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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 M. KIRBY,

Defendants.

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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,

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Counterclaim-Defendants.

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

**REPLY MEMORANDUM IN  
SUPPORT OF DEFENDANTS'  
MOTION FOR SUMMARY  
JUDGMENT**

[Hon. Colleen McMahon]  
[ECF Case]

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## INTRODUCTION

Marvel's opposition (Docket No. 81, "Opp.") to defendants/counterclaimants' (the "Kirbys") motion for summary judgment is little more than an assault on straw men. As shown in the Kirbys' motion, the "expense" prong of the "instance and expense" test can only rationally be met if the putative employer had a prior legal obligation to pay for an independent contractor's work. The cases relied upon by Marvel, *e.g.*, *Hogarth*, *Playboy*, *Fifty-Six Hope Road*, *Brattleboro* and *Twentieth Century*, *all* contain such a prior obligation to pay a "sum certain" to a freelancer. As Marvel loses on this critical issue, it never hits it head on. Instead, by repeatedly skirting the issue, it effectively admits it. Marvel pretends the Kirbys claim that to meet the "expense" prong, Marvel must *pay* for work before its creation or pay for incomplete work, and that freelance material can never be "work for hire" under the 1909 Act. The Kirbys claim no such thing. Marvel floats the red herring that it paid for work it chose to buy, but ultimately not publish, when the issue is whether it was obligated to pay for the work in the first place. Try as it might to bypass this issue, Marvel cannot meet its burden of establishing the "expense" prong, because in 1958-1963 (the "Period"), Marvel intentionally kept its options open, avoided employment or freelance contracts, and had no legal obligation to buy Jack Kirby's submissions. It is clear that Marvel did not own Kirby's prolific creations as "work for hire" the moment his pencil hit paper in the basement studio he fondly called "The Dungeon." Marvel simply purchased that completed Kirby material it chose to accept in its sole discretion.

## ARGUMENT

### **I. MARVEL CANNOT ESTABLISH ITS "WORK FOR HIRE" DEFENSE**

#### **A. Marvel Misinterprets the Governing Legal Standard**

Marvel's Opposition reads as if the Kirbys have the burden to disprove its revisionist

“work for hire” theory, when Marvel bears the burden of establishing its purported defense by credible evidence. *Woods v. Bourne Co.*, 60 F.3d 978, 993 (2d Cir. 1995). The Kirbys do, but are not required to, affirmatively disprove Marvel’s unsupported assertions. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Moreover, the Court is required on summary judgment to draw only “reasonable factual inferences in favor of the party against which summary judgment is sought.” *Law Debenture Trust Co. v. Maverick Tube Corp.*, 595 F.3d 458, 468 (2d Cir. 2010) (emphasis added). Thus, if Marvel’s evidence is “merely colorable and not significantly probative, summary judgment may be granted.” *Scott v. Almenas*, 143 F.3d 105 (2d Cir. 1998), quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249-50 (1986).<sup>1</sup>

Marvel cannot meet its burden of establishing that Kirby created his material at its “instance” and “expense.” Marvel repeatedly tries to reduce this test to vague sound bites divorced from reason, the facts of the cases it cites, and the reality of its relationship with Kirby. Signaling its insecurity, Marvel erroneously argues that it need only proffer “some credible evidence” to prove “instance and expense.” Opp. at 13. This is not the law. It appears only in two out-of-Circuit cases cited by Marvel, and was used to characterize the evidence *at trial*. *See 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). Marvel’s standard is nowhere supported by the Second Circuit cases on which it relies, *all* of which analyzed “instance and expense” based on a record squarely established at a bench trial. *See, e.g., Estate of Hogarth v. Edgar Rice Burroughs, Inc.*, 342 F.3d 149, 150 (2d Cir. 2003); *Martha Graham School & Dance Found., Inc. v. Martha Graham*

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<sup>1</sup> Marvel erroneously attempts to limit the court’s review solely to determinative facts in stating “only material facts that ‘might affect the outcome of the suit under the governing law’ are considered,” purporting to quote *Spiegel v. Schulmann*, 604 F.3d 72, 81 (2d Cir. 2010). Opp. at 12. *Spiegel* nowhere contains this statement, nor does it stand for this. An *issue* of fact must be material to the outcome to bar summary judgment, *Liberty*, 477 U.S. at 248; that does not mean that on summary judgment a Court is limited to only considering dispositive facts or evidence.

*Center of Contemporary Dance, Inc.*, 380 F.3d 624, 631 (2d Cir. 2004); *Playboy Enterprises, Inc. v. Dumas*, 53 F.3d 549, 551 (2d Cir. 1995). At this stage, the ordinary summary judgment standard applies as to whether Marvel can satisfy the “instance and expense” test. *See, e.g., Archie Comic Publ’ns, Inc. v. DeCarlo*, 258 F. Supp. 2d 315, 329 (S.D.N.Y. 2003).<sup>2</sup>

**B. Marvel Cannot Meet Its Burden of Establishing the “Expense” Prong**

**1. The “Expense” Prong Is Only Met When the Hiring Party Is Obligated to Pay for the Material To Be Created**

Marvel cannot possibly meet the “expense” prong that distinguishes “work for hire” from the mere purchase and assignment of finished material. *See Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737, 745 (2d Cir. 1975) (“The existence of evidence that is as consistent with a [“for hire”] relationship as it is with numerous other hypotheses cannot be bootstrapped” to support “work for hire.”). As shown (Motion at 16-22), the crux of the “expense” prong is not whether a publisher ended up paying a “sum certain,” as this would apply equally to the purchase of non-“work for hire,” but whether it had a pre-existing obligation to pay for freelance material.

Marvel implausibly contends that “when the hired party has been paid a fixed sum ... that alone is sufficient to fulfill the expense prong” (Opp. at 14), and claims this is supported by “decades of precedent.” *Id.* at 13. However, in *each* case on which Marvel relies, the hiring party had a legal obligation *prior* to the work’s creation to pay the creator for his work. *See Playboy*, 960 F. Supp. 710, 715 (S.D.N.Y. 1997) (publisher obligated to pay a turn-down fee for rejected work); *Twentieth Century Fox Film Corp v. Entertainment Distrib.* (“*Twentieth Century*”), 429 F.3d 869, 881 (9th Cir. 2005) (publisher contractually obligated to pay author a

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<sup>2</sup> If the “instance and expense” test is met, “the hiring party is presumed to be the author.” *Id.* However, this is not an “almost irrebutable presumption” (Opp. at 13); rather, the independent contractor need only “demonstrate by a preponderance of the evidence that [] a contrary agreement,” which