# EXHIBIT L

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**UNITED STATES DISTRICT COURT**

**CENTRAL DISTRICT OF CALIFORNIA- EASTERN DIVISION**

JOANNE SIEGEL, an individual; and LAURA SIEGEL LARSON, an individual,

Plaintiffs,

vs.

WARNER BROS. ENTERTAINMENT INC., a corporation; TIME WARNER INC., a corporation; DC COMICS, a general partnership; and DOES 1-10,

Defendants.

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DC COMICS,

Counterclaimant,

vs.

JOANNE SIEGEL, an individual; and LAURA SIEGEL LARSON, an individual,

Counterclaim Defendants.

Case No. CV 04-8400 SGL (RZx)

[Honorable Stephen G. Larson]

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

[Complaint filed: October 8, 2004]

Date: August 11, 2008
Time: 3:00 p.m.
Place: Courtroom 1

[Declaration of Marc Toberoff filed concurrently]

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## INTRODUCTION

This brief is in response to Defendants' Brief ("Defs. Brief") and in further support of Plaintiffs' Brief ("Pls Brief"), both filed on July 21, 2008. Plaintiffs seek the Superman profits payable by Defendants since April 16, 1999 under well-settled law. Defendants seek, without restraint, to reduce Plaintiffs' profits to a nullity. In any accounting, Defendants will assuredly employ notorious "Studio accounting" practices, already evidenced in discovery, to minimize profits by mis-allocating and inflating expenses. From that greatly reduced figure, Defendants then seek to apply *a series* of overlapping, draconian and legally unsupported "apportionments within apportionments," while straining to shift every burden onto Plaintiffs and prevent them from being heard by a jury. To substantially increase Plaintiffs' physical and financial burdens, Defendants additionally insist, without precedent, that a separate "apportionment" analysis must be conducted for each of the thousands of post-termination Superman works – an exercise that is as unfeasible as it is ultimately futile. *See* Pls. Brief at 19:23-20:16.

To achieve these ends, Defendants leapfrog indiscriminately between law and equity, cherry-picking those aspects which favor them and ignoring those that do not. Defendants oddly rely on "equitable" *state-law* principles governing tenants-in-common to adopt "apportionment" from *federal* copyright infringement cases which are "legal" in nature. Defendants tout rigid legal/equitable distinctions, but ignore well established "apportionment" procedures, whereby the calculation and apportionment of profits are always decided by a jury; and uncertainties are resolved in plaintiff's favor. When all else fails, Defendants argue "equity" in the vernacular in order to shift well-settled burdens onto Plaintiffs with decidedly inequitable results. Defendants also overreach by advancing five legally unsupported arguments, each designed to carve up and cannibalize Plaintiffs' profits by creating "exceptions within exceptions." The unsupported positions advocated by Defendants would allow them to, without limitation: (1) manipulate the obscure derivative "Ads" to prevent

Plaintiffs from exploiting the image of Superman in *Action Comics, No. 1*, while allowing Defendants to exploit such image in derivative Superman works without accounting to Plaintiffs; (2) permit Defendants to freely exploit pre-termination derivative works in post-termination derivative Superman works, again without accounting to Plaintiffs; (3) employ their trademarks to create a new apportionment gauntlet; (4) employ trademarks to avoid accounting for their lucrative Superman merchandising; (5) diminish the value of Plaintiffs' recaptured copyrights down to virtually nothing in an unbalanced apportionment comparing Plaintiffs' recaptured "copyrightable elements in the Action Comics No. 1 "story" to Defendants' "everything else." In denying Jerry Siegel's widow and daughter a fair share of the post-termination profits from Siegel and Shuster's iconic creation from which Defendants have immensely profited for over 70 years, Defendants seek to frustrate the clear goals of the 1976 Copyright Act's termination provisions, which "were in large measure designed to assure that its new benefits would be for the authors and their heirs." *Classic Media, Inc. v. Mewborn*, _ F.3d _, 2008 U.S. App. LEXIS 1475 at *16 (9th Cir. 2008).

## ARGUMENT

### I. DEFENDANTS SUMMARY JUDGMENT MOTION ON WORK FOR HIRE IS PROCEDURALLY IMPROPER AND BARRED BY GENUINE ISSUES OF MATERIAL FACT FOR TRIAL

#### A. Defendants Improperly Seek Partial Summary Judgment on "Work for Hire" Issues In Contravention of the Court's Standing and Scheduling Orders and L.R. 56-1

Defendants have improperly ambushed Plaintiffs and the Court with a partial summary judgment motion on the "work for hire" status of Superman works created by Jerry Siegel ("Siegel") and Joseph Shuster ("Shuster") fifteen months after the April 30, 2007 dispositive motion deadline set by the Court. *See* Pls. Brief at 27:18-35:28; Declaration of Keith Adams ("Adams Decl.") Exs. A, B. Defendants failed to bring a motion demonstrating good cause to modify the Court's Scheduling Order as required; and which, if granted, would have afforded Plaintiffs the equal opportunity

to bring such additional dispositive motions. F.R.C.P. 16(b)(4). Nor have Defendants deigned to demonstrate good cause here. Defendants simply assume they have the special privilege of bringing a second motion for partial summary judgment in violation of the Court's Scheduling orders and Standing Order.[1] *See Gomez v. Saddi,* 2007 U.S. Dist. LEXIS 44850 (E.D. Cal. 2007) ("Defendants were bound by the Court's [F.R.C.P. 16(b)] scheduling order, which set a date for filing pretrial dispositive motions .... Relief from the scheduling order requires a showing of good cause. Defendants have made no such showing.")(cit. om.). It would be manifestly unfair to allow Defendants to unilaterally ignore the Court's Scheduling and Standing orders while holding Plaintiffs to same.

Both sides' pleadings contain detailed allegations as to post-*Action Comics No. 1* "work for hire" issues. *See* Plaintiffs' First Amended Complaint ("FAC"), ¶ 32; Defendants' First Amended Counterclaims ("FACC"), ¶ 17. Defendants, like Plaintiffs, could have, but opted not to move for partial summary judgment on these issues on or before April 30, 2007, particularly as Defendants' arguments are based on contracts between Siegel and Shuster and Defendants' predecessors which have long been in their possession. *See* Defs. Br. at 6:17- 10:19. Presumably, Defendants did not include such work for hire defenses in their motion for partial summary judgment on April 30, 2007 because, as shown below, they are loaded with genuine issues of material fact. Now, on the eve of trial, Defendants attempt to "slip in" a second motion for partial summary judgment on multiple fact-intensive issues without bearing any of the procedural burdens of a proper summary judgment motion.[2]

Defendants disingenuously represented their motion on such work for hire issues as a motion *in limine* in the parties' February 22, 2008 stipulation. Adams

[1] Per paragraph 4(g)(1) of the Court's Standing Order: "No party may file more than one motion pursuant to [F.R.C.P.] 56, regardless of whether such motion is denominated as a motion for summary judgment or summary adjudication."

[2] Defendants' "motion for partial summary judgment" further flouts the Local Rules governing dispositive motions by not including a "Statement of Uncontroverted Facts and Conclusions of Law" or a proposed judgment as required by L.R. 56-1.

Decl., Ex. E ("Defendants believe the issue is properly the subject of a motion in limine"). However, the motion they filed bears all the hallmarks of a motion for partial summary judgment. The only reference in their 21 pages of briefing to a motion *in limine* is in a short footnote. Defs. Br. at 12:14-28, n.10. Defendants have chosen to ignore paragraph 3 of the Court's F.R.C.P. 16(b) Scheduling Order: "*[S]ummary judgment motions disguised as motions in limine will not be heard.*" (emph. added). Moreover, any such motion *in limine* assumes the substantive truth of their factual work for hire allegations, assertions that cannot be addressed by a motion *in limine. Natural Resources Defense Council v. Rodgers*, 2005 WL 1388671, *1 n.2 (E.D. Cal. 2005)(Motions *in limine* "address evidentiary questions and are inappropriate devices for resolving substantive issues.") Defendants' maneuvering from their representations in the Stipulation to their flouting of the Court's orders and Local Rule 56-1 is as obvious as it is procedurally unsound, and should not be tolerated.

**B. Defendants' "Derivative" Status Arguments are Unavailing**

Defendants recycle and heavily rely upon the same "derivative status" argument rejected by this Court in the Superboy action. Defs. Br. 8:16-23. As held in *Siegel v. Time Warner Inc.*, 496 F. Supp. 2d 1111, 1142-43 (C.D. Cal. 2007)(*"Siegel I"*), the fact Defendants owned *Action Comics No. 1* or Superman is not determinative or persuasive, as *the additional material* in Siegel and Shuster's subsequent Superman stories could just as readily be owned by them under the 1909 Act. 17 U.S.C. § 7 (repealed); *see also Stewart v. Abend*, 495 U.S. 207, 223 (1990).

**C. The Relevant Evidence Demonstrates That Siegel and Shuster's Illustrated Superman Stories Were "Works for Hire"**

To determine work for hire status under the 1909 Act, the courts first establish that a person was engaged to create an artistic work; and then ascertain whether the work was created both at the "instance" and "expense" of the putative employer. *See Lin-Brook Builders Hardware v. Gertler,* 352 F.2d 298, 300 (9th Cir. 1965)("when

one person engages another...to produce a work of an artistic nature"); *Siegel I*, 496 F.Supp.2d at 1139 ("The critical question is whether an employment relationship ... existed between the parties beforehand and whether the work in question fell within the scope of those job duties."), *citing Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 380 F.3d 624, 635 (2d Cir. 2004); *Shapiro Bernstein & Co. v. Jerry Music Co.*, 221 F.2d 569, 570 (2d Cir. 1955).

Defendants abstract phrases from the case law such as "sum certain," "accept or reject" and "control," and distort their intended meaning to fit the facts at hand.[3] Under Defendants' superficial rendition of the work-for-hire test, virtually every work would qualify. A Studio that option/purchases a "spec screenplay" usually has the power to "accept, reject or modify" the work, although it clearly is not "made-for-hire." A comic book publisher might pay a going rate or "sum certain" of $9 or $10 a page for *speculative* submissions it accepted and published, although this too is not "work for hire." In fact, *Action Comics No. 1* was *purchased* by Detective Comics ("Detective") for the same "sum certain" ($10/page for the 13-page Superman story) as Siegel and Shuster's subsequent Superman stories.[4] Courts therefore delve more deeply into the details of the parties' actual relationship to determine the work for hire issue. *See Marvel Characters v. Simon*, 310 F.3d 280, 291 (2d Cir. 2002); *Siegel I* 496 F.Supp. at 1139(focusing on the "nature and scope of the parties' business relationship").

1. Pre-*Action Comics No. 1* Superman Works

As a matter of law, any Superman works created by Siegel and Shuster up to and including *Action Comics No. 1* are not works made for hire. *Siegel v. Warner*

[3] Defendants misleadingly cite a "three prong" test with "the power to accept, reject or modify" or otherwise control a work as a third prong in an attempt to tip the scales doubly in their favor on "instance." However, the "instance" requirement is merely "shaped in part by the degree to which the hiring party had the right to control the [creation of] the artist's work." [3] *Twentieth Century*, 429 F.3d at 879 (internal quotation marks and citations omitted).

[4] *Compare* Declaration of Marc Toberoff in Opposition to Defendants' Additional Briefing ("Tob. Decl.") Ex. P. with the findings of fact ("FOF) Nos. 24, 25 from *Siegel v. National Comics Publications, Inc. et al.*, No. 1099-1947 (Supp. Ct. Westchester) ("1947 Action").

*Bros. Entm't, Inc.*, 542 F. Supp. 2d 1098, 1126- 1130 (C.D. Cal. 2008)("*Siegel II*") *citing Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909, 914 (2d Cir. 1974)("*National*"). This includes, without limitation, (i) twenty four days (*i.e.,* four weeks) of previously unpublished Superman newspaper comic strips (created c. 1934) authored by Siegel and Shuster; (ii) a seven page synopsis of the last 18 days (*i.e.*, weeks 2, 3, & 4) of said 24 days of strips (created by Siegel c. 1934); (iii) an untitled summary previewing future Superman exploits (created Siegel c. 1934); (iv) a Superman story in comic book form (created c. 1933 by Siegel and illustrator Russell Keaton); (v) scripts (continuity) for 15 Superman daily comic strips (created by Siegel c. 1934) and (vi) a 9 page synopsis covering 2 months of daily (at 6 days per week) comic strips of Superman (created by Siegel c. 1934). Tob. Decl., Exs. A-F.

Such works are clearly listed in Plaintiffs' termination notices.[5] The twenty-four days of previously unpublished Superman newspaper comic strips ((i) above) were re-cut and published as *Action Comics No. 1*. FOF 22, 31. A genuine issue of material fact for trial is therefore presented as to the extent to which the other pre-*Action Comics No. 1* material authored or co-authored by Siegel ((ii) –(vi) above) were published after *Action Comics No. 1*. Defendants blankly assert without any support that this "additional continuity by Siegel...was never used." Defs. Br. at 8:8-9.

***However, the evidence is to the contrary***. For instance, in an untitled summary previewing future Superman exploits created in 1934,[6] Siegel describes the stories of future *Action Comics* Superman adventures, later published by Detective in Action Comics Nos. 2, 3 and 5:

> "This ends the first month's releases and yet the potentialities of the character, SUPERMAN, has barely been scratched. He's headed for the most exciting and yet humorous adventure this world has ever seen. He will win a war single-handed, battle an airplane with his bare hands,

[5] *See* Declaration of Michael Bergman in Support of Defendants' Motion For Partial Summary Judgment ("Bergman MSJ Decl."), Exs. X, Y.

[6] We know that this summary was written long prior to 1938 because it appears at the end of the seven page synopsis of the last 18 days (*i.e.*, weeks 2, 3, & 4) of Siegel and Shuster's 24 days of Superman strips that were later re-cut as the 13 page story assigned in the March 1, 1938 grant and published in *Action Comics No. 1*. Tob. Decl., Ex. A; FOF 10. __.

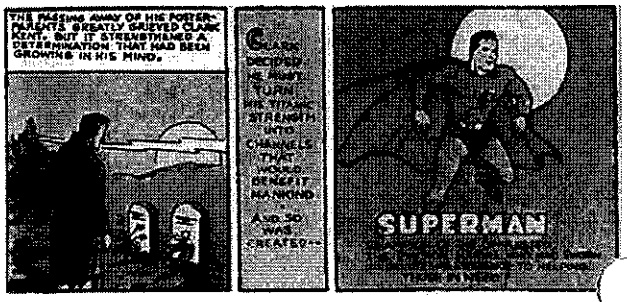
> swim several hundred miles and think nothing of it, etc. He's different and sure to become the idol of young and old. He'll participate in sports and astound the nation; he'll single handed rescue a town from a flood through his superstrength.- - Unlike most adventure strips the scene of the story will not be laid in some fantastic, unknown jungle or planet or country, but will be all the more astounding for having its locale on familiar city streets. S PERMAN will operate against a background of America's most well known cities, buildings, and pleasure-spots."

Tob. Decl., Ex. A. These stories had been developed by Siegel well before March 1, 1938.

The central plot of *Action Comics No. 2* (published on May 25, 1938) involves Superman intervening to single-handedly stop a war. Tob. Decl., Ex. G at 7- 14. In winning this war, Superman is shown battling a fighter plane in mid-air with his bare hands. *Id.* at 11. Superman is also depicted swimming great distances in the ocean with ease. *Id.* at 5. The story in *Action Comics No. 3* (published on June 25, 1938) involves Superman interceding in a college football game. Superman is depicted using his superpowers on the football gridiron to astound the crowd. Tob. Decl., Ex. H at 5-13. In *Action Comics No. 5*, Superman must save the town from a flood after a huge dam breaks. Tob. Decl., Ex. J at 1-8.

Additionally, the scripts (i.e., story continuity) written by Siegel circa 1934 for 15 Superman daily comic strips were thereafter published in *Superman No. 1*:

| **1934 Script** | ***Superman No. 1*** |
|---|---|
| "1.a., (NOTE: Illustration shows elderly couple have stopped their car on a highway to investigate the cylinder which blocks their path.)<br><br>"1.b., Kent: 'Great Heavens, Molly! Look - - there's a child sleeping inside!'<br>Molly: 'Why it might have been run over and killed! Who could have left it here!<br>(NOTE: The man and wife are kneeling at the side of the cylinder and regarding the sleeping babe within.)" |  |

| | |
|---|---|
| "5. a, Miss Andrews: 'He [infant Clark] belongs in a circus, not an orphan-asylum. I won't stand for the creature being here, and that's final!'<br>Doctor: 'Don't be hasty, you can't - -'<br>Attendant: 'Mr. and Mrs. Kent are here to see you Miss Andrews.'"<br><br>"5.b, Sam: 'Yes, we'd like to adopt the youngster.'<br>Molly: 'You see, we have no children of our own, and we - - we like the little fellow.'<br>Miss Andrews: 'I'm quite sure it can be arranged.' |  |
| "13. (Explanatory panel) In the years that followed, Sam and Molly instilled in their adopted son the conviction that he must tum his titanic strength into channels that would benefit mankind. When Clark's beloved foster-parents passed away, he swore at their death beds a binding oath. And so was created SUPERMAN, the physical marvel who champions the oppressed!" |  |

*See* Tob. Decl., Exs. C, D, E, F(321:13-322:15; 331:20-332:24), L.[7]

2. *Action Comics Nos. 2-6*

*Action Comics Nos. 2-6* are not works-made-for-hire. The March 1, 1938 grant from Siegel and Shuster of their Superman story published in *Action Comics No. 1* could have but did not provide for the employment of Siegel and Shuster to create subsequent Superman stories. FOF 25. After submitting *Action Comics No. 1* to Detective on February 22, 1938, Siegel and Shuster continued to create "Superman" comic strips. FOF 22, 36. Siegel and Shuster did this without a contract or any indication that the Superman strip would be a success. *See* Tob. Decl., Ex. M (*Sat. Evening Post*, June 21, 1941)(describing how the first three issues of *Action Comics*,

[7] Defendants have previously argued that storylines created by Siegel for the Superboy character had been previously fleshed out in Superman works, citing one or two panels in *Action Comics No.1* and *Superman No.1*. *See* Defendants' Opposition to Plaintiffs Motion for Summary Judgment ("Superboy"), dated March 1, 2006 at 24:17- 25:13.

published from April 18, 1938 to June 25, 1938, did "nothing."). On September 28, 1938, Siegel and Shuster executed an agreement with Detective (the "September 22, 1938 Agreement") to produce the "artwork and continuity" for five existing comic strips created by Siegel and Shuster, including "Superman." FOF 39, 46; First Amended Counter Claims, ¶ 15.[8] However, prior to this date, Siegel and Shuster had solely created *Action Comics Nos. 2-6*.[9]

Thus, Defendants have not and cannot meet their initial burden and hurdle of demonstrating that Siegel and Shuster were "engaged" [by Detective] prior to September 30, 1938 when the September 22, 1938 agreement was entered into. Keenly aware of this problem, Defendants erroneously claim that the arrangements for Superman's appearance after *Action Comics No. 1* were based on the parties' earlier December 4, 1937 contract and were "formally reconfirmed" in their September 22, 1938 agreement. Defs. Brief at 9:7-9. Defendants' attempt to fudge the impediment that Siegel and Shuster were not under contract to create *Action Comics Nos. 2-6* does more to underscore its importance than to avoid it.

Firstly, *Action Comics Nos. 2-6*, like *Action Comics No. 1*, were not based on the parties' December 4, 1937 contract, which was apparently entered into before Detective was even aware of Superman. FOF 15, FACC, ¶ 10. The December 4, 1937 contract concerned Siegel and Shuster's production of "Slam Bradley" and "The Spy;" and, at most, gave Detective the option to purchase "within a period of sixty days" of submission "any new and additional features which [Siegel and Shuster] produce for use in a comic magazine." FOF 15. This no more converts *Action Comics Nos. 2-6* into "works-made-for-hire" than it did *Action Comics, No. 1*. It is clear from

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[8] Jacob S. Liebowitz, the President of Detective Comics, testified during the 1947 Action that the September 22, 1938 Agreement was sent to Siegel and Shuster on September 28, 1938. Tob. Decl., Ex. N at 897. This agreement was executed and "returned by Plaintiff Siegel by mail to Detective Comics, Inc. on September 30, 1938." FOF 40.

[9] *Action Comics No. 5* was published on August 25, 1938 and *Action Comics No. 6* was published on September 26, 1938 (i.e, it was produced by Siegel and Shuster before the execution of the September 22, 1938 Agreement).Bergman MSJ Decl., Ex. X at 5; Adams Decl., Ex. G (James Steranko initial expert report) at 6.

the context of this "right of first refusal" provision that it referred to the potential purchase of material that Detective would not otherwise own. Therefore, Defendants' assertion that *Action Comics Nos. 2-6* fell under the December 4, 1937 agreement, if correct, does more to prove that such works were not "made-for-hire."

Secondly, the September 22, 1938 agreement does not "formally reconfirm" an agreement regarding *Action Comics Nos. 2-6* as Defendants dubiously argue. In fact, it expressly connotes the opposite. After noting that "you [Siegel and Shuster] have been doing the art work and continuity for us [Detective]," Detective states: "We wish you to continue to do said work and *hereby* employ and retain you for said purpose..." Tob. Decl., Ex. P (emphasis added). This appears to state quite expressly that for Siegel and Shuster to continue (*i.e.*, after *Action Comics No. 6*) to supply illustrated Superman stories, Detective would "employ" them to do so. The decided phrase "We ....hereby employ and retain you for said purpose" certainly connotes that Siegel and Shuster were not theretofore employed "for said purpose." The September 22, 1938 agreement was drafted by Detective, and, as such, any ambiguities in its language should be construed *against* Defendants, as Detective's alleged successors. *Rizal Com. Banking Corp. v. Putnam*, 429 F.2d 1112, 1117–18 (9th Cir. 1970); *Edwin K. Williams & Co. v. Edwin K. Williams & Co.*, 377 F. Supp. 418 (C.D. Cal. 1974).

Defendants thus failed to demonstrate "an employment relationship" with respect to *Action Comics, Nos. 2-6*; and these illustrated Superman stories assuredly did not "fall within the scope of [Siegel and Shuster's] job duties" under the December 4, 1937 contract with Detective which employed them to produce "Slam Bradley" and "The Spy" stories (before Detective was apparently even aware of Superman). Tob. Decl., Exs. O, P; FOF 15; *Siegel I,* 496 F.Supp. at 1139. Accordingly, there is no need to inquire whether Defendants demonstrated that *Action Comics Nos. 2-6* were created at Detective's "instance" and "expense" within the scope of their non-existent employment. It is nonetheless clear that Defendants failed to meet their burden on these two issues as well. With respect to the "instance"

requirement, Defendants cannot present any evidence that Detective "had the right to control or supervise" Siegel and Shuster's creation of *Action Comics Nos. 2-6*. *See Siegel I*, 496 F.Supp. at 1139 *citing Twentieth Century*, 429 F.3d at 879; *see also Martha Graham*, 380 F.3d at 635(referring to "[t]he right to direct and supervise the manner in which the work is created")(emph. in original). Instead, Defendants heavily rely on their "derivative work" argument that, as set forth above, has already been thoroughly debunked by this Court.

Defendants also failed to demonstrate the "expense" prong of the work for hire analysis. Defendants cannot provide any evidence that at the time Siegel and Shuster created *Action Comics Nos. 2-6*, Detective , "as the hiring party t[oo]k on 'all the financial risk'" of such creation. Defs. Opp. Superboy MSJ at 17:12-13, *quoting Twentieth Century*, 429 F.3d at 881. Defendants themselves concede in their carefully worded brief that Siegel and Shuster would be paid only if submissions by Siegel and Shuster were accepted by Defendant for publication. Defs. Br. 17: 2-3 ("After March 1, 1938, upon acceptance of Superman submissions to be used in Action Comics #2 and forward, Siegel and Shuster were paid by Detective...").

