

Appeal No. 11-55863

United States Court of Appeals
FOR THE
Ninth Circuit

Laura Siegel Larson,
Plaintiff, Counterclaim-Defendant, and Appellant

v.

Warner Bros. Entertainment Inc. and DC Comics,
Defendants, Counterclaimants, and Appellees

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
THE HONORABLE OTIS D. WRIGHT II, JUDGE
CASE No. CV-04-8400 ODW (RZX)

**REPLY IN SUPPORT OF MOTION BY APPELLEES
WARNER BROS. ENTERTAINMENT INC. AND DC COMICS
TO DISMISS INTERLOCUTORY APPEAL FOR LACK OF JURISDICTION**

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TABLE OF CONTENTS

I. APPELLANT MISSTATES THREE KEY GOVERNING RULES1

II. APPELLANT CANNOT SATISFY THE FINALITY REQUIREMENT.....3

III. EFFICIENCY MANDATES DISMISSING THIS APPEAL10

TABLE OF AUTHORITIES

CASES

<i>Adidas Am., Inc. v. Payless Shoesource, Inc.</i> , 166 Fed. Appx. 268 (9th Cir. 2006).....	10
<i>Advanced Magnetics, Inc. v. Bayfront Partners, Inc.</i> , 106 F.3d 11 (2d Cir. 1997)	2
<i>Ariz. State Carpenters Pension Trust Fund v. Miller</i> , 938 F.2d 1038 (9th Cir. 1991)	3, 5
<i>Cont'l Airlines, Inc. v. Goodyear Tire & Rubber Co.</i> , 819 F.2d 1519 (9th Cir. 1987)	2, 3
<i>Depuydt v. FMC Corp.</i> , 1994 U.S. App. LEXIS 25256 (9th Cir. Sept. 7, 1994).....	2
<i>Gordon v. Vincent Youmans, Inc.</i> , 358 F.2d 261 (2d Cir. 1965)	8
<i>Gregorian v. Izvestia</i> , 871 F.2d 1515 (9th Cir. 1989)	2
<i>Nat'l Ass'n of Home Builders v. Norton</i> , 325 F.3d 1165 (9th Cir. 2003)	2
<i>Rodrigue v. Rodrigue</i> , 218 F.3d 432 (5th Cir. 2000)	8
<i>S.E.C. v. Platforms Wireless Int'l Corp.</i> , 617 F.3d 1072 (9th Cir. 2010)	1
<i>Schudel v. Gen. Elec. Co.</i> , 120 F.3d 991 (9th Cir. 1997)	5
<i>Texaco, Inc. v. Ponsoldt</i> , 939 F.2d 794 (9th Cir. 1991)	2
<i>Torres v. City of Madera</i> , 655 F. Supp. 2d 1109 (E.D. Cal. 2009)	2
<i>U.S. v. Houser</i> , 804 F.2d 565 (9th Cir. 1986)	1
<i>Welles v. Turner Entm't Co.</i> , 503 F.3d 728 (9th Cir. 2007)	8
<i>Wolf v. Banco Nacional de Mexico, S.A.</i> , 721 F.2d 660 (9th Cir. 1983)	9
<i>Wood v. GCC Bend, LLC</i> , 422 F.3d 873 (9th Cir. 2005)	2, 3, 10

STATUTES

17 U.S.C. § 304.....	5
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OTHER AUTHORITIES

SUPP. REG.'S REP. ON GEN. REV'N OF U.S. COPYRIGHT LAW, 89TH
CONG. 72 (1965)5

Appellant’s First Claim—amended for a third time just months ago with this appeal in mind—seeks a declaration defining the parties’ “respective rights and obligations” in Superman-related copyrights. The district court has *never* made such a final declaration, and has yet to decide numerous legal and factual questions, including what parts of *Action Comics No. 1* and other comic books appellant recaptured under the Copyright Act’s termination provisions. Appellant does not dispute that she had every opportunity to amend her complaint to remove the request in her First Claim for such a declaration, but never did so. Because her First Claim has not been fully and finally adjudicated, appellant may not pursue this appeal now. Appellant does not disagree that this Court can and should decide *now* whether it has jurisdiction to hear this appeal—rather than wait for merits briefing to resolve this threshold question. DC’s motion should be granted.

