

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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MARVEL WORLDWIDE, INC.,  
MARVEL CHARACTERS, INC. and  
MVL RIGHTS, LLC,

Plaintiffs,

- against-

LISA R. KIRBY, BARBARA J. KIRBY,  
NEAL L. KIRBY and SUSAN N. KIRBY,

Defendants.

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Civil Action No. 10 Civ. 141 (CM) (KNF)

LISA R. KIRBY, BARBARA J. KIRBY,  
NEAL L. KIRBY and SUSAN N. KIRBY,

Counterclaim-Plaintiffs,

- against-

MARVEL ENTERTAINMENT, INC.,  
MARVEL WORLDWIDE, INC.,  
MARVEL CHARACTERS, INC., MVL  
RIGHTS, LLC, THE WALT DISNEY  
COMPANY and DOES 1 through 10,

Counterclaim-Defendants.

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**ELEMENTS OF CLAIM AND DEFENSE**

Plaintiffs Marvel Worldwide, Inc. (“MWI”), Marvel Characters, Inc. (“MCI”) and MVL Rights, LLC (“MVL”) (collectively, “Plaintiffs”), together with Counterclaim-Defendants Marvel Entertainment, LLC (successor by merger to Marvel Entertainment, Inc. and together with Plaintiffs and their predecessors in interest, “Marvel”) and The Walt Disney Company, respectfully submit the following statement of the elements of their cause of action and their defense to Defendants’ counterclaim in accordance with Rule 3(E)(ii) of the Court’s Individual

Practices. Marvel respectfully refers the Court to its Proposed Findings of Fact and Conclusions of Law set forth in the parties' Joint Pretrial Order for the complete facts and law concerning its cause of action.

### **The Instance-And-Expense Test**

Marvel's sole cause of action seeks a declaration that the contributions of artist Jack Kirby to the Marvel comic books at issue (the "Works") between the years 1958 and 1963 (the "Time Period") were created for Marvel as works made for hire, and that the notices sent by Defendants purporting to terminate alleged transfers of Kirby's copyright interest in the Works (the "Termination Notices") are therefore invalid. Defendants' sole remaining counterclaim seeks a declaration that the Termination Notices are valid. As Marvel's defense to Defendants' counterclaim is that the Works to which Kirby contributed were created as works made for hire, the elements of the claim and defense are identical.

The Works were all published prior to the January 1, 1978 effective date of the Copyright Act of 1976 (the "1976 Act"), so they are governed by the Copyright Act of 1909 (the "1909 Act") and the case law construing it. *See, e.g., Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 553 (2d Cir. 1995). The 1909 Act did not itself define the phrase "work made for hire," *see* 17 U.S.C. § 26; thus, the Second Circuit has developed what has become known as the "instance and expense" test to determine whether a work was created as a work made for hire under the 1909 Act. *See, e.g., Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc.*, 380 F.3d 624, 634-35 (2d Cir. 2004); *Estate of Hogarth v. Edgar Rice Burroughs, Inc.*, 342 F.3d 149, 159-63 (2d Cir. 2003); *Playboy Enters.*, 53 F.3d at 554.

To establish that the Works were created as works made for hire, Marvel must provide "some credible evidence" of two elements: (1) that the Works were created at its instance and (2)

that the Works were created at its expense. *Dolman v. Agee*, 157 F.3d 708, 712 (9th Cir. 1998); *In re Marvel Entm't Group, Inc.*, 254 B.R. 817, 828 (D. Del. 2000). Once it has done so, Marvel is entitled to the “almost irrebuttable presumption” that the Works were made for hire. *See Hogarth* 342 F.3d at 158; *Fifty-Six Hope Road Music Ltd. v. UMG Recordings, Inc.*, No. 08 CIV. 6143 (DLC), 2010 WL 3564258, at \*8 (S.D.N.Y. Sept. 10, 2010); *Archie Comic Publ'ns, Inc. v. DeCarlo*, 258 F. Supp. 2d 315, 328 (S.D.N.Y. 2003), *aff'd*, 88 F. App'x 468 (2d Cir. 2004); *see also Easter Seal Soc'y for Crippled Children & Adults of La., Inc. v. Playboy Enters.*, 815 F.2d 323, 327-28 (5th Cir. 1987). The burden then shifts to the hired party – here, Defendants, Kirby's heirs – to prove by a preponderance of the credible evidence that the parties had an explicit agreement evidencing their mutual intent that the Works would not be works made for hire and that the copyrights therein would vest in Kirby. *See Playboy Enters.*, 53 F.3d at 554-55; *Fifty-Six Hope Road Music Ltd.*, 2010 WL 3564258, at \*8.