Defendants have therefore not met *their initial evidentiary burden* on summary judgment, nor will they be able to meet their burden at trial to demonstrate the statutory "work for hire" exception to Plaintiffs recapture of Siegel's Superman stories published in *Action Comics Nos. 2-6*. 17 U.S.C. § 304(c); *Woods v. Bourne Co.*, 60 F.3d 978, 993 (2d. Cir 1995).

3. Original Superman Newspaper Dailies

After submitting the work that comprised *Action Comics No. 1* to Detective, Siegel and Shuster decided yet again to submit Superman for newspaper syndication:

> "*I continued attempting to break into newspaper syndication.* On April 8, 1938, an employee in the Business Department of the McClure Newspaper Syndicate wrote to me asking if I would be agreeable to working out two weeks' of "Superman" newspaper strips *at no obligation to them... I wrote a detailed two weeks 'Superman' daily strip continuity* account of Superman's origin on the Planet Krypton; how his father and mother placed their infant child in a rocket ship and sent him to earth, moments before Krypton exploded. And how, upon reaching Earth, the infant was rescued from the flaming space craft and grew up to become the crusading SUPERMAN."

Tob. Decl., Ex. R (*Creation of a Superhero*) at 26; FOF 9, 10, 20 (emphasis added).[10]

This clearly was not done at Detective's "instance." In fact, Siegel begged J.S. Liebowitz of Detective to help him sell the strip to the McClure Newspaper Syndicate ("McClure") for syndication. *Id.*, Ex. S. Siegel sent the continuity he had written "on spec" to McClure. "On April 21, 1938 McClure responded that they preferred waiting until July 1." *Id.*, Ex. R at 26. Shuster then illustrated these continuities: "Joe did a terrific art job of illustrating my script for these two weeks of daily 'Superman' strip. I mailed the strips to the McClure Syndicate." *Id.*, Exs. R at 27; Ex. U. Siegel submitted the strips to other syndication houses at this time. *Id.* Ex. T. These strips began being syndicated by McClure; *i.e.*, published in various papers, including the Milwaukee Journal on February 20, 1939. Bergman MSJ Decl., Ex. X at 325. The strips contain the origin story of Superman, including the destruction of his home planet Krypton, his father Jor-L and mother Lora rocketing him into space as Krypton explodes, Superman's birth name Kal-L, his fiery arrival on Earth and his dramatic rescue by a passing motorist who takes him to an orphanage. Tob. Decl., Ex. U.

Siegel and Shuster had not been engaged in the March 1, 1938 grant to write Superman newspaper strips, or any other Superman material. Nor were they hired in their December 4, 1937 agreement to produce Superman newspaper strips, or any other Superman material as discussed above. Siegel and Shuster had no agreement regarding the production of Superman newspaper strips until entering into the agreement with McClure and Detective, dated September 22, 1938 (the "McClure Agreement"), and the Original Newspaper Strips were completed well prior to this agreement. *Id.*, Exs. P, Q. The Original Newspaper Strips were surely not created at Detective's "expense." Siegel and Shuster's compensation for supplying the newspaper strips had not even been worked out until late September, 1938, and included a fairly complicated formula to split the royalties paid by McClure. *Id.*, Exs.

[10] Defendants have previously cited to Siegel's *Creation of a Superhero*. *See* Defendants Opposition to Plaintiffs' Motion for Partial Summary Judgment (Superboy) at 5:1-6.

P at 2; Q at 1.

As far back as 1933-1934, when Siegel and Shuster first brought Superman to life, it had been their undying dream to introduce Superman as a syndicated newspaper strip. *Id.*, Exs., N at 656-58; X at 1; Y at x; R at 26; Adams Decl., Ex. H at 5. Siegel, not Detective, was clearly the "motivating factor in producing th[is] work," and he actively pursued this dream in a most entrepreneurial manner. *Siegel I* __[45], citing *Twentieth Century*, 429 F.3d at 879. The Original Newspaper Strips were plainly not created as works-made- for-hire.

4. Syndicated Superman Newspaper Strips Published Prior To April 16, 1943

a. The Strips Were Not McClure's "Works For Hire"

The McClure Agreement was not an employment agreement. The nature of the relationship is that of a joint venture. In essence, Siegel and Shuster were product suppliers, McClure was the distributor via syndication to newspapers across the country; and Detective was the licensor, as the underlying owner of Superman. *Id.*, Ex. Q. Compensation was solely in the form of profit sharing between the three. Tob. Decl., Ex. P at 2; Ex. Q at 1; Ex. Z at 6.

McClure did not employ Siegel and Shuster to create such strips, nor were the Superman strips created at McClure's "expense." McClure did not pay Siegel and Shuster under the Agreement, but remitted a percentage of the "net proceeds" to Detective (40% escalating to 50% by year 3), of which Detective remitted *over 80%* to Siegel and Shuster. This split, however, was between Detective and Siegel and Shuster and set forth in their September 22, 1938 Agreement, to which McClure was not a party. *Id.*, Ex. P at 2; Ex. Q at 1

Such contingent profit sharing or effective royalty as opposed to a "sum certain" or salary, generally weighs against a finding that a work is "made-for-hire." *Siegel I*, 496 F. Supp. at 1138 ("In contrast, where the creator of a work receives a royalty as payment, that method of payment generally weighs against finding a work-

for-hire relationship"), *citing Playboy*, 53 F.3d at 555; *Twen. Cen.*, 429 F.3d at 881.

The Superman newspaper strips were also not created at the "instance" of McClure within the scope of an employment agreement. *See Siegel I*, [45-46] (noting, as to "instance," after analyzing the relevant caselaw, that "[t]he critical factor is what, if any, employment relationship...existed between the parties..."). As discussed, the strip was the brainchild of Siegel, who initiated this transaction by sending McClure, *along with other syndicators*, a sample of two weeks of Superman newspaper strips speculatively authored by Siegel and Shuster. *Id.*, Exs., N at 656-58; X at 1; Y at x; R at 26; Adams Decl., Ex. H at 5. Siegel also prodded Detective, as the rights holder, to participate and help close a deal. *Id.*, Ex. S.

While Siegel and Shuster agreed to conform the Superman strips to a sample newspaper strip format supplied by McClure, and that McClure could "have *reasonable* editorial supervision of the strips," this was not in the context of an employment relationship. *Id.*, Ex. Q at 2. However, other than this rather stock statement, McClure, in the context of the rest of the agreement, did not appear to have any real input in the creative process, as it was far removed as a syndicator. *Patry* § 5:54 ("Control" should not be found "where, as a practical matter, the hiring party does not participate in the elements of the work's creation..."). In sum, it cannot be said that McClure, the mere syndicator of the Superman strips, was "the motivating factor in producing the work []as the employer who induced their creation." *Twen. Cen.*, 429 F.3d at 879.

b. The Strips Were Not Detective's "Work-For-Hire"

As set forth above, Detective's role in the McClure Agreement and newspaper syndication venture was that of a licensor, as owner of the underlying Superman name and character. *Id.*, Ex. Q. Detective did not supply the Superman strips to McClure as the proprietor of "works-made-for-hire," but simply gave its permission as an underlying rights holder (for Siegel and Shuster to produce and supply such material to McClure. *Id.*, at 1 ("Detective agrees to permit...") and 2 ("The title "Superman"

shall always remain the property of Detective.") In exchange, Detective had a 7.5% to 10% "piece of the action" – the smallest profit participation as among the joint venturers –with Siegel and Shuster to receive 36% to 40%, and McClure retaining the remainder of "net proceeds" from the strips' syndication. *Id.*

To underscore this point, the McClure Agreement provided that the Superman newspaper feature "will be copyrighted in [McClure's] name;" and in fact, the original copyright registrations for the Superman newspaper strips list the McClure Syndicate as the owner and Siegel and Shuster as authors. *Id.*, Exs. Q at 2; W. This certainly does not reflect a "mutual intent of the parties [] that the title of the copyright shall be in" Detective's name as proprietor of a "work for hire." *Lin-Brook*, 352 F.2d at 300. An examination of the early copyright registrations regarding the Superman strips reveals that *McClure listed Siegel and Shuster as the authors*, not Detective as the "author" or proprietor of a "work made for hire." *Id.*, Ex. W.[11] As a matter of law and logic, if the Superman newspaper strips were "works-made-for-hire" for Detective, there would be no need for Siegel and Shuster to have been a party to the McClure Agreement or the joint venture it established; Detective would have simply contracted with McClure for Detective to supply and McClure to syndicate Superman newspaper strips.[12] In the Agreement, McClure and Siegel and Shuster gave Detective the right to use the original Superman strips "in the publication of 'Action Comics,' six months after newspaper release, without charge, or for any substituted

[11] As the *Action Comics No. 1* magazine was a collective periodical containing several stories, its registration would not include the authors. However, "Superman" soon deserved his own magazine, the first issue of which was *Superman No. 1*. Tellingly, Detective's registration of *Superman No. 1* in 1939 listed Siegel and Shuster as its authors. Tob. Decl., Exs. V, W. Even the copyrights of early "Superman" merchandise, such as 1940 "Superman" coloring books and "cut-outs" listed Siegel and Shuster as the authors. *Id.*, Ex. W ("Superman coloring book by Jerry Siegel and Joe Shuster"). Significantly, this material was allegedly created under the two September 22, 1938 agreements relied on by Defendants to suggest a "work for hire" relationship after Siegel and Shuster completed *Action Comics No. 1*. These earlier registrations lie in sharp contrast to National's later copyright registrations of "Superman," for instance, in 1976. *Id.*, Ex. W ("Superman. By National Comics Publications, Inc. & Harry Donenfeld" [President]).

[12] The September 22, 1938 Agreement, states: "All material, art and copy shall be owned by us and at our option, copyrighted or registered in our name..." but this does not appear to apply to the newspaper strips as it conflicts with the McClure Agreement of the same date which states that the copyright to such material will be in McClure's name. Tob. Decl., Exs. P at 2; Q at 2.

magazines." This suggests that Detective did not own this material at creation.

Moreover, Detective by no means employed Siegel and Shuster to create the Superman strips in the McClure Agreement or the September 22, 1938 Agreement. The September 22, 1938 Agreement confirmed that Siegel and Shuster would supply the Superman newspaper strips "called for by said [McClure A]greement," but did not employ or engage Siegel and Shuster to create such material. *Id.*, Ex. P at 1-2. In fact, the agreement later re-emphasized that "the McClure Newspaper Syndicate strips" were to be "furnish[ed by Siegel and Shuster] pursuant to the above-mentioned contract with McClure." *Id.* Thus Detective was by no means "the motivating factor in producing [Siegel and Shuster's Superman strips] as the employer who induced their creation." *Siegel I,* 496 F.Supp.2d. at 1139,*Twentieth Century*, 429 F.3d at 879.

It also does not appear that the Superman newspaper strips were created by Siegel and Shuster at Detective's "expense." Under the McClure Agreement, Detective merely collected from McClure, Detective's and Siegel and Shuster's share of the profits from syndication of the strips, and remitted over 80% of such monies t Siegel and Shuster. *Id.*, Ex. P at 1-2, Ex. Q at 1-2. Siegel and Shuster received a monthly profit statement from McClure, not from Detective; and Siegel and Shuster had the right to independently "inspect [McClure's] books of account...at any reasonable time. *Id.*, Ex. Q at 2. Moreover, as set forth above, the contingent nature of such payments (an effective royalty interest) do not qualify as a "sum certain," and weighs against a finding that the strips are works "made-for-hire." *Siegel I*, 496 F.Supp.2d. at 1137, *citing Playboy*, 53 F.3d at 555 and *Twen. Cen.*, 429 F.3d at 881.

The Superman newspaper strips were also not created by Siegel and Shuster at the "instance" of Detective. As set forth above, this was the brainchild of Siegel who offered his sample Superman newspaper strips to and independently corresponded with multiple syndicators, and who thereafter prodded Detective to participate in the transaction with McClure. Although the Shuster's September 22, 1938 Agreement with Detective mentioned that Siegel and Shuster were to furnish Superman strips to

McClure pursuant to the McClure Agreement, the creation of such material did not fall within the scope of Siegel and Shuster's regular duties under the September 22, 1938 Agreement. *See Martha Graham*, 380 F.3d at 640-641; *Siegel I*, 496 F.Supp.2d. at 1139-40. At most, the newspaper strips would be considered a special transaction or "special job assignment, outside the line of [Siegel and Shuster's regular duties." *See Siegel I*, 496 F.Supp.2d. at 1139, *citing Martha Graham*, 380 F.3d at 635 and *Shapiro Bernstein,* 221 F.2d at 570.

The McClure Agreement did not give Detective "the right to direct and supervise the manner in which the work is created." *Martha Graham*, 380 F.3d at 635; *see also Siegel I*, 496 F.Supp.2d. at 1139-40, *citing id.* and *Twentieth Century*, 429 F.3d at 879. Tellingly, in the McClure Agreement, McClure agreed "to provide Detective with all the original drawings of the Superman strip," not *vice versa*, as Detective was somewhat "out of the loop" as far as the newspaper strips are concerned. Tob. Decl., Ex. Q. Detective was by no means "the motivating factor in producing [Siegel and Shuster's newspapers strips] as the employer who induced their creation." *Siegel I*, 496 F.Supp.2d. at 1139,*Twentieth Century*, 429 F.3d at 879.

Again, with respect to the Superman newspaper strips, Detective's role was merely that of an underlying rights licensor, as reflected in the McClure Agreement, by the circumstances and by the fact Detective had the smallest share of the profits (7.5-10% compared to the 32.5-40% and 50-60% held by Siegel and Shuster and McClure, respectively). *See Donaldson Pub. Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639, 642 (2d Cir. 1967)(That "the money arrangement was heavily weighted in [the creator's] favor" "corroborate[s] the conclusion" that the arrangement was not for a work "made-for-hire.") Furthermore, Detective's role as an underlying rights holder does not, as discussed above and previously held by this Court, render the derivative Superman newspaper strips "works-made-for-hire." *See* 17 U.S.C. §7 (repealed); *Siegel I*, 496 F. Supp. 2d at 1142-43; *Stewart v. Abend*, 495 U.S. at 223.

5. *Action Comics Nos. 7-61; Superman Nos. 1-23*

*Action Comics No. 7* through *Action Comics No. 61* (statutory copyright secured on April 13, 1943, Reg. B399214) and *Superman No. 1* through Superman No. 23 (statutory copyright secured on February 23, 1943) were all co-authored by Siegel and fall within the termination window of Plaintiffs' notices under 17 U.S.C. §304(c). An analysis of whether such works qualify under Section 304(c)'s "work for hire" exception begins with the September 22, 1938 Agreement.

The September 22, 1938 Agreement states: "We...*hereby employ and retain you*...[to] supply us each and every month hereafter, in sufficient time for publication in our monthly magazines, sufficient copy and art for each of said [five] features [including "Superman"] each month hereafter. Tob. Decl., Ex. P at 1. (emph. added). However, as an initial matter, the use of the phrase "employ and retain" is not dispositive as an evaluation of the "actual relationship between the parties, rather than the language of their agreements,[is required] in determining authorship of the work." *Marvel Characters v. Simon*, 310 F.3d 280, 291 (2d Cir. 2002); *Donalson Pub. Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639, 640-42 (2d Cir. 1967); *Siegel I,* 496 F.Supp.2d. at 1139 (focusing on the "nature and scope of the parties' business relationship").

*Simon* concerned author Joe Simon's termination under 17 U.S.C.§304(c) of a settlement agreement with Marvel concerning his creation, "Captain America." *Simon*, 310 F.3d at 289-290. The agreement expressly stated that "Captain America" was created by Simon as a "work-made-for-hire" for Marvel's predecessor. *Id.* at 283. On the basis of this agreement, the district court granted Marvel's motion for summary judgment that Simon's termination was invalid under Section 304(c)'s "work for hire exception." *Id.* The Second Circuit reversed and remanded, holding to the extent Captain America was not a "work for hire" the settlement agreement constituted an invalid "agreement to the contrary" under Section 304(c)(3)(5).

The "business relationship" between Siegel and Shuster, who owned a comic book production company in Cleveland, Ohio called the "American Artists League,"

and Detective, was that of a regular supplier of comic book stories to a publisher for distribution. Tob. Decl., Exs., P, Q. It was, in essence, an "output deal." While it is true that Detective owned the underlying rights to Superman pursuant to March 1, 1938 grant, this did not transform the derivative works created and supplied by Siegel and Shuster's into "works for hire." *See* Section B, *supra.*

a. The Superman Stories Were Not Created at Detectives' "Expense"

Under the express terms of the September 22, 1938 Agreement, Detective would pay Siegel and Shuster $10 per page for the Superman stories it decided to publish. Tob. Decl., Ex. P ("We agree to pay you *on publication*, for any and all said comics *published by us* and supplied by you, the following rates: Superman $10.00 per page.")(emph. added). Due to the contingent nature of their compensation, Siegel and Shuster worked "on spec" as a matter of law and contract, and bore the financial risk of their creations. Defendants admit that ***"the hiring party takes on 'all the financial risk'"*** of a true work-for-hire, and Detective plainly did not do so. Defs. Opp. Superboy MSJ at 17:12-14, quoting *Twentieth Century*, 429 F.3d at 881, and *citing Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 741 (1989). The putative "employer" must be financially "on the hook" to pay for the alleged "work for hire" prior to its creation. To hold otherwise would mean that many, if not most, non "works for hire" would just as easily satisfy the "expense" test.[13]

The relationships in the "sum certain" cases cited by Defendants are critically distinct from Siegel and Shuster's contractual relationship with Detective, in that the artists in such cases were paid *regardless* of whether their work was accepted for publication. Yet, Defendants misleadingly quote from such cases out of context to give the impression that the "expense" prong is met if the "hiring party simply pays a sum certain for [the] work." Defs. Br. 16:26-17:1, *quoting Playboy*, 53 F.3d at 555. This abstraction could not possibly be the test as it applies to "work for hire" and

[13] For example, speculative submissions to a publisher known to pay or posting a fixed rate upon acceptance for publication, or the submissions of "spec screenplays" to a film production company which pays an established Guild minimum are clearly not "work for hire," even though the sums paid are "certain" and known prior to the works' creation.

outright purchases of artistic works with equal force. In *Playboy*, the Court relied heavily on the fact that the artist was paid even for rejected works. *Siegel I*, 496 F.Supp.2d. at 1141-42 (discussing the significant payment for *rejected* works in *Playboy* and *quoting Playboy*, 960 F. Supp. at 716 ["[I]f Playboy had never published the work at all there would have been no reason to pay anything for it absent a work for hire relationship..."). Although critical to the "expense" prong, this also has significance for the "instance" prong as well. *Id.* ("The failure to pay for unused work...supports the conclusion that such works fell outside the confines of any work for hire relationship...and were created at artist's instance"), *quoting Playboy,* 960 F. Supp. at 718 ("The logical conclusion, and the one to which this Court comes, is that Playboy paid Nagel for works it did not use because he created them at its instance.")

In contrast, here the work, as a matter of contract and law, was speculative and contingent on Detective's acceptance for publication *and* actual publication, with no guarantee of remuneration.[14] The parties' objective manifestation of their intent in the September 22, 1938 Agreement also comports with their historical practice. As explained by noted comic book historian, Mark Evanier, if a "page or story was rejected by the publisher, they were not compensated for it and personally withstood the financial loss for it." Adams Decl., Ex. H at 7. Comic book creator and historian James Steranko concurs, stating that Siegel and Schuster "were only paid for pages actually delivered by them and eventually published by Detective Comics." Adams Decl., Ex. G at 7. This fact was also specifically acknowledged by Defendants' expert, noted comic book writer and historian Mark Waid ("Waid"). Tob. Decl., Ex. AA (Feb. 27, 2007 Depo Tr.) at 98: 6-10; 135: 22-24.

Defendant DC Comics' own conduct confirms that its predecessor Detective *owned* only Superman stories *that it published*, undercutting their work for hire defense. In 1988, Waid, while an employee at DC Comics, discovered an unpublished

[14] It was not until March, 1943 (after the "window" applicable to Plaintiffs' notices of termination [April16, 1938 – April 16, 1943] ) that Siegel and Shuster were given a royalty on Superman stori they did not create. FOF 58.

26 page Superman continuity (story) by Siegel *dated August 7, 1940.* Tob. Decl., Ex. BB (*K-Metal: The "Lost" Superman Tale* by Mark Waid); Ex. AA at 84:21-85:11; 126:11-22; 127:21- 128:14. According to Waid, the story contains the first use of "Kryptonite" as weakening Superman's powers. *Id.* at 36 (*quoting* Siegel's continuity). *Id.*, Ex. CC. Waid sought to have the unpublished work illustrated and published by DC[15], but the script was "circulated to then-Superman editor Mike Carlin and to our mutual bosses in hopes we could obtain Siegel's blessing to have the story re-illustrated and released at last, but for whatever reason, nothing ever came of it." Tob. Decl., Ex. BB (K-Metal: The "Lost" Superman Tale) at 39. If Defendants had "owned" this material, there would have been no need to contact Siegel for his permission. DC Comics knew they did not own this work because Detective had not published the work; and Detective only paid for and acquired Superman work they published. Accordingly, DC Comics has *never* published this work, despite its obvious prestige and historical importance.

b. The Superman Stories Were Not Created at Detective's Instance

The "instance" prong of the test involves "a more narrow inquiry focused on the nature and scope of the parties' business relationship" based on historical fact. *Siegel I* __[45]. The "instance" requirement is also "shaped in part by the degree to which the hiring party had the right to control or supervise the artist's work." *Twentieth Century*, 429 F.3d at 879. Control does not refer to the ultimate control every publisher has over whether to publish a work, nor to a publisher's superior economic position, it refers to a much more specific control over the creative process. *See Patry* § 5:54[16] Nor should "control" be construed as the kind of editorial supervision

[15]Tob. Decl., Ex. AA at 84:21-85:11; 126:11-22; 127:21- 128:14.

[16] In analyzing the analogous "control" factor under the 1976 Act, *Patry* notes: "Any hiring party ultimately has the ability to 'control' the work in the sense of accepting or rejecting it. To be meaningful, this factor inquires into a different type of control, that of the work's actual creation, those elements which compromise the work's originality." *Patry* § 5:54.

commonly exercised by publishers with respect to non-works-for-hire and "works for hire" alike.[17]

The September 22, 1938 Agreement ambiguously states: "We shall have the right to *reasonably* supervise the *editorial matter* of all features." Tob. Decl., Ex. P at 3 (emph. added). Firstly, this language by no means connotes "control" over Siegel and Shuster's creative process. Secondly, the phrase "reasonably supervise' is indefinitely subjective, and leaves open the degree of editorial "supervision" authorized. To clarify the parties' intent the court must look to (1) custom and usage at this nascent period in the comic book industry, as set forth more fully in the attached exhibits; and (2) conduct of the parties, as discussed below.[18]

c. Siegel and Shuster Exercised Creative and Fiscal Control Over the Superman Stories

A work-for-hire analysis under the 1909 Act requires an evaluation of the "actual relationship...in determining authorship of the work." *Marvel Characters v. Simon*, 310 F.3d 280, 291 (2d Cir. 2002) *citing Donalson Pub. Co. v. Bregman, Voc & Conn, Inc.*, 375 F.2d 639, 640-42 (2d Cir. 1967). Siegel has previously testified that Detective exerted little editorial control over the creation of their Superman works. Tob. Decl., Ex. FF at 25:5- 22. Siegel and Shuster received little to no creative guidance or story proposals from Detective before beginning their work. Adams Decl., H at 7-8. The scripts, or "continuities," for the comics were drafted by Siegel and then illustrated by Shuster without little or no feedback from Detective. Siegel did not send his scripts to Detective for "approval" before Shuster illustrated the continuity. *Id.* at 7. Siegel has been quite consistent on this point. Tob. Decl., Ex. R at 143; GG at 286. Their N.Y. based editor, Vince Sullivan, never visited them and

[17] The "right to accept, reject or modify" a work also necessarily refers to a work's creation, not to a publisher's superior position. *See Twentieth Century*, 429 F.3d at 880 (contrasting publisher's "typical process for most books [of] waiting for the manuscript to be completed, and then discussing possible improvements with the author.")

