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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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

Plaintiffs,

-against-

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

Defendants.

Civil Action No. 10-141 (CM) (KF)

DEFENDANTS' PRE-TRIAL STATEMENT

[Hon. Colleen McMahon]
[ECF Case]

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

Counterclaimants,

-against-

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

Counterclaim-Defendants.

Pursuant to paragraph 3.E.ii of Judge McMahon's Individual Practices, Defendants Lisa R. Kirby, Barbara J. Kirby, Neal L. Kirby and Susan M. Kirby ("Kirbys") hereby submit their statement of the elements of each claim or defense involving them, together with a summary of the facts relied upon to establish each element.

Marvel's Declaratory Relief Re: Invalidity of the Kirbys' Notices of Termination:

On or about September 16, 2009, the Kirbys, the adult children and heirs of the legendary comic book artist and creator Jack Kirby ("Kirby"), sent to plaintiffs and various other parties forty-five notices of termination (the "Termination Notices") pursuant to section 304(c) of the Copyright Act of 1976 (the "1976 Act"), 17 U.S.C. § 304(c), statutorily terminating Kirby's prior grants of his copyright interests (the "Rights") to plaintiffs and counterclaim-defendants' predecessors in interest (collectively, with plaintiffs, "Marvel"), including an assignment of copyrights to Marvel executed by Kirby on May 30, 1972. The Rights, which are the subject of the Kirbys' Termination Notices, are Jack Kirby's copyright interests as the co-author of various comic books (the "Works") published by Marvel between September 1958 and September 1963 (the "Time Period").

On January 8, 2010, Marvel commenced this action for a judgment pursuant to 28 U.S.C. § 2201 declaring all the Termination Notices invalid. Marvel predictably alleged in its complaint that the Kirbys have no rights under section 304(c) of the 1976 Act and argued in retrospect that all of the material created by Kirby and published by Marvel was supposedly "work made for hire" – the lone exception to the "inalienable" termination right.

Marvel's defense to the validity of the Termination Notices fails because none of Kirby's material published in the Works was created by Kirby as "works made for hire" owned at inception by Marvel. This revisionist history does not jibe with the custom and practice of freelance artists and publishers or with Marvel's own conduct or documents. The simple reality during the Time Period was that Marvel, without any upfront guarantees, simply purchased the material created by Kirby and other freelance artists upon its completion and approval - the antithesis of "work for hire" employment.

As "work for hire" is a statutory exception to the termination statute, Marvel bears the heavy burden of proving by credible evidence that Kirby created his material at both Marvel's "instance" and at its "expense" under the 1909 Copyright Act (the "1909 Act").

Marvel Cannot Meet Its Burden of Satisfying the "Expense" Prong

Marvel will not be able to satisfy the "expense" prong of the "work for hire" analysis. This alone will preclude a finding of "work for hire." The "expense" prong focuses on whether the publisher was legally obligated to pay the freelancer a "sum certain" for the work prior to its creation. Marvel fired nearly all its employees in 1957 and converted to a freelance model to reduce its financial obligations. Thus Marvel intentionally had no contracts with Kirby or with any other freelancer during the Time Period. Marvel was not legally obligated to buy artwork submitted by Kirby or by any other freelancer during the Time Period. Payment to freelancers for their artwork was *contingent* on Marvel's acceptance of completed artwork.

Kirby worked as a freelancer from the basement of his own home, without any financial security. Kirby bore the financial risk of creating the material in question without any guarantees of acceptance and payment by Marvel. Kirby shouldered all the

expenses of creating his material, for which he was not even reimbursed by Marvel. Kirby was paid on a "per page" basis only for those pages that Marvel ultimately accepted. Kirby was not paid for rejected pages or for revisions he performed at Marvel's request as a condition to its acceptance. Defendants will rely on the testimony of witnesses from the Time Period including Richard Ayers, Gene Colan, Larry Lieber, and Joe Sinnott, witnesses from shortly after the Time Period such as Neal Adams, Jim Steranko and John V. Romita, Neal and Susan Kirby, who were teenagers at the time, and their experts, Mark Evanier and John Morrow. Defendants will further rely on documentary evidence, including Marvel's checks to freelancers with assignment language on the back, numerous Marvel contracts with freelancers in the mid- to late 1970's, including a 1975 contract with Kirby, with explicit copyright grant provisions and no mention of "work for hire"; rejected Kirby artwork originally created for Marvel projects that Kirby exploited elsewhere without objection by Marvel; and several 2008 contracts whereby Marvel licensed from Kirby's estate, at a per page rate, rejected Kirby artwork originally created for Marvel's *Fantastic Four, Thor and The Incredible Hulk* comic books.

Marvel Cannot Meet Its Burden of Satisfying the "Instance" Prong

Marvel will also not be able to satisfy the "instance" prong of the "work for hire" test. The "instance" prong focuses on whether the publisher had the legal *right* to direct and control a work's creation. As Marvel had no contract with Kirby during the operative Time Period, Marvel lacked the legal right to direct or control Kirby's work. In fact, the first agreement with Kirby that Marvel produced is a 1972 "Assignment" of

Kirby's copyrights in material published by Marvel prior to 1972, including material created in the Time Period.

Marvel maintains it had a "right" of control because it could edit the works, reassign artists or cancel comic books. However, Marvel had no "right" to edit or modify Kirby's material unless and until Marvel bought it. Marvel's suggestions or Kirby's compliance, if any, were a simple function of Marvel's buying power and leverage as a publisher.

