22) are inapposite
 7 and stand for nothing more than the unremarkable proposition that when a Court
 8 conducts an apportionment analysis of an individual work, the process is by its
 9 nature imprecise. *See, e.g., Sheldon v. Metro-Goldwyn Pictures Corp., supra*, 309
 10 U.S. 390 (apportioning the contributions of the copyrighted material in plaintiff's
 11 infringed play to the profits of defendant's infringing movie).¹⁹ They do not, as
 12 Plaintiffs contend, establish that the trier of fact may indiscriminately develop a
 13 "template" to apply to the profits earned by works in the Superman universe
 14 without first examining those works themselves. Stripped of any supporting
 15 authority, Plaintiffs' argument falls under the weight of their amorphous
 16 "template" test and vague statements about "iconic core,"²⁰ "mythos," and
 17 "mythology."²¹

18 **C. There Is A Difference Between Apportionment And Establishing**
 19 **Profits Attributable to An Individual Work**

20
 21 ¹⁹ *John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 332 F.3d 26 (1st Cir. 2003)
 22 is an "indirect profits" case. In that case, the plaintiff claimed that it was entitled to a
 23 share of defendant's profits from the sales of condominiums because the defendant had
 24 infringed plaintiff's site plans in developing the subdivision. The court vacated the jury's
 25 copyright damages determination because the district court had given it an improper
 26 apportionment instruction. *Id.* at 50.

27 ²⁰ Regardless of whether the "core" of Superman has "remained largely unchanged" since
 28 inception, (Pl. Br. at 23-25), this does not mean that each post-termination work created
 by DC or its licensees utilizes the same percentage of that "core" or even incorporates
 that "core" at all. Nor does it mean that the purportedly "core" elements are all
 copyrightable and thus subject to a profit accounting.

²¹ Moreover, Plaintiffs' position cannot be saved by their inapposite citation to the
 legislative policy behind the termination statute. Any post-termination works Defendants
 have created that incorporate the *Action Comics #1 Story* have been created by virtue of
 Defendant's ownership of Joseph Shuster's *unterminated* share of the copyrightable
 material in that story.

1 One of the primary flaws in Plaintiffs' position is their failure to differentiate
2 between the apportionment determination, which must be done on a work-by-work
3 basis, and the correlation of profits to a particular work. For instance, several of
4 the cases Plaintiffs have cited stand for the proposition that if a defendant's
5 revenues are not capable of being isolated on a work-by-work basis, the Court may
6 devise a reasonable methodology to determine how much of the overall revenues
7 are attributable to the infringing work and then apply an apportionment percentage
8 to that revenue number. *See, e.g., Multitherm*, 1991 U.S. Dist. LEXIS 10475 at
9 *45-*46. However, those cases do not establish, as Plaintiffs contend, that the
10 Court should avoid evaluating each of those individual works to come up with that
11 apportionment percentage. *Id.*²² To take a hypothetical situation, if DC publishes
12 12 issues of its *Superman* comic book a year but only collects revenue information
13 on a yearly basis, the trier of fact could evaluate each individual work on a work-
14 by-work basis to determine the extent to which the *Action Comics #1 Story* is
15 incorporated in each of those works, if at all. Through this work-by-work
16 evaluation, the trier of fact could come up with a blended percentage that could
17 rationally be applied to the yearly profits.

18 The Ninth Circuit's opinion in the *Frank Music* case cited at page 22 of
19 Plaintiffs' brief²³ confirms this approach, illustrating how the apportionment issue
20 can be analyzed on a work-by-work basis even if a defendant accounts for its
21 profits in a more generalized way. *See Frank Music Corp. v. Metro-Goldwyn-*
22 *Mayer, Inc.*, 886 F.2d 1545 (9th Cir. 1989). In *Frank Music*, the plaintiff alleged
23 that the defendant's musical revue, *Hallelujah Hollywood*, infringed its dramatico-
24 musical work, *Kismet*. Because only one of the revue's ten acts²⁴ incorporated the
25

26 ²² Of course, to the extent revenues are isolated on a work-by-work basis, they should be
27 presented that way.

28 ²³ Plaintiffs cited to an earlier Ninth Circuit decision in the same case. *See Frank Music Corp. v. Metro-Goldwyn Mayer, Inc.*, 772 F.2d 505 (9th Cir. 1985).

²⁴ The revue only included eight acts on Saturday nights. *Id.* at 1548.

1 plaintiff's work, the court undertook an *act-by-act* apportionment analysis of the
 2 infringing musical revue and then determined what portion of the revue's overall
 3 profits were attributable to the individual infringing act. The court's
 4 apportionment analysis focused only on the one act containing infringing material,
 5 and the court apportioned 75% of the profits from that act to the infringing
 6 material. *Id.* at 1549-50. The profits from the revue, which came primarily from
 7 ticket sales, were obviously not isolated act-by-act, so to calculate the profits
 8 attributable to that particular act, the court first determined that each act
 9 contributed equally to the profits from the revue and then calculated that the
 10 infringing act amounted for 173 of the 1425 minutes the revue ran each week, or
 11 12%. *Id.* at 1548-49. The Court then multiplied the revue's net profit number by
 12 12% and then again by the 75% apportionment percentage to come up with the
 13 plaintiff's profit award. *Id.* at 1548-50.

14 In sum, although profits should be tied to individual works to the extent
 15 possible, the failure to separate financial information on a work-by-work basis
 16 does not mean that apportionment should not be done on that basis.²⁵

17 **D. Defendants Are Willing To Work With The Court And Plaintiffs**
 18 **To Develop Procedures To Facilitate The Accounting**

19 Finally, Defendants agree that Plaintiffs have the *right* to refuse a special
 20 master just as Defendants have the *right* to have Plaintiffs' claims to Defendants'

21 _____
 22 ²⁵ This difference between the apportionment test and the profit determination explains
 23 one of the flaws in Plaintiffs' "mootness" argument. Pl. Br. at 19-20. Even assuming the
 24 only financial information available fails to break down revenues and expenses on a
 25 work-by-work basis, that does not mean that each of the individual works at issue should
 26 not be evaluated on a work-by-work basis to come up with a blended apportionment
 27 percentage to apply to that aggregated data. The second problem with Plaintiffs'
 28 argument is that it is not properly raised in the present brief. The Court granted
 Plaintiffs' accounting expert Steven Sills an audit of Defendants' financial information,
 and if Mr. Sills requested financial data on a work-by-work basis and Defendants did not
 provide it, Plaintiffs should have raised that issue with the Court at that time. The logical
 explanation is that Mr. Sills conducted his audit in accordance with Plaintiffs' "template"
 theory, and he did not take the time to "drill down" to the revenue and expenses numbers
 for each individual work. Moreover, as Plaintiffs have acknowledged, these briefs are
 not the proper place to raise that issue; if Plaintiffs seek to preclude Defendants from
 presenting evidence on this issue, they may move *in limine*. Pl. Br. at 20, n. 20.

1 profits evaluated on a work-by-work basis. Defendants will, of course, work with
 2 the Court and Plaintiffs to explore any steps or procedures that will facilitate the
 3 necessary work-by-work analysis.

4 **V. ALL OF THE SUPERMAN MATERIAL PREPARED BY**
 5 **SIEGEL AFTER ACTION COMICS #1 IS WORK FOR HIRE**

6 Plaintiffs have no basis to oppose Defendants' request to exclude evidence
 7 concerning post-termination profits from derivative works other than those based
 8 on the *Action Comics #1 Story*. First, Plaintiffs' procedural objections to the
 9 Court's consideration of the scope of the recaptured copyrights before trial are
 10 unfounded and make no sense. Second, their contentions that there are genuine
 11 disputed material issues of fact concerning the work for hire status of Siegel's
 12 contributions to post-*Action Comics #1* Superman comics disregard (i) the
 13 undisputed evidence found in the relevant preclusive findings of the referee in the
 14 Westchester Action, (ii) all the other relevant documentary evidence, including the
 15 testimony of Siegel and Shuster themselves in that case, *see Siegel v. Time Warner*
 16 *Inc.*, 496 F. Supp. 2d 1111, 1137 (C.D. Cal. 2007) ("*Siegel P*"), (iii) the September
 17 22, 1938 employment agreement and (iv) correspondence from the relevant period.
 18 Plaintiffs have failed to come forward with any contrary evidence and cannot
 19 counter it in any event. Instead, they have miscited case law and made only the
 20 most generalized and empty, boilerplate assertions concerning proofs they hope to
 21 make at trial from demonstrably incompetent witnesses and unidentified (*i.e.*, non-
 22 existent) documents.²⁶

23 **A. On a Motion In Limine, the Court May Decide to Exclude From**
 24 **the Trial Any Irrelevant Evidentiary Matter Such as Works in**
 25 **Which Plaintiffs Can, as a Matter of Law, Claim no Copyright**
 26 **Ownership**

27 This Court is empowered to decide issues concerning the admissibility of the

28 ²⁶ Where, as here, a party possesses such evidence but withholds the same for its reply, the court should not consider it. *See Stewart v. Wachowski*, No. CV 03-2873 MMM, 2004 WL 2980783.*11 (C.D. Cal. Sept. 28, 2004); *Gruno Gigante SA De CV v. Dallo & Co., Inc.*, 119 F.Supp.2d 1083, 1103 n.3 (C.D. Cal. 2000), *vacated on other grounds*, 391 F.3d 1088 (9th Cir. 2004).