[18] When the language of a contract is ambiguous, the court looks at extrinsic evidence and performance as objective manifestations of the parties' intent. *See N.J. v. New York*, 523 U.S. 767, 830-31 (1988); *Sterling v. Taylor*, 40 Cal. 4th 757, 772-73 (2007).

described his input as "limited to accepting or rejecting the finished stories they submitted." Adams Decl., H at 7-8; G at 7; Z (J. Vance, *Superman: The Dailies, Strips 1-966(1939-1942)* (DC Comics 1998) at 10 ["[T]hey were all his characters, and he wanted to keep on controlling their destinies."] )

Essentially, Siegel and Shuster were self-employed comic book artists with their own expanding business, the "American Artists League (Tob. Decl., Ex. P at 1), which supplied and sold finished products to Detective purchased for publication. *Id.* at 2; Adams Decl., Ex. H at 7-8. Siegel and Shuster selected, hired, managed and paid a staff to assist them in creating comic books without Detective's control or supervision. Adams Decl., G at 7; Exs. H at 7-8; Tob. Decl., Exs. M at 109; N at 988-990 (Testimony from employee Wayne Boring); DD; EE.

Siegel paid his employees through an American Artists League bank account. Id., Exs. DD, EE, F at 337:20- 339:25. Siegel paid for his studio's equipment and furnishings, the materials used by his employees, postage, phone/utilities and even travel expenses (between Cleveland and New York). Adams Decl., Exs. G at 7; H at 7; Tob. Decl., Ex. AA at 144:10-13; 145:6-15. Siegel kept his own financial records for running his business. Tob. Decl., Ex. EE. They set their own hours and working conditions. Adams Decl., Exs; G at 7; H at 7. The publisher did not "withhold payroll or any other form of taxes, nor did Siegel and Shuster receive any health benefits or insurance, nor did they receive any other traditional employee benefits such as sick pay or vacation pay." Adams Decl., Exs. G at 7; H at 7. Defendants' expert Mark Waid concurs. Tob. Decl., Ex. AA at 135:25- 136:17; 137:13- 15; 137:23- 138:2; 146:23- 147:21.

Under controlling Ninth Circuit precedent, the fact Siegel and Schuster "shouldered [all] the expense" of their work weighs heavily in favor of determining that their Superman stories were not "works for hire" under the 1909 Act.[19] *Twentieth*

[19] This was not diminished by the fact that in the last decade of the 1909 Act the "works for hire" doctrine was extended from traditional hierarchical employment to independent contractors. *Twentieth Century*, 429 F.3d at 877. An independent contractor naturally fits the "employee for hire" mold far less often than a traditional employee and when it does it is usually because the

*Century*, 429 F.3d at 881.[20]

d. The 1976 Act is Instructive in Evaluating the Work for Hire Status of Pre-1978 Works

In addressing the status of works created prior to 1978, it is instructive "to consult cases decided under the current Act to round out one's understanding of the work for hire doctrine under the 1909 Act as well." *See Nimmer*, § 5.03[B][1][a][i].[21] As the U.S. Supreme Court explained in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730,749 (1989): The 1976 Act's work-for-hire provisions were crafted in a *1965* compromise, and immediately thereafter the courts modified and interpreted the work-for-hire doctrine under the 1909 Act in light of the 1976 Act's provisions, expanding its purview beyond the traditional hierarchical employment relationships. *Id., see Linbrook* , 352 F.2d at 300; *Self-Realization*, 206 F.3d at 1331.

Courts also look for guidance to work-for-hire analysis under the 1976 Act due to the vague and divergent work for hire analysis enunciated by courts in the last decade of the 1909 Act as they grappled with anticipated changes in the 1976 Act. *See Simon*, 310 F.3d at 291; *Patry* § 5:44 (criticizing the post-1965 expansion of the work-for-hire doctrine and praising *Martha Graham*, 380 F.3d at 624 for "mov[ing] the 1909 Act very close to that of the 1976 Act and eliminat[ing] the worst features of [the] presumptive 'instance and expense' approach").

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relationship mirrors that of more traditional employment. *See Siegel I*, 496 F.Supp.2d at 1138 ("periodic payment of a sum certain bear the hallmark of the wages of an employee"), citing *Donaldson Publishing Co. v. Bregman, Vocco & Conn., Inc.*, 375 F.2d 639, 642-43 (2d Cir. 1967).

[20] "Doubleday took on all the financial risk ... Doubleday shouldered the expense for the entire staff who assisted General Eisenhower in drafting the manuscript, including three secretaries, a fact checker, and the services of the editorial board at Doubleday. Finally, Doubleday took responsibility for all the costs necessary to produce the maps and photographs that were included in the book. There was no evidence that General Eisenhower paid for a single expense associated with writing and publishing the book." *Id.*

[21] Such "consulting" is not at all unusual in the interpreting the two Copyright Acts. *Gaste v. Kaiserman*, 863 F.2d 1061, 1065 (2d Cir. N.Y. 1988); *Richlin v. MGM Pictures, Inc.*, 2008 U.S. App. LEXIS 12917, at *14 (9th Cir. June 19, 2008); *Gamma Audio & Video, Inc. v. Ean-Chea*, 1992 U.S. Dist. LEXIS 10505, 7-8 (D. Mass. July 3, 1992); *Gay Toys v. Buddy L Corp.*, 703 F.2d 970, 972 (6th Cir. Mich. 1983); *Norris Indus. v. Int'l Tel. & Tel. Corp.*, 696 F.2d 918, 921, cert. denied, 464 U.S. 818 (11th Cir. Fla. 1983).

In particular, the non-exclusive work-for-hire factors propounded by U.S. Supreme Court in *Reid* under the 1976 Act are very helpful. In analyzing the work for hire status of Superboy, Defendants themselves cited to *Reid, supra.* Defs. Opp. MSJ at 17:14-15. *Reid* held that the whether a work is "made for hire" is determined "under the general common law of agency" and set forth factors relevant to this inquiry including "the skill required; the source of the instrumentalities and tools; the location of the work; . . . whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party's discretion over when and how long to work; the method of payment; the hired party's role in hiring and paying assistants; . . . the provision of employee benefits; and the tax treatment of the hired party. *See* Restatement § 220(2) (setting forth a nonexhaustive list of factors relevant to determining whether a hired party is an employee)." *Reid*, 490 U.S. at 751–52. Rather than propounding a rigid test such as that advocated by Defendants, the Supreme Court expressly rejected an approach of making any given factor "determinative," as "all the other circumstances" must be "weigh[ed]" before arriving at a determination. *Id.* at 751. Notably, even though works created by *independent contractors* may under the 1976 Act be "works for hire" as in the last decade of the 1909 Act, the U.S. Supreme Court still looked to the common law of agency set forth in the Restatement §220(2) to determine whether works *are* "made-for hire." 17 U.S.C. §101(2)(includes "commissioned" works); *Reid*, 490 U.S. at 752.

Under the 1909 Act "work for hire" analysis is similarly instructed by the common law of agency. *See Simon*, 310 F.3d at 291 (concerning author Joe Simon's recapture under 17 U.S.C. § 304 (c) of his 1941 work "Captain America").[22] As demonstrated above, an analysis of the factors governing the common law of agency (*see*

[22] Like the 1976 Act, the 1909 Act did not define the terms "employer" or "employee." *See* 17 U.S.C. § 26 (repealed)(" the word 'author,' shall include an employer in the case of works made for hire."). As noted by the U.S. Supreme Court: "In the past when Congress has used the term 'employee' without defining it, we have concluded that Congress intended to describe the conventional master-servant relationship as understood by the common-law of agency doctrine." *Reid*, 490 U.S. at 740, *citing* the pre-1978 cases, *Kelley v. Southern Pac. Co.*, 419 U.S. 318, 322 (1974); *Baker v. Texas & Pac. R. Co.*, 359 U.S. 227, 228 (1959).

Restatement §220(2) and *Reid*, 490 U.S. at 752) also weighs heavily towards a conclusion that Siegel and Shuster's Superman stories were not "works made for hire." Siegel and Shuster's creation of the illustrated Superman stories entailed significant artistic skill; using Siegel and Shuster's own instrumentalities and tools; at a location far removed from Detective; where Siegel and Shuster determined when and how long they worked; hired and paid their own employees; were provided no employment benefits; were paid per page (without withholding) for work supplied only if such work was accepted and published.

## II. THE SEVENTH AMENDMENT RIGHT TO A JURY TRIAL ATTACHES TO PLAINTIFFS' CLAIM FOR PROFITS

Defendants contend that Plaintiffs may not try their claim for Superman profits, including any "apportionment" thereof, to a jury. Defs. Br. at 58:13. However, because the calculation of money owed Plaintiffs is "legal," both in terms of the relief sought and its historical derivation, the Seventh Amendment applies. As Plaintiffs noted in their opening papers, their accounting claim is *functionally* equivalent to an accounting for profits in a copyright infringement case, in which the calculation of profits and any "apportionment" are tried to a jury. Defendants should not be allowed to "ping-pong" between law and equity and "cherry-pick" the best of both worlds. If Defendants are permitted to import "apportionment" from copyright infringement cases, they must bring the jury as well.

### A. The Right to a Jury Trial Is Determined by Historical Derivations and the Nature of the Remedy, and Is To Be Liberally Construed

The right to a jury trial is determined by a two-part test under *federal* law. *See American Express Travel Related Servs. Co. v. Hashemi*, 104 F.3d 1122, 1124 (9th Cir. 1996).[23] First, the court compares the proceeding to 18th century actions in the

[23] Defendants confuse this issue by referencing Plaintiffs' position that the "claim for an accounting is governed *in all respects* by state law." Defs. Brief at 59:14-20. However, as Plaintiffs noted in their brief, the determination of a right to a jury trial in federal court is determined by reference to *federal* law. Pls. Brief at 11:8-23. Defendants also harp on the purportedly "equitable" nature of an accounting as an excuse for avoiding a jury trial while at the same time ignoring the well-established state law co-tenanacy principles that govern an accounting. *Compare* Pls. Brief at 4:2-5:13 (equitable state law co-tenancy principles bar "apportionment" for improvements) with Defs. Brief at 60:4-19 (importing state law accounting principles solely to argue against the use of a jury).

courts of England. *Id.* Second, the court "examine[s] the remedy sought and determine[s] whether it is legal or equitable in nature." *Id.* The constitutional right to a jury trial is to be "liberally construed." *Schoenthal v. Irving Trust Co.*, 287 U.S. 92, 94 (1932). *See Beacon Theatres v. Westover*, 359 U.S. 500, 501 (1959)("any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care.").

**B. Courts of Law and Equity Held Concurrent Jurisdiction Over "Accounting" Claims, Which Derive from Actions for Monetary Damages**

Accounting claims for monies, which grew out of the old common law action of account render, have historically been considered legal claims. *See Phillips v. Kaplus*, 764 F.2d 807, 813 (11th Cir. 1985)(*cited by* Defs. Brief at 62:25); 8-31 *Moore's Federal Practice – Civil* ("*Moore's*") § 38.31[1][a] ("Suits for accounting originated in the common law courts, [and] applied against persons having a legal duty to account to plaintiff."). Defendants' assertion that accounting claims "have traditionally been adjudicated in courts of equity" (Defs. Brief at 62:21) is therefore beside the point.

The common law courts utilized a writ of account, but it involved a cumbersome three-step process. 1 William S. Holdsworth, A History of English Law 458–59 (1956). Litigants began to seek redress instead in England's equity court (the "Chancery Court"), which used relatively streamlined procedures. *Id.*

Thus, while the Chancery Court developed jurisdiction "to investigate matters of account," this jurisdiction was only an anomalous adjunct to the court's role of providing relief unavailable in the common law courts. *Id. See generally* C.H.S. Fifoot, History and Sources of the Common Law: Tort and Contract (1949). Litigants could seek redress in the courts of equity on an accounting matter when the courts of law could not grant adequate relief. 5 William Holdsworth, A History of English Law 278–88 (1924). In such cases, the courts of law and the courts of equity held concurrent jurisdiction. 8-31 *Moore's* § 38.31[1]. The equity courts held exclusive jurisdiction over accounting claims *only* when the underlying claims were themselves

equitable. *Id.* For these reasons, modern courts recognize the jury-trial right for accounting actions that involve legal claims or defenses. 8-31 *Moore's* § 38.31[1]. *Id.*

### C. Current Law Considers Claims for Money Damages in Complicated Matters Firmly "Legal," and Not "Equitable"

In 18th and 19th century American jurisprudence, the claim of "accounting" evolved as a method for recovering money damages in circumstances beyond the competence of a jury. *See Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 478 (1962); *Kirby v. Lake S.& M.S. Railroad*, 120 U.S. 130, 134 (1877). The "accounting" claim also evolved in equity as a means to investigate complex business records in the control of the defendant. *Kirby*, 120 U.S. at 134.

However, these historical reasons for considering an accounting "equitable" no longer apply. The U.S. Supreme Court ruled in *Dairy Queen* that the Federal Rules of Civil Procedure and the ability of courts to properly instruct juries made equity unnecessary for almost all complicated disputes. *Dairy Queen*, 369 U.S. at 478–79. A claim for an accounting should therefore be construed as legal if the underlying claim is a claim for damages or debt, as it is in this case. *Id.* at 477.[24]

### D. The Nature of the Remedy Sought by Plaintiffs – An Award of Profits from the Use of Copyright – Is Legal in Nature

Plaintiffs' claim for profits from Defendants' use of a copyright is legal, and the constitutional right to a jury trial applies. *See Feltner v. Columbia Pictures TV*, 523 U.S. 340, 346 (1998)(stating that awards of profits "generally are thought to constitute legal relief"); *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1175 (9th Cir. 1977). Defendants freely characterize Plaintiffs'

[24] "[T]he constitutional right to trial by jury cannot be made to depend on the choice of words used in the pleadings." *Dairy Queen*, 69 U.S. at 477-478. Thus, the fact that Plaintiffs seek to impose a constructive trust does not change the legal analysis. "Constructive trust" is only a label, used merely to describe the duty between co-owners of a copyright to share equally the profits from use of the copyright. *See, e.g., Oddo*, 743 F.2d at 632-33 (describing this duty without using the "constructive trust" label); 1 *Nimmer* § 6.12 ("[A] constructive trust relationship is a means of describing a duty rather than a ground for creating it."). Per *Dairy Queen,* and contrary to Defendants' suggestion, the "constructive trust" label does not control this court's analysis of the nature of Plaintiffs' claim. Defs. Brief at 60:4-6 (relying on labels of "accounting" and "constructive trust" to advocate for a bench trial).

affirmative case as "including damages" when it suits them, *e.g.*, when they argue that Plaintiffs must bear the burden of proof on apportionment. Defs. Brief at 69:15-20.

Plaintiffs anticipate that Defendants will argue that these cases address copyright infringement, not joint ownership of copyright. This, however, is a distinction without a difference with regard to a jury. An award of profits from defendant's use of copyright in infringement cases serves the same purpose as an award of damages from defendant's use of copyright in joint ownership cases. An award of profits from infringement does not remedy the plaintiff's loss, but instead prevents unjust enrichment of the defendant. *See* H.Rep. No. 94-1476, at 161; 4 *Nimmer* § 14.01 (same); 6 *Patry* § 22:100.

**E. A Jury Is Uniquely Qualified to Decide Apportionment for Profits Derived from Copyright Use**

Plaintiffs submit that if this Court decides that apportionment is necessary, a jury is uniquely qualified to decide the apportionment of profits from post-termination works,. While a judge or special master is only one person, a jury consists of 12 people who represent a cross-section of the community, who are much better suited to determine subjective matters, such as the appeal of copyrighted works.

It is for this reason that juries similarly decide the subjective "intrinsic" component of the two-part test for substantial similarity between works in copyright infringement law. *Apple Computer v. Microsoft Corp.*, 35 F.3d 1435, 1442--43, 1447 (9th Cir. 1994); *Shaw v. Lindheim*, 919 F.2d 1353, 1360–61 (9th Cir. 1990). The "intrinsic" analysis is a test "from the standpoint of the ordinary reasonable observer, with no expert assistance." *Apple Computer*, 35 F.3d at 1442. It requires "a subjective assessment" that "involves the audience" and that "is by nature an individualized one that will provoke a varied response in each juror." *Shaw*, 919 F.2d at 1360. Such a subjective assessment "is not a legal conclusion; rather it involves the audience in an interactive process with the author of the work in question, and calls on us 'to transfer from our inward nature a human interest and a semblance of truth sufficient to procure for these shadows of imagination that willing suspension of

disbelief for the moment, which constitutes poetic faith.' " *Id.* Courts therefore consistently refer the "intrinsic" test to juries, and will not grant summary judgment on this issue. *Shaw*, 919 F.2d at 1360.[25]

For these reasons, a jury and not a judge or special master should decide any apportionment analysis. Juries are much better qualified to properly determine the importance of *Action Comics No. 1* and other Superman works to the public appeal of post-termination works.

### F. A Jury Is Uniquely Situated to Weigh the Subjective Factors Regarding the Alter Ego Relationship Between DC and Warner's

Similarly, with reference to Defendants' claim that the issue of the "sweetheart" nature of the licensing deals made between DC and its corporate sibling Warner Bros is solely a matter of equity, courts have routinely tried "alter ego" claims to juries as questions of fact. *See, e.g., Local 159 v. Nor-Cal Plumbing, Inc.*, 185 F.3d 978, 981 (9th Cir. 1999) ("A jury found that Nor-Cal and North Bay were alter egos."); *Coughlin v. Tailhook Ass'n*, 112 F.3d 1052, 1057 (9th Cir. 1996)(jury determination alter ego defense); *Toporoff Eng'rs, P.C. v. Fireman's Fund Ins. Co.*, 371 F.3d 105, 107 (2d Cir. 2004); *Brown v. Sandimo Materials*, 250 F.3d 120, 128 (2d Cir. 2001).

As the "alter ego" determination will require a subjective weighing of Defendants' intra-corporate "deals," and assessment of the credibility of witnesses, juries are favored to make such determination. *See Walter E. Heller & Co. v. Video Innovations, Inc.*, 730 F.2d 50, 53-54 (2d Cir. 1984)(jury determination of factual issues related to "alter ego," after which "the Court may, in its equitable function, arrive at a remedy.") An "alter ego" claim is precisely "the sort of determination usually made by a jury because it is so fact specific." *Wm. Passalacqua Builders v.*

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[25] Plaintiffs contend that a "second" apportionment for trademark is unprecedented, improper and unquantifiable. *See* Section VII, *infra*. However, if this Court decides otherwise, this issue should also be submitted to a jury. Trademark law addresses the public perception of trademarks, not the subjective intent of trademark owners. *See* 15 U.S.C. §§ 1114(1), 1125(a)(1)(A) (prohibiting trademark use "is likely to cause confusion, or to cause mistake, or to deceive" consumers). Juries are much better suited to decide subjective matters such as public perception. *Apple Computer*, 35 F.3d at 1442; *Shaw*, 919 F.2d at 1360.

*Resnick Developers S.*, 933 F.2d 131 (2d Cir. 1991)(em. added), *citing* Blumberg, *The Law of Corporate Groups* § 7.02.2, at 144.

### G. Defendants Concede That Facts Determined by the Jury on Plaintiffs' Waste Claim Will be Binding on Plaintiffs' Accounting

Defendants concede that legal claims must be tried to a jury before equitable claims can be tried to a judge. Defs. Brief at 66:27-67:4 (citing F.R.C.P. 39). Plaintiffs agree. Defendants further concede that Plaintiffs' "waste" claims are legal in nature, and must therefore be tried to a jury. *Id.* at 68:9-10. Plaintiffs also agree. *Haggin v. Kelly*, 136 Cal. 481, 483 (1938)(claim for waste "is one at law," even if equitable remedy is sought); *Mitchell v. Amador Canal & Mining Co.*, 75 Cal. 46 (1888)(noting that "[t]he remedy for waste is ordinarily at law").

Defendants finally concede that "any preclusive effect of the factual issues decided in the jury trial will only be able to affect the equitable issues, tried second, and not the other way around." *Id.* at 68:23-25. Thus, Defendants have effectively conceded that any factual determination of the issues arising from Plaintiffs' "waste" claim will have a preclusive effect on any equitable trial. The factual issues present in Plaintiffs' waste claim include "Defendants' under-utilization of the recaptured copyrights, non 'arms length' contracts between wholly-owned subsidiaries and/or divisions, self-serving accounting practices and the improper allocation of revenues, costs and profits with respect to the Recaptured Copyrights." Pls. First Amended Complaint at ¶ 79. Thus, regardless of whether or not Plaintiffs' accounting claims are found to be "equitable," a jury will be making preclusive factual determinations on, essentially, *all* of the elements relevant to such a claim.

## III. DEFENDANTS MUST BEAR THE BURDEN OF PROOF ON APPORTIONMENT AND THE EXCLUSION OF SUPERMAN WORKS FROM AN ACCOUNTING

### A. Defendants Bear the Burden of Proof Under the Statutory Framework of Section 504(b)

Defendants claim that there is "little instructive precedent on the issue of the allocation of the burden of proof in an accounting between copyright owners." Defs.

Brief at 70:18-20.[26] Nonetheless, if Defendants adopt the apportionment defense of 17 U.S.C. § 504(b), "the burden of proving apportionment...is the defendant's." *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505, 518 (9th Cir. 1985). *See also Patry on Copyright* § 22:119("[S]ection 504(b) places the burden on defendant on apportionment and deduction of expenses."); Pls. Brief at 9:7-19, n.7.

**B. Defendants Bear the Burden on Apportionment As It Is A Defense To Plaintiffs' Accounting Action**

Defendants have conceded, as they must, that they will bear the burden on the "accounting" aspects of this action once gross revenues have been shown. Defs. Brief at 79:20-80:9. Yet, to confuse this clear-cut issue, Defendants simultaneously argue that in a "typical lawsuit," "the Plaintiff has the burden of proving all of the elements of its affirmative case, including damages." *Id.* at 69:15-16. Defendants then attempt to position "apportionment" as damages. *Id.* at 69:15-71:10, despite having asserted "apportionment" solely as a defense to Plaintiffs' *accounting* action. *Id.* at 21:18-23.

"Apportionment" is obviously not part of Plaintiffs' "affirmative" case (*Id.* at 69:15-71:28) to enforce their § 304(c) termination, but instead a defense thereto for which Defendants naturally bear the burden.[27] *See C.J.S. Accounting* § 44("[T]he party seeking to avoid the accounting has the burden as to matters of defense.")[28]

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[26] Defendants misleadingly cite *Strauss v. Hearst Corp.*, 1988 U.S. Dist. LEXIS 1427 (S.D.N.Y. 1988) to imply that the Plaintiff had the burden of proof regarding revenues or apportionment. The *Strauss* court did not address the apportionment burden, it merely questioned the plaintiff's ability to show a causal nexus between his work and the defendant's profits. *Id.* at *20. No such issue arises in this matter, as Defendants' Superman profits implicate Plaintiffs' recaptured copyrights by definition.

[27] Defendants weakly claim the "blueprint" for their "apportionment" burden analysis is in the California case *Sander/Moses Productions, Inc. v. NBC Studios, Inc.*, 142 Cal.App.4th 1086, 1094-97 (2006). Defs. Brief at 80 n.64. *Sander/Moses* did not involve an accounting, but a breach of contract claim for damages arising under California law, in which it is Plaintiffs' affirmative burden to prove their contractual damages.

[28] *See also Neel v. Barnard*, 24 Cal. 2d 406, 420 (1944)("On an accounting for a trust, the trustee does have a burden to establish the correctness of his accounts."); *Purdy v. Johnson*, 174 Cal. 521, 530 (1917)("[T]he burden is upon the trustees to prove that charges made by them are proper.") *Am. Jur. 2d Partnership* § 681 (In accounting between partners, the burden of proof "must lie most heavily on the partner who manages partnership affairs," as "[h]e or she must sustain the burden of proving the correctness of the accounts, and all doubts will be resolved against him or her.")