It was an open-ended relationship dictated by the market place, not "work for hire" principles. Just as Marvel was not legally obligated to Kirby, Kirby was not legally obligated to Marvel during the Time Period. Kirby was free to reject any of Marvel's requests or to submit material that Marvel did not request. The fact that this might result in a lost sale shows that such works were not owned by Marvel at inception as "works for hire." As Kirby and other freelancers were not paid to redraw their freelance submissions, to the extent they did so, it was obviously to get Marvel to buy their work. Kirby was also free to, and did, pitch and sell work to other publishers during the Time Period while he was selling work to Marvel, as did other freelance artists that worked with Marvel.

As with the "expense" prong, Defendants will rely on the testimony of witnesses from the Time Period including Richard Ayers, Gene Colan, Larry Lieber, and Joe Sinnott, witnesses from shortly after the Time Period such as Neal Adams, Jim Steranko and John V. Romita, Neal and Susan Kirby, who were teenagers at the time, and their experts, Mark Evanier and John Morrow. Defendants will further rely on documentary evidence, including Marvel's checks to freelancers with assignment language on the

back, numerous Marvel contracts with freelancers in the mid- to late 1970's, including a 1975 contract with Kirby, with explicit copyright grant provisions and no mention of "work for hire"; unpublished Kirby artwork originally created for Marvel projects that Kirby exploited elsewhere without objection by Marvel; and several 2008 contracts whereby Marvel licensed from Kirby's estate at a per page rate, unpublished Kirby artwork originally created for Marvel's *Fantastic Four, Thor and The Incredible Hulk* comic books.

Counterclaims for Declaratory Relief Re: Validity of the Termination Notices

The Kirbys have counterclaimed for a judgment pursuant to 28 U.S.C. § 2201 declaring that the Kirbys' Termination Notices are valid and will terminate, on the respective termination dates set forth therein, all prior grants, assignments or transfers of Kirby's interest in the renewal copyrights in the Works to Marvel. The Termination Notices were drafted and served in full compliance with 17 U.S.C. § 304(c), and the regulations promulgated thereunder by the Register of Copyrights, 37 C.F.R. § 201.10:

1. On September 16, 2009, the Kirbys, the statutory heirs of Jack Kirby pursuant to 17 U.S.C. § 304(c)(1)-(2), who own the entirety of Kirby's termination interest, served forty-five (45) written notices of termination on the grantees (or grantees' successors in interest), Marvel, Disney and various other entities, pursuant to 17 U.S.C. § 304(c)(4).

2. The Termination Notices identify the following published works (including the story lines, characters and other copyrightable elements contained therein), as subject to termination pursuant to 17 U.S.C. §304(c)(3), each of which was at least co-authored by Kirby, published with a cover date ranging from September 1958 to

September 1963, and duly registered with the Copyright Office: *Amazing Adventures*, Vol. 1, Nos. 1-6; *Amazing Fantasy*, Vol.1, No. 15; *The Amazing Spider-Man*, Vol. 1, Nos. 1-7; *The Avengers*, Vol. 1, Nos. 1-2; *The Fantastic Four*, Vol. 1, Nos. 1-21; *The Fantastic Four Annual*, No. 1; *Journey Into Mystery*, Vol. 1, Nos. 51-98; *The Incredible Hulk*, Vol. 1, Nos. 1-6; *The Rawhide Kid*, Vol. 1, Nos. 17-35; *Sgt. Fury and His Howling Commandos*, Vol. 1, Nos. 1-4; *Strange Tales*, Vol. 1, Nos. 67-115; *Tales of Suspense*, Vol. 1, Nos. 1, 3-48; *Tales to Astonish*, Vol. 1, Nos. 1, 3-50; and *The X-Men*, Vol. 1, Nos. 1-2.

3. The Termination Notices each state their effective date of termination, which falls within the requisite five year window pursuant to 17 U.S.C. § 304(c)(4)(A), of not fewer than fifty-six years nor more than sixty-one years after copyright was originally secured in the works.

4. Having been served on September 16, 2009, the Termination Notices were each properly served not less than two or more than ten years before the respective Termination dates pursuant to 17 U.S.C. § 304(c)(4)(A).

5. The Termination Notices were each signed by each of the Kirbys, pursuant to 17 U.S.C. § 304(c)(4).

6. The Termination Notices complied with all of the requirements of 37 C.F.R. § 201.10(b)(1), and identified: that the termination was pursuant to § 304(c); the name of each grantee whose rights were terminated, or the grantee's successor in title; the address at which service of the notice was made; the title and the name of at least one author of, and the date copyright was originally secured in, each work to which the notice of termination applies, and its original copyright registration number where possible and

practicable; the grant(s) to which the notice of termination applies; the effective date of termination; and the surviving person or persons who executed the grant and their relationship to the deceased author. The Termination Notices were signed as required by 37 C.F.R. § 201.10(c), and served as required by 37 C.F.R. § 201.10(d).

Accordingly, the Termination Notices were valid and proper under the Copyright Act, 17 U.S.C. § 304(c). Upon the respective effective termination dates set forth in the Termination Notices, the Kirbys and Marvel/Disney will co-own the copyrights for their extended renewal terms in and to the respective Works listed in the Termination Notices. On and after such respective termination dates, the parties, as copyright co-owners to such respective Works, will each have the non-exclusive right to exploit such copyrights, subject to a duty to account to one another for a pro-rata share of the profits from such exploitation, and neither party can make exclusive grants or licenses of such copyrights.

Dated: April 1, 2011

Respectfully submitted,
TOBEROFF & ASSOCIATES, P.C.

/s/ Marc Toberoff

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served electronically by the Court's ECF system and by first class mail on those parties not registered for ECF pursuant to the rules of this court.

Dated: April 1, 2011

Respectfully submitted,
TOBEROFF & ASSOCIATES, P.C.

/s/ Marc Toberoff

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