1 evidence at issue here in advance of the trial. As the Supreme Court has explained,
2 a District Court has the authority to grant a motion *in limine* pursuant to “the
3 court’s inherent authority to manage the course of trials.” *Luce v. United States*,
4 469 U.S. 38, 42 n.4 (1984). The fact that this motion could otherwise be styled as
5 dispositive of a claim does not alter the Court’s power, or counsel against an
6 appropriate evidentiary ruling to confine the trial to relevant and admissible facts.
7 *Fournier v. McCann Erickson*, 242 F. Supp. 2d 318, 334-35 (S.D.N.Y. 2003).
8 “The purpose of a motion in limine is to allow the trial court to rule in advance of
9 trial on the admissibility and relevance of certain forecasted evidence.” *Id.*
10 (quoting *United States v. Paredes*, 176 F. Supp. 2d 192, 193 (S.D.N.Y. 2001));
11 accord Pl. Br. at 29. In that respect, courts may look to the merits in deciding in
12 limine motions. *Fournier*, 242 F. Supp. 2d at 334-35.

13 With the exception of the *Action Comics #1 Story* (and the unrecaptured
14 Promotional Announcements), evidence concerning Jerome Siegel’s contributions
15 to (and therefore Plaintiffs’ claim to copyright ownership of) any other of the
16 thousands of pre-1999 Superman works (and specifically *Action Comics #s 2-61*) is
17 simply not relevant to Plaintiffs’ accounting claim. Pursuant to Fed. R. Evid. 402,
18 this evidence must therefore be excluded. In addition, the introduction of such
19 evidence into the same trial in which the necessary apportionments will be decided
20 could only serve to prejudice Defendants, potentially confuse the trier of fact on
21 the highly complex accounting issues, and waste the Court’s valuable time. *See*
22 *also* Fed. R. Evid. 403 (even otherwise relevant evidence “may be excluded if its
23 probative value is substantially outweighed by the danger of unfair prejudice,
24 confusion of the issues, or misleading the jury, or by considerations of undue
25 delay, waste of time, or needless presentation of cumulative evidence.”). To defer
26 judgment on this issue until trial would also needlessly burden the parties in their
27 trial preparation and complicate and delay the adjudication process by requiring an
28 interruption in trial for the necessary extensive briefing and argument on the very

1 same issues presented here. If the parties do not know by the time of trial whether
 2 the equitable accounting sought by Plaintiffs will necessitate an apportionment of
 3 the elements of only the *Action Comics #1 Story* or will potentially also require
 4 apportionment of elements from one or more of *Action Comics #s 2-61*, that
 5 uncertainty will not only make the trial incredibly unwieldy, but may render it
 6 literally unworkable: The work by work review required in an apportionment
 7 analysis cannot be conducted in a vacuum of not knowing beforehand what work it
 8 is that must be apportioned

9 Accordingly, in the interest of justice and efficiency, this court has the
 10 authority to and should exclude irrelevant evidence prior to the trial in this case on
 11 Defendants' motion *in limine*. See *Fournier*, 242 F. Supp. 2d at 334.

12 **B. Plaintiffs Have Failed To Raise any Legal Issue or Genuine**
 13 **Material Issue of Fact Concerning The Work for Hire Status of**
 14 **Siegel's Contributions to Action Comics #s 2-61**

15 Defendants have more than satisfied any initial burden they might have of
 16 presenting credible evidence that the works at issue were created at the instance
 17 and expense of DC's predecessor Detective. (Def. Br. at 5-12); see *Dolman v.*
 18 *Agee*, 157 F.3d 708, 712 (9th Cir. 1998). Plaintiffs' arguments concerning
 19 Defendants' evidence on instance and expense only confirm this. After conceding
 20 that the Superman material following *Action Comics #1* was "necessarily
 21 derivative," in an attempt to avoid the 1909 Act test, Plaintiffs assert that Siegel
 22 and Shuster "did not enter into any agreement" regarding their further Superman
 23 works. (Pl. Br. at 32). But the undisputed evidence shows there was, indeed, and
 24 had to be, *some arrangement* between the parties under which Siegel and Shuster
 25 continued to furnish such material and be regularly paid before September 22,
 26 1938 when their agreement was reflected in writing. There is no requirement
 27 under the 1909 Act test that the parties' relationship or agreement had to be written
 28 up, and the instance, expense and control inquiries need not be answered solely by
 the terms of a written contract. Accord Pl. Br. at 31 ("work-for-hire analysis under

1 1909 Act requires an evaluation of the ‘actual relationship between the parties,
2 rather than the language of their agreements, in determining the authorship of the
3 work.’” (quoting *Marvel Characters v. Simon*, 310 F3d 280, 291 (2d Cir. 2002)).

4 More importantly, Plaintiffs have simply not dealt legally or factually with
5 the mountain of evidence Defendants cite that answers those queries here.
6 Plaintiffs discuss “instance” (Pl. Br. at 31-32) but have not countered any of the
7 numerous indicia of instance enumerated at Def. Br. at 14-16. Similarly, Plaintiffs
8 discuss the expense test (Pl. Br. at 32) but do not deny that Siegel was regularly
9 paid a sum certain for all of his contributions after *Action Comics #1* and that
10 Detective undertook the “large” financial risk of promoting and marketing the
11 Superman comic books at issue (FOF, ¶ 35).²⁷ Plaintiffs do not even separately
12 discuss let alone contest Detective’s absolute right of control. *Siegel I*, 496 F.
13 Supp. 2d at 1143-44; Def. Br. at 17-18. Such facts pertain to all issues of Action
14 Comics created after *Action Comics #1*. *Id.* at 33.

15 Critically, Plaintiffs also are silent as to the fact that the Court of Appeals in
16 *Siegel v. National Periodical Publications, Inc.* found that the *Action Comics #1*
17 *Story* was not a work made for hire because Siegel and Shuster had created that
18 work *before* they were asked to provide it to Detective. 508 F.2d 909, 914 (2d Cir.
19 1974), *Siegel I*, 496 F. Supp. 2d at 1137. In contrast, here, Plaintiffs have
20 presented *no evidence* to suggest that any stories or drawings present in *Action*
21 *Comics #s 2-61* were created by Siegel and Shuster *prior* to their employment by
22 Detective.

23 Satisfaction of the instance, expense and right of control inquiries results in
24

25 ²⁷ As explained in *Playboy Enterprises, Inc. v. Dumas*, where the artist was paid “after”
26 delivering his illustrations, the district court erred on the expense inquiry by considering
27 that the artist paid “certain expenses” such as those for his tools, studio and assistants
28 because “the ‘expense’ requirement” is “met where the hiring party *simply pays* an
independent contractor a *sum certain*” 53 F.3d 549, 554-55 (2d Cir. 1995) (emph.
added). See *Siegel I*, 496 F. Supp. 2d at 1138. Here, the evidence also indicates that
Detective paid contributors “even if the material submitted ultimately was not published.”
Id.

1 “the presumption that the mutual intent of the parties” was to make the engaging
 2 party the initial copyright owner. *Lin-Brook Builders Hardware v. Gertler*, 352
 3 F.2d 298, 300 (9th Cir. 1965). Although such work for hire presumption is
 4 rebuttable, the burden is on the hired party to establish “an *express contractual*
 5 *reservation* of the copyright” to do so. *Id.* (emph. added); *Dolman*, 157 F.3d at
 6 712 (“The employee-plaintiff bears the burden of proving . . . such a contrary
 7 agreement was reached”); *Playboy*, 53 F.3d at 554-55 (same).

8 Although Plaintiffs seek to invoke this precept, they have failed to come
 9 forward with any evidence of a genuine dispute with respect to the existence of
 10 such a contrary agreement – and for good reason, since there is none. This is fatal:
 11 the “burden to demonstrate a genuine issue of fact increases where the factual
 12 context makes the non-moving party’s claim implausible. Thus, mere
 13 disagreement or the bold assertion that a genuine issue of material fact exists . . .”
 14 is insufficient. *Harper v. Wallingford*, 877 F. 2d 728, 731 (9th Cir. 1989)
 15 (citations omitted).²⁸

16 Here, the claim of an express mutual intent to reserve to Siegel the
 17 copyrights in the sequels to *Action Comics #1* is not merely implausible but totally
 18 untenable. Any such claim flies in the face of the March 1, 1938 agreement under
 19 which Superman was acquired from Siegel and Shuster, the September 22, 1938
 20 employment agreement, as well as the preclusive findings of fact in the
 21 Westchester Action. *See* Def. Br. at 8-10, 14-18. The March 1, 1938 agreement
 22 transferred complete ownership of Superman to DC’s predecessor, thereby
 23 absolutely precluding the possibility of any subsequent derivative works owned by
 24 Siegel and Shuster.²⁹ The September 22, 1938 agreement did not only address

25
 26 ²⁸ As explained by Justice White, “. . . there is no issue for trial unless there is sufficient
 27 evidence favoring the non moving party . . . to return a verdict for that party. If the
 28 evidence is merely colorable or is not significantly probative summary judgment may be
 granted.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249-250 (1986).