The statutory provision upon which Defendants relied in serving the Termination Notices is section 304(c) of the 1976 Act. That section provides that under certain circumstances, an author of a work governed by the 1909 Act (or after his or her death, prescribed other family members or legal representatives) may terminate a prior copyright assignment or license after a certain time period. *See* 17 U.S.C. § 304(c). This provision is expressly inapplicable to works made for hire under the 1909 Act. Specifically, section 304(c) provides: “In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, *other than a copyright in a work made for hire*, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it . . . is subject to termination.” *Id.* (emphasis added). Accordingly, because the Works were created for Marvel as works made for hire, Marvel is entitled to a declaratory judgment establishing that the Termination Notices are invalid.

### **The Instance Element**

The essential element in the instance prong inquiry under the 1909 Act is the hiring party's right to direct and supervise the manner in which the work is performed. *E.g.*, *Playboy Enters.*, 53 F.3d at 554; *see also Martha Graham Sch. & Dance Found.*, 380 F.3d at 635. The hiring party need not actually exercise this right; rather, the core consideration is whether it had the authority to do so. *See, e.g., Martha Graham Sch. & Dance Found., Inc.*, 380 F.3d at 635; *Playboy Enters.*, 53 F.3d at 554. Where a hiring party "took the initiative in engaging" the artist and "had the power to accept, reject, or modify [his] work," then the work is created at its instance. *Hogarth*, 2002 WL 398696, at \*18 (quoting *Picture Music*, 457 F.2d at 1217). In other words, when an "independent contractor would not have created the work but for the hiring party's assignment to do so," the work is created at the hiring party's instance. *Id.* Where a hiring party "gives an artist specific assignments or asks the artist to create particular works, the artist works at the employer's instance." *In re Marvel*, 254 B.R. at 830 (citing *Playboy Enters.*, 53 F.3d at 556). Additionally, where a hired party is paid for all completed work that he was assigned and submitted for publication, this weighs heavily in favor of a finding that the hiring party was the motivating factor in the creation of the subject works. *See Playboy Enters., Inc. v. Dumas*, 960 F. Supp. 710, 715 (S.D.N.Y. 1997).

The following facts to be adduced at trial will establish that the Works were created at Marvel's instance:

- At all times during the Time Period, as publisher and owner of Marvel, Martin Goodman had the authority to supervise and direct the creation of all Marvel comic books, including the creation of characters and storylines, and had the final say as to what comic books Marvel would publish.
- No comic book was ever published by Marvel unless Goodman approved of it.

- As editor of Marvel, Stan Lee oversaw all of the creative and editorial aspects of every comic book Marvel published during the Time Period. Lee had the ultimate editorial control over all works, characters and stories that Marvel published during the Time Period.
- One of Lee's main responsibilities in his role as editor and creative director of Marvel during the 1950s and 1960s was to come up with story ideas.
- During the Time Period, Lee was responsible for engaging and assigning particular writers and artists to each comic book story to be published by Marvel. Artists did not have the authority to assign themselves to work on any story they chose.
- Marvel did not purchase artwork created by artists on speculation during the Time Period; all artwork published by Marvel was created after an engagement by Marvel to undertake an express assignment.
- Lee had the authority to reassign artists and writers onto different projects when he deemed it necessary or appropriate to do so, and he exercised that authority on numerous occasions during the Time Period.
- During the Time Period, Lee set deadlines for each person who contributed to a finished comic book to ensure that each book was published and distributed on time each month according to the schedule established by the printer.
- Marvel – and, during the Time Period, Lee – supervised all aspects of the process for the creation of a comic book, which involved contributions by numerous different people, such as writers, pencil artists, inkers, letterers and colorists and production staff.
- Lee reviewed all artwork and dialogue that was submitted for publication, and had the final say on whether artwork and dialogue would be published.
- No artwork or story was published while Lee was editor of Marvel unless Lee himself had approved it.
- It was part of Lee's responsibilities to make edits, or direct that edits be made by others, to any work that was submitted for publication. Lee commonly exercised his authority to require changes to the artwork when he deemed it necessary.
- At all times during the Time Period, Lee maintained editorial control over comic book covers as well as stories.