I. APPELLANT MISSTATES THREE KEY GOVERNING RULES

Appellant suggests that this Court reviews Rule 54(b) certifications for abuse of discretion. Opp. 2, 7. This is incorrect. This Court must determine *de novo* whether appellant’s First Claim has been fully and finally adjudicated. *E.g.*, *S.E.C. v. Platforms Wireless Int’l Corp.*, 617 F.3d 1072, 1084 (9th Cir. 2010). If the Court determines that the First Claim has not been adjudicated to completion, this appeal must be dismissed, *e.g.*, *id.*; *U.S. v. Houser*, 804 F.2d 565, 568 (9th Cir. 1986); Mot. 10-11, and it need not address appellant’s efficiency arguments, *Nat’l*

Ass'n of Home Builders v. Norton, 325 F.3d 1165, 1167 (9th Cir. 2003).

While appellant asserts that Rule 54(b) appeals are “routine,” Opp. 19, this Court has held precisely the opposite. As it said in *Wood v. GCC Bend, LLC*, 422 F.3d 873, 879 (9th Cir. 2005), a Rule 54(b) appeal “is not routine. We believe it should not become so.” Other courts agree,¹ and appellant’s string cites, Opp. 6-7, are off the mark because they involve claims that were finally adjudicated, that were wholly distinct and severable, and clearly promoted efficiency.²

Appellant invites this Court to relax time-honored jurisdictional requirements by adopting “a flexible approach” for Rule 54(b) appeals, under the guise that defining what a “claim” is for finality purposes ““eludes the grasp like quicksilver.”” Opp. 6. This Court should resist this invitation to bend the rules. Appellant cites a 1987 case for this proposition, *Cont'l Airlines, Inc. v. Goodyear Tire & Rubber Co.*, 819 F.2d 1519 (9th Cir. 1987), but that case was expressly limited to its facts and has not eased this Court’s exacting standard for Rule 54(b)

¹ *E.g., id.* (citing cases); *Advanced Magnetics, Inc. v. Bayfront Partners, Inc.*, 106 F.3d 11, 16 (2d Cir. 1997) (“in light of the ‘historic federal policy against piecemeal appeals,’” Rule 54(b) certification “should be exercised ‘sparingly’”).

² *See Gregorian v. Izvestia*, 871 F.2d 1515 (9th Cir. 1989) (claim fully resolved and involved “substantially different ... factual and legal issues” than other claims); *Depuydt v. FMC Corp.*, 1994 U.S. App. LEXIS 25256 (9th Cir. Sept. 7, 1994) (same); *Texaco, Inc. v. Ponsoldt*, 939 F.2d 794 (9th Cir. 1991) (judgment fully resolved claim and “separated the legal from the factual questions”); *Torres v. City of Madera*, 655 F. Supp. 2d 1109 (E.D. Cal. 2009) (entire claim resolved and Rule 54(b) appeal necessary to prevent inefficiencies); *Advanced*, 106 F.3d 11 (same); *see also* Kline Decl. (Docket No. 5-2) Ex. BB (addressing similar cases).

appeals. *E.g.*, *Wood*, 422 F.3d at 880-81 (distinguishing *Continental* and rejecting Rule 54(b) appeal even though claim had been fully adjudicated; the “issues and claims at stake are not truly separable, and should not be separated artificially”); *Ariz. State Carpenters Pension Trust Fund v. Miller*, 938 F.2d 1038, 1039-40 (9th Cir. 1991) (citing *Continental* but reversing Rule 54(b) certification where claims based on same “basic theories of recovery” and “operative facts”).