²⁹ *See* Bergman SJ Decl. Ex. __: “I hereby sell and transfer such work and strip [i.e.
 Superman], . . . and exclusive right to the use of the characters and story, continuity and
 title of strip contained therein, to you and your assigns to have and hold forever and to be

1 future issues of *Action Comics*; it also confirmed the critical facts that (i) are flatly
 2 inconsistent with and preclude any mutual intent that Siegel retain copyright
 3 ownership and (ii) establish the parties' work for hire relationship for all the
 4 Superman works created by Siegel and Shuster following *Action Comics #1*. See
 5 *id.* at 9-10.

6 In lieu of the necessary specific evidentiary proffers, Plaintiffs misstate cases
 7 and then only allude generally to the kinds of evidence – “numerous exhibits,
 8 voluminous correspondence,” “previous testimony” of Siegel and Shuster, “live
 9 testimony from Joanne Siegel” and opinions of so-called “experts” as to “custom
 10 and usage” Pl. Br. at 35 – that one *might* offer bearing on the intentions of parties
 11 to any contract. But in no case is the *content* of any such theorized evidence
 12 provided or even summarized. *Id.*

13 Legally, the claim that summary adjudication on work for hire is
 14 “disfavored” is belied by *Self-Realization Fellowship Church v. Ananda Church of*
 15 *Self-Realization*, 206 F.2d 1322 (9th Cir. 2000) (granting summary judgment on
 16 work for hire), and *Dolman*, 157 F.3d 708 (same),³⁰ which Plaintiffs themselves
 17 cite. See also *Siegel I*, 496 F. Supp. 2d at 1144 (same). Furthermore, Plaintiffs’
 18 citations to denials of summary judgment in *May v. Morganelli-Heuman &*
 19 *Associates*, 618 F.2d 1363 (9th Cir 1980), and *Marvel*, 310 F.3d 280, due to the
 20 existence of a genuine factual dispute are misleading: Plaintiffs omit that such a
 21 result only occurs where, unlike here, the non-moving party has come forward with
 22 *credible and admissible evidence* of the parties’ contrary intent. In *May*, the
 23

24 your exclusive property and I agree not to employ said characters or said story in any
 25 other strips . . . without obtaining your written consent therefore. The intent hereof is to
 26 give you exclusive right to use and acknowledge that you own said characters or story,
 27 and the use thereof, exclusively.” Once that grant was made, DC owned all existing
 28 Superman material – including the Superman character – outright, and any subsequent
 authorized derivative Superman works could only have been produced with DC’s
 permission; that is, any such works could only have been created at the instance of DC.

³⁰ In *Dolman*, the issue of work for hire related to whether under the 1976 Act the
 composer who was a regular employee did his creating on the job, not as an independent
 contractor and whether the hiring party could satisfy the 1909 Act instance and expense
 test.

1 plaintiff submitted an affidavit from a professional architect on prevailing industry
 2 custom, 618 F.2d at 1368, and in *Marvel*, Simon submitted credible evidence that
 3 he did not create the works as an employee for hire. 310 F.3d at 292.³¹

4 Plaintiffs also improperly quote the *Nimmer* treatise by failing to disclose
 5 that they omitted all of Nimmer's footnotes. (Pl. Br. at 34-35). The quoted text
 6 says that relevant "questions of historical fact" which go into the factors arising in
 7 any infringement case, including, by way of example, whether the work at issue is
 8 one "made for hire," are for the finder of fact. However, undisclosed, omitted
 9 footnote 6 provides: "*Langman Fabrics v. Graff Californiawear, Inc.*, 160 F.3d
 10 106, 111 (2d Cir. 1998). Nonetheless, the ultimate determination whether the
 11 copyright to the work belongs to the employer or the hired party raises a question
 12 of law. *Id.*" 3 *Nimmer* § 12.10[A] n.6 at 12-180.4.

13 Finally, Plaintiffs could not rely on the evidence they generally identify
 14 (without describing in detail):

- 15 • Although the "voluminous" documentary evidence Plaintiffs say they "will
 16 present" has been available to them for years, the documents – which do not
 17 lie – do not include an express contrary agreement or anything else to
 support a claim that the parties mutually intended anything but a work for
 hire relationship after March 1, 1938.
- 18 • The Westchester Action findings of fact, including with respect to the
 19 parties' business relationship in the relevant 1937-1943 time period, *see*
 20 *Siegel I*, 496 F. Supp. 2d at 1137, were "made after consulting *all* of the
 21 documents and hearing all of the live testimony" (emph. in original) that the
 Court has now accepted as preclusive as to virtually all of the key facts
 22 evidencing the parties' relationship during that time. *Id.* at 1127, 1128-29.³²
- 23 • The promised "testimony of Jerome Siegel and Joseph Shuster" is from the
 Westchester Action and forms the basis, with other relevant evidence, for the
 referee's findings of fact, none of which can now be overcome or

24 ³¹ While credible proof of industry custom that a comic book contributor always retains
 25 his copyright or that both parties expressly agreed on this point might be relevant,
 26 unilateral, subjective and self-serving claims that one did not want or intend his work to
 be for hire are not admissible under the 1909 Act. *See Estate of Hogarth v. Edgar Rice*
Burroughs, Inc., 62 U.S.P.Q. 2d. 1301, 1327, *aff'd*, 342 F.3d 149 (2d Cir. 2003).

27 ³² As this Court also noted, "there are no witnesses who could testify to give life and
 28 context to those documents still in existence The only court with the opportunity to
 assess the credibility of such live testimony in connection with this legal dispute was
 presided over by the referee in the Westchester Action." *Siegel I*, 496 F. Supp. 2d at
 1127.

1 disregarded. *See id.*

- 2 • When deposed, Joanne Siegel testified she has no knowledge of “anything of
3 Siegel’s relationship with DC Comics in that time frame [1935-1948]”
4 (Exhibit A to Declaration of Michael Bergman in Opposition to Plaintiffs’
5 Brief on Additional Issues (“Bergman Opp. Decl.”) at 14). She is thus
6 incompetent to testify on the question.³³
- 7 • Neither Mr. Evanier nor Mr. Steranko is qualified to testify on whether the
8 works at issue were made for hire because that is a question of law solely for
9 the Court to decide on the basis of the facts and argument by counsel. *See*
10 *Hangarter v. Provident Life & Accident Co.*, 373 F.3d 998, 1016 (9th Cir.
11 2004).³⁴
- 12 • Neither of the Evanier or Steranko reports contains any information or
13 opinion on comic book industry custom or usage with regard to the retention
14 of copyright ownership by a contributing writer or artist during the relevant
15 time period. And their reports and testimony can not be expanded now to
16 cover new subjects. *See Matsuura v. E.I. du Pont de Nemours & Co.*, Civ.
17 Nos. 96-1180, 97-716, 99-660, 00-328, 00-615 SOM-LEK, 2007 WL
18 433546, *3 (D. Haw. Feb. 6, 2007).
- 19 • Although Messrs. Evanier and Steranko – neither of whom is a lawyer or has
20 any formal legal education or expertise in copyright law – purport to give a
21 legal opinion that Siegel’s contributions to early stories of Superman were
22 not work for hire, both do so, in similar, conclusory language, on the basis of
23 the master-servant criteria that determine whether a writer or artist is a
24 “formal” or traditional employee (Adams Exs. G, H), factors which have no
25 relevance to the 1909 Act instance and expense test that applies to work
26 prepared by independent contractors. *Siegel I*, 496 F. Supp. 2d at 1138.
27 Moreover, Evanier testified that whether a work was one made for hire was a
28 question “outside my area of claimed expertise.” (Bergman Opp. Decl. Ex.
C at 31),³⁵ and Steranko similarly admitted he did not know what the legal
terms “instance” and “expense” meant and that their meaning was “not my
area of expertise.” (*id.* Ex. D at 123),³⁶ thus precluding their testimony on
the question. *See Bach v. Forever Living Prods. U.S. Inc.*, 473 F Supp. 2d

20 ³³ Moreover, neither of Plaintiffs’ purported experts Evanier nor Steranko has been
21 identified in Plaintiffs’ Rule 26 disclosures as fact witnesses, nor can they provide
22 admissible testimony as fact witnesses with regard to any events in the 1937-1943 period
23 because neither was present or has any direct knowledge of the events in this period.

22 ³⁴ In the event that the Court considers the reports of Plaintiffs’ experts on the work for
23 hire question, Defendants respectfully submit the report of their own expert, UCLA law
24 professor Neil Netanel, who opines that post-*Action Comics #1* Superman stories were,
25 indeed, works for hire under the 1909 Act test. (Bergman Opp. Decl. Ex. B).

24 ³⁵ He also admitted that he was not asked to opine on whether any works “were created at
25 the instance and expense of anybody else” (*id.* at 86) and that he had no knowledge of the
26 case law or principles that a court would use to make a work for hire determination (*id.* at
27 85-86).

26 ³⁶ Steranko also assumed that Siegel and Shuster were asked to write *Action Comics # 2*,
27 *3* and *4* by their publisher and that the publisher had the right to reject their submissions.
28 (*id.* at 123-24.) He also opined that with regard to their relationship with their publisher
“that they had a singular unique relationship with DC Comics the likes of which were not
evident in any other shop” (*id.* at 125) and that DC “seemed to have the right if it wished”
to boot[ed] them out of there” and “edit” their work” (*id.* at 128, 129).