Furthermore, in the context of an accounting, Defendants should bear the burden of proof on "apportionment" because they licensed or produced the post-termination Superman works in question, and are therefore in possession of *all* of the relevant information regarding such works. *See* 6 *Patry* § 22:121 (The "reasons for placing the burden of disproving profits on defendant .... [include that] defendant has the best information about the effects of its own conduct.").[29]

### C. Defendants Bear the Burden of "Untangling" Defendants' Commingling of Plaintiffs' Recaptured Copyrights

Defendants complain that it should not be their burden to "untangle" the recaptured copyright from their contributions, and that "policy considerations" mandate that they be given the benefit of every doubt regarding apportionment. *See* Defs. Brief at 75:11-79:19.[30] Yet, as Defendants have "entangled" Plaintiffs' underlying copyrights the burden of proving otherwise should be placed on them.

Defendants concede that in copyright infringement cases, from where they import "apportionment," the burden of proof is placed squarely on the defendant asserting this defense. *Id.* at 75:11-21. Defendants' difficulties arise from the fact that they view themselves as having the unequivocal right to use Plaintiffs' recaptured copyright "as they please[]." *Id.* at 77:3-4.[31] However, as of April 16, 1999, the effective date of Plaintiffs' termination notices, Defendants *have had an affirmative*

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[29] *See Lottie Joplin Thomas Trust*, 592 F.2d at 657 ("[P]lacing the apportionment burden on the [defendant] is sensible, since in most cases all information regarding profits is exclusively in the possession of the infringer."); *Brotherhood of R. & S. S. Clerks v. Allen*, 373 U.S. 113, 122 (1963) ("Since the unions possess the facts and records ... basic considerations of fairness compel that they ... bear the burden of proving such proportion."); *Shinn Eng'g, Inc. v. U.S.*, 622 F.2d 820, 833 (Ct. Cl. 1979)(It "makes sense" to place the burden on the party "most likely to possess the best information.") Defendants' contention that Plaintiffs "have the same access" to information on the works at issue that Defendants do is baffling. Defs. Brief at 78 n.63.

[30] While Defendants contend that placing the burden on them would somehow treat them "worse" than an infringer, they also concede that "even in the infringement context, the profit determination is not punitive in nature." *Id.* at 75:20-21.

[31] Similarly, Defendants' characterization of Plaintiffs as "passive co-owner[s] who sit[] back and wait to collect an accounting" is a completely gratuitous *ad hominen* attack. Defs. Brief at 79:13-14. *Cf.* Defendants' First Amended Counterclaims (suing Plaintiffs). Moreover, given that Defendants sued Plaintiffs to prevent them from exploiting their recaptured copyrights, their claims about the "promot[ion] of the arts" ring hollow. Defs. Brief at 78:19-22.

*duty to account* to Plaintiffs for any exploition of the recaptured copyrights.[32] Defendants concede that "it is only fair to place the burden of untangling those contributions on the party that made the unilateral decision to tangle them in the first place." Defs. Brief at 75:15-17. Defendants are the responsible party: They have waged an ongoing war of attrition for over nine years to *avoid* paying Plaintiffs, and now attempt to severely undercut Plaintiffs' fair share of profits. Defendants were provided with ample notice of Plaintiffs' termination on April 3, 1997, and could have (a) provided a voluntary accounting of profits, or (b) disentangled "their" elements from Plaintiffs' recaptured copyrights during the last eleven years. Instead, just as much as any infringer, they have deliberately "frustrated the task of apportionment by co-mingling profits." *Id.* at 77:11-12.[33]

Defendants cannot now shift the "apportionment" burden onto Plaintiffs based on their own failure to properly segregate the jointly-held material.

### D. Defendants Should Bear the Burden of Showing that a Superman Work Is Somehow Not Derivative of *Action Comics No. 1*

[32] Moreover, Defendants can hardly argue that any recovery in this case would be a "windfall" for Plaintiffs. *See* Defs. Brief at 71:15-19. Although Siegel and Shuster launched a multi-billion dollar franchise, they were forced to work for years at merely the going page-rate, with no profit participation whatsoever, and died in poverty. *See Siegel II*, 542 F.Supp.2d at 1111-13. Their tale is so sad that it became something of a cause célèbre in the 1970's. *Id.* The termination provisions of the 1976 Act were expressly designed to rectify such imbalances. *See* H.R. Rep. No. 94-1476 at p.124; *Classic Media,_* F.3d _, 2008 U.S. App. LEXIS 14755 at *16 (9th Cir. 2008).

[33] Defendants also contend that because they previously (a) "had no reason to consider the financial or accounting implications" of commingling the materials, and (b) have been adding additional material to Superman for decades, the burden of proving apportionment should be shifted on Plaintiffs. Defs. Brief at 77:20-78:13. Plaintiffs point out that the 1976 Copyright Act that allowed them to recapture their copyrights took effect on January 1, 1978 and had been "in the works" for over a decade before that. *See* Pub. L. 94-553, 90 Stat. 2541. The entire purpose of the termination provisions was to "safeguard[] authors against renumerative transfers," of which Siegel and Shuster's grant of Superman for $130 in a "publishing release" was among the most notable. *See* H.R. Rep. No. 94-1476 at p. 124. Defendants also had a famously divided relationship with Jerome Siegel and his family. *See Siegel II,* 542 F.Supp.2d at 1111-13. When the termination notices arrived, Defendants' General Counsel, John Schulman was completely unsurprised. Tob. Decl., Ex. II ("As to the notices of termination, I wasn't surprised at their arrival. Das macht nichts [Whatever].") After being served with the notices on April 3,1997, Defendants still freely chose to commingle "their" material knowing that *Action Comics No. 1* and other works were subject to recapture. Their nostalgic "throwback" motion picture, *Superman Returns*, produced at an enormous budget, is a case in point. Commingling under such circumstances cannot provide an excuse to improperly shift the burden to Plaintiffs.

A Superman work, by definition, draws upon the distinctive and copyrightable Superman character set forth in *Action Comics No. 1*, and is therefore derivative. *See Warner Bros., Inc. v. American Broadcasting Cos.*, 720 F.2d 231, 235 (2d Cir. 1981) Defendants "own the copyrights in various works embodying the character Superman and have thereby acquired copyright protection for the character itself.") Accordingly, every Superman work cited in Defendants' brief is derived from *Action Comics No. 1,* and Defendants bear the (impossible) burden of demonstrating their claim to the contrary. *See* Defs. Brief at 44-45.[34] As Defendants' post-termination Superman works clearly and unmistakably derive from Plaintiffs' recaptured copyright(s), so too do the profits that flow therefrom.[35] Defendants' ill conceived attempt to challenge the axiomatic would only create a gratuitous burden on Plaintiffs, and waste judicial resources, as each and every Superman work would necessarily be implicated. If Defendants take the incredible position that a work exploiting Superman is somehow *not* derivative of *Action Comics No. 1*, the burden of this defense should lie with them.

## IV. A "TEMPLATE" APPROACH IS JUSTIFIED IN THE EVENT THAT APPORTIONMENT IS USED TO REDUCE PLAINTIFFS' PROFITS

### A. Defendants Offer No Legal Precedent Whatsoever for the Use of Apportionment in This Action

[34] "Krypto the Superdog" works, highlighted by Defendants, simply recast Superman as a dog, *e.g.*, Krypto's red cape with the "S" crest clearly derives from Superman's red cape and "S" crest in *Action Comics No. 1. Id.* at 75:4–6. "Krypto the Superdog" also recasts and transforms the central storyline of *Action Comics No. 1*, including Superman's origins from a far-away planet, his journey to Earth, and his superpowers, transforming them into that of a dog. *See* Tob. Decl., Ex. HH (describing "Krypto's" "dual identity," relationship to Superman, and powers "similar to Superman.")

[35] Defendants' misguided arguments about "indirect profits" is a giant "red herring," as a Superman work is presumptively derivative of *Action Comics No. 1*, providing a direct causal connection to the profits from such exploitations. *Cf.* Defs. Brief at 73:2-74:25. At trial, Plaintiffs will show Defendants' "gross revenues" that are attributable to Superman. The cases cited by Defendants where the Plaintiff showed *undifferentiated* "gross revenues" not attributable to infringement are inapposite. *See, e.g., Taylor v. Meirick*, 712 F.2d 1112, 1122 (7th Cir. 1983)(profits were "indirect" because they did not distinguish between infringing and non-infringing works); *Eiben v. A. Epstein & Sons Int'l, Inc.*, 57 F.Supp.2d 607, 614 (N.D. Ill. 1999)(precluding presentation of profits from non-infringing portions of a construction project); *Thoroughbred Software Int'l, Inc.*, 488 F.3d 352, 360-61 (6th Cir. 2007)(concerning undifferentiated revenues with no evidence attributing those revenues to the infringing work); *Straus v. DVC Worldwide, Inc.*, 484 F.Supp.2d 620, 645 (S.D. Tex. 2007)(seeking profits from a non-infringing work on the basis of an infringing advertisement); *Fox Controls, Inc. v. Honeywell, Inc.*, 2005 U.S. Dist. LEXIS 14410 at *25 (N.D. Ill. 2005)(Plaintiff failed to show any revenues related to the infringement).

Defendants improperly seek to import "apportionment" from federal copyright *infringement* cases to the instant state-law governed accounting action. Defs. Brief at 21:9-24:2; *Oddo*, 743 F.2d at 633; *Zuill v. Shanahan*, 80 F.3d 1366, 1369 (9th Cir. 1996). Defendants concede, as they must, that this accounting claim is governed by state-law principles of tenancy-in-common (Defs. Brief at 59:11-14), but cast a blind eye to the fact that under state law, a tenant-in-common is *not* entitled to any "deductions" or "apportionment" of profits on the basis of its unilateral improvements or expenditures to co-owned property. Pls. Brief at 4:1-8:14; 4 B.E. Witkin, *Summary of California Law* § 270 (9th ed. 1990). Defendants offer no legal basis for their "apportionment" analysis except copyright *infringement* cases, and, by applying *federal* copyright law, they contravene controlling Ninth Circuit precedent.

### B. A "Template" Approach Will Result In a Fair and "Reasonable Approximation" Without Unduly Burdening the Court

If this Court nonetheless decides to apply "apportionment" to Plaintiffs' share of Superman profits, it should utilize Plaintiffs' rational "template" approach rather than Defendants' unfeasible work-by-work approach.[36] It is well-settled that "what is required [in apportionment] is not mathematical exactness but only a reasonable approximation." *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 402 (1940).[37] Plaintiffs' "template" approach would easily satisfy this standard by qualitatively evaluating and weighing the elements of Plaintiffs' recaptured Superman works, including *Action Comics No. 1*, "against any additional elements exclusively

[36] As Defendants did not give any work-by-work information for products licensed to third parties through WBCP, it would be pointless to conduct a work-by-work analysis of them. *See* Pls. Brief at 19:23-20:28. The revenues, expenses and profits for these individual pieces of merchandising are unknown, because Defendants have failed to provide this financial documentation. *Id.* at p. 20 n.19. Even if a separate apportionment figure was arrived at for each of these works, there is no segregated profit to "apportion."

[37] As noted in Plaintiffs' opening brief, the appointment of a special master to conduct a work-by-work apportionment would improperly remove this subjective, fact-laden evaluation from the trier of fact. *See* Pls. Brief at 16:5-19:1. The clear objective behind Defendants' unnecessarily burdensome work-by-work approach is to move the apportionment decision away from a jury and towards a special master. *See* Defs. Brief at 38:10-12 (referring to the "appointment of a special master" in connection with their "right to a particularized work-by-work review"); 46:17-18 (referring to having "the Court (or a special master)" undertake a work-by-work apportionment).

owned by Defendants within the overall 'Superman' mythology," and thereby arrive at a "reasonable approximation" for apportionment purposes. Pls. Brief at 22:14-17.

Defendants have conceded, as they must, that the proper approach to any apportionment is to qualitatively evaluate the *elements* comprising the Superman mythos, weighing those found in *Action Comics No. 1* (and any other works recaptured by Plaintiffs) against those elements which Defendants exclusively retain. Defs. Brief at 23:4–6 (advocating the apportionment of profits by examining "the relative weights of the parties' respective contributions and the resulting percentages."). Once the task of "reasonably approximating" such elements is completed, there would be no need to undertake a cumbersome work-by-work analysis, as this "apportionment" ratio could then be rationally and fairly applied to profits from the exploitation of the *apportioned* Superman mythos.[38]

Defendants cite to "the problem" of Superman appearing in "cameo role[s] or joined with major characters outside the 'Superman family' – as part of the 'Justice League' or co-starring with Batman" as necessitating a laborious work-by-work analysis. Defs. Brief at 23:13-15. *See also id.* at 25:14-18, 37 n.39, n.40. However, Defendants themselves long ago suggested a framework for dealing with such "commingled" works: simply apply a mathematical ratio based on the number and relative importance of the characters which commonly appear together (*e.g.*, Justice League of America). *See* Plaintiffs' April 30, 2007 Motion for Partial Summary Judgment at 49-50.

### C. No Authority Supports a "Work-by-Work" Apportionment Approach Bet een Copyright Co-Owners

No authority exists to support a work-by-work approach to apportionment in the context of copyright co-owners. *See* Defs. Brief at 33:21-28 (citing only infringement

[38] As Defendants did not give any work-by-work information for products licensed to third parties through WBCP, it would be pointless to conduct a work-by-work analysis of them. *See* Pls. Brief at 19:23-20:28. The revenues, expenses and profits for these individual pieces of merchandising are unknown, because Defendants have failed to provide this financial documentation. *Id.* at p. 20 n.19. Even if an apportionment figure was arrived at for these works, there would be no profits to "apportion."

cases). Moreover, even the copyright infringement cases on which Defendants rely do not require a "work-by-work" approach to apportionment. [39]

Defendants cite infringement cases where the court had to determine "whether ... plaintiff's copyright is incorporated into that work" *at all* (Defs. Brief at 36:9-10). Here, however, no such analysis is necessary because the disputed Superman works by definition derive from *Action Comics No. 1* – the original Superman copyright. *See* Defs. Brief at 14 n.6 ("[S]ubsequent Superman features were derivative works based on the *Action Comics #1*."); *Siegel II*, 542 F.Supp.2d at 1070. Of the remaining cases cited by Defendants, only three go on to apportion the profits, all from a very limited number of infringing uses, to determine damages. *See* Defs. Brief at 33:21-23.[40] In fact, *Brown v. McCormick,* 87 F.Supp.2d 467, 483-84 (D. Md. 2000), on which Defendants heavily rely, hurts more than helps their position. In *Brown*, despite multiple infringements of a quilt in connection with the film, *How To Make An American Quilt* (*e.g.*, in merchandising, publishing, marketing, etc.), "apportionment" was applied *solely* to the profits from the film, itself. *Id.*; *see* Defs. Brief at 34:11-25.

### D. Apportionment Would Be Inequitable as to Fees Received by Defendants from Passive Licensing

Apportionment for the creative contributions of third-party licensees would be completely inappropriate, despite Defendants' contrary claims. *See* Defs. Brief at 22:12-14; 32:13-19 ("the 'everything else' consists ... of new matter ... added by DC and its predecessors and licensees."). When one joint owner licenses a work, the other co-owners are entitled to equal shares of the proceeds from such licensing, not "apportioned" shares.[41] The reasons for this are clear: when a work is merely

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[39] Defendants make "much ado" over Plaintiffs' counsel mentionioning the possibility of "apportionment" at the *Superboy* summary judgment hearing, but this was clearly in the context of the "apportionment" defense raised by Defendants. *See* Tob. Decl., Ex. JJ at 15:12-16:6; 21:18-22:9 (noting that a jury would look at Superboy elements "to assess any apportionment argument *of Defendant*.")(emph. added).

[40] *See, e.g., Blackman v. Hustler Magazine, Inc.*, 620 F.Supp. 792 (D.D.C. 1985)(concerning three discrete infringements); *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 508 F.Supp. 798, 799-801 (S.D.N.Y. 1981)(applying apportionment to one song in three contexts).

[41] *See also Goodman v. Lee,* 78 F.3d 1007, 1012 (5th Cir. 1996)(affirming award to co-author of

licensed by one co-owner, that co-owner is taking on *no* additional expenses in creating the derivative works under that license.[42] Instead, the co-owner is a passive recipient of the license fees and royalties arising from the underlying property which should already reflect (except in a vertically integrated transaction) an apportionment of the market value of the licensed works.

## V. DEFENDANTS' ATTEMPTS TO CURTAIL PLAINTIFFS' RIGHT TO AN ACCOUNTING ARE WITHOUT MERIT

### A. An Apportionment Must Compare Plaintiffs' Copyrightable Elements to Defendants' Copyrightable Elements

Defendants broadly claim that any and all elements and factors "contributed ... by DC or its licensees" will weigh on their side in an apportionment analysis, while narrowly insisting that only "copyrightable elements" of the *Action Comics No. 1* "story" will weigh in Plaintiffs' favor. *See* Defs. Brief at 1:17–2:3, 22:12-14.[43]

Again, Defendants cite no authority whatsoever for their self-serving proposition that an accounting between co-owners under equitable state law principles governing tenants-in-common is to be so unbalanced and one-sided, with one co-owner's reductive "copyrightable" elements weighed against another's "anything

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one-half of all royalties from joint work); *Vogel Music Co. v. Miller Music, Inc.*, 272 A.D. 571, 572, 575 (1947)(Defendant "accountable to plaintiff for [50% of] the profit derived from licensing the use of the" joint work); *Edward B. Marks Music Corp. v. Wonnell*, 61 F. Supp. 722, 729 (S.D.N.Y. 1945)(co-owners of joint work "are entitled to share equally in the royalties due."); *Jerry Merchant v. Lymon*, 1995 U.S. Dist. LEXIS 4676 (S.D.N.Y. 1995), *rev'd on other grounds*, 92 F.3d 51 (2d Cir. 1996)(defendant was liable for 50% of the licensing royalties earned by jointly owned copyright, without deductions).

[42] Defendants, again, have cited no cases for the proposition that, as between copyright co-owners, there should be an apportionment, much less for the proposition that "apportionment" is appropriate for works created by a *licensee* of a co-owner.

[43] Defendants will also undoubtedly seek to reduce Plaintiffs' recaptured copyrights to little more than the panels of the comics themselves, by dissecting the contents of *Action Comics No. 1* and dismissing as many elements as they possibly can as purportedly uncopyrightable "mere ideas," or "scènes à faire" as if this were a copyright infringement action. See *Nichols v. Universal Pictures Co.*, 45 F.2d 119, 121 (2d Cir. 1930); *Boisson v. Banian, Ltd.*, 273 F.3d 262, 272 (2d. Cir. 2001)("[A] court is not to dissect the works at issue into separate components and compare only the copyrightable elements. To do so would...result in almost nothing being copyrightable because original works broken down into their composite parts would usually be little more than basic unprotectable elements like letters, colors and symbols.") *See* Defs. Brief at 31:10-11.

else."[44] Defs. Brief at 37:1-38:12. Defendants' approach would lead to a free-for-all: After abstracting and dissecting *Action Comics No. 1*'s timeless Superman story, Defendants would measure the sharply diminished remainder against every non-quantifiable element, factor and expense they could possibly dream up. For instance, Defendants insist, without support that the non-copyrightable "standing of the studio" and their "advertising" must somehow all be taken into account in an "apportionment." Defs. Brief at 38:5-7. Defendants argue this while deducting huge sums for these very same items as actual "expenses" and/or imputed costs (e.g., imputed overhead, distribution fees and interest) to doubly reduce Plaintiffs' profits. *See* Pls. Brief at 7:26-8:9.[45]

In any event, Defendants cannot have it all ways, purportedly relying on *state law* "equitable principles" to import *and apply* federal "apportionment" doctrines as if Plaintiffs had brought a copyright infringement claim. Defendants may not wield such "legal" doctrines to inflict an inequitable result on their co-owners. If Defendants are permitted to deduct their expenses to arrive at profits, any "apportionment" of profits must avoid "double counting" by even-handedly weighing the copyrightable elements of Plaintiffs' recaptured copyrights to the copyrightable elements contributed *by Defendants* to post-termination derivative works.

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[44] In copyright infringement actions, one looks at the copyrightable components of the infringing work for apportionment purposes pursuant to an express statutory mandate. *See* 17 U.S.C. § 504(b).

[45] It is worth examining Defendants' free-wheeling approach to "apportionment" from a policy perspective. Defendants' analysis would *severely* minimize the accounting obligations of one co-owner to another. The effect of the inherent imbalance in such approach would be to create a "race" between the co-owners for the "earliest exploitation of the work." 1 *Nimmer* § 6.12[A]. A co-owner who did not quickly exploit a jointly-owned work would risk the other co-owner either (a) diminishing the work's value through the release of an inferior product; or (b) obtaining a "first-mover" advantage. This "race" would be "destructive not only of the interests of the joint owners, but also of the public interest in a discrete and considered program of exploitation." *Id.* However, an accounting between co-owners that fairly weighs the *copyrightable* elements of both the underlying and derivative works, would have two beneficial results. Firstly, this heightened accounting obligation would encourage co-owners to exercise sound judgment in exploiting their co-owned work, as opposed to being the "first" in any given media or market. Secondly, each co-owner would have an incentive to add new *creative* copyrightable elements when creating a derivative work, promoting the arts and thus the objective of the Copyright Act. U.S. Const., Art. I, sec. 8, cl. 8; 1 *Nimmer* § 1.03[A]("The primary purpose of copyright ... [is] to secure 'the general benefits derive by the public from the labors of authors.")

### B. Defendants Must Account for All Uses of *Action Comics No. 1*, Including Derivative Graphic Depictions of Superman

Defendants erroneously argue throughout their brief that their duty to account narrowly applies only to their exploitation of the *Action Comics No. 1* "story." The implication is that Defendants wish to exclude uses that do not involve "story," such as graphic depictions of Superman and other copyrightable imagery.

The unstated "subtitles" are as follows: Defendants will soon be heard to argue that the first graphic depiction of *Superman* was in the derivative Ads. *See* Defs. Brief at 22 n.19 (the Ads "contain the first published image of Superman.").[46] Defendants will maintain that they hold the sole copyright in the content of the Ads, and have the right to continue to exploit the Ads without accounting to Plaintiffs. *See* Defs. Brief at 22 n.19 ("DC remains the sole owner of the copyrightable content of the [Ads], and remains entitled to exploit that content without sharing with Plaintiffs the proceeds."). Defendants will go on to claim that they purportedly have the *exclusive* right to exploit the *image* of Superman in *Action Comics No. 1* and on this basis will attempt to (i) exploit Superman's image and super-strength without accounting to Plaintiffs, (ii) deduct these *key* elements in any apportionment, and (iii) foreclose Plaintiff from exploiting their recaptured copyright interest in *Action Comics No. 1*.

The Court has clearly held that Defendants have the right only to "continue to exploit the image [in the Ads] of a person with extraordinary strength who wears a black and white leotard and cape." *Siegel II,* 542 F.Supp.2d at 1466, 1469. As Plaintiffs have explained, that dislocated "image" is all Defendants have. Pls. Brief at 58:23-74:17. With respect to these critical issues, Defendants cite merely to their inadequate opposition to Plaintiffs' Motion to Clarify (Defs. Brief at 1 n.1) where Defendants mischaracterized Plaintiffs' motion and offered only conclusory denials bereft of legal authority, giving the distinct impression that there is no legal basis to

[46] As Defendants concede, derivative works must be an "original" and "non-trivial" addition that does not "affect ... rights in the underlying work" to be copyrightable. *See* Defs. Brief at 52:22-24, 53:1-6. The Ads fail this test, being nothing more than shrunken, black-and-white *copies* of the underlying work. *See* Pls. Brief at 67:1-74:17.

meaningfully counter Plaintiffs' arguments regarding the Ads.