- Prior to the early 1960s, Marvel’s artists drew comic book stories based on detailed scripts that were written either by Lee or another writer who had received from Lee a plot outline or a synopsis. These detailed scripts included a title, an allocation of pages, and a panel-by-panel breakdown for each page, which gave the artist explicit instructions as to the action that was to take place in each panel and the dialogue that would be inserted later. These detailed scripts were written before any artwork for the comic book was drawn, and the artists based the artwork on the script.
- During the Time Period, Lee developed a new system wherein he provided the assigned artist with a plot outline or synopsis – which could be written or oral – instructing the artist as to what Lee wanted to happen and how he wanted it to look. After Lee provided the synopsis to the assigned artist, they would then discuss it at a “plotting conference.” Following the plotting conference, the artist would draw a complete story based on Lee’s directions, and after Lee approved the artist’s pencil drawings (which would have incorporated any additional editorial instructions by Lee beyond those given at the plotting conference), Lee would insert dialogue and captions to further develop the story as he deemed appropriate. This process became known as the “Marvel Method.”
- Under either the traditional method or the “Marvel Method,” artists and writers did not draw pages before they were engaged by Marvel to undertake a particular assignment and obtained a script or synopsis from Lee.
- Under the Marvel Method process of story creation during the Time Period, it was part of the artists’ assignment to fill in any necessary details or to create new characters or plot elements to flesh out the plot that Lee had provided for the story.
- If an artist or writer introduced a new character into an existing comic book, Goodman and/or Lee had to approve its inclusion. It was also the responsibility of either Goodman as publisher or Lee as editor to decide whether and how the character would be used in other Marvel comic book series, and whether to create a new series featuring the character.
- During the Time Period, some of Kirby’s assignments were based on a detailed script, and others were pursuant to the Marvel Method. Under either process, Kirby was engaged and assigned to draw a particular comic book issue based on Lee’s initial concept and plot outline. When working under the Marvel Method, after Kirby was given the assignment and initial concept, Lee and Kirby discussed the plot in a plotting conference, and only then did Kirby draw the complete story based on the plot and his discussion with Lee.

- Kirby did not begin work on any artwork for a comic book published by Marvel during the Time Period before he had been engaged and assigned to a particular issue or project by Lee. Kirby never submitted artwork to Marvel on spec.
- If Kirby and Lee ever had differing views on an element of a comic book issue, Lee always had the final word.
- During the Time Period, Lee had the right to direct and supervise Kirby's work and had the ability to review all of Kirby's artwork prior to publication. In reviewing artwork Kirby submitted for publication, Lee had the authority to determine whether the artwork would be published, or to require changes or edits prior to approval or prior to publication.
- At Lee's discretion, Kirby was sometimes instructed to make changes and revisions to artwork he submitted to Marvel for publication. Also at Lee's discretion, other artists were sometimes instructed to make changes and revisions to artwork Kirby submitted to Marvel for publication.
- Lee had discretion as to whether to use any of the margin notes Kirby submitted with his artwork regarding ideas for plot or dialogue, and he almost always ignored those notes and inserted his own dialogue instead.
- During the Time Period, Marvel's artists – including Kirby – were paid for completed assignments submitted to Marvel, even if Marvel did not ultimately publish the artwork.
- Marvel's artists and writers were paid their agreed per-page rate for completed assignments submitted for publication during the Time Period, even if Lee required changes to be made to the work after submission.
- Kirby was paid for all the completed assignments he submitted to Marvel during the Time Period, even if the work was not published and even if Lee required that changes be made to it prior to publication.
- On numerous occasions, various Marvel artists and writers – including Kirby – have acknowledged that all work they performed for Marvel during the Time Period and thereafter was work made for hire.
- Various statements by Kirby and others speaking on his behalf demonstrate that Kirby was concerned with being given proper credit for his role in contributing to certain Marvel comic book characters and stories, not with copyright ownership.