1 1110, 1114 (D. Wash. 2007) (citing *Daubert v. Merrell Dow Pharms.*, 509
2 U.S. 579, 598 (1993)) (testimony not admissible if expert not qualified to
testify on matters at issue).

3 In sum, Plaintiffs have provided the Court with no reason to consider any
4 evidence that they have recaptured anything but the copyright in the *Action Comics*
5 *#1 Story*.

6 **VI. DEFENDANTS OWE PLAINTIFFS AN ACCOUNTING OF PROFITS**
7 **FROM THE EXPLOITATION OF NEW DERIVATIVE WORKS**
8 **ATTRIBUTABLE TO THE *ACTION COMICS #1 STORY***

9 The parties appear to agree on the basic principles at issue on the question of
10 whether Defendants are obligated to account to Plaintiffs for post-termination
11 alterations to pre-termination derivative works (the Court has already ruled
12 Defendants can continue to exploit such unaltered works without an accounting).
13 That is, if such alterations are sufficient to create a new derivative work, then the
duty is triggered. (Def. Br. at 51-58).

14 Under section 101 of the Copyright Act, a “derivative work” is defined as:

15 a work based on one or more preexisting works, such as a translation,
16 musical arrangement, dramatization, fictionalization, motion picture
17 version, sound recording, art reproduction, abridgment, condensation,
18 or any other form in which a work may be recast, transformed, or
adapted. A work consisting of editorial revisions, annotations,
elaborations, or other modifications which, as a whole, represent an
original work of authorship, is a “derivative work”.

19 17 U.S.C. § 101. Such new material must be non-trivial, *see Entertainment*
20 *Research Group, Inc. v. Genesis Creative Group, Inc.*, 122 F.3d 1211, 1220 (9th
21 Cir. 1997), *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 909 (2d Cir.
22 1980), in order to protect the mandate of section 103(b) that “that the copyright
23 protection for derivative works not affect the scope of any copyright protection in
24 the underlying work.” 17 U.S.C. § 103(b). The parties also agree that the Court
25 will need to look at each such alleged work to determine whether, in fact, a new
26 derivative work has been created. (Pl. SJ Opp. at 29). Moreover, Defendants
27 generally agree with Plaintiffs’ characterizations of certain standard industry
28 modifications to the *Superman* films – such as the addition of new audio

1 soundtracks and re-cut or re-edited versions of such films – as new derivative
2 works, assuming that each such version “recast[s], transform[s], or adapt[s]” the
3 prior work .

4 However, Plaintiffs once again go too far in what they seek to claim. For
5 example, in the hope that they can simply corral as much of Defendants’ profits as
6 possible, Plaintiffs ignore the reality of the DVD format in the context of
7 copyright, and fail to recognize that post-1999 Superman DVDs for any particular
8 film (such as those submitted by Plaintiffs) include multiple separate works,
9 including the pre-termination film as theatrically released, the original pre-
10 theatrical version, a post-release “director’s cut,” or, in the case of *Superman II:
11 The Richard Donner Cut*, a more extensive rearrangement of the theatrical release.
12 Moreover, each DVD features one or more of these versions of the film in several
13 languages, with or without subtitles, with new audio mixing, with director or actor
14 commentary, and the like. Such DVDs commonly also include short “making of”
15 featurettes, in addition to their own packaging and interactive menus to allow the
16 user to navigate between the various works on the disc.

17 It is undisputable that each separate version of the film as well as any
18 additional content found on a DVD constitutes a separate “original work of
19 authorship” under the Copyright Act. Thus, a complete DVD containing all of
20 these works is a compilation and a collective work under the Copyright Act. 17
21 U.S.C. § 101 (defining “compilation” as “a work formed by the collection and
22 assembling of preexisting materials or of data that are selected, coordinated, or
23 arranged in such a way that the resulting work as a whole constitutes an original
24 work of authorship,” and “collective work” as “a work . . . in which a number of
25 contributions, constituting separate and independent works in themselves, are
26 assembled into a collective whole.” However, a compilation (and thus a collective
27 work) *is not* itself a derivative work. Rather, the terms “compilation” and
28 “derivative work” “basically represent ‘different concepts.’” H. Rep. at 57-58

1 (1976); *Caffey v. Cook*, 409 F. Supp. 2d 484, 495-496 (S.D.N.Y. 2006).

2 As such, each DVD at issue will need to be examined at trial to determine:
3 (i) what works it contains, (ii) the extent to which each such work was modified
4 after the termination date; (iii) whether the modifications were sufficient to make
5 the separate individual work a new “derivative work” under section 101; and (iv) a
6 proper apportionment of profits from the sale of such DVD to adequately take into
7 consideration the extent to which they are attributable to Plaintiff’s recaptured
8 copyright in the *Action Comics #1 Story*.³⁷

9 In short, if a post-termination alteration to a pre-termination derivative work
10 recasts, transforms or adapts that work so as to create a new derivative work under
11 section 103(b), Plaintiffs are entitled to an accounting of profits from that new
12 work attributable to the *Action Comics #1 Story*. However, and particularly with
13 respect to a review of post-termination DVDs, each individual work presented
14 thereon must be considered separately in order to ensure that works which simply
15 are not derivative at all are not improperly included in the accounting.

16 **VII. PLAINTIFFS’ CLAIM THAT DEFENDANTS’ TRADEMARK**
17 **RIGHTS ARE SUBSIDIARY TO THEIR COPYRIGHT**
18 **TERMINATION RIGHT IS UNSUPPORTED BY THE LAW**

19 Plaintiffs continue to plead their mantra that their copyright termination and
20 the resulting recaptured 50% share of the copyright in the *Action Comics #1 Story*
21 reigns supreme, and that any conflict between copyright and trademark law must
22 be resolved in favor of Plaintiffs’ termination. Plaintiffs are wrong.

23 As noted in Defendants’ opening brief (Def. Br. at 39-41), copyright and

24 ³⁷ To the extent Plaintiffs claim an interest in any additional content or featurette included
25 on a post-termination release of an unaltered pre-termination derivative work, such as
26 Lois and Clark, the question of whether such additional content separately constituted a
27 new derivative work would need to be dealt with on a case-by-case basis. Defendants
28 contend generally, however, that additional content such as a documentary about the
making of a television series, even if it contains footage or shows scenes from certain
episodes, is not a derivative work, but instead is a new work that merely depicts the
underlying work. Cf. *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d 301,
305-06 (S.D.N.Y. 2000) (photograph of pre-existing work does not “recast, transform or
adapt” to make it a new derivative work; photograph “merely depicts” pre-existing
work).

1 trademark law protect two different, though occasionally overlapping, kinds of
 2 intellectual property. To induce the creation of artistic works for public enjoyment
 3 (U.S. Const. Art. I, Sec. 1, Cl. 8), copyright subsists “in original works of
 4 authorship,” 17 U.S.C. § 102(a).³⁸ A trademark, on the other hand, functions to
 5 identify the source of goods and services and serves to protect the public from
 6 being misled and to protect the trademark owner from unfair competition.

7 *Playboy Enters., Inc. v. Netscape Comm. Corp.*, 55 F. Supp. 2d 1070, 1080 (C.D.
 8 Cal. 1999).³⁹ “Copyright law gives the author the right to prevent copying of the
 9 copyrighted work in any medium. Trademark law prevents the use of a similar
 10 mark on such goods and services as would probably cause confusion.” 1 J.

11 Thomas McCarthy, *McCarthy on Trademarks & Unfair Comp.*, § 6.14 at 6-30 (4
 12 ed. 2008) (“*McCarthy*”). As explained in *Frederick Warne & Co., Inc. v. Book*

13 *Sales Inc.*:

14 Dual protection under copyright and trademark laws is particularly
 15 appropriate for graphic representations of characters. A character
 16 deemed an artistic creation deserving copyright protection . . . may
 17 also serve to identify the creator, thus meriting protection under
 18 theories of trademark or unfair competition Indeed, because of
 19 their special value in distinguishing goods and services, names and
 20 pictorial representations of characters are often registered as
 21 trademarks under the Lanham Act.

22 481 F. Supp. 1191, 1196-97 (S.D.N.Y. 1979) (Sofaer, J.) (citations omitted).

23 ³⁸ “Words and short phrases such as names, titles, and slogans,” (37 C.F.R. § 202.1(a) ;
 24 see also *Butler v. Target Corp.*, 323 F. Supp. 2d 1052, 1059 n.4 (C.D. Cal. 2004); 1
 25 *Nimmer* § 2.16), and basic geometric shapes and simple forms of ornamentation such as
 26 stars and chevron stripes (Compendium II of Copyright Office Practices (the
 27 “Compendium” at 500-3), are not subject to copyright protection.