Indeed, Defendants have conceded the key legal bases for Plaintiffs' contentions regarding the Ads in discussing other aspects of this case. Firstly, because the Ads' "cover image" is merely a bad reduced *copy* of *Action Comics No. 1's* cover, involving no creative judgment, with differences that are "merely trivial," it lacks the "originality" required for a work to be copyrightable, and must not affect or entangle Plaintiffs' rights. *See* Pls. Brief at 63:11-66:13; Defs. Brief at 53:1-15 (derivative works must have "non-trivial additions" and must not "affect ... rights in [the] underlying works"). Secondly, because the Ads were not authored by Siegel, they were never subject to termination and are merely a "pre-termination" derivative work. *See* Pls. Brief at 68:7-16; Defs. Brief at 18 n.16 (recapture is "limited to only those derivative works actually authored by Siegel"). Thirdly, the derivative Ads have no effect on ownership of the underlying work because they were published on "grant." *See* Pls. Brief at 59:1-63:9; Defs. Brief at 27 n.27 (underlying elements in a derivative "on grant from the owner of the pre-existing work" do not affect ownership.)

### C. Defendants Must Account to Plaintiffs for Profits from Use of the Superman Character

As is clear from Plaintiffs' initial brief, Plaintiffs recaptured the core elements of the Superman character, story and format as found in *Action Comics No. 1*. *See* Pls. Brief at 24:6-25:10. Defendants also concede that Plaintiffs are entitled to an accounting of profits from post-termination derivative works containing that "character delineation." Defs. Brief at 20:16-19, 14 n.6 ("subsequent Superman features were derivative works based on the *Action Comics #1 Story*"). However, the cleverly parsed statements in Defendants' brief raise two additional problems.

Firstly, Defendants' statement that "copyright protection for characters *as part of the works in which they are incorporated* has long been upheld" is highly deceptive. Defs. Brief at 20:10-15 (emph. in original). As Defendants know and have litigated on numerous occasions, a well delineated distinctive character, such as Superman, is copyrightable *even outside of any particular work* in which he appears.

*See Warner Bros., Inc. v. American Broadcasting Cos.*, 720 F.2d 231, 235, 243 (2d Cir. 1983)(Defendants "own the copyrights in various works embodying the character Superman and have thereby acquired copyright protection for the character itself.").[47] The focus must be on the elements of the Superman character found in *Action Comics No. 1,* not the Superman character "as part of " the *Action Comics No. 1* "story."

Secondly, Defendants cannot limit their accounting by claiming that Plaintiffs are only entitled to an accounting for the "delineation" of the character as a whole. Defendants leave open the possibility that they will argue that given components of the Superman character (for instance, super-strength or super-speed) are "non-copyrightable," and that therefore there is no need to account for them. However, the courts have expressly rejected with respect to "Superman" the "mode of analysis whereby every skill the two characters share is dismissed as an idea rather than a protected form of expression," as "[t]hat approach risks elimination of any copyright protection for a character." *Warner Bros. Inc.,* 720 F.2d at 244. *See also Lone Wolf McQuade Associates*, 961 F. Supp. at 593-94 (same). Defendants are, at a minimum, precluded from arguing that given Superman elements are "non-copyrightable" due to the doctrine of judicial estoppel.

## VI. ALL POST-TERMINATION DERIVATIVE WORKS ARE TO BE ACCOUNTED IN THE SAME MANNER AS ANY OTHER POST-TERMINATION WORK

### A. The "Derivative Works Exception" Applies Only To Pre-Existing Works, Not To New Derivative Works

Defendants naturally concede that they must account to Plaintiffs for new post-termination derivative Superman works. Defs. Brief at 52:6-10. However, Defendants erroneously claim that they may use pre-termination Superman works/images in new post-termination works (e.g., merchandise) without accounting to Plaintiffs for such use. Defs. 43:8-20. Defendants' overreaching confuses and

[47] *See also Nat'l Comics Publ'ns, Inc. v. Fawcett Pub'ns, Inc.*, 191 F.2d 594, 602 (2d Cir. 1951); *Detective Comics, Inc. v. Bruns Publ'ns, Inc.*, 111 F.2d 432, 433-34 (2d Cir. 1940); Defs. Brief at 3:15-16, 7:22-26, 22:5-7.

misconstrues the law.

To begin with, a derivative work is simply that – a work "based upon one or more preexisting works." 17 U.S.C. § 101. The inclusion of pre-existing Superman works or illustrations in new works and contexts certainly qualify as new derivative works. *See Mirage Editions v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988)(holding that the presentation of artwork on ceramic tiles creates a new derivative work); *Dolori Fabrics, Inc. v. Limited, Inc.*, 662 F. Supp. 1347, 1353 (S.D.N.Y. 1987)(derivative textile designs original due to "tonal" differences); *Jarvis v. K2 Inc.*, 2007 U.S. App. LEXIS 9909 (9th Cir. 2007)(collage ads were derivative works).[48] The derivative works exception (17 U.S.C. § 304(c)(6)(A)) is nowhere limited to copyrightable (*i.e.*, sufficiently "original") derivative works as the focus in an accounting between joint-owners is on the *exploitation* of a co-owned copyright, not on whether the exploitation is itself, copyrightable. Fortunately, neither Plaintiffs nor the Court need dwell on this distinction, as the threshold of copyrightability is decidedly low. *See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345-46 (1991)(A work must possess "at least some minimal degree of creativity," but "the requisite level of creativity is extremely low."); *Gaste v. Kaiserman*, 863 F.2d 1061, 1066 (2d Cir. 1988) (originality requirement "is an extremely low threshold"). To be *copyrightable*, a derivative work need only display a "distinguishable variation" that is more than a "merely trivial." *See Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 910 (2d Cir. 1980); 1 *Nimmer* § 2.01[B].

[48] Defendants also spend numerous pages on the "straw man" that Plaintiffs seek an accounting for new "collective" works, as opposed to post-termination derivative works. *See* Defs. Brief at 56:17-58:9. Plaintiffs at no point contend that the mere compiling of separate and unaltered pre-termination Superman works in a "collective work" results in a new derivative work for which Defendants must account. *See* Pls. Brief at 36:1-43:24; Pls. MSJ Opp. at 27:7-29:19 Instead, Plaintiffs contend that the addition of new features and material *which directly affect the pre-termination work itself* create a *new* derivative work. Pl. Brief at 39:1-42:19. Defendants have effectively conceded this point already, with their insistence that the "aesthetic appeal" of a new works is the relevant criterion. Defs. Brief at 54:3 (derivative work created "when additional expression is added or preexisting expression is altered in an aesthetically appreciable manner"), *citing* 1 *Patry* § 3:57. Defendants also concede that new "featurettes," if they are derivative of *Action Comics No. 1,* would be subject to an accounting. Defs. Brief at 57 n.47.

Defendants misstate this well settled standard by claiming that for a derivative work to qualify for copyright protection, the "additions" to the underlying work must be copyrightable *in and of themselves*. Defs. Brief at 55:7-10. This makes no sense as one must necessarily look to the *context* of the *entire* derivative work to see whether its variation is more than "merely trivial." *See Durham*, 630 F.2d at 910. If so, a new derivative work has been created.

The congressional intent behind Section 304(c)(6)(A) is clear from the text of the statute: Owners of pre-existing derivative works may continue to exploit *those* works, but may not create new derivative works (or in this co-ownership case, without accounting to Plaintiffs).[49] If Congress intended that terminated grantees and licensees could continue to exploit the copyright in the manner Defendants suggest, it could and would have granted them a limited or unlimited ability to create new derivative works. *See e.g., Desert Palace, Inc. v. Costa*, 539 U.S. 90, 99 (2003)(If Congress desired a result, "it could have made that intent clear by including language to that effect."); *Bourne Co. v. MPL Communications, Inc.*, 675 F. Supp. 859, 866 (S.D.N.Y. 1987)("If Congress intended to create a right of first refusal [in copyright terminations], it would have done so in clear language."). Congress did not do so. *See Siegel II,* 542 F.Supp.2d at 1141 ("[O]ne would have expected such an intention to [create an exception in the termination statute to] have been made expressly.").

Defendants' self-serving position would essentially create a new exception to statutory terminations without statutory authority and should not be countenanced. *See Stewart v. Abend*, 495 U.S. 207, 230 (1990)("Absent an explicit statement of congressional intent.... it is not our role to alter the delicate balance Congress has labored to achieve."); *see also Classic Media, Inc. v. Mewborn*, _ F.3d _, 2008 U.S. App. LEXIS 14755 at *16 (9th Cir. 2008)("The 1976 Act, and in particular its [] termination... provisions, were in large measure designed to assure that its new

[49] *See Park 'n Fly v. Dollar Park & Fly*, 469 U.S. 189, 194 (1985)("Statutory construction must begin with the language employed by Congress"); *Consumer Prod. Safety Comm'n v. Gte Sylvania*, 447 U.S. 102, 108 (1980)("Absent a clearly expressed legislative intention to the contrary, that language must ordinarily be regarded as conclusive.")

benefits would be for the authors and their heirs.")

### B. All Material in a Post-Termination Derivative Work Must Be Counted for Apportionment Purposes, Not Simply New Material

Pursuant to Section 304(c)(6)(A), Defendants may continue to exploit "unaltered" pre-termination derivative works without accounting to Plaintiffs, but, as Defendants concede, they must account to Plaintiffs for new post-termination derivative works. *Siegel II,* 542 F.Supp.2d at 1142-43; Defs. Brief at 52:6-10. Defendants, however, continue to hedge and parse their obligations by contending without *any* citation or legal support that they can somehow "exclude" the *pre-termination* aspects of a *post-termination* derivative work from an accounting. *See* 17 U.S.C. § 304(c)(6)(A). Defs. Brief at 56:11-16.

As set forth above, Defendants are not permitted to "claw back" the profits owed to Plaintiffs since April 16, 1999, by creating carve-outs and exceptions not expressly included in the statutory scheme and exception that does exist. 17 U.S.C. § 304(c)(6)(A).[50] Defendants cannot read non-existent exceptions into the statute, wh the appropriate balance has already been struck by Congress.

As acknowledged by Defendants, a derivative work "recast[s], transform[s], or adapt[s]' the underlying work." Defs. Brief at 53:1-3, *citing* 17 U.S.C. § 101. The profits from such a "recast" or "adapted" work are generated from the work as a whole, not just from the "new material" that qualifies it as a derivative work.

Defendants' right to create a "new" derivative work, in its entirety, stems solely from their *co-ownership* of *Action Comics No. 1*. Accordingly, Defendants are obligated to account to Plaintiffs for *any* profit from that post-termination derivative in its entirety under general principles governing tenants-in-common.

Moreover, Defendants' unauthorized "exceptions within exceptions" are uncertain and unworkable in practice. For instance, Defendants concede that

[50] As with Defendants' frivolous contention that, notwithstanding Section 304(c)(6)(A), they can blithely exploit pre-existing works in the form of new derivative works without accounting for same, had Congress intended to further limit Section 304(c), it would have done so, as argued above. *Se Desert Palace, Inc. v. Costa*, 539 U.S. at 99; *Park 'n Fly*, 469 U.S. at 194 ("Statutory construction must begin with the language employed by Congress"); *Cons. Prod. Safety Comm*, 447 U.S. at 108.

*Superman II: The Richard Donner Cut* is a new derivative work for which they must account, but unsurprisingly their methodology leads to nothing but confusion and a dead end. Defs. Brief at 55:21-27. Defendants argue without support that they must only account for the "re-editing" of this post-termination derivative work and then, only to the extent that such "re-editing" implicates *Action Comics No. 1*. *Id.* at 56:6-12. This make little practical sense as applied and is utterly unworkable: the "additions" to "Donner Cut" consist of the editing of footage, and the consequent remixing of its soundtrack which alters the visual, dramatic and auditory impact of the film *as a whole*. Pls. Brief at 42:4-15. This clearly results in a "new" derivative work and one that obviously uses multiple elements of *Action Comics No. 1* (Superman, Clark Kent, Lois, etc.). However, there is no logical connection between a literary work such as *Action Comics No. 1* and the "re-editing" and "re-mixing" functions that transformed the film into a new derivative work under the Copyright Act. 17 U.S.C. § 102(a). To arrive at a "rational approximation" of profits attributable *Action Comics No. 1*, one naturally must look to the re-cut film as a whole. *Sheldon,* 309 U.S. at 402.

Both common sense and Section 304(c)(6)(A) dictate the proper solution: "new" post-termination derivative works that are based on pre-termination works are new derivative works for which Defendants must fully account to Plaintiffs. 17 U.S.C.§§ 101, 102(a), 304(c)(6)(A); *Zuill*, 80 F.3d at 1369.

## VII. DEFENDANTS' OBLIGATION TO ACCOUNT FOR "MIXED USES" OF TRADEMARK AND COPYRIGHT APPLIES TO USES OF COPYRIGHTABLE TRADEMARKS

### A. Defendants' Alleged Trademarks Constitute Copyrightable "Mixed Uses" for Which They Must Account

Defendants' Superman trademarks are, by their very nature, mixed uses of trademark and copyright. *See* Pls. Brief at 52:20-57:21. Defendants concede that the only "pure" use of trademark in this case would be one that did not implicate Plaintiffs' copyrights in *Action Comics No. 1*. *See* Defs. Brief at 41:15-23. Defendants, however, err in their claim that the illustrated Superman crest and telescoping moniker are not copyrightable. *Id.* at 42:10-26. Defendants cannot avoid

the fact that the Superman crest and moniker are not mere names or simple shapes, but detailed graphic illustrations that are copyrightable as a matter of law. *See* Pls. Brief at 51:21-57:20, 55:1-17 (showing the combined stylized telescoping effect of the letters, "arching" alignment, three-dimensional effect, the color scheme and typeface of the copyrightable Superman moniker); 57:1-21 (showing the inverted yellow triangle containing a stylized red "S" "pressing" against the colored border of Superman's crest); *Twentieth Century Fox Film Corp. v. Marvel Enters.*, 220 F. Supp. 2d 289, 292 (S.D.N.Y. 2002)(logo consisting of an "X" inside a circle sufficiently original); *Pickett v. Prince*, 207 F.3d 402, 404 (7th Cir. 2000)(holding "Prince's" symbol is copyrightable).

At a sufficient level of abstraction, any work may be considered to be composed of uncopyrightable individual components. *See Nichols,* 45 F.2d at 121 ("[T]here is a point in this series of abstractions where they are no longer protected.").[51] It is not the "S" in the crest, or the triangular shape, or the colors standing alone that make the Superman crest copyrightable: it is the combination of those elements into an "original" unified work. *See Feist*, 499 U.S. at 348 (holding that when "selection and arrangement ... entail[s] a minimal degree of creativity," combinations of non-copyrightable elements are "sufficiently original" to qualify for copyright protection.) Similarly, the Superman moniker is a combination of the "Superman" name, dynamic block lettering with three-dimensional depth, deliberate arching and telescoping effect. These copyrightable illustrations are clearly derivative of their copyrightable counterparts in *Action Comics No. 1* that Plaintiffs have recaptured. *See Siegel II*, 542 F.Supp.2d at 1145; Appendix A (*Action Comics No. 1*). Any new use of these copyrightable elements naturally creates a work derivative of *Action Comics No. 1* for which Defendants must account. 17 U.S.C. § 101; *Oddo*, 743

[51] *See also Boisson*, 273 F.3d at 272 (2d. Cir. 2001)("[O]riginal works broken down into their composite parts would usually be little more than basic unprotectable elements like letters, colors and symbols."); *Knitwaves, Inc. v. Lollytogs Ltd.*, 71 F.3d 996, 1003 (2d Cir. 1995)("[I]f we took this argument to its logical conclusion, we might have to decide that 'there can be no originality in painting because all colors of paint have been used somewhere in the past.'")

F.2d at 633; *see* Pls. Brief at 24: 6-17.

**B. There Should Be No Separate Apportionment for Trademark**

The inseparability of trademark and copyright arising from the vast majority of Defendants' "mixed uses" renders any "apportionment" to Defendants' trademarks fundamentally unfeasible. Copyright law and trademark law serve two separate functions: Copyright law is to ensure the progress of the arts by providing financial incentives for authors to create, while the fundamental commercial purpose of trademarks is to prevent consumer confusion. *See Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 26 (2003)("The Lanham Act was intended to make 'actionable the deceptive and misleading use of marks,' and to 'protect ...against unfair competition.'"); 15 U.S.C. §§ 1114(1), 1125(a)(1)(A), 1127.

Defendants receive the full benefit of their trademarks merely from the fact that they may be used only on their and their licensees' products. *See, e.g., Two Pesos v. Taco Cabana*, 505 U.S. 763 774 (1992)(referring to the Lanham Act's purposes as being "securing to a mark's owner the goodwill of his business and protecting consumers' ability to distinguish among competing producers.")(internal citations omitted). These purposes are served even if Defendants must account in full for use of Plaintiffs' recaptured copyrights, as Defendants need not account for the purported value of their exclusively held "trademarks." *See Dastar,* 539 U.S. at 32 ("The words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers.").

In yet another attempt to reduce Plaintiffs' profit share, Defendants announce and legally unsupported and immaterial distinction between "copyrights" meant to entertain, and "trademarks" meant to designate indicia of origin. *See* Defs. Brief at 32:22-24. First, Defendants' "storytelling" test is completely artificial, as copyrights protect a wide variety of original expression including, *inter alia*, maps, software and technical prose, which are utilitarian and not meant to "entertain" in any meaningful sense. 17 U.S.C. § 102. *See, e.g., Computer Assocs. Int'l v. Altai, Inc.*, 982 F.2d 693

(2d Cir. 1992)(copyright protection for scheduling program for mainframe computers). Moreover, as products using Defendants' alleged Superman trademarks implicate both Superman copyrights and the entire Superman mythos, they *are* being used to entertain. *See, e.g., DC Comics, Inc. v. Filmation Associates*, 486 F. Supp. 1273, 1277 (S.D.N.Y. 1980)(In cases "where the product sold is 'entertainment' in one form or another," an "ingredient" may be protected by trademark but the "remedy more properly lies in the Copyright Act."). As such, it is patently nonsensical for Defendants to repeatedly assert the pertinence of their subjective product classification (*i.e.*, "labeling" or "entertainment"). *See* Defs. Brief at 47:16-22, 47:25-26, 48:11-13, 51:14-16 (citing no precedent and arguing that an "entertainment" versus "indicia of origin" framework is the way to apportion between trademark and copyright).

In the far-reaching *Dastar* decision, the U.S. Supreme Court clearly warned against extending trademark protections into the traditional domain of copyright. *Dastar,* 539 U.S. at 34 ("[W]e have been 'careful to caution against misuse or over-extension' of trademark and related protections into areas traditionally occupied by patent or copyright.").[52] Defendants must not be allowed to avoid accounting for a derivative copyright use by defining it as a "pure" trademark use, or to further reduce the value of Plaintiffs' recaptured copyrights via an unprecedented "trademark vs. copyright" apportionment *in addition to* a copyright centric "apportionment."

## CONCLUSION

For the foregoing reasons, Plaintiffs respectfully request that the Court issue an Order directing the relief sought in Plaintiffs' briefing.

[52] In *Dastar,* 539 U.S. at 28-38, the Supreme Court conducted a detailed review and explanation of the underlying purpose and language of the Lanham Act and how it interacted with copyright law. While shrugging off this leading Supreme Court decision, Defendants heavily rely on a *pre-Dastar* district court case, *Frederick Warne & Co, Inc. v. Book Sales Inc.,* 481 F.Supp. 1191 (S.D.N.Y. 1979) for the proposition that a copyrightable character that has fallen into the public domain may still be "protected" by trademark law which conflicts with *Dastar.* Defs. Brief at 50:13-51:1. Leaving aside *Warne*'s continuing viability post-*Dastar*, *Warne* was simply a trademark infringement case in which the Court never mentioned apportionment and denied summary judgme for both parties. *Warne,* 481 F.Supp. at 1195. It certainly does not stand for the proposition that c owners of copyright can use "trademark" to minimize their accounting obligations.

DATED: July 28, 2008

LAW OFFICES OF MARC TOBEROFF, PLC

By _____/s/_____
Marc Toberoff
Attorneys for Plaintiffs, JOANNE SIEGEL and LAURA SIEGEL LARSON

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**SUPERMAN CREATED BY JERRY SIEGEL AND JOE SHUSTER**

**SUPERMAN ARCHIVES**
VOLUME ONE

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EXHIBIT M - 723

# FOREWORD

BETWEEN THE TIME THAT HEMINGWAY created Nick Adams and Tolkien conjured Bilbo Boggins, he came to life.

He was born in the company of Mr. Chips, Joseph K. Lady Chatterley, Conan, Studs Lonigan, Anthony Adverse, Tom Jood, Perry Mason, Horatio Hornblower, Jeeter Lester, Cthulhu, and Walter Mitty—and became more famous than all of them.

Even more remarkable is that as the hero of heroes, he was the brainchild of two 19-year-olds whose greatest ambition was to fill the pages of their small mimeozine, **Science Fiction**. As childhood friends living twelve blocks apart in Cleveland, Ohio, Jerry Siegel and Joe Shuster shared and combined their interests—words and pictures—in the amateur literary endeavor.

Although in 1930 the SF genre was still in its formative stages, the teenagers found their imaginations ignited by the form. Only three pulp magazines—**Amazing Stories**, **Astounding Stories**, and **Air Wonder Stories**—were devoted exclusively to fantastic fiction. Their families still suffering from the Depression, the two fans scraped pennies together to afford their newsstand habit. Siegel submitted stories to the pulps under the pseudonym Bernard J. Kenton; together the boys collaborated on illustrated fiction and newspaper-strip samples.

Superman was one of them.

Conceived in 1933, he dominated their efforts throughout the next five years, even after they sold a half-dozen projects to the comics company that would eventually herald the DC banner. Believing in their creation, they doggedly sent numerous versions to newspaper syndicates, all of which rejected the strips as crude and immature.

Superman was filed under "failure" by the youthful team, who, after a Niagara of submissions, ran out of potential markets. Their Man of Steel was too offbeat for editors schooled in traditional comic-strip sensibilities to accept. Fantasy and SF had shaken hands with the four-color form decades earlier: Lyonel Feininger's **The Kin-der-Kids** and Winsor McCoy's **Little Nemo in Slumberland** date back almost to the turn of the century, while **Buck Rogers**, **Flash Gordon**, **Brick Bradford**, **Alley Oop**, and **Mandrake** paced the '30s Industrial Era, preparing the way for the Atomic Age. Super beings, however, were another matter. Perhaps the period's most outstanding was pulp hero Doc Savage, whose advertisements headlined him as a "superman" as early as 1934.

The word *ubermensch* was coined by German philosopher Friedrich Nietzsche before the turn of the century. The term, translated into English, was popularized through such references as George Bernard Shaw's play **Man and Superman** and such pulp tales as *The Supermen* (August, 1931) and *The Supermen* (October, 1933) in **Amazing Stories**.

Until June 1938, comic books were only an echo of the funny papers. Some of the most suc-

# FOREWORD

cessful merely reprinted the popular newspaper strips—**Blondie, Popeye, Li'l Abner, Terry and the Pirates, Buck Rogers, Dick Tracy, Flash Gordon, Tarzan,** and **Mickey Mouse.** Publishers who could not afford major-league characters simply nurtured a multitude of imitations.

Comic books needed a superman of their own—a bold new champion who could leap off the page in an unexpected direction that would herald the Golden Age of Comics—and they got him! According to legend, the event was solely the result of chance. McClure Syndicate agent M. C. Gaines, an early comics pioneer, just happened to have the Siegel and Shuster submission on his desk when president Harry Donenfeld phoned, inquiring about original material to fill a new magazine he was assembling. Coincidentally, the artist/writer team was already supplying several strips to his line, including **Dr. Occult, Federal Men, Henri Duval, Radio Squad, Spy,** and **Slam Bradley.**

Donenfeld recognized the material's appeal and ordered the newspaper strip repasted into comic-page format, with the first week eliminated to accommodate available space in the magazine, which was christened **Action Comics.** On the cover, Superman hoisted an automobile as if it were a toy wagon.

(The opening tale was reprinted in its entirety in **Superman 1,** as it is here. That story and those that immediately followed are collected within these pages exactly as they appeared then. Retouching is minimal, and only to restore artistic detail. Coloring, including airbrushing and color-holds, duplicates that of the original books.)