- With respect to various of the Works, including *The Fantastic Four*, *The Incredible Hulk*, *The X-Men*, *The Avengers*, *The Rawhide Kid*, and the characters Thor and Ant-Man, Lee conceived of the initial idea and plot, and engaged and assigned Kirby to draw the artwork for the first issue based on that plot. In some instances (such as Thor and Ant-Man), this was accomplished via a detailed panel-by-panel script; in others, it was done via the Marvel Method. In all events, Kirby would not have drawn the artwork for the comic book stories but for Lee's engagement and assignment, and Kirby's contributions were at all times subject to Lee's supervision and review.
- With respect to certain other Works, such as the characters Spider-Man, Iron Man, Human Torch and Namor the Sub-Mariner, Kirby made no material contribution to the first published version of the featured character. With respect to Spider-Man and Iron Man, Kirby was not the assigned artist for the first comic book issue to feature these characters, and drew the covers for the issues after the artwork for the book was completed by another artist. Both Human Torch and Namor the Sub-Mariner were originally introduced in early Marvel comic books in the 1930s, and were reintroduced into later issues of *The Fantastic Four* at Lee's behest.

### **The Expense Element**

The expense element of the work-for-hire test turns on whether the hiring party bore the financial risk of the production and ultimate success of the subject work. *See Hogarth*, 2002 WL 398696, at \*20; *see also Twentieth Century*, 429 F.3d at 881; *Murray v. Gelderman*, 566 F.2d 1307, 1310 (5th Cir. 1978). Courts have found that the expense prong is satisfied where a hired party is paid a fixed sum as opposed to royalties, because such a payment arrangement shows the hiring party bore the financial risk. *See Playboy Enters.*, 53 F.3d at 555; *Twentieth Century*, 429 F.3d at 881; *In re Marvel*, 254 B.R. at 830. Where the hiring party shoulders the burden of employing additional staff that contributes to the final work product, that is further evidence that a party has borne the financial risk. *See Twentieth Century*, 429 F.3d at 881.

The following facts to be adduced at trial will establish that the Works were created at Marvel's expense:



- If a particular comic book did not sell well or lost money, Goodman, as publisher and owner of Marvel, bore the entire loss.
- During the Time Period, Marvel artists and writers – including Kirby – were paid for work they submitted months before the book to which they contributed went on sale, and payment to artists and writers did not depend on whether the book was successful.
- During the Time Period, Marvel’s freelance artists and writers – including Kirby – were paid flat rates for completed assignments that they submitted based on an agreed per-page rate.
- During the Time Period, writers and artists at Marvel and other major comic book publishers did not receive royalties or other profit participation for their work.
- During the Time Period, Marvel’s artists were paid for completed assignments submitted to Marvel, even if Marvel did not ultimately publish the artwork.
- During the Time Period, Marvel’s artists and writers also were paid their agreed per-page rate for completed assignments submitted for publication, even if Lee required changes to be made to the work after submission.
- Kirby was paid for all the completed assignments he submitted to Marvel during the Time Period, even if the work was not published and even if Lee required that changes be made to it prior to publication.

**Defendants’ Burden To Rebut The Work-For-Hire Presumption**

Once Marvel has shown “some credible evidence” that satisfies the instance and expense elements of the work-for-hire analysis, it thus is entitled to the “almost irrebuttable presumption” that Kirby’s contributions to the Works are works made for hire. *See, e.g., Hogarth* 342 F.3d at 158; *Fifty-Six Hope Road Music Ltd.*, 2010 WL 3564258, at \*8. To overcome the work-for-hire presumption, the burden shifts to Defendants to prove by the preponderance of the credible evidence the existence of an express agreement between Marvel and Kirby that the Works were not works for hire and that Kirby would therefore be the author of the Works for copyright

purposes. *See Playboy Enters.*, 53 F.3d at 554-55; *Fifty-Six Hope Road Music Ltd.*, 2010 WL 3564258, at \*8; *see also Twentieth Century*, 429 F.3d at 881; *Murray*, 566 F.2d at 1309.

Defendants have stipulated that there was no agreement in existence between Marvel and Kirby during the Time Period, and there is no evidence in the record that any such agreement was ever made. Accordingly, Defendants cannot rebut the work-for-hire presumption.

Respectfully submitted,

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By: /s/ James W. Quinn

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