28 ³⁹ Trademarks are not limited to word marks. Instead, the U.S. Trademark or Lanham
 Act protects “a broad spectrum of marks, symbols, design elements and characters which
 the public directly associates with the plaintiff or its product.” *Warner Bros., Inc. v. Gay
 Toys, Inc.*, 658 F.2d 76, 78 (2d Cir. 1981). Further, where the product sold by plaintiff is
 ‘entertainment’ in one form or another, then not only the advertising of the product but
 also an ingredient of the product itself can amount to a trademark protectable under §
 43(a) [of Title 15] because the *ingredient* can come to symbolize the plaintiff or its
 product in the public mind. *DC Comics, Inc. v. Filmation Assocs.*, 486 F. Supp. 1273,
 1277 (S.D.N.Y. 1980) (emph. added). See also *DC Comics v. Kryptonite Corp.*, 336 F.
 Supp. 2d 324, 332 (S.D.N.Y. 2004) (DC owns KRYPTONITE trademark); *DC Comics,
 Inc. v. Powers*, 465 F. Supp. 843 (S.D.N.Y. 1978) (DAILY PLANET); *Universal City
 Studios, Inc. v. TShirt Gallery, Ltd.*, 634 F. Supp. 1468, 1476, n.9 (S.D.N.Y. 1986).

1 Plaintiffs repeated citation of *Dastar Corp. v. Twentieth Century Fox Film*
 2 *Corp.*, 539 U.S. 23 (2003), does not help their claim that trademark must bow to
 3 copyright. *Dastar* dealt not with a conflict between trademark and copyright
 4 protection but instead an attempt by the plaintiff to use Lanham Act principles to
 5 vindicate Fox's alleged authorship attribution right under the Lanham Act to
 6 prevent use of public domain material at a point where Fox no longer possessed
 7 any copyright rights to the work. 539 U.S. at 25-27. The Court refused to allow
 8 the Lanham Act to be extended so far as to cover the attribution claim. *Id.* The
 9 Court did not, as Plaintiffs claim, hold that trademark law was "subsidiary" to
 10 copyright law, but instead that trademark remedies for false attribution of origin
 11 could not be extended to copying of communicative works, an area clearly within
 12 the ambit of the Copyright Act (*id.* at 35-36).⁴⁰ *Relevant* law, on the other hand,
 13 shows that copyright does not trump trademark rights:

14 Defendant contends that the disputed questions of fact requiring
 15 denial of plaintiff's motion [for summary judgment on its trademark
 16 law claims] need not be reached to find in defendant's favor.
 17 Defendant argues that its use of the illustrations and marks is legally
 18 protected because they are part of copyrightable works now in the
 19 public domain. This argument is not persuasive. The fact that a
 20 copyrightable character or design has fallen into the public domain
 21 should not preclude protection under the trademark laws so long as it
 22 is shown to have acquired independent trademark significance,
 23 identifying in some way the source or sponsorship of the goods. *See*
 24 *Wyatt Earp Enterprises v. Sackman, Inc.*, 157 F. Supp. 621 (S.D.N.Y.
 25 1958). Because the nature of the property right conferred by copyright
 26 is significantly different from that of trademark, trademark protection
 27 should be able to co-exist, and possibly to overlap, with copyright
 28 protection without posing preemption difficulties.

22 *Warne*, 481 F. Supp. at 1196. Any attempt to place Plaintiffs' recaptured
 23 copyrights in a position superior to DC's long-held and expensively developed
 24 trademark rights would disregard the Lanham Act and DC's rights thereunder, and
 25 would render a nullity Congress' express mandate that the copyright termination
 26

27 ⁴⁰ Plaintiffs' citation of a student note in the *Fordham Law Review* – a note written about
 28 *this case* – to support their theory that their termination trumps DC's other intellectual
 property rights only demonstrates the lack of binding, meaningful, or even analogous
 authority from any judicial body.

1 right “in no way affects rights arising under any other Federal, State, or foreign
2 laws.” 17 U.S.C. § 304(c)(6)(E); *Siegel II*, 542 F. Supp. 2d at 1140, 1142. Thus, it
3 is clear that any equitable accounting of mixed copyright and trademark use must
4 attempt to fairly gauge that balance. (*See* Section VIII, *supra*).

5 As for Plaintiffs’ arguments that Defendants cannot prevent Plaintiffs from
6 using the name Superman in exploiting *Action Comics #1* or their own derivative
7 works (Pl. Br. at 47-49), Plaintiffs as co-owners of the *Action Comics #1 Story* are
8 free to use the Superman name to accurately and truthfully identify any such
9 exploitation of their own, so long as such use (1) does not infringe any of the
10 unexpired copyrighted material still held by Defendants, 17 U.S.C. § 501, and
11 (2) does not cause a likelihood of confusion as to source, affiliation or sponsorship
12 of such a product *with Defendants*,⁴¹ which would constitute a Lanham Act
13 violation, 15 U.S.C. §§ 1114(1), 1125(a). Until such a use is made by Plaintiffs,
14 however, any ruling on this issue would be premature and speculative.⁴²

15
16 ⁴¹ Informational uses of this nature have been litigated previously in connection with
17 works whose copyright protection no longer subsists. In such cases, a party seeking to
18 exploit the formerly copyrighted work is subsequently challenged by the former
19 copyright holder on the basis that the new use – permitted under the copyright laws –
20 may be violating the former copyright holder’s trademark rights. *See* 1 *McCarthy* § 6:14
21 at 6-35. So long as the new use of the work under its original title does not cause a
22 likelihood of confusion as to source, sponsorship or affiliation under the Lanham Act,
23 such use would be permissible. *See, e.g., DC Comics v. Fimlition Assocs.*, 486 F. Supp.
24 at 1277 (enjoining defendant’s animated television series and promotion thereof; court
25 prevented defendant from copying names, physical appearances of plaintiff’s comic book
26 characters where (i) comic books were not found to be in the public domain and (ii)
27 defendant’s use misrepresented the origin of its television program with no effort made to
28 disclose true source), *but see Geisel v. Poynter Prods., Inc.*, 295 F. Supp. 331 (S.D.N.Y.
1968) (use of phrase “based on” to describe three-dimensional Dr. Seuss dolls copied
from cartoons the copyrights for which were not owned by plaintiff, along with other
appropriate disclaimers, alleviated likelihood of confusion).

⁴² The cases cited by Plaintiffs supporting the claim that “courts have extended copyright
protection to names to the extent they serve to define well delineated characters” (Pl. Br.
at 47-48) do not stand for that proposition. Instead, all of them involve either trademark
claims where the mark at issue is the name of a character (*Patten v. Superior Talking
Pictures, Inc.*, 8 F. Supp. 196 (S.D.N.Y. 1934) (noting that copyright did not protect title
to story, which was protected as a trademark)) or copyright claims where the court took
into consideration the fact that the defendant used the same character name as evidence
(*i.e.*, an admission) of copying (*Anderson v. Stallone*, 11 U.S.P.Q.2d 1161 (C.D. Cal.
1989)), or both (*Danjaq LLC v. Sony Corp.*, 49 U.S.P.Q.2d 1341 (C.D. Cal. 1998);
Universal City Studios, Inc. v. Kamar Indus., Inc., 217 U.S.P.Q. 1162 (S.D. Tex. 1982);
Edgar Rice Burroughs, Inc. v. Manns Theatres, 195 U.S.P.Q. 159 (C.D. Cal. 1976)). In

1 **VIII. PLAINTIFFS MAY BE ENTITLED TO SHARE PROFITS**
2 **OBTAINED FROM “MIXED” USES OF ANY RECAPTURED**
3 **COPYRIGHT MATERIAL AND TRADEMARKS**

4 As DC’s Superman trademark rights remain unaffected, 17 U.S.C. §
5 304(c)(6)(E); *Siegel II*, 542 F. Supp. 2d at 1140, Plaintiffs have no right to share in
6 the profits attributable to Defendants’ continuing exploitation of such trademarks
7 post-termination. When a particular post-termination work involves neither pure
8 trademark use (in which Plaintiffs would not be entitled to share) nor a pure
9 copyright use (in which Plaintiffs would share to the extent the work incorporates
10 copyrightable elements from the *Action Comics #1 Story*), the Court really has to
11 look at that work to ensure that Plaintiffs recover that to which they are entitled,
12 namely, profits attributable to original copyrightable elements present in the
13 recaptured *Action Comics #1 Story* – no less, but no more, either. (See Point I).

14 Because, as noted above, words, names and titles are not protected by
15 copyright, it is axiomatic that Defendants’ continuing use of Superman trademarks
16 such as iterations of the word SUPERMAN in different fonts and timesteps does
17 not involve use of any copyrightable material from *Action Comics #1*. See also H.
18 Rep. at 55 (no copyright protection for forms of typeface). Similarly, the use of the
19 S-shield in one or another form does not constitute the use of any material
20 protected by copyright. As explained in the Compendium, because a certain
21 minimal amount of “original” creative authorship is essential for registration,

22 it is not possible to copyright common geographic figures or shapes
23 such as the hexagon, or the ellipse, a standard symbol, such as an
24 arrow, or a five-pointed star. Likewise, mere coloration cannot
25 support a copyright even though it may enhance the aesthetic appeal
26 or commercial value of a work. . . . The same is true of a simple
27 combination of a few standard symbols, such as a circle, a star, or
28 triangle, with minor, linear or spatial variations.

29 Compendium at 500-3; 17 U.S.C. § 102(a). Here there can be no dispute that the
30 “S-Shield” – particularly as it appears in *Action Comics #1* – simply does not meet

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most cases, of course, the claimant copyright and trademark owner are one and the same, and, as a result, the difference in coverage is rarely fleshed out. (*Gaiman v. McFarlane*, 360 F.3d 644 (7th Cir. 2004), also cited by Plaintiffs, has no bearing on this issue at all.)