Continental involved several complex cases in state and federal court arising out of an airplane crash. This Court held it had jurisdiction to hear a Rule 54(b) appeal because the district court’s rulings “completely extinguished the liability of [defendants] as to the airplane damage claim” and the remaining issues were all “severable factually and legally.” 819 F.2d at 1525. The Court expressly limited its analysis to the facts of that uniquely complex case, made clear “Rule 54(b) certification is ordinarily disfavored,” and said it only entertained the appeal because of the cases’ “size and complexity” and the need to “streamline” them. *Id.*

II. APPELLANT CANNOT SATISFY THE FINALITY REQUIREMENT

Unlike *Continental*, this is the typical case in which a Rule 54(b) appeal must be dismissed because key legal and factual questions central to appellant’s First Claim have never been fully and finally adjudicated, and that First Claim is inextricably intertwined with other claims and counterclaims remaining below. Appellant’s opposition seeks to divert attention from these fundamental

jurisdictional issues at hand. DC's motion identified a list of issues embraced by appellant's First Claim that have yet to be adjudicated by the district court. Mot. 11-17. Appellant does not dispute these open issues exist, were never decided, and are the subject of her *pending* briefing before the district court. Appellant's only response to DC's motion is that these open issues are not part of her First Claim.

Appellant's position is belied by her own complaint, which seeks a declaration defining the parties' "rights and obligations with respect to the Termination and the copyright interests thereby recaptured." Kline Decl. Ex. Z ¶ 55. These "rights," "obligations," and "interests" have not been and cannot be defined until, at the very minimum, (1) the district court decides to what extent appellant's rights are limited by DC's promotional ads; and (2) identifies all specific copyright elements subject to recapture by, among other things, ruling on appellant's pending briefing challenging as "dicta" portions of the district court's partial summary judgment rulings. Mot. 4-17. In various filings below, appellant repeatedly identified these open issues and insisted the district court was required to address and decide them. Kline Decl. Exs. G at 378-402, J at 577-80, S at 891.

Having no response to this, appellant seeks to dismiss her demand in her First Claim for a complete determination of the parties' rights and interests as mere "introductory language." Opp. 10. But even the district court rejected this untenable characterization. In denying her first Rule 54(b) motion, it recognized:

[The First] claim seeks a declaration to ... clarify the parties' "respective rights and obligations with respect to the Termination and the copyright interests thereby recaptured by Plaintiffs" (SAC ¶ 55) *Until the effect of the 'promotional announcements' on the scope of the recaptured copyrights is determined, however, ... the Court can[not] declare the parties' respective rights....*

Kline Decl. Ex. W at 1026 (emphasis added). The district court gave appellant the chance to amend her complaint to remove this language, but *she chose* to retain it.

Id. Ex. Z ¶ 55. It is well-settled that a ruling that leaves parts of a claim unresolved is not amenable to a Rule 54(b) judgment.³

In order to make the argument that her First Claim does not include such substantive issues, appellant posits a false distinction between copyright "works" and "elements" and argues her First Claim only sought an adjudication of which "works" she owns. Opp. 12-14.⁴ But this asserted distinction overlooks and undermines the very essence of the copyright termination regime, which requires a careful balancing of the rights and interests of authors (like Siegel) and grantees (like DC). *See* 17 U.S.C. § 304; SUPP. REG.'S REP. ON GEN. REV'N OF U.S. COPYRIGHT LAW, 89TH CONG. 72 (1965) (§ 304 is "a compromise"). This, in turn,

³ *See Schudel v. Gen. Elec. Co.*, 120 F.3d 991, 994 (9th Cir. 1997); *Miller*, 938 F.2d at 1040. Appellant tellingly offers *no* response to *Schudel*, *Miller*, or their analysis, though DC cited both cases in its moving papers.

⁴ This, too, is a rewriting of her complaint, which defines "Works" to include the "'Superman' character"—*a story element*—and "the material published" in various Superman publications—*not just the publications*. Kline Decl. Ex. Z ¶ 39. Appellant also recognized the importance of elements in arguing successfully to the district court that her failure to list certain titles in her termination notice should be excused because she listed the *elements* underlying those works. Mot. 16.

requires the parties and court to parse through the various copyright elements at issue to determine which are subject to recapture and which are not. In performing this exercise, the district court ruled that appellant recaptured certain elements in only a handful of early Superman works, but did *not* recapture any of the elements in DC's preexisting promotional ads or the hundreds of thousands of works DC has created in the past 70 years. Kline Decl. Exs. F at 308-23; P at 805-14. The district court's ruling did not decide, but explicitly left open for later adjudication, the complete and final list of who owns what. This issue is at the core of appellant's First Claim and, as appellant concedes, it has yet to be decided.