Initially, the Man of Steel was "a genius in intellect, a Hercules in strength, a nemesis to wrong-doers," dressing in street clothes, not very different from the source that inspired him: Philip Wylie's 1930 novel **Gladiator.** In the book, the hero evidences super-strength as a baby, discovers he can leap 40 feet in the air at ten years old, and, as a young man in the war, finds that machine-gun bullets and exploding shells cannot penetrate his skin. The tale was one of Siegel's favorites, reviewed with praise in his fanzine.

As the concept developed, he put a spin on the idea by grafting it to the Biblical story of Moses' concealment from the Pharaoh, with outer space substituting for the Nile. The concept of aliens visiting Earth dates back as far as Voltaire's 1752 fantasy **Micromegas,** which countless SF authors, including H. G. Wells in **The War of the Worlds,** have used as a dramatic device.

The explanation of Superman's strength relating to the gravity factor (detailed on the filler page between the second and third stories in this volume, but contradicted by a newspaper-strip synopsis) was first suggested in John W. Campbell's Aarn Munro tales about a descendant of Earthmen raised on the planet Jupiter who is a physical and mental superman on our world. The analogy between the strength of insects and man was also derived from Wylie's novel.

Although the *Superman* premise was incomplete, the existing elements fit together with perfect logic. To reinforce the concept, Siegel added the dual-identity bit (standard fare for dozens of characters from Zorro to The Shadow, traceable to 1905's **The Scarlet Pimpernel**), while Shuster provided the crowning touch: the super-hero costume. Previously, few fictional men of adventure had been associated with their clothes. Superman changed all that by becoming comic books' first—and most important—icon.

The pulps had no correlative SF character, but newspapers did, in **Flash Gordon.** Beginning in January 1934, the bland spacehawk and his retinue were four-color fashion plates difficult for an impressionable young artist to ignore. In his first fantastic sequence, Flash was garbed in a form-fitting shirt with a yellow chevron on his chest, trunks over blue tights (like a circus acrobat's) girded by a belt, and stretch boots. All that was missing was a red cape—which he acquired a few weeks later. Flash Gordon's influence was pervasive. By coincidence or design, the costume Superman ultimately wore made him the most recognizable hero in the comics universe and beyond.

By today's standards, Joe Shuster's art is primitive, but what it lacks in sophistication and pretention, it makes up for in raw, energetic imagery. His approach is the essence of correspondence-

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school simplicity. Although the artist learned to draw after winning a scholarship to the Cleveland School of Art, and while attending the John Huntington Polytechnical Institute (where he paid for lessons a dime at a time), he was more influenced by the humor and adventure strips of the period. Roy Crane's superb Wash Tubbs provided Shuster with an ideal model for style and storytelling. Superman, especially as seen in these tales, bears an interesting resemblance to Captain Easy.

Solid and straightforward, the art was a perfect match for its subject matter—and so successful it became the DC-hero house style for decades to follow. Suddenly, the young draftsman had more work than he could handle. On January 16, 1939, the Superman strip debuted in four newspapers, with a Sunday page starting on November 5. By 1941, more than 300 papers carried the Man of Steel's adventures for a combined circulation of 20 million. The Superman comic book began as a quarterly in summer 1939 and was followed in spring 1941 by World's Finest (originally New York World's Fair).

As the demand escalated, Siegel and Shuster rented an office that qualified as the smallest in Cleveland, set up four drawing tables, and hired a staff of assistants (including Joe's brother). Paul Cassidy, Dennis Neville, and Leo Nowack were among Superman's early ghosts, but the best—and the most enduring—was Wayne Boring, a Chicago Art Institute student who pencilled, inked, and even lettered the strip, ultimately defining the quintessential Superman.

Siegel continued to scribe the Kryptonian's saga, but Shuster was forced to relinquish drawing duties as the character's popularity exceeded their wildest expectations. Failing eyesight and a Sisyphean workload forced him to function primarily as the strip's art director, concentrating his artistic efforts on layouts that were finished by the shop crew with varying degrees of competence. The stories reproduced in this volume, however, have a maximum input from Shuster; most were originally created or published as newspaper strips.

The earliest tales reveal a wealth of surprises about the Man of Steel's past, details that, over the last half-century, have been refined, modified, adapted, and ultimately changed beyond recognition—an evolution authentic legends must often endure.

It is little remembered that baby Kal-l (Kal-El in later versions) was "turned over to an orphan asylum" after being found by the elderly Kents. (Siegel appropriately manages to advance the story, characterize the awesome infant, and squeeze a laugh into the two-panel sequence; remarkably, the parents appear to get younger as their adopted son ages in the following panel.) Superman sticklers will also note that young Clark begins his career at The Daily Star in the first story, moves to The Evening News (coincidentally based near his creators, in Cleveland) in the second, and switches back to the Star by his fourth adventure. Almost an entire year passes before he finally settles down in Metropolis (named after Fritz Lang's dystopian film masterpiece). Whether he follows Lois during his jobhopping or she follows him is still disputed.

Changes in costume abound throughout the early period. Years will pass before Superman's boots are standardized. (Although we've accepted the fact that he wears his outfit under street clothes, has no one ever wondered how he wears boots under his shoes?) The boot tops are sometimes painted below the knee, sometimes curved, and often simply straight across. Occasionally, they aren't drawn at all! The belt holding up his trunks also appears and disappears with alarming regularity (luckily they have no zipper), as do the chevrons on his chest and cape, the latter of which is also missing sporadically during every adventure. The seeming incongruities may perhaps be explained by the comforting notion that not even Superman is perfect.

The most significant changes, however, concern the hero's powers. As he was originally created, "nothing less than a bursting shell" could penetrate his skin. He had the limited ability to "leap" an eighth of a mile and had no extras (super-ventriloquism, indeed!). 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 man not three feet away!

The Man of Tomorrow is obviously no longer

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the Man of Yesterday. One-upmanship has taken him a long way in the past 50 years. He now withstands nuclear explosions, can fly to the ends of the universe, and has more super bits of business than Freddy Krueger has lives. Those born in the fast-lane era must remember that Superman came to Earth in an age of innocence, a time amply reflected in the following stories. Simpler times called for simpler measures; major problems could easily be resolved by the threat of violence, though the Man of Steel displays little restraint in resorting to violent action whenever the spirit moves him. In his most basic form, Superman is the embodiment of the ultimate Adlerian adolescent fantasy: the most powerful man in the world. A hero created for kids by kids.

It is impossible to overestimate Superman's pre-eminence in the comics universe, and this collection represents the dawn of an era that can only be categorized as an American phenomenon. In February 1940, the Man of Steel made his radio debut. The following year, the first of 17 magnificently rotoscoped cartoons was released to breathless worldwide audiences. A decade later, two film serials and a TV series would further propagate the Superman legend. As a comic-book character, he is the foremost of three—the others being Batman and Wonder Woman—whose adventures have been in continuous publication since their inception. Like Hamlet and Mickey Mouse, he is a figure of fictional immortality, a giant we have come to know best as a friend. — STERANKO

JIM STERANKO is a writer/designer/historian of contemporary popular culture. As a comics writer and artist whose most noted works include **Nick Fury—Agent of S.H.I.E.L.D.**, **Captain America**, and **Superman**, as well as the **Outland** film adaptation and the graphic novel **Chandler**, he has exhibited his work around the world, including in the Louvre. A prolific illustrator in the fantasy and adventure genres, he has painted a profusion of movie posters, record albums, and book covers (including 30 Shadow paperbacks), in addition to working with Steven Spielberg as production artist on **Raiders of the Lost Ark**. His two volumes of **The History of Comics** have sold over 100,000 copies. He is currently the editor and publisher of PREVUE Magazine.

# EXHIBIT N

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
3470 Twelfth Street, Riverside, CA 92501
CIVIL MINUTES -- GENERAL

Case No. CV 04-08400-SGL (RZx) Date: October 6, 2008

Title: JOANNE SIEGEL, an individual; and LAURA SIEGEL LARSON; an individual -*v*- WARNER BROS. ENTERTAINMENT INC., a corporation; TIME WARNER INC., a corporation; DC COMICS INC., a corporation; and DOES 1-10

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PRESENT: HONORABLE STEPHEN G. LARSON, UNITED STATES DISTRICT JUDGE

| | |
|---|---|
| Jim Holmes<br>Courtroom Deputy Clerk | Donald Hilland<br>Court Reporter |

| ATTORNEYS PRESENT FOR PLAINTIFFS: | ATTORNEYS PRESENT FOR DEFENDANTS: |
|---|---|
| Marc Toberoff<br>Nicholas Williamson | Michael Bergman<br>Roger L. Zissu<br>Patrick Perkins |

PROCEEDINGS: ORDER REGARDING RIGHT TO JURY TRIAL FOR REMAINING ISSUES

With the filing of plaintiffs' second amended complaint (and the Court granting plaintiffs leave to do so), there are only five claims left to try before the Court: A state law claim for unfair competition and unfair business practices in violation of California Civil Code § 17200 et seq.; declaratory relief that plaintiffs have successfully terminated the grant to the copyright in various Superman works; and three claims requesting an accounting of profits. In addition, there is a secondary issue concerning the scope of liability with respect to all these claims, namely, a request to pierce the corporate veil between defendant DC Comics and certain of its corporate siblings on the basis that they are "alter egos" of one another. What divides the parties in litigating these claims is how such a request for an accounting and for piercing the corporate veil should be tried — one before a jury or as one tried before the Court (both sides agree that the state law unfair competition claim is equitable in nature and should be tried to the Court). (Def's Br. Additional Issues at 67-68; Pl's Response at 31).

The Seventh Amendment provides that, "[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved . . . ." The Supreme Court long ago observed that "suits at common law" referred "not merely to suits, which the common law recognized among its old and settled proceedings," that is, the common-law

forms of action recognized at the time of the amendment's adoption, "but to suits in which legal rights were to be ascertained and determined, in contradistinction to those where equitable rights alone were recognized, and equitable remedies were administered." Parsons v. Bedford, 3 Pet. 433, 437 (1830). Since that time the distinction between the legal or equitable nature of the rights and remedies at issue in the proceeding has become the guidepost for federal courts in determining whether the Seventh Amendment right to trial by jury attached to the proceedings before it. See Chauffers, Teamsters and Helpers, Local No. 391 v. Terry, 494 U.S. 558, 565 (1990) ("To determine whether a particular action will resolve legal rights, we examine both the nature of the issues involved and the remedy sought"). Specifically, "[f]irst, we compare the . . . action to 18th-century actions brought in the courts of law and equity. Second, we examine the remedy sought and determine whether it is legal or equitable in nature." Tull v. United States, 481 U.S. 412, 417-18 (1987).

The second inquiry (the nature of the remedy sought) is more important in making this determination than the first. See Granfinanciera S.A. v. Nordberg, 492 U.S. 33, 42 (1989). This task of parsing out the precise nature of the action and the remedy sought has become more complicated since the merger of the systems of law and equity; today courts are often required to make analogies in characterizing the action and remedy at issue with those tried and the relief meted out at common law. See Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340, 348 (1998); Pernell v. Southall Realty, 416 U.S. 363, 375 (1974) ("[the] Amendment requires trial by jury in actions unheard of at common law, provided that the action involves rights and remedies of the sort traditionally enforced in an action at law, rather than in an action in equity or admiralty" (emphasis added)).

One final point bears mention: In performing this task, a court must ensure that the protection of the right to a trial by jury be scrupulously guarded. See Chauffers, 494 U.S. at 565 ("Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care"). With that in mind, the Court turns to the question of whether the right to trial by jury attaches to the claims in dispute — the ones for an accounting of profits and the one for declaration that DC Comics is an alter ego of its corporate siblings.

A. Accounting of Profits

1. Nature of Action

The Court begins its task by looking to the nature of the particular claim asserted by plaintiffs. It is the nature of the particular claim to be tried that is determinative, not the character of the overall action. See Chauffers, 494 U.S. at 569 ("The Seventh Amendment question depends on the nature of the issue to be tried rather than the character of the overall action" (emphasis in original)).

As the Court previously found, plaintiffs have successfully terminated the grant to the copyright and are now co-owners in the Superman copyright contained in the first issue of Action

Comics. What is left is an accounting claim to divvy up the profits that copyright has garnered since the grant was successfully terminated as of April 16, 1999. Siegel v. Time Warner Inc., 542 F.Supp.2d 1098, 1145 (C.D. Cal. 2008) ("After seventy years, Jerome Siegel's heirs regain what he granted so long ago — the copyright in the Superman material that was published in Action Comics, Vol. 1. What remains is an apportionment of profits, guided in some measure by the rulings contained in this Order, and a trial on whether to include the profits generated by DC Comics's corporate siblings's exploitation of the Superman copyright"). That said, this still leaves the question of what issue is left to be tried.

The 1976 Copyright Act embodied the basic principle under the 1909 Act that "authors of a joint work are co-owners of the copyright." 17 U.S.C. § 201. The legislative history to the 1976 Act further confirmed that, under this pre-existing law, "the rights and duties of co-owners of a work . . . was left undisturbed . . . and co-owners of a copyright . . . are treated generally as tenants in common . . . subject to a duty to account to other co-owners for any profits." H. Rep. No. 94-1476 at 120-21, 94th Cong. 2d. Sess. (1976). While the interests plaintiffs have recaptured are based in copyright, it is the nature of the resulting relationship between plaintiffs and defendants that gives rise to their accounting claims, a relationship grounded in state common law principles of tenancy in common and the duties of a trustee.

Historically, an accounting claim predicated upon a duty arising from neither a tort nor an action in contract but, instead, from the parties' relationship with one another (be it as partners, co-owners of property, or beneficiaries and trustees) was considered equitable in nature. Justice Story remarked long ago in his commentaries on the equity jurisprudence under the common law:

> Cases of account between tenants in common, between joint tenants, between partners, and between part owners of ships and the masters, fall under the like considerations. They all involve peculiar agencies, like those of bailiffs or managers of property, and require the same operative power of discovery and the same interposition of equity. Indeed in all cases of such joint interests, where one party receives all the profits, he is bound to account to the other parties in interest for their respective shares, deducting the proper charges and expenses, whether he acts expressly by their authority as the bailiff, or only by implication as manager without dissent jure domini over the property.

3 Joseph Story, Commentaries on Equity Jurisprudence § 622 at 37 (14th ed. 1918).

As noted above, it is this agency relationship between the parties, not an action compelled by contract or arising from tort, that gives rise to the accounting sought by plaintiffs in this case and which guides the Court's analysis. That it is the agency relationship between co-owners to a copyright that propels any accounting claim between them was recognized by one of the preeminent voices in copyright jurisprudence, Judge Learned Hand, in an opinion concerning the proper sharing among co-owners to the copyright of an opera:

> [T]he plaintiff's rights arise from a constructive trust, created and cognizable only by a court of equity. . . . Her suit, so far as concerns the statutory copyrights, is clearly on the equity side of the court, because at law she could get no declaration of those rights, nor, indeed, could a court of law look at any but legal interests in the copyrights.

Maurel v. Smith, 220 F. 195, 201-202 (S.D.N.Y. 1915); see also Shapiro, Bernstein & Co. v. Jerry Vogel Music Co., 223 F.2d 252, 254 (2nd Cir. 1955) ( "As to the scope of the accounting it is clear that each holder of the renewal copyright on the joint work should account to the other for his exploitation thereof, not as an infringer but as a trustee"); Oddo v. Ries, 743 F.2d 630, 633 (9th Cir. 1984) ("A co-owner of a copyright must account to other co-owners for any profits he earns from licensing or use of the copyright, . . . . but the duty to account does not derive from the copyright law's proscription of infringement. Rather, it comes from equitable doctrines relating to unjust enrichment and general principles of law governing the rights of co-owners").

Thus, the nature of the accounting issue to be tried in this case bears "a direct historical basis cognizable . . . in equity . . . . The substantive claim here would historically have been brought in the courts of equity as an equitable accounting" between partners or tenants to the intellectual property at issue. (Defs' Additional Br. at 63-64).

2. Nature of Remedy Sought

This leads to a consideration of the remedy sought — a division of profits. The legal or equitable nature of such an accounting has never been precisely penned down, owing much to the fact that, unlike other remedies, an accounting (much like a request for restitution) operates as a chameleon, assuming the nature of the action giving rise to it, rather than having a static character of its own. Cf. Great-West Life & Annuity Ins. Co. v. Knudson, 534 U.S. 204, 212 (2002) ("not all relief falling under the rubric of restitution is available in equity. In the days of the divided bench, restitution was available in certain cases at law, and in certain others in equity" depending upon the nature of the claim giving rise to request for restitution).

The dynamic nature of where an accounting remedy falls on the ledger between courts of law and equity under the common law is well-stated by one leading treatise:

> Suits for accounting originated in the common law courts, but they were narrow in scope in that they only applied against persons having a legal duty to account to plaintiff, such as guardians and receivers. Furthermore, the procedures were cumbersome, and the accounting action was soon replaced in large part at common law by the action of general assumpsit for money had and received, in which all issues were triable to the jury.
>
> In equity, there developed both a concurrent and exclusive jurisdiction over matters of account. Concurrent jurisdiction could be invoked when

> the claims involved were legal, but the complicated nature of the account rendered the legal remedy inadequate. When the claims involved were equitable, jurisdiction in equity over the accounting was exclusive.

8 JAMES WM. MOORE, MOORE'S FEDERAL PRACTICE § 38.31[1][a] at 38-76 (3rd ed. 2008).

For this reason, resolution of the nature of the underlying claim is fundamental to determining whether a trial by jury right attaches when the remedy in question is that for an accounting. Cf. Reich v. Continental Casualty Co., 33 F.3d 754, 756 (7th Cir. 1994) ("restitution is a legal remedy when ordered in a case at law and an equitable remedy . . . when ordered in an equity case," meaning whether it is legal or equitable depends on "the basis for [the plaintiff's] claim") (Posner, J.). Thus, courts have held that no right to a jury trial existed on an action for an accounting premised on the existence of a trust, see Dardovitch v. Haltzman, 190 F.3d 125, 133-134 (3rd Cir. 1999), or for an accounting involving the distribution of assets of a partnership. Phillips v. Kaplus, 764 F.2d 807, 814 (11th Cir. 1985). That such an accounting action results in an award of money to plaintiffs does not detract from the equitable nature of the remedy provided.

The Supreme Court has recognized, in an analogous context, a restitution of profits improperly had or held is a remedy in equity. See Chauffers, 494 U.S. at 570 ("we have characterized damages as equitable where they are restitutionary, such as in "actions for disgorgement of improper profits"); Feltner, 523 U.S. at 352 (noting the "historical cause of action — including those actions for monetary relief that we have characterized as equitable, such as actions for disgorgement of improper profits"). Indeed, the analogy of restitution to the particular remedy sought in this case is apt. The Supreme Court observed that, historically, a "plaintiff could seek restitution in equity, ordinarily in the form of a constructive trust or an equitable lien, where money or property identified as belonging in good conscience to the plaintiff could be traced to particular funds or property in the defendant's possession." Great-West, 534 U.S. at 213. In a very real sense, this is what plaintiffs are requesting the Court to do in this case; having identified that plaintiffs are co-owners of certain intellectual property, plaintiffs seek for defendant to give to them some of the money in its possession that is directly tied or traced to that copyright (or, in the words of the Supreme Court, "to restore to the plaintiff particular funds or property in the defendant's possession," Id. at 214).

The Supreme Court made this exact analogy between a restitution request and an equitable accounting action.

> There is a limited exception for an accounting for profits, a form of equitable restitution that is not at issue in this case. If, for example, a plaintiff is entitled to a constructive trust on particular property held by the defendant, he may also recover profits produced by the defendant's use of that property, even if he cannot identify a particular res containing the profits sought to be recovered.

Id. at 214 n.2 (emphasis added).

That the Supreme Court would emphasize the trust aspect of such an accounting as giving rise to its equitable nature is all the more noteworthy given this Court's previous discussion on how the claim leading to such a request for accounting here is based on the agency or trust-like relationship between the two parties. Plaintiffs' protestations notwithstanding, the trust or agency relationship between the parties is not simply a meaningless label (as would be the case for the use of the term "accounting" which can be either legal or equitable in nature depending upon the underlying claim giving rise to it), but it describes the duty, the legal obligation, upon which plaintiffs' request for an accounting hinges. Professor Nimmer's remark that "a constructive trust relationship is a means of describing a duty rather than a ground for creating it" is correct, but does nothing to advance plaintiffs' position. 1 Nimmer on Copyright § 6.12. What creates the trust relationship between the parties is a finding that the parties are co-owners of a copyright; that they are tenants in common to that particular intellectual property. Once that has been adjudicated (which would be something to which a right to trial by jury attaches), what is left is a claim dependent upon that relationship itself, and thus not any need for a further adjudication of a legal claim to support it (that having already been done by way of the earlier judgment designating the parties co-owners).[1]

It is in this respect the present action is distinguishable from that in Dairy Queen, Inc. v. Wood, 369 U.S. 469 (1962). There the action concerned a party's request for an accounting where the claim giving rise to such a request was predicated upon the assertion that defendant had breached a trademark licensing agreement with plaintiff and continued to sell products bearing plaintiff's trademark, thereby infringing plaintiff's mark. It was this contractual basis for the accounting that led the Supreme Court to find the nature of the issue to be tried was legal in nature and thus one to which plaintiff enjoyed a right to a jury: "As an action on a debt allegedly due under a contract, it would be difficult to conceive of an action of a more traditionally legal character. And as an action for damages based upon a charge of trademark infringement, it would be no less subject to cognizance by a court of law." Id. at 477. For this reason that the Supreme Court found the form of relief sought — an accounting — immaterial: "The respondent's contention that this money claim is 'purely equitable' is based primarily upon the fact that their complaint is cast in terms of an 'accounting,' rather than in terms of an action for 'debt' or 'damages.' But the

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[1] Regarding an accounting for the distribution of partnership assets, courts have noted that threshold issues such as those relating to the existence of the partnership itself and whether a party was a partner in the partnership were legal in nature and a right to a trial by jury of those issues attached, even if no such right attached to the ultimate disposition or dissolution of the partnership's assets by the court. See Stockton v. Altman, 432 F.2d 946, 949-950 (5th Cir. 1970). The same is true with accounting of profits between co-owners to a copyright. The threshold questions over whether a party is a co-owner (so as to trigger the right to an accounting) are bound up in questions legal in nature to which a right to a trial by jury exists. If those threshold issues have been decided by the time of trial, all that is left is the purely equitable claim for distribution of profits between tenants in common, a quintessential equitable task.

constitutional right to trial by jury cannot be made to depend upon the choice of words used in the pleadings." Id. at 477-78.

Thus, it was not the fact that plaintiff sought an accounting that pushed the Supreme Court to find that the right to a jury trial existed; it was the fact that the underlying claim precipitating the request for an accounting was predicated upon such purely legal claims that rendered the trial of the same to be one done before a jury. See 8 MOORE'S FEDERAL PRACTICE § 38.31[1][c][I] at 38-78; see also Sid & Marty Krofft Television v. McDonald's Corp., 562 F.2d 1157, 1174-75 (9th Cir. 1977) (finding right to jury trial existed in an action for an accounting predicated upon copyright infringement). The opposite governs here. The underlying claim giving rise to the accounting between plaintiffs and defendants is one arising from the respective relationship they have to one another as tenants in common, co-owners of certain intellectual property (a copyright); it is decidedly not one arising from or the "functional equivalent" of a tortious act, or is it one arising from contract as would be the case for copyright infringement. (Opp. at 26).