1 the threshold for copyrightability explained above.

2 Plaintiffs argue that both the S-Shield (comprised of the letter S inside a
3 pentagram) and telescoping SUPERMAN logo (the name "Superman" in a
4 presented in a telescoping font), both shown by way of example here:



7 are subject to copyright protection. This position is contrary to law, including the
8 cases very cited by Plaintiffs. For example, both *Drop Dead Co. v. S.C. Johnson &*
9 *Son, Inc.*, 326 F.2d 87 (9th Cir. 1963) and *Kitchens of Sara Lee, Inc. v. Nifty Foods*
10 *Corp.*, 266 F.2d 541 (2d Cir. 1959) involved *not* the questions of copyrightability
11 of a logo created by inserting a letter into a geometric shape (the S-Shield⁴³) or the
12 presentation of a name in typeface (the telescoping SUPERMAN logo) but whether
13 the originality standard was met by labels with "laudatory and instructional words"
14 (*Drop Dead*, 326 F.2d at 91) or drawings of cakes (*Sara Lee*, 266 F.2d at 544). As
15 the *Sara Lee* court held:

16 Not every commercial label is copyrightable; it must contain an
17 appreciable amount of original text or pictorial material. Brand names,
18 trade names, slogans, and other short phrases or expressions cannot be
19 copyrighted, *even if they are distinctively arranged or printed*. The
20 Copyright Office does not regard as sufficient to warrant copyright
21 registration familiar symbols or designs, mere variations of
22 typographic ornamentation, lettering or coloring

23 266 F.2d at 544 (emph. added; internal quotation marks omitted). This portion of
24 the opinion – omitted from Plaintiffs' citation – dooms their argument that either

25 ⁴³ Plaintiffs' depiction of the progression of the Shield in an effort to prove that current
26 versions of the shield are derivative work of the version depicted in *Action Comics #1* (Pl.
27 Br. at 57) is misleading. First, as shown above, such simple shapes and depictions of
28 letters are not protectable under copyright. Second, as copyright does not extend to ideas,
17 U.S.C. § 102(b), even if any specific artistic expression of the *Action Comics #1* shield
were protectable, no one can ever prevent the use of the letter "S" in a geometric shape
under copyright law, because this would foreclose expression of the idea under the
"merger" doctrine, which bars infringement claims where there are only limited ways to
express an idea. See *Rice v. Fox Broad. Co.*, 330 F.3d 1170, 1175 (9th Cir. 2003) ("to the
extent that [the works] are similar merely in ideas, or in expression simply due to merger
. . . such similarities do not violate [plaintiff's] copyright."). See also *CCC Info. Serv. v.*
MacLean Hunter Mkt. Ren., 44 F.3d 61, 68 (2d Cir. 1994) ("where the expression is
essential to the statement of the idea, the expression also will be unprotected").

1 the S-Shield or telescoping logo could be protected under copyright.⁴⁴ Nor are
 2 Plaintiffs aided by *Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc.*
 3 220 F. Supp. 2d 289, 292 (S.D.N.Y. 2002) (“*Fox I*”), which they cite for the
 4 proposition that a logo used in the *X-Men* film was sufficiently original under
 5 copyright. In *Fox*, the movie studio sued its licensor Marvel, as well as another
 6 company with which Marvel was partnering to produce a rival X-Men television
 7 series. *Twentieth Century Fox Film Corp. v. Marvel Enters.*, 155 F. Supp. 2d 1
 8 (S.D.N.Y. 2001) (“*Fox P*”). The court, however, made no determination that the
 9 studio’s logo was originally creative enough to qualify for copyright protection;
 10 rather, it held that Fox had adequately *pled* originality of certain X-Men logos,
 11 which Marvel defended as only derivative works of its own X-Men logos, to
 12 survive a motion to dismiss. *Fox I*, 155 F. Supp. 2d at 25 (cited in *Fox II*, 220 F.
 13 Supp. 2d at 298).⁴⁵

14 Finally, the accounting that results from Plaintiffs’ termination of Siegel’s
 15 March 1, 1938 grant “should not include any profits attributable to the ‘post-
 16 termination exploitation of derivative works [of *Action Comics*, Vol. 1,] prepared
 17 prior to termination,’” *Siegel II*, 542 F. Supp. 2d at 1142, which includes use of
 18 such works *as trademarks*.⁴⁶

19
 20 ⁴⁴ Nimmer similarly does not say what Plaintiffs cite him for (Pl. Br. at 55), as the cited
 section does not refer to “logos.” See 1 *Nimmer* § 2.08[G][3] at 2-1372-138.

21 ⁴⁵ Even if *Fox I* or *II* had found that Fox’s logo was original, these cases do not contain
 22 the appearance of the logo in question, rendering pointless Plaintiffs’ reliance thereon.

23 ⁴⁶ The use of these pre-termination derivative images on new merchandise – for example
 24 a different T-shirt or new watch face – does not constitute the preparation of a new post-
 25 termination derivative work which would subject it to the accounting because it does not
 26 transform, recast or adapt the original image under section 103(b). See 1 *Nimmer*, §§
 27 3.03[B][1] & [B][2] (rejecting and noting broad disagreement with *Mirage Editions, Inc.*
 28 *v. Albuquerque A.R.T. Co.*, 856, F.2d 1341 (9th Cir. 1988), which had held that removing
 reproductions of artworks from a compilation and mounting them on ceramic tiles
 constituted the creation of a derivative work). See also *Lee v. A.R.T. Co.*, 125 F.3d 580,
 582 n.1 (7th Cir. 1997) (“Scholarly disapproval of *Mirage Editions* has been
 widespread.”); *Peter Letterese & Assocs. v. World Inst. of Scientology Enters.*, No. 05-
 15129, 2008 WL 2652291, *5 (11th Cir. July 11, 2008) (finding *Mirage Editions* to be
 “highly questionable”). Even the transformation of a two-dimensional drawing into a
 three-dimensional action figure, which could arguably constitute a new derivative work,
 would not qualify as adding sufficient newly protectable material to constitute a

1 As discussed in detail in Defendants' opening brief (Def. Br. at 43-45), DC
 2 makes two kinds of post-termination uses of Superman in product licensing: (1)
 3 *pure trademark uses*, which feature no copyrightable imagery from *Action Comics*
 4 *#1* (see, e.g., Declaration of Mario Ortiz submitted in Support of Def. Br. ("Ortiz
 5 Decl."), ¶¶ 3-14 & Exs. A-L), to which Plaintiffs are not entitled to an accounting
 6 for any profits; and (2) *mixed copyright and trademark uses*, which contain both
 7 trademark uses, such as the S-Shield, telescoping logo, or other indicia of origin not
 8 subject to copyright protection and a copyrightable character image (see, e.g., Ortiz
 9 Decl. ¶¶ 15-22 & Exs. M-T). In this latter category, products mix or blend
 10 trademark use with certain copyrightable drawings and imagery derived in some
 11 form from the *Action Comics #1 Story*. Defendants concede that Plaintiffs may be
 12 entitled to an accounting of some of the profits from their use of any post-
 13 termination, newly created Superman imagery in product licensing of this kind,
 14 subject to principles which permit the Court to equitably distinguish between
 15 material to which Plaintiffs are entitled to share and that to which they cannot.

16 As discussed extensively in their opening brief (Def. Br. at 46-49), *first*, each
 17 item of merchandise should be examined in order to make a fair determination of
 18 the extent of post-termination use of recaptured Superman copyrightable material
 19 used in a particular product.⁴⁷ *Second*, even in the "mixed use" category described
 20 above, an accounting must differentiate between *indirect uses*, where copyrightable
 21 Superman imagery and elements used on the products are employed solely or
 22 primarily for the purpose of indicating that such products have been approved by
 23 Superman (*i.e.*, his publisher) and *direct uses*,⁴⁸ where the copyrighted Superman
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25 derivative work absent "artistic aspects" as opposed to "mechanical or utilitarian
 26 features." *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 912-13 (2d Cir. 1980).

27 ⁴⁷ See, e.g., *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 508 F. Supp. 897, 801-02
 (S.D.N.Y. 1981); *Rogers v. Koons*, 960 F.2d 301, 313 (2d Cir. 1992) (both reducing
 profit award in infringement context to account for fame of artist).

28 ⁴⁸ In the former case, where imagery is being used only in the nature of labeling to
 indicate source or origin, there should be only a minimal attribution of profit to the
 copyrightable components, as opposed to DC's exclusively owned trademarks, because

1 material is not simply used for purposes of endorsement, but instead in a more
 2 traditional copyright sense, as an integral and essential part of the product itself to
 3 entertain the purchaser or viewer. *Third*, it inevitably will need to be determined
 4 (on a work by work basis) whether any of the imagery used by Defendants on post-
 5 termination merchandise comes from non-transformed pre-termination derivative
 6 works. 17 U.S.C. § 304(c)(6)(A); *Siegel II*, 542 F. Supp. 2d at 1142-43. *Fourth*,
 7 even with respect to newly prepared post-termination derivative works, such as a
 8 new image of the Superman character from the *Superman Returns* film, there
 9 would have to be an apportionment to determine the extent to which these new
 10 images are based on copyrightable components of the *Action Comics #1 Story*.
 11 Again, practically, only by such a careful analysis can the Court determine the
 12 profits to which Plaintiffs are entitled – no less, but no more.