For example, the district court has not determined the extent to which DC's promotional ads—which feature Superman's appearance and super-strength, Mot. 2, App. A—eviscerate the elements appellant recaptured in *Action Comics No. 1*. Kline Decl. Exs. J at 577-93; K at 651-54. Likewise, appellant's pending dicta briefing challenges the district court's partial list of copyright elements that DC owns, going so far as to assert (contrary to her own experts' admissions) that it is an "open issue" whether she owns Superman's super-vision and power of flight even though those story elements do not appear in any of the works she recaptured. *E.g.*, Exs. J at 595-96; G at 397-402; S at 891; M at 726-27.

As appellant told the district court in 2009, these open issues, along with many others, "impact ... the scope of [her] recaptured copyrights" and need to be

decided before the court can finally adjudicate what “copyright interests [she] recaptured.” Kline Decl. Ex. S at 891; Ex. Z ¶ 55.⁵ DC proposed various procedures and schedules for resolving these questions, *e.g.*, *id.* Ex. X, but appellant resisted them, and the court never ruled on them.

In another effort to avoid dismissal of this appeal for lack of jurisdiction, appellant now argues the promotional ad and dicta issues can be “severed” from her First Claim because they relate only to her “profits” in an accounting. Opp. 7-11, 14. Not so. No severance motion was filed below, nor can one be made on appeal for the first time. More fundamentally, such a severance would be improper, as these open issues directly address the *ownership* questions that are the subject of appellant’s First Claim as well as DC’s First Counterclaim. Mot. 4-17.

Equally without merit is appellant’s assertion that the district court’s orders deferring ruling on these open issues “until shortly before the time of” the accounting trial means the issues “*solely related* to the accounting claims, not the

⁵ Appellant runs from this concession, citing a generic reservation of rights in the December 2009 joint report. Opp. 16. This footnote does not permit appellant to rewrite her complaint on appeal or assert that the issues the district court left open somehow do not affect the “scope” of her alleged ownership interests. The footnote and report make clear the joint report was carefully negotiated. Kline Decl. Ex. S at 876 n.1. And while the report detailed how appellant’s Fifth and Sixth Claims (for trademark infringement and waste) had been fully resolved, *id.* at 879 n.2, she *never* suggested her First Claim had been finally adjudicated or that Rule 54(b) judgment was proper. To the contrary, the thrust of the report was describing the district court’s “partial” rulings, the issues they left “pending,” and the best ways to order the accounting trial to resolve them. *Id.* at 881-86, 890-92.

validity of the Termination and First Claim.” Opp. 5 (emphasis added), *see id.* 9. These orders show the *opposite*. The district court bifurcated the case into two parts: (1) a trial on appellant’s Second Claim (for alter-ego, which she lost); and (2) a trial on appellant’s First, Third, and Fourth Claims. Kline Decl. Ex. N at 737. If the court believed it had fully adjudicated appellant’s First Claim, it would have entered final judgment in this order or other. Instead, the district court’s “partial” rulings listed open issues left to be decided. *Id.* Exs. F at 348-50; H at 405.