The parties have been unable to direct the Court to any authority directly addressing the question of whether an accounting of profits between co-owners of a copyright is a matter to which there exists a right to trial by jury. Nor has the Court, from its own review of the case law, identified any such precedent. It is notable, however, that in every reported decision in which such an accounting occurred, the matter was tried before a court, not a jury. See Gaiman v. McFarlane, 360 F.3d 644, 648 (7th Cir. 2004) (noting as part of procedural history of case that the matter of the accounting between the co-owners to the "Spawn" comic book copyright was tried to the court, not the jury: "The case [seeking a declaration that Gaiman owns the copyrights jointly with McFarlane in certain comic-book characters] was tried to a jury, which brought in a verdict for Gaiman. The judge entered judgment that declared Gaiman to be the co-owner of the characters in question, ordered McFarlane to so designate Gaiman on undistributed copies in which these characters appear, provided modest monetary relief in respect of Gaiman's supplemental claim for damages for breach of his right of publicity, and ordered an accounting of the profits that McFarlane has obtained that are rightfully Gaiman's. The accounting is not yet complete"); Edward B. Marks Music Corp. v. Wonnell, 4 F.R.D. 146, 146 (S.D.N.Y. 1944) (striking request for jury trial on accounting of profits between purported co-owners to a song, noting such an accounting "is usually equitable"); Goodman v. Lee, 1994 WL 710738, at *1 (E.D. La Dec. 20, 1994) (accounting of profits between co-owners to the song "Let the Good Times Roll" tried before court, not jury); Merchant v. Lymon, 1995 WL 217508, at *1 (S.D.N.Y. April 11, 2005) (trying matter of the damages to be awarded between co-owners of copyright to the song "Why Do Fools Fall In Love?" before the court not a jury).

The Court finds that the remaining accounting claims pressed in plaintiffs' complaint (arising from the nature of the relationship between the two as tenants in common) are equitable in nature, which correspondingly means that the nature of the relief sought (an accounting of profits) is equitable in nature. Accordingly, the Court finds that plaintiffs do not have a right to a trial by jury on those accounting claims.

B. Alter Ego

1. Nature of Action

To begin, the alter ego doctrine, sometimes referred to as piercing the corporate veil doctrine, is not a cause of action unto itself; "it is merely a procedural means of allowing [or better said, expanding the scope of those ensnared in the net of] liability on a substantive claim." International Financial Servs. v. Chromas Tech., 356 F.3d 731, 736 (7th Cir. 2004) (citing 1 WILLIAM FLETCHER, FLETCHER CYCLOPEDIA OF THE LAW OF PRIVATE CORPORATIONS § 41.28 (1999)). That said, there did exist a historical "procedure," recognized at common law, for expanding the reach of the liability on a substantive claim in the context of corporations and its shareholders. The historic origins of the piercing the corporate veil doctrine were "applied in courts both of law and equity." Wm. Passalacqua Builders v. Resnick Developers, 933 F.2d 131, 135 (2nd Cir. 1991) (citing I.M. Wormser, Piercing the Veil of the Corporate Entity, 12 COLUM. L. REV. 496, 497-99, 513-14 (1912) ("courts, whether of law, of equity or of bankruptcy, do not hesitate to penetrate the veil and to look beyond the juristic entity at the actual and substantial beneficiaries")).

The historical evolution of the doctrine at common law was described by the Resnick court as follows:

> [E]nforcement of shareholder liability for corporate obligations began as "a crude system in which any creditor with an unsatisfied judgment against the corporation sued any shareholder at common law." The next stage in the evolution of this theory of disregard was the development of the equitable procedure known as "creditor's bill." When fully formed, the creditor's bill had two parts. The first part was a proceeding in equity "instituted by any creditor with an unsatisfied judgment, usually on behalf of all creditors, against the corporate debtor," the purpose of which was to adjudge the extent of the total corporate liability to the group of creditors. The second part was an action at common law against the shareholders individually to collect the amount owed in which only personal defenses were allowed to be raised.

933 F.2d at 135-36. Given this "split procedure" — one half sounding in equity and the other half in law — courts have concluded that determination of the nature of alter ego action itself is inconclusive, making analysis of the nature of the remedy all the more important. See Chromas Tech., 356 F.3d at 736 ("Here, such an inquiry is inconclusive . . . the doctrine of piercing the corporate veil has roots in both courts of law and equity. . . . As the historical inquiry is indeterminate, the outcome of this appeal hinges on the second half of our analysis"); Resnick, 933 F.2d at 136 ("These sources support the proposition that the nature of the ancient action disregarding the corporate form had equitable and legal components. . . . we turn next to examine the remedy sought").

2. Nature of the Remedy

Many of the courts that have concluded that the remedy of piercing the corporate veil is legal in nature have done so due to the fact that the result of such a determination would result in monetary damages against those standing behind the corporate veil. See Resnick, 933 F.2d at 136 ("The fact that plaintiffs seek money indicates a legal action"); In re G-I Holdings, Inc., 380 F.Supp.2d 469, 476 (D. N.J. 2005). However, as demonstrated above, it is the nature of the relief sought, not what ultimately results or is to be secured by the same, that should be dispositive. In this respect, the Court finds the Seventh Circuit's decision in Chromas Tech. persuasive. Many of the issues to be considered in determining whether to pierce the corporate veil are indeed fact based, issues which a jury is readily capable of deciding. But it is the leap between those findings of fact and whether the corporate veil should be pierced that renders it "essentially an equitable doctrine . . . not amenable to determination by a jury." Chromas Tech., 356 F.3d at 738. As the Seventh Circuit explained:

> [D]etermining whether there is such a "unity of interest and ownership that the separate personalities of the corporation and the individual no longer exist" is essentially a question of fact. Deciding this question of fact depends on whether there was inadequate capitalization, a failure to observe corporate formalities, commingling of funds, an absence of corporate records, etc., and a jury is arguably capable of resolving such issues. However, the balance of the veil-piercing analysis — deciding whether adhering to the fiction of a separate corporate existence would promote injustice or inequity — is the type of equitable determination that a jury is not to decide.

Id. Simply put, whether a corporation is an alter ego of its corporate sibling rests, in the end, on an exercise of discretion, not of compulsion, as would be the case, for example, if all the factual elements of a tort or a contract claim had been established. See Sonora Diamond Corp. v. Superior Court, 83 Cal.App.4th 523, 538 (2000) ("In California, two conditions must be met before the alter ego doctrine will be invoked. First, there must be such a unity of interest and ownership between the corporation and its equitable owner that the separate personalities of the corporation and the shareholder do not in reality exist. Second, there must be an inequitable result if the acts in question are treated as those of the corporation alone"). Instead, even if all the objective factors are present, whether the corporate veil should be shredded still requires an equitable assessment of whether maintaining the corporate form would be "inequitable," something that is ultimately a matter of discretion for which no instruction could adequately be provided to a jury as to how to perform such a task. It is the inherent discretionary nature of whether to even grant the relief requested which has caused courts to comment that such an action rests with the courts of equity of old, not those of law. See Bangor Punta Operations, Inc. v. Bangor & Aroostook R. Co., 417 U.S. 703, 713 (1974) ("Although a corporation and its shareholders are deemed separate entities for most purposes, the corporate form may be disregarded in the interests of justice where it is used to defeat an overriding public policy. In such cases, courts of equity, piercing all fictions and disguises, will deal with the substance of the action and not blindly adhere to the corporate form").

Accordingly, the Court finds that plaintiffs' alter ego claim is one sounding in equity to which

no right to a trial by jury existed at common law.

The parties have pressed the Court provide a decision on questions on the mechanics of how the accounting of profits will take place, i.e., who bears the burden of proof on what issues; should principles of apportionment be employed; how broad or narrow is the scope of the "mixed copyright/trademark" products and merchandise to which an accounting is required; and how much or little is needed to transform the post-termination sale of a pre-termination derivative work into a post-termination derivative work so as to require an accounting. Given that the Court will be conducting a bench trial on the alter ego claim before it conducts the bench trial on the accounting and unfair competition claims, the Court will reserve ruling on those questions until shortly before the time of that second trial.

The Court is presented with a number of miscellaneous issues and the need to set out a comprehensive final schedule in this matter. The Court **GRANTS** defendants' request to file objections to plaintiffs' September 23, 2008, filings and also **GRANTS** plaintiffs' request to file a response to defendants' September 26, 2008, objections. As noted in its previous order, no further pleadings are to be filed with the Court in connection with the issues presented in the parties' brief of additional issues without leave of the Court.

As far as scheduling of the trial in this matter, the Court will stagger trial of the alter ego and accounting claims. The alter ego claim shall be tried to this Court on January 20, 2009, at 9:30 a.m., in Courtroom One. The Court will conduct a final pre-trial conference in connection with the alter ego claim on January 12, 2009, at 11:00 a.m. in Courtroom One. The accounting claims shall be tried to this Court on March 24, 2009, at 9:30 a.m., in Courtroom One. The Court will conduct a final pre-trial conference in connection with the accounting claim on March 16, 2009, at 11:00 a.m., in Courtroom One.

**IT IS SO ORDERED.**

# EXHIBIT O

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**UNITED STATES DISTRICT COURT**

**CENTRAL DISTRICT OF CALIFORNIA- EASTERN DIVISION**

JOANNE SIEGEL, an individual; and LAURA SIEGEL LARSON, an individual,

Plaintiffs,

vs.

WARNER BROS. ENTERTAINMENT INC., a corporation; TIME WARNER INC., a corporation; DC COMICS, a general partnership; and DOES 1-10,

Defendants.

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

**SECOND AMENDED COMPLAINT FOR:**

[1] DECLARATORY RELIEF RE: TERMINATION, 17 U.S.C. §304(c);
[2] DECLARATORY RELIEF RE: PROFITS;
[3] DECLARATORY RELIEF RE: USE OF "S" CREST;
[4] ACCOUNTING FOR PROFITS;
[5] VIOLATION OF CALIFORNIA BUSINESS AND PROFESSIONS CODE §§ 17200 *ET SEQ.*



DEMAND FOR JURY TRIAL

DC COMICS,

Counterclaimant,

vs.

JOANNE SIEGEL, an individual; and LAURA SIEGEL LARSON, an individual,

Counterclaim Defendants

Plaintiffs JOANNE SIEGEL and LAURA SIEGEL LARSON (hereinafter the "Plaintiffs"), by and through their attorneys of record, hereby allege as follows:

**JURISDICTION AND VENUE**

1. This is a civil action seeking declaratory relief, accounting for profits and remedies for violations of California unfair competition laws and related claims arising out of Plaintiffs' termination of prior grants of copyright in and to the original character and work known as "Superman" and subsequent "Superman" works pursuant to the United States Copyright Act of 1976, 17 U.S.C. § 304(c), and defendants' willful misconduct with respect thereto.

2. This Court has subject matter jurisdiction over the claims set forth in this Complaint pursuant to the United States Copyright Act (hereinafter, the "Copyright Act"), 17 U.S.C. § 101 *et al.* and 28 U.S.C. §§ 1331, 1332, 1338(a) and (b).

3. This Court has supplemental jurisdiction over the related state claims herein under 18 U.S.C. § 1367 in that these claims form part of the same case and controversy as the federal claims herein.

4. This Court has personal jurisdiction over the defendants in that defendants are regularly doing business in the State of California and in this

District, and because a substantial part of the relevant acts complained of herein occurred in the State of California and this District.

5. Venue is proper in the United States District Court for the Central District of California pursuant to 28 U.S.C. §§ 1391(b) and (c) and 1400(a) because a substantial part of the wrongful acts that give rise to the claims herein below occurred in this district and because WARNER BROS. ENTERTAINMENT INC. has its principal place of business in this district.

**PARTIES**

6. Plaintiff JOANNE SIEGEL (hereinafter "Joanne Siegel") is an individual and citizen of and resides in the State of California, in the County of Los Angeles, and is and at all times has been a citizen of the United States. Joanne Siegel is the widow of famed comic book creator Jerome (a.k.a. "Jerry") Siegel.

7. Plaintiff LAURA SIEGEL LARSON (hereinafter "Laura Siegel") is an individual and a citizen of and resides in the State of California, in the County of Los Angeles, and is and at all times has been a citizen of the United States. Laura Siegel is the daughter of Jerome Siegel.

8. Plaintiffs are informed and believe and based thereon allege that defendant WARNER BROS. ENTERTAINMENT INC. (hereinafter "Warner Bros.") is a corporation organized and existing under the laws of the State of Delaware, which has its principal place of business in Los Angeles County, California. Warner Bros. is a wholly owned subsidiary of Defendant TIME WARNER INC.

9. Plaintiffs are informed and believe and based thereon allege that Defendant DC COMICS (hereinafter "DC") is a general partnership organized and existing under the laws of the State of New York, which has its principal place of business in the State of New York; and that DC regularly conducts

significant business in the State of California and in the County of Los Angeles. DC is also a wholly owned subsidiary of defendant Warner Bros.

10. Plaintiffs are informed and believe and based thereon allege that on or about September 30, 1946, the New York corporations, Detective Comics, Inc., Superman, Inc., All American Comics, Inc., Jolaine Publications, Inc., Wonderwoman Publishing, Inc., Hop Harrigan Enterprise, Inc., Gainlee Publishing Co., Inc., J.R. Publishing Co., Inc., Worlds Best Comics, Inc. and Trafalgar Printing Co., Inc. were consolidated into the New York corporation National Comics Publications, Inc., the name of which was later changed to National Periodical Publications, Inc., and eventually to DC Comics, Inc.; and further that DC, Warner Bros. and Time Warner, and/or each of them, are the alleged successor(s)-in-interest to National Periodical Publications, Inc.

11. Plaintiffs are informed and believe and based thereon allege that Defendant TIME WARNER INC. (hereinafter "Time Warner") is a corporation organized and existing under the laws of the State of Delaware, which has its corporate headquarters in the State of New York, and that Time Warner regularly conducts significant ongoing business in the State of California and in the County of Los Angeles. Time Warner is the parent company of both Warner Bros. and DC. (Time Warner, Warner Bros. and DC are sometimes collectively referred to hereinafter as the "Defendants;" and each reference to Defendants shall also refer to each Defendant).

12. Plaintiffs are informed and believe and based thereon allege that Defendant DC never, or rarely, exploits "Superman," independently of its controlling parent company, Warner Bros.; that even relatively linear functions such as "Superman" licensing are not handled directly by DC, but are exploited exclusively through Warner Bros.; that the agreements and other arrangements between Defendants Warner Bros. and DC regarding "Superman" are not "arms length" agreements, serve primarily Warner Bros.' interests, and thus, do not

reflect the appropriate market values of the copyrights to "Superman," at issue herein.

13. Plaintiffs are informed and believe and based thereon allege that Defendants Time Warner, Warner Bros. and DC are, and at all times material hereto were, the alter-egos of each other and there exists and has existed at all times material hereto a unity of interest and ownership among such Defendants such that any separateness has ceased to exist in that Defendants, and/or each of them, used assets of the other Defendants, and/or each of them, for its and/or their separate, individual purposes, and caused valuable assets, property, rights and/or interests to be transferred to each other without adequate consideration.

14. Plaintiffs are informed and believe and based thereon allege that the fictitiously named Defendants captioned hereinabove as Does 1 through 10, inclusive, and each of them, were in some manner responsible or legally liable for the actions, damages, events, transactions and circumstances alleged herein. The true names and capacities of such fictitiously named defendants, whether individual, corporate, associate, or otherwise are presently unknown to Plaintiffs, and Plaintiffs will amend this Complaint to assert the true names and capacities of such fictitiously named Defendants when the same have been ascertained. For convenience, each reference herein to a named Defendant shall also refer to the Doe Defendants and each of them.

15. Plaintiffs are informed and believe and based thereon allege that each of the Defendants was the agent, partner, servant, employee, or employer of each of the other Defendants herein, and that at all times herein mentioned, each of the Defendants was acting within the course and scope of such employment, partnership and/or agency and that each of the Defendants is jointly and severally responsible for the damages hereinafter alleged.

**FACTS COMMON TO ALL CLAIMS FOR RELIEF**

16. In 1933 Jerome Siegel conceived the original idea of a cartoon strip featuring a unique man of superhuman strength and powers who would perform feats of great importance for the public good. Siegel conceived, in essence, the first "superhero" -- an original concept which embodied our nation's ideals at the Worlds' darkest hour, became a cultural icon and spawned, what is today, a booming industry. Jerry Siegel entitled his character -- "Superman."

17. In or about 1934, Jerome Siegel authored twenty-four days (four weeks) of "Superman" comic strips intended for newspaper publication, a synopsis of comic strips for weeks two, three and four, a paragraph previewing future "Superman" exploits and a nine page synopsis covering approximately two months of daily "Superman" newspaper comic strips (at six days per week). Plaintiffs are informed and believe and based thereon allege that these works, though originally unpublished were thereafter included or incorporated in the early "Superman" comic strips thereafter published from on or about April 18, 1938 to April 13, 1943 (collectively, referred to hereinafter as the "Initially Unpublished Works").

18. In or about 1934, Jerome Siegel and the artist, Joe Shuster (hereinafter collectively, "Siegel and Shuster") co-authored *fifteen* daily "Superman" comic strips, consisting of one week (six days) of completely inked daily "Superman" comic strips and three additional six day weeks of "Superman" comic strips in penciled form (the "1934 Superman Comic Strip"). "Superman" was submitted by Siegel and Shuster to numerous publishers over the next few years.

19. Although "Superman" was not picked up for publication for some time, Siegel and Shuster did get other features they created into print with the Nicholson Publishing Company including "Henri Duval" and "Dr. Occult." In a letter dated October 4, 1935, the company's owner Malcolm Wheeler-

Nicholson, wrote to Mr. Siegel expressing an interest in publishing "Superman" in comic book form but Siegel and Shuster rejected his offer. Nicholson became involved with a new comic magazine company, Detective Comics, Inc. (hereinafter, "Detective Comics") and two Siegel and Shuster features, "Slam Bradley" and "Spy," which appeared in "Detective Comics No. 1."

20. On or about December 4, 1937, Siegel and Shuster, as independent contractors, entered into an agreement with Detective Comics (the "1937 Agreement") to continue to produce the comic magazine features, "Slam Bradley" and "The Spy," which agreement provided, in part, that any new and additional features which Siegel and Shuster produced for use in a comic magazine were to be first submitted to Detective Comics which reserved the right to accept or reject same within sixty days.

21. One of the early entities to which Siegel had submitted "Superman" was The McClure Newspaper Syndicate. In or about early 1938, the head of the syndicate sought Siegel's permission to forward Siegel and Shuster's 1934 Superman Comic Strip material to Detective Comics for potential publication in its contemplated new magazine, "Action Comics." By this time, "Superman" and his miraculous powers had already been completely developed by Siegel and Shuster.

22. In or about January–February 1938, when Detective Comics expressed interest to Siegel and Shuster in publishing their 1934 Superman Comic Strip in a magazine, Siegel and Shuster cut and pasted their aforementioned 1934 Superman Comic Strip into more than ninety separate panels ("Revised 1934 Superman Comic Strip"), so as to render their newspaper strip more suitable for a magazine layout.

23. The "Superman" material described hereinabove, which was the independent, original creation of Siegel and Shuster, contained virtually all of the signature elements and characters of the "Superman" mythology and

constituted the formula for the continuing "Superman" series to come. It depicted and narrated the origin of the "Superman" character, and contained a complete delineation of the literary and pictorial representation of "Superman," including without limitation, his habits, character, superhuman powers, appearance, costume, secret identity and attributes, and the sphere of public good "Superman" was to enhance.

24. By an instrument dated March 1, 1938 (hereinafter, the "1938 Grant"), which had been prepared by Detective Comics, Siegel and Shuster agreed to the publication of their Revised 1934 Superman Comic Strip by Detective Comics in consideration for the sum of $10 per page for this thirteen page installment equal to a total of $130.

25. Thereafter, Detective Comics published Siegel and Shuster's "Revised 1934 Superman Comic Strip" in the "June, 1938" issue of "Action Comics No. 1," which was issued for sale on April 18, 1938.

26. Action Comics No. 1 and the predecessor materials created solely by Siegel and Shuster contained the essential elements of "Superman" which continue to this day, including without limitation, Superman's origin from the distant planet, his "back-story" (sent to Earth as an infant in a spaceship by his scientist father), his core physical and mental traits, his mission as a champion of the oppressed to use his great powers to benefit humankind, his secret identity as newspaper reporter, "Clark Kent," his relationship with other key characters such as the newspaper editor from whom he takes his assignments and his romantic interest in Lois, who rebuffs Clark as a coward, while romantically inclined towards "Superman."

27. Action Comics No. 1 was followed by further issues published at regular intervals, with each subsequent issue containing additional "Superman" material created by Siegel and Shuster.

28. Between on or about March, 1938 and on or about September, 1938, Siegel and Shuster continued to create "Superman" strips, stories and continuities.

29. On or about September 22, 1938, Detective Comics, Siegel and Shuster entered into an agreement with The McClure Newspaper Syndicate (hereinafter, the "1938 McClure Agreement") regarding the newspaper syndication of a "Superman" comic strip.

30. On or about September 22, 1938, Detective Comics and Siegel and Shuster therefore entered into an agreement (hereinafter, the "1938 Agreement") which for the first time provided that Detective Comics would thereby "employ and retain" Siegel and Shuster to do the "artwork and continuity" for five comic strips, including "Superman."

31. Prior to September 22, 1938, Siegel and Shuster solely created six comic book issues of "Superman," published as Action Comics Nos. 1 through 6. Of these, Action Comics Nos. 1 through 5 had been published prior to September 22, 1938; and Action Comics No. 6 was published four days later on September 26, 1938.

32. Action Comics No. 1 is not a "work made for hire." Action Comics Nos. 2-6, which were thereafter created by Siegel and Shuster prior to their entering into the 1938 Agreement, are also not "works made for hire."

33. On or about December 19, 1939, Detective Comics and Siegel and Shuster entered into a supplemental agreement (hereinafter, the "1939 Agreement") which raised Siegel and Shuster's per page compensation rate for the increasingly popular "Superman" comic strip.

34. Plaintiffs are informed and believe and thereon allege that the "Superman" works created by Siegel and Shuster after they entered into the 1938 Agreement with Detective Comics were also not "works made for hire." The 1938 Agreement for the first time used the term "employ and retain" with

respect to Siegel and Shuster's subsequent work on "Superman," yet Siegel and Shuster were never employees of Detective Comics. Siegel and Shuster operated their own independent comic book production business. Without limitation, Siegel and Shuster were not paid a salary, but were consistently paid on a "per page" basis, and only for materials actually delivered by them to Detective Comics and published by Detective Comics. Plaintiffs are further informed and believe and thereon allege that in compensating Siegel and Shuster, Detective Comics did not withhold or deduct payroll, social security and other taxes normally deducted from employee salaries; Detective Comics did not provide employee benefits to Siegel and Shuster; Siegel and Shuster worked from their own premises (not Detective Comic's premises); determined their own hours and days of work; supplied, used and paid for their own instrumentalities, tools and materials; and hired and paid for their own employees who worked at Siegel and Shuster's instance and expense, under Siegel and Shuster's direction and full control.

35. In or about 1947, Siegel and Shuster filed an action in the Supreme Court of the State of New York, County of Westchester against National Comics Publications, Inc. (hereinafter, the "1947 Action") to determine the validity of the contracts between National Comics Publications, Inc.'s predecessors-in-interest and Siegel and Shuster with respect to "Superman." Pursuant to a stipulation of the parties the action was referred for decision to an Official Referee of the New York Supreme Court. After trial of the action the Official Referee rendered an opinion dated November 1, 1947. On April 12, 1948, the Official Referee signed detailed findings of fact and conclusions of law and entered an interlocutory judgment upholding the contracts in some respects, to which notices of appeal were filed by all said parties. Settlement negotiations ensued, resulting in a stipulation of settlement between said parties executed on

or about May 19, 1948 (hereinafter, the "1948 Stipulation"), and the entry in the New York Supreme Court of a final consent judgment dated May 21, 1948.

36. In or about the early 1970's, a dispute arose between Siegel and Shuster and National Periodical Publications, Inc. regarding the renewal copyright to "Superman," resulting in Siegel and Shuster's filing of an action against National Periodical Publications, Inc. in the United States District Court for the Southern District of New York for a declaration that Siegel and Shuster were entitled to the renewal copyright to "Superman." The District Court held in Jerome Siegel and Joseph Shuster v. National Periodical Publications, Inc. et al., 364 F. Supp. 1032 (1973) that the initial "Superman" comic strip, published in Action Comics No. 1, is a "work for hire" within the meaning of the Copyright Act, 17 U.S.C. § 26, and that, in any event, the various agreements between the parties, prior to the action, transferred the renewal copyright in this material to Detective Comics.