13 **IX. PLAINTIFFS' RE-RE-ARGUMENTS CONCERNING THE IMPACT**
 14 **OF THE RECAPTURED PROMOTIONAL AD ON THEIR**
 15 **COPYRIGHT TERMINATION ARE UNPERSUASIVE**

16 Plaintiffs regurgitate – for the third time (on summary judgment, on
 17 reconsideration, and again here) – a collection of previously raised arguments
 18 rejected by the Court at summary judgment which seek an end run around the
 19 consequences of their failure to terminate the Promotional Announcements (the
 20 “Announcements”) containing an illustration of the cover of *Action Comics #1*.
 21 Plaintiffs’ renewed efforts still rest entirely on their refusal to accept the definition
 22 of a derivative work under the 1909 Act, which this Court has found to be
 23 controlling. Once their faulty foundation crumbles, what remains are the
 24 misleading arguments of Plaintiffs’ counsel, which should be rejected again.

25 the purpose is not to sell copies of the image but to use the image *indirectly* to promote
 26 sales of the product, resulting in at best “indirect profits” under section 504 b) of the
 27 Copyright Act. *See e.g., Polar Bear Prods., Inc. v. Timex Corp.*, 483 F.3d 700, 710-12
 28 (9th Cir. 2004); *Mackie v. Rieser*, 296 F.3d 909, 914 (9th Cir. 2002); *Cream Records v.*
Jos Schlitz Brewing Co., 754 F.2d 826, 828 (9th Cir. 1983). In the latter case, where the
 copyright use is *direct, i.e.,* an integral and essential part of the product itself to entertain
 the purchaser or viewer, any apportionment would need to take into account the more
 direct relationship between DC’s use of the copyrighted material and profits from the
 product. *See Polar Bear*, 483 F.2d at 710.

1 The Court has held that “the publication date for at least one of the comics
2 containing the Announcements falls outside the reach of the termination notice
3 and, therefore, any copyrightable material contained therein . . . remains for
4 defendants to exploit.” *Siegel II*, 542 F. Supp. 2d at 1126. Plaintiffs nonetheless
5 argue that their failure to recapture the Announcements is without consequence
6 because the Announcements are, in fact, derivative works of the *Action Comics #1*
7 *Story*. However, such a contention is based on the faulty (and repeated) notion that
8 the historical date or sequence of creation of the Announcements vis-a-vis other
9 subsequently copyrighted Superman materials is relevant. (See Pl. SJ Opp. at 46-
10 48; Pl. Mot. Recon. at 8)

11 For Plaintiffs’ argument to succeed, the Court would have to turn the 1909
12 Act on its head, which it has already declined to do. Just because the
13 Announcements were “derived” in a colloquial or historic sense from the
14 preexisting unpublished materials, or from the subsequently copyrighted *Action*
15 *Comics #1 Story* for that matter, is not relevant. See *Siegel II*, 542 F. Supp. 2d at
16 1119 (“[t]he key in deciding this timeliness question begins with a determination
17 of when the copyright in the work in question was secured, and not when the work
18 itself was created.”). As the Announcements were invested with copyright
19 protection under the 1909 Act before *Action Comics #1*, any discussion about the
20 originality or triviality of the Announcements vis-a-vis what was copyrighted later
21 in *Action Comics #1* is irrelevant.⁴⁹

22 Equally beside the point is Plaintiffs’ lengthy, repeated diatribe on *Batjac*
23 *Productions, Inc. v. GoodTimes Home Video Corp.*, 160 F.3d 1223 (9th Cir. 1998),
24 a case the Court cited for the proposition that “[o]nce Detective Comics published
25 a portion of the previously unpublished pre-existing material – as was its right as
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27 ⁴⁹ It is for this same reason that Plaintiffs’ arguments about “notice” and “harmless error”
28 (Pl. Br. at 73-74) are not on point. Such arguments are only relevant if the
Announcements were derivative works not required to be listed, as opposed to works
copyrighted on a date earlier than the Superman Notices could reach.

1 the owner of the material at the time – its continued protection resided exclusively
2 under statutory copyright in the derivative work itself lest that portion of the pre-
3 existing material (the artwork for the cover) be injected into the public domain.”
4 *Siegel II*, 542 F. Supp. 2d at 1125 (citing *Batjac* at 1233). Plaintiffs argue that the
5 publication of the Announcements did not divest Plaintiffs of any rights in the
6 subsequently published material in *Action Comics #1*. Under the 1909 Act,
7 however, this is a non-issue, since the question is what could be protected in *Action*
8 *Comics #1* given that copyright in the Announcements was secured first, a question
9 properly answered by the Court. *Siegel II*, 542 F. Supp. 2d at 1126.⁵⁰

10 Plaintiffs also ask the Court to go further in its ruling on the scope of the
11 Announcements, set forth at *Siegel II*, 542 F. Supp. 2d at 1126, requesting broad,
12 blanket relief that the Announcements do not include any copyrightable Superman
13 material but only basic ideas and generic, unprotected subject matter. (See Pl. Br.
14 at 69-73). Once again, Plaintiffs misstate the question and, for the following
15 reasons, still entirely miss the point of Defendants’ motion as well as of the Court’s
16 ruling.

17 As noted above, it is when the material is *copyrighted*, not when it was
18 *created* that matters under the 1909 Act. *Siegel II*, 542 F. Supp. 2d at 1119.
19 Accordingly, Plaintiffs’ argument that the material contained in the later-published
20 *Action Comics #1* affected the copyrightability of the Announcements is wrong,
21 regardless of whether the *Action Comics #1 Story* existed before in an unpublished
22 form. Even if the Announcements were not protected by copyright – which they
23 surely are – this, too, would have no effect on Defendants’ continuing right to use
24 their content and, indeed, would only provide another basis for such a right. Thus,
25 even if one were to accept Plaintiffs’ claim that the Announcements are factually

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27 ⁵⁰ “What remains of [] Siegel and Shuster’s Superman copyright that is still subject to
28 termination . . . is the entire storyline from *Action Comics*, Vol. 1, Superman’s distinctive
blue leotard (complete with its inverted triangular crest across the chest with a red “S” on
a yellow background), a red cape and boots, and his superhuman ability to leap tall
buildings, repel bullets, and run faster than a locomotive” *Id.*

1 “derivative” works under the statute, it would not affect Defendants’ right to
 2 continue to use their content.⁵¹ Finally, any argument that the claimed “derivative”
 3 nature of an author’s unterminated works would alter the significance of Plaintiffs’
 4 failure to capture them has been judicially rejected. (*See* Def. SJ Reply at 34-36).⁵²

5 **X. THE COURT’S FINDINGS ON THE UNDISPUTED DEVELOP-**
 6 **MENT OF SUPERMAN WERE RAISED BY DEFENDANTS ON**
 7 **SUMMARY JUDGMENT AND SUPPORTED BY EVIDENCE THAT**
 8 **PLAINTIFFS FAILED TO CONTEST**

9 Plaintiffs ask the Court to rule that its findings (*Siegel II*, 542 F. Supp. 2d at
 10 1110-11) regarding the historical development of Superman and the range of
 11 “powers” present in the character in his first depiction in *Action Comics #1* – as
 12 opposed to those created and presented in later works – are dicta and therefore are
 13 not binding on Plaintiffs at trial. Not only were such findings central to the Court’s
 14 decision in *Siegel II*, they were soundly based on undisputed facts and properly
 15 established by Defendants and the record. Indeed, these findings remain – more
 16 than a year after the parties’ motions were briefed – completely uncontroverted by
 17 Plaintiffs.

18 In support of their position, Plaintiffs first argue that certain elements listed
 19 in *Siegel II* as not being present in the *Action Comics #1 Story* are in fact present in

20 ⁵¹ All of this comes back to Plaintiffs’ attempt to distract and mislead the Court by
 21 relying upon the undisputed proposition that the copyright protection afforded to the
 22 author of a “derivative work” does not extend to the pre-existing material but only to the
 23 newly added material. 17 U.S.C. § 103(b). This point can come into play when there is
 24 an ownership dispute between the owner of the underlying, original work and another
 25 person who has prepared a second work based thereon. However, it is a red herring here
 26 because at the time both Announcements were created and published, they, as well as all
 27 of the other pre-existing Superman materials created by Siegel or Shuster before March 1,
 28 1938, were indisputably owned by DC’s predecessor. Thus, even if the Announcements
 were considered derivative works, this would have *no import whatsoever* because there
 was no division of ownership between the pre-existing and new material and no
 ownership dispute with regard to any of such material at the time protection attached.
 The fact that such ownership is now divided, in part, due to Plaintiffs’ termination, is
 irrelevant, as is Plaintiffs’ discussion of same at Pl. Br. at 67 & n.63.

⁵² In *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 683 F.2d 610, 622 (2d Cir. 1982), the
 Court held that even if the copyright rights granted in 1923 by the author to ERB, Inc. for
 the original Tarzan story was terminated, the failure of the notice of termination to cover
 five later, derivative works left intact the grantee’s rights to freely use such works,
 including to use Tarzan’s original delineation protected by the author’s copyright in the
 pre-existing original story which was identified in the termination notice.