Appellant cites three copyright cases to argue that the district court did not have to decide what elements of the Superman comics at issue she owns because courts do not “articulate[] every element of the subject work” in *all* copyright cases. Opp. 12.⁶ These cases are entirely inapposite—*none* involves a copyright termination. In *Welles v. Turner Entm’t Co.*, 503 F.3d 728, 739 (9th Cir. 2007) (which did not involve a Rule 54(b) judgment), the court denied plaintiff’s claim that she owned the copyright in the motion picture *Citizen Kane* under the parties’ contract. There was no reason for the court to determine the elements comprising that movie, since the significance of its ruling was clear: Turner owned 100% of the copyrightable elements in *Citizen Kane*. Similarly, in *Rodrigue v. Rodrigue*, 218 F.3d 432 (5th Cir. 2000), and *Gordon v. Vincent Youmans, Inc.*, 358 F.2d 261 (2d Cir. 1965), the claims at issue were based on ownership of a work as a whole,

⁶ Appellant concedes that analyzing the constituent elements of a work is a necessary step in copyright infringement cases. *Id.* 13 n.6.

and, thus, adjudicating the case did not require any analysis of constituent elements. In contrast, appellant’s copyright *termination* case—and her First Claim advancing it—requires the district court to adjudicate which copyright *elements* she owns and which are owned by DC. *Supra* at 4-7. Judge Larson never ruled she owns “works” *in toto*—just parts of comic books and comic strips. Mot. 15.

Finally, when amending her complaint in February, appellant also chose not to drop her request for “fees” and “costs” on her First Claim. Nor did she ask the district court to provide her those remedies before seeking a Rule 54(b) judgment. Such unresolved questions bar this appeal, *e.g.*, *Wolf v. Banco Nacional de Mexico, S.A.*, 721 F.2d 660, 662 (9th Cir. 1983) (Rule 54(b) “judgment is not final” if it “leaves open the question of relief”), and appellant’s choice not to ask for such relief is telling. Litigating these questions, which would require deciding who prevailed on her First Claim, would have been hotly contested. The large majority of appellant’s ownership claims were rejected, and the still open-promotional ad issue is set to reduce her rights further still. No Rule 54 appeal has been permitted when such open remedies questions remain—and appellant cites no such case. Neither of appellant’s cases (*Budinich* or *Madison*) involved a Rule 54(b) judgment; nor do they controvert DC’s cases, Mot. 17 n.7, including *Wolf*.

Like appellant’s First Claim, DC’s counterclaims should be appealed only after further rulings below. Appellant does not dispute that DC presented grounds

for reconsideration of the district court’s rulings on its Second, Third, and Fourth Counterclaims or that the district court never addressed this. Mot. 8 n.2. Nor does she deny taking radically new factual positions in the *Pacific Pictures* case or being ordered to produce documents there that bear directly on DC’s counterclaims here, or that *Mattel* casts doubt on the rulings she seeks to appeal. *Id.*

III. EFFICIENCY MANDATES DISMISSING THIS APPEAL

Appellant concedes “this Court might end up considering this case twice” if this appeal is not dismissed, Opp. 19—once now, and again after the district court holds an accounting trial. Even if appellant could satisfy the threshold finality requirement (and she cannot), there is no efficiency justification for allowing this appeal. Appellant’s cases confirm that “when ‘the facts on all claims and issues entirely overlap . . . , a Rule 54(b) request should not be granted.” *Adidas Am., Inc. v. Payless Shoesource, Inc.*, 166 Fed. Appx. 268, 270 (9th Cir. 2006). Appellant’s First, Second, Third, and Fourth Claims all turn on the scope and use of her recaptured copyrights, making piecemeal review of these claims both improper, *supra* at 3 (citing *Wood and Miller*), and highly inefficient, Mot. 18. That appellant *might* have brought separate actions to resolve validity, scope, and accounting issues seriatim, Opp. 10, is irrelevant—she never did so.

Dated: July 21, 2011

O’MELVENY & MYERS LLP

By: /s/ Daniel M. Petrocelli

Daniel M. Petrocelli

CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rules of Appellate Procedure 27(d)(2) and 32(a), I hereby certify that this Reply In Support Of Motion By Appellees Warner Bros. Entertainment Inc. And DC Comics To Dismiss Interlocutory Appeal For Lack Of Jurisdiction is proportionately spaced, has a typeface of 14 points or more, and does not exceed 10 pages.

Dated: July 21, 2011

O'MELVENY & MYERS LLP

By: /s/ Daniel M. Petrocelli

Daniel M. Petrocelli