37. On appeal, the United States Court of Appeals for the Second Circuit held in Jerome Siegel and Joseph Shuster v. National Periodical Publications, Inc. et al., 509 F.2d 909 (2nd Cir. 1974), that the District Court erred in finding that Superman was a "work for hire" under the Copyright Act, 17 U.S.C. § 26, and that "Superman" and his miraculous powers were created by Siegel and Shuster long before any employment relationship with Detective Comics. The Second Circuit nonetheless held that the Official Referee's determination in the 1947 Action that Siegel and Shuster had transferred all rights in "Superman" to Detective Comics implicitly included a determination that Siegel and Shuster had transferred the renewal copyright in "Superman" to Detective Comics; and that this determination was binding under the doctrine of *res judicata.*

38. On or about December 23, 1975, Siegel and Shuster entered into an agreement with Warner Communications Inc. (hereinafter the "1975

Agreement") the alleged parent company of National Periodical Publications, Inc., which provided for (i) annual payment of $20,000 to Siegel and Shuster each for their respective lifetimes, plus medical benefits to Siegel and Shuster each; and (ii) that Siegel and Shuster would be given credit on certain "Superman" publications and derivative works as the "creators" of Superman, in exchange for Siegel and Shuster's acknowledgement that Warner Communications, Inc. was the exclusive owner of all right, title and interest in and to "Superman." (The 1937 Agreement, the 1938 Grant, the 1938 McClure Agreement, the 1938 Agreement, the 1939 Agreement, the 1948 Stipulation and the 1975 Agreement described hereinabove are hereinafter sometimes referred to collectively as the "Alleged Grants.")

39. On April 3, 1997, Plaintiffs, Joanne Siegel and Laura Siegel, served by first class mail, postage prepaid, notices of termination, as permitted by the Copyright Act, 17 U.S.C. § 304(c) (hereinafter, the "Termination Notices") on each of the Defendants and a number of their subsidiaries, licensees and affiliates, terminating the Alleged Grants of the renewal copyright to (i) the copyrightable "Superman" character, (ii) the 1934 Superman Comic Strip and the Revised 1934 Superman Comic Strip, both published as/in Action Comics No. 1, (iii) the material published as/in Action Comics Nos. 1-6 (statutory copyright to Action Comics No. 6 was secured on September 26, 1938), (iv) the material published as/in Action Comics Nos. 7- 61 (statutory copyright to Action Comics No. 61 was secured on April 13, 1943), and/or (v) subsequent works involving "Superman," all as set forth in the Notices of Termination (hereinafter sometimes referred to collectively as the "Works").

40. Plaintiffs are informed and believe and based thereon allege the Initially Unpublished Works set forth in the Termination Notices were incorporated or included in Works published thereafter, to which the Termination applies.

41. Plaintiffs are further informed and believe and based thereon allege that the copyrights to all the Works were duly renewed.

42. The Notices of Termination were drafted, served on Defendants and filed with the United States Copyright Office, all in full compliance with the Copyright Act, 17 U.S.C. 304(c), and the regulations promulgated thereunder by the Register of Copyrights, 37 C.F.R. § 201.10 (2003). (Plaintiffs' aforesaid exercise of their termination rights under 17 U.S.C. § 304(c) regarding "Superman" is sometimes hereinafter referred to as the "Termination").

43. As the original co-author of each Work Jerome Siegel owned an undivided fifty percent (50%) of the copyright of each Work prior to any alleged transfer or assigmnent of any such Work pursuant to any Alleged Grant.

44. The Notices of Termination terminated on April 16, 1999 (hereinafter, the "Termination Date") all prior grants or purported grants of the renewal copyrights in and to each and/or all the Works for their extended renewal terms (hereinafter, sometimes referred to individually and collectively as the "Recaptured Copyrights"), including, but not limited to, the Alleged Grants.

45. On April 16, 1999, the Termination Date, Plaintiffs re-gained ownership to Jerome Siegel's undivided fifty percent (50%) copyright interest in and to each and/or all the Works for their extended renewal terms. In accordance with 17 U.S.C. 304(c), and as set forth in the Notices of Termination, Jerome Siegel's surviving son, Michael Siegel, is also entitled to share in the proceeds from this recaptured interest.

46. Defendants have acknowledged that the Notices of Termination are effective. Defendants have further admitted that Plaintiff's thereby co-own the copyright(s) to at least the original "Superman" elements authored by Siegel and Shuster; and that Defendants have a duty to account to Plaintiffs for Defendants' exploitation of such copyright(s).

47. On April 16, 1997, in response to the service of the Notices of Termination, John A. Schulman, Executive Vice President and General Counsel of Defendant Warner Bros. wrote a letter to Joanne Siegel, stating in relevant part:

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

48. Similarly, on October 10, 1997, Paul Levitz, President and Publisher of Defendant DC Comics, wrote a letter to Plaintiffs, stating in relevant part:

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

49. Yet, on April 15, 1999, one day before the Termination Date, Defendant DC, by its attorneys (Fross Zelnick, *et al*) sent a letter to the Plaintiffs' attorney, Arthur J. Levine, frivolously denying the validity of the termination with respect to *any* "Superman" copyrights, stating in relevant part:

> "[Y]ou are hereby put on notice that DC Comics rejects both the validity and scope of the notices and will vigorously oppose any attempt by your clients to exploit or authorize the exploitation of any copyrights, or indeed, any rights at all, in Superman."

50. Defendant DC's April 15, 1999 letter constituted a thinly veiled threat that if Plaintiffs ever attempted to exploit *any* of their recaptured copyright interests in "Superman," Defendants would engage in a campaign of intimidation, including, but not limited to, instituting frivolous litigation against Plaintiffs and using Defendants' enormous market power to restrict Plaintiffs' ability to exploit their Recaptured Copyright interests. Given that Time Warner is one of the largest media companies in the world with over $38 billion in annual revenues, Defendants' threats had a devastating and chilling effect on Plaintiffs' freedom to exploit the copyright interests they had properly regained under the Copyright Act, 17 U.S.C. § 304(c), thereby damaging Plaintiffs and causing them great emotional distress.

51. In the nearly 9 ½ years since the Termination Date, none of the Defendants has ever accounted to the Plaintiffs for any proceeds or profits whatsoever from their ongoing exploitation of "Superman" and the jointly owned Recaptured Copyrights.

**FIRST CLAIM FOR RELIEF**

(Declaratory Relief Re: Termination, 17 U.S.C. § 304(c) - Against All Defendants)

52. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 51 inclusive, as though fully set forth herein.

53. By reason of the foregoing facts, an actual and justiciable controversy has arisen and now exists between Plaintiffs and Defendants under Federal copyright law, 17 U.S.C. §§ 101 *et seq.*, concerning their respective rights and interests in and to the copyright to various "Superman" works, for which Plaintiffs desires a declaration of rights.

54. Plaintiffs contend and Defendants deny that:

a. The Notices of Termination terminated on April 16, 1999 all prior grants, assignments or transfers of copyrights for the extended renewal

term in and to each and/or all of the Works (as defined in paragraph 39 hereinabove) to any of the Defendants and other parties duly served with the Notices of Termination, including their predecessors-in-interest;

b. As of the effective Termination Date, April 16, 1999, Plaintiffs owned and continue to own an undivided fifty percent (50%) of the Recaptured Copyrights to each and/or all the Works for their renewal terms;

c. By reason of the foregoing, Plaintiffs are entitled to fifty percent (50%) of any and all proceeds, compensation, monies, profits, gains and advantages from the exploitation of, or attributable to, in whole or in part, any aspect of the Recaptured Copyrights (hereinafter, sometimes referred to as "Profits"); and

d. By reason of the foregoing, Defendants own or control only fifty percent (50%) of the Recaptured Copyrights, and thus, as of the Termination Date, had and have no authority to confer exclusive licenses or grants with respect to any element of the "Superman" mythology protected by the Recaptured Copyrights.

55. A declaration of the Court is necessary pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201 et seq., so that the parties may know their respective rights and obligations with respect to the Termination and the copyright interests thereby recaptured by Plaintiffs.

**SECOND CLAIM FOR RELIEF**

(Declaratory Relief Re: Profits from Recaptured Copyrights - Against All Defendants)

56. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 55 inclusive, as though fully set forth herein.

57. By reason of the foregoing facts, an actual and justiciable controversy has arisen and now exists between Plaintiffs and Defendants concerning how Profits from Recaptured Copyrights should be defined for

purposes of Defendants and Plaintiffs accounting to one another as joint owners of the Recaptured Copyrights.

58. Plaintiffs contend and Defendants deny that:

a. Profits include Defendants' revenues from the post - April 16, 1999 exploitation of the Recaptured Copyrights in foreign territories, when such exploitation results from the predicate exercise *in the United States* of any right(s) under the Recaptured Copyrights by any Defendant, their licensees or assigns;

b. There should be no *apportionment* of Profits since Plaintiffs are entitled to fifty percent (50%) of such Profits as *joint owners* of the Recaptured Copyrights;

c. Alternatively, *apportionment*, if any, should apply only to profits from the exploitation of the Recaptured Copyrights in *derivative works created by a Defendant*, but not to profits from mere *licensing* of the Recaptured Copyrights. Any such apportionment should weigh heavily in Plaintiffs' favor, since the value of the "Superman" franchise exploited by the Defendants ("Superman Franchise") is largely attributable to the unique "Superman" mythology protected by the Recaptured Copyrights. The Superman Franchise capitalizes on the success of, and is hardly distinguishable from, the underlying Recaptured Copyrights co-owned by Plaintiffs;

d. Profits include profits from any merchandise or other derivative works created, produced or manufactured on or after the Termination Date, April 16, 1999, notwithstanding that the underlying licensing agreement for such exploitations may have been executed prior thereto;

e. Profits are not limited to the Profits of Defendant DC, Warner Bros.' wholly owned subsidiary, but include the Profits of Defendants Warner Bros. and Time Warner, as well; and

f. In determining Profits, deductible costs should include only reasonable costs directly attributable to the exploitation of the Recaptured Copyrights, of the type customarily deducted in arms' length agreements to exploit copyrights of comparable value, all in compliance with Generally Accepted Accounting Principles ("GAAP").

59. A declaration of the Court is necessary pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201 *et seq.* so that the parties may know their respective rights and obligations with respect to Profits from the exploitation of the Recaptured Copyrights after the Termination Date.

**THIRD CLAIM FOR RELIEF**

(Declaratory Relief Re: Use of the "Superman" Crest - Against All Defendants)

60. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 59 inclusive, as though fully set forth herein.

61. By reason of the foregoing facts, an actual and justiciable controversy has arisen and now exists between Plaintiffs and Defendants concerning whether Plaintiffs are entitled, after the Termination Date, to commercially exploit the "Superman" crest comprised of a large red "S" centered on a broad triangular yellow field, first appearing (as part of "Superman's" costume, centered on and highlighting Superman's "V" shaped muscular chest) in the 1934 Superman Comic Strip and the 1934 Revised Superman Comic Strip created by Siegel and Shuster and published as Action Comics No. 1, and in only slightly revised form in subsequent Works (hereinafter the "Superman Crest"); and whether Defendants' duty to account, as non-exclusive joint owners of such Recaptured Copyrights, includes Profits from the licensing of this crest.

62. Defendants allege a trademark interest in a "Superman" shield (hereinafter the "Superman Shield" and/or "Superman Trademark") which is also comprised of a large red "S" on a broad triangular yellow field, first

appearing in later Works, as part of "Superman's" costume, centered on and highlighting Superman's "V" shaped muscular chest, with the upper corners of the triangular crest slightly cropped.

63. Plaintiffs contend and Defendants deny that:

a. The Recaptured Copyrights include the copyright to the "Superman" crest comprised of a large red "S" centered on a broad triangular yellow field, first appearing as part of "Superman's" costume, centered on and highlighting Superman's "V" shaped muscular chest, in the 1934 Superman Comic Strip and the Revised 1934 Superman Comic Strip published as Action Comics No. 1, and appeared in subsequently published Works in only slightly revised form (hereinafter the "Superman Crest").

b. Defendants' alleged Superman Trademark design arose directly from, and is substantially identical to, Siegel and Shuster's copyrighted Superman Crest;

c. Defendants receive significant proceeds and value from the utilization and copying of the Superman Crest and/or substantially identical Superman Shield for which Defendants must account to Plaintiffs;

d. In turn, Plaintiffs should likewise be allowed to exercise their rights under copyright with respect to the Superman Crest, including without limitation the right to commercially exploit the Superman Shield in merchandise;

e. Defendants, in any event, cannot use the alleged Superman Trademark or any other purported trademark interest regarding "Superman" to prevent, hinder or restrain Plaintiffs' use, exercise or exploitation of their rights under the Copyright Act in any of the jointly owned Recaptured Copyrights.

64. A declaration of the Court is necessary pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201 *et seq.*, so that the parties may know their

respective rights and obligations with respect to the Superman Crest and the Superman Shield.

**FOURTH CLAIM FOR RELIEF**

(Accounting for Profits - Against All Defendants)

65. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 64 inclusive, as though fully set forth herein.

66. On or after the Termination Date, April 16, 1999, Defendants and/or each of them have licensed and/or commercially exploited and will continue to license or exploit the Recaptured Copyrights, including without limitation, *via* merchandising, publishing, and derivative motion picture and television programming.

67. As result of such licensing and/or commercial exploitation of the Recaptured Copyrights on or after April 16, 1999, Defendants and/or each of them have received and will continue to receive substantial Profits, fifty percent (50%) of which is payable to Plaintiffs as the joint owner of the Recaptured Copyrights.

68. Defendant Warner Bros. has acted and continues to act in most instances as the effective joint-owner and licensor (as opposed to licensee) of the Recaptured Copyrights; and, as such, Warner Bros., along with the other Defendants, owes a duty to account to Plaintiffs.

69. To date, the Profits received by Defendants and/or each of them from such licensing and/or commercial exploitation on or after April 16, 1999 is estimated to be in excess of $50 million, however the exact sums actually received and to be received by Defendants and/or each of them, are unknown to Plaintiffs at this time, for these amounts can be properly determined only by an accounting.

70. Plaintiffs have demanded an accounting by Defendants on a continuing basis of all amounts received by them and/or payable to them from

such licensing and other commercial exploitation on or after April 16, 1999, and that Defendants pay Plaintiffs their fifty percent (50%) share of all such Profits.

71. In nearly 9 ½ years since the Termination Date, Defendants have, nonetheless, never accounted to or paid any Profits whatsoever to Plaintiffs.

72. Plaintiffs at no time waived their rights to receive their share of such Profits, nor have Plaintiffs at any time consented to the use and exploitation of the Recaptured Copyrights in the United States or any foreign territories.

73. Plaintiffs are entitled to an ongoing accounting from Defendants regarding all amounts received, realized by or payable to Defendants on or after April 16, 1999 from the licensing and any other commercial exploitation of the Recaptured Copyrights and "Superman Franchise," and to the payment by Defendants to Plaintiffs of fifty percent (50%) of all such Profits.

**FIFTH CLAIM FOR RELIEF**

(Violation of California Business and Professions Code, §§ 17200 *et seq.*; Unfair Competition - Against All Defendants)

74. Plaintiffs re-allege and incorporate herein by reference the allegations set forth in paragraphs 1 through 73, inclusive, as though fully set forth herein.

75. Plaintiffs are informed and believe and thereon allege that since the Termination Date, in addition to the wrongful acts and omissions alleged hereinabove and incorporated herein, Warner Bros.' and its parent, Time Warner, have intentionally omitted from Time Warner's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other publicly reported documents any and all mention of the Termination, even though it drastically reduces their ownership interest in "Superman" -- one of their most valuable intellectual properties. Such systematic public misrepresentations by omission are likely to deceive, cause confusion and mistake and are an affront to the public interest.

76. Defendants' wrongful conduct, acts, and omissions alleged hereinabove constitute unlawful, unfair business practices and unfair competition under California Business and Professions Code §§ 17500 *et seq.*, and under the common law.

77. As a direct and proximate result of Defendants' conduct, acts, and omissions as alleged hereinabove, Plaintiffs are entitled to recover their share of any income, gains, compensation, profits and advantages obtained, received or to be received by Defendants, or any of them, arising from the licensing and any other exploitation of the Recaptured Copyrights; and are entitled to an order requiring Defendants, jointly and severally, to render an accounting to ascertain the amount of such proceeds.

78. As a direct and proximate result of Defendants' wrongful conduct, acts and omissions pleaded hereinabove, Plaintiffs have been damaged, and Defendants have been unjustly enriched, in an amount that shall be assessed at trial for which damages and/or restitution and disgorgement is appropriate. Such damages and/or restitution and disgorgement should include a declaration by this Court that Defendants are jointly and severally the constructive trustee for the benefit of Plaintiffs and an order that Defendants convey to Plaintiffs fifty percent (50%) of all proceeds and other compensation received or to be received by Defendants that are attributable the licensing or exploitation on or after the Termination Date of the Recaptured Copyrights.

79. Defendants' wrongful conduct, acts, omissions have proximately caused and will continue to cause Plaintiffs substantial injury and damage including, without limitation, loss of customers, dilution of goodwill, injury to Plaintiffs' reputation, and diminution of the value of Plaintiffs' joint ownership interest in the Recaptured Copyrights. The harm this wrongful conduct will cause to Plaintiffs is both imminent and irreparable, and the amount of damage

sustained by Plaintiffs will be difficult to ascertain if such wrongful conduct is allowed to continue without restraint.

80. Plaintiffs are entitled to an injunction, during the pendency of this action, and permanently, restraining Defendants, their officers, agents and employees, and all persons acting in concert with them, from *exclusively* licensing or granting rights to any element of the Superman Franchise protected by the Recaptured Copyrights

81. Plaintiffs are entitled to an injunction, during the pendency of this action, and permanently, restraining Defendants, their officers, agents and employees, and all persons acting in concert with them, from engaging in any such further unlawful conduct, and requiring Defendants to include Plaintiffs' names on all copyright notices relating to the Recaptured Copyrights.

82. Plaintiffs have no adequate remedy at law with respect to such ongoing unlawful conduct.

WHEREFORE, Plaintiffs pray for relief as follows:

**PRAYER FOR RELIEF**

ON THE FIRST CLAIM FOR RELIEF

83. For a declaration as follows:

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

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

c. That Defendants control only fifty percent (50%) of the Recaptured Copyrights, and thus, as of the Termination Date, had/have no authority to confer *exclusive* licenses or grants with respect to any element of the "Superman" mythology protected by the Recaptured Copyrights; and

d. That Plaintiffs are entitled to fifty percent (50%) of any and all Profits from the exploitation of, or attributable to, in whole or in part, any aspect of the Recaptured Copyrights.

ON THE SECOND CLAIM FOR RELIEF

84. For a declaration as follows:

a. That as joint owners of the Recaptured Copyrights, Plaintiffs are entitled to an accounting for Profits received or payable to the Defendants;

b. That Profits include Defendants' revenues from the post - April 16, 1999 exploitation of the Recaptured Copyrights in territories outside of the United States whenever such exploitation is based on the predicate exercise *in the United States* of any right(s) in and to the Recaptured Copyrights by any Defendant, their licensees or assigns;

c. That there should be no *apportionment* of Profits since Plaintiffs are entitled to fifty percent (50%) of such Profits as joint owners of the Recaptured Copyrights;

d. Alternatively, that apportionment should apply only to profits from the exploitation of the Recaptured Copyrights in *derivative works created by a Defendant*, but not to profits from *licensing* of the Recaptured Copyrights;

e. That apportionment, if any, should weigh strongly in Plaintiff's favor, since the value of the Superman Franchise is largely attributable to the unique "Superman" character and other elements created by Siegel and Shuster and protected by the Recaptured Copyrights, in a percentage that the court may deem just and proper;

f. That Profits include profits from any merchandise or other derivative works created, produced or manufactured on or after the Termination Date, April 16, 1999, notwithstanding that underlying licensing for such exploitation may have occurred prior thereto;

g. That Profits include the Profits of Defendants DC, Warner Bros. and Time Warner, their subsidiaries and divisions; and

h. That in determining Profits, only reasonable costs directly attributable to the exploitation of the Recaptured Copyrights, of the type customarily deducted in arms' length agreements to exploit copyrights of comparable value to the Recaptured Copyrights, should be deducted from gross revenues, all in compliance with GAAP.

ON THE THIRD CLAIM FOR RELIEF

85. For a declaration as follows:

a. That by the Termination, Plaintiffs recaptured a fifty percent (50%) interest in the copyright to the Superman Crest created by Siegel and Shuster;

b. That Defendants' Superman Shield design arose directly from, and is substantially identical to, the copyrighted Superman Crest created by Siegel and Shuster;

c. That Defendants must account to Plaintiffs for fifty percent (50%) of the proceeds they receive from the licensing or other exploitation of the Superman Crest and/or Superman Shield;

d. That Plaintiffs, as co-owners of the copyright in and to the Superman Crest, likewise are permitted to license or otherwise exploit the Superman Crest, subject to a duty to account to Defendants for any such exploitation; and

e. That Defendants cannot use their alleged trademark in the Superman Shield or any other alleged trademark interest with respect to "Superman" to prevent, hinder or restrain Plaintiffs' use, exercise or exploitation of Plaintiffs' rights under the Copyright Act in the jointly owned Recaptured Copyrights.

ON THE FOURTH CLAIM FOR RELIEF

86. For an accounting by the Defendants, jointly and severally, of any and all proceeds from the licensing and any other exploitation of the Recaptured Copyrights or Superman Franchise on or after the Termination Date, April 16, 1999;

87. For 50% of any and all proceeds from the licensing and any other exploitation of the Recaptured Copyrights or "Superman Franchise" on or after April 16, 1999 pursuant to such accounting; and

88. For the imposition of a constructive trust for the benefit of Plaintiffs on all sums received and to be received by the Defendants, jointly or severally, derived from the licensing and any other exploitation of the Recaptured Copyrights or "Superman Franchise" on or after April 16, 1999.

ON THE FIFTH CLAIM FOR RELIEF

89. For an accounting of all Profits;

90. For the imposition of a constructive trust on all Profits received and to be received;

91. For restitution to Plaintiffs of Defendants' unlawful proceeds;

92. For an order preliminarily during the pendency of this action and thereafter, permanently, (i) enjoining Defendants, their officers, agents, employees, licensees and assigns, and all persons acting in concert with them, from engaging in such further unfair business practices and unfair competition under California Business and Professions Code §§ 17500 *et seq.*, and/or under the common law, as alleged hereinabove; and (ii) requiring Defendants to properly designate Plaintiffs as the co-owner of the Recaptured Copyrights in "Superman" publications, products, advertising and promotional materials;

93. For compensatory and consequential damages according to proof as shall be determined at trial;

94. For such other and further relief and remedies available under California Business and Professions Code, §§ 17200 *et seq.* and/or the common law, which the Court may deem just and proper.

ON ALL CLAIMS FOR RELIEF

95. For Plaintiffs' costs of suit;

96. For interest at the highest lawful rate on all sums awarded Plaintiffs other than punitive damages;

97. For reasonable attorneys' fees; and

98. For such other and further relief as the Court may deem just and proper.

DATED: October 7, 2008 TOBEROFF & ASSOCIATES, P.C.

By: _____
Marc Toberoff

Attorneys for Plaintiffs and Counterclaim Defendants JOANNE SIEGEL and LAURA SIEGEL LARSON

**JURY TRIAL DEMANDED**

Plaintiffs hereby request a trial by jury on each claim for relief alleged in the Complaint for which trial by jury is allowable.

DATED: October 7, 2008 TOBEROFF & ASSOCIATES, P.C.

By: _____
Marc Toberoff

Attorneys for Plaintiffs and Counterclaim Defendants JOANNE SIEGEL and LAURA SIEGEL LARSON