1 that comic. (Pl. Br. at 75-77). Second, they claim that they did not receive
 2 adequate notice that Defendants sought a ruling on the factual question of what
 3 Superman elements were present in the *Action Comics #1 Story*. (*Id.* at 77-78).
 4 Finally, Plaintiffs reiterate their previously rejected objections to the evidence
 5 relied on by Defendants to establish the facts relating to the development of
 6 Superman by DC, namely, the testimony of its President and Publisher, as well as
 7 the comic book itself. (*Id.* at 78-80). None of Plaintiffs' arguments are availing.

8 As to Plaintiffs' first argument,⁵³ namely, that Superman's "super-hearing"
 9 and "super-vision" were present in the *Action Comics #1 Story*, these should have
 10 been raised in response to the testimony of Paul Levitz on summary judgment.

11 hey were not, and Plaintiffs should not be heard to complain now. Fed. R. Civ. P.
 12 56(e) (If the moving party meets its initial burden, the nonmoving party must then
 13 set forth, by affidavit or otherwise provided in Rule 56, "specific facts showing
 14 that there is a genuine issue of fact for trial."); *Anderson v. Liberty Lobby, Inc.*, 477
 15 U.S. 242, 250 (1956); *Harper v. Wallingford*, 877 F.2d at 731 (mere disagreement
 16 or the bald assertion that a genuine issue of fact exists does not preclude the use of
 17 summary judgment). Accordingly the facts set forth in the Order at *Siegel II*, 542
 18 F. Supp. 2d at 1110-11, are properly treated as being established for purposes of
 19 this action. Even if they could raise these issues now, Plaintiffs' attempt to
 20 demonstrate where "super-hearing" or "super-vision" appear in the *Action Comics*
 21 *#1 Story* falls short, as the referenced panels simply do not show what Plaintiffs
 22 claim they do. Even Plaintiffs' expert, James Steranko, agrees with the Court's
 23 assessments:

24 he most significant changes, however, concern the hero's powers.
 25 As he was originally created, "nothing less than a bursting shell"
 26 could penetrate his skin. He had the limited ability to "leap" an
 27 eighth of a mile and *had no extras* (super-ventriloquism, indeed!).
 28 There is *no evidence to support his X-ray vision*; to the contrary, in
 the first story, Clark requests a look at a newspaper headline from a

⁵³ Defendants previously addressed in greater detail the arguments made in this section of Plaintiffs' brief at pages 12-18 of their June 17, 2008 opposition to Plaintiffs' motion for clarification and reconsideration.

1 man not three feet away!

2 See James Steranko, Foreword/Afterword, *Superman Archives Vol. 1* (DC Comics
3 1989) at 5 (discussing *Action Comics #1 Story*) (emph. added), 273 (Adventure 13
4 defined Superman's hearing powers) (Bergman Opp. Decl. Ex. E).

5 As to Plaintiffs' argument that they did not receive adequate notice of
6 Defendants' having placed the question of the post-*Action Comics #1* development
7 of Superman in issue, this is belied by the facts. Defendants submitted testimony
8 and a 56.1 statement raising the issue (Levitz Decl. at ¶¶ 6-7; Def. L.R. 56.1
9 Statement at ¶¶ 13-18), and Plaintiffs **objected without submitting any**
10 **contradictory facts of their own** (see Pl. Evidentiary Objs. at ¶¶ 38-39; Pl. L.R.
11 56.2 Statement at ¶¶ 13-18.)⁵⁴ How could Plaintiffs have objected to this evidence
12 if they had no notice of it? And although Plaintiffs also referred generally in their
13 L.R. 56.2 counterstatement to their expert reports,⁵⁵ they did not point to any
14 evidence that created a genuine issue under Rule 56, and for good reason:
15 Plaintiffs' experts do not contradict Mr. Levitz's testimony as to how Superman's
16 powers were expanded, or which characters, characteristics and story elements
17 were created, after *Action Comics #1* was published.

18 As to Plaintiffs' third argument, their renewed evidentiary objections (which
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20 ⁵⁴ Defendants prepared an extensive response to these evidentiary objections, setting forth
21 why each of the Plaintiffs' objections lacked merit. (See, generally, Def. Resps. To
22 Evidentiary Objs. at pp. 11-15 and ¶¶ 38-39.)

23 ⁵⁵ Mr. Evanier's expert report lists certain abilities of Superman in *Action Comics #1* (not
24 including heat, telescopic or x-ray vision, super-hearing, or the ability to fly), and states
25 simply that "[o]ther abilities have been added to Superman and the personality of Clark
26 Kent has been modified, tweaked and then restored to the original classic traits."
27 (Bergman Recon. Decl. Ex. C (Evanier Rep.) at 10.) Indeed, Mr. Evanier goes on to
28 acknowledge that "[n]o one would deny that new elements have been introduced into
Superman over the years. New elements were continually introduced during the period
when the feature was under the creative control of Siegel and Shuster." (*Id.* at 11.) Mr.
Evanier's report did not list what he considered to be the "new elements," and did not
specifically address any of the powers, characters or story elements described by Mr.
Levitz in his Declaration. Similarly, Mr. Steranko's expert report contains a very general
description of the content of the *Action Comics #1 Story*, and does not address those
additional characteristics, characters and story elements that came thereafter. In short,
Plaintiffs presented no *evidence* to controvert the facts set forth in Mr. Levitz's
Declaration on the subject.

1 appear to have been rejected by the Court by its ruling) are without merit. First,
 2 the relevant portions of Mr. Levitz's testimony were on personal knowledge
 3 (Levitz Decl. ¶¶ 6, 7, 10, 11), thus rendering the cases cited at Pl. Br. 79-80
 4 inapposite. Moreover, there was substantial independent evidence in the record
 5 concerning the post-*Action Comics #1* development of Superman, including *Action*
 6 *Comics #1* itself (Bergman SJ Ex. E), Superman newspaper comic strips (*id.* Exs.
 7 K, O), *Superman #1* (*id.* Ex. L (which included "The Man of Steel's First Solo
 8 Flight")),⁵⁶ as well as evidence *relied upon by Plaintiffs*, namely, Exhibit J to
 9 Toberoff Declaration in Opposition to Defendants' Motion for Partial Summary
 10 Judgment. Included in that exhibit – a collection of various Superman reference
 11 materials – is a timeline confirming some of the very conclusions drawn by the
 12 Court with regard to the development of the character after *Action Comics #1*. (*Id.*
 13 at 120). Courts have reached the same conclusions, *see, e.g., Warner Bros. Inc. v.*
 14 *American Broad. Cos.*, 654 F. 2d 204, 205-06 (2d Cir. 1981) (discussing evolution
 15 of Superman since original appearance), as has Plaintiffs' expert, James Steranko
 16 (Bergman Opp. Decl. Ex. E at 4 (describing the *Action Comics #1* Superman:
 17 "limited ability to 'leap' an eighth of a mile"; "no extras"; "no evidence of X-ray
 18 vision").) In any event, it is clear that the Court undertook a considerable amount
 19 of effort in analyzing the *Action Comics #1 Story* as well as other comics and
 20 testimony in the record in reaching its conclusions on these issues. Indeed, the
 21 Levitz Declaration is not cited in *Siegel II*, 542 F. Supp. 2d at 1110-11, as a basis
 22 for the Court's determination of post-*Action Comics #1* development.

23 Plaintiffs ask the Court to relieve them of a tactical decision they made to
 24 merely object to Defendants' evidence, rather than actually challenge it by raising
 25 genuine factual disputes. If evidence to the contrary had existed, Plaintiffs were
 26

27 ⁵⁶ Also in the record in these actions are scores of post-*Action Comics #1* Superman
 28 comic books, submitted in connection with the Court's requested supplemental briefing
 on the derivative nature of Siegel's Superboy submissions. *See* Def. Supp. Mem.
 Pursuant to July 27, 2007 Order at 4-6 and exhibits cited therein.

1 obligated to present it to avoid summary judgment. Having failed to come
2 forward, Plaintiffs now suggest that the Court exceeded its role by entering
3 findings on the evidence before it. But this is precisely what is contemplated under
4 the rules:

5 If summary judgment is not rendered on the whole action, the court
6 should, to the extent practicable, determine what material facts are not
7 genuinely at issue. The court should do so by examining the pleadings
8 and evidence before it and by interrogating the attorneys. It should
then issue an order specifying what facts – including items of damages
or other relief – are not genuinely at issue. The facts so specified must
be treated as established in the action.

9 Fed. R. Civ. P. 56(d)(1). *See also* July 8, 2008 Amended Order Denying Motions
10 for Clarification and Reconsideration (citing *Cool Fuel, Inc. v. Connett*, 685 F.2d
11 309, 312 (9th Cir. 1982) (court may *sua sponte* resolve issues outside of those
12 contained in the pleadings so long as parties “had a full and fair opportunity to
13 ventilate the issues involved in the motion”). Plaintiffs had such an opportunity
14 and failed to come forward with any substantive response supported by evidence.
15 As such, the Court’s rulings on post-*Action Comics #1* development of Superman
16 were entirely proper and should not be disturbed.

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CONCLUSION

Defendants respectfully request that the Court issue an order comports with the relief sought in their July 21, 2008 brief on additional issues and denying such relief as sought by Plaintiffs in their brief of the same date.

Respectfully submitted,

DATED: July 28, 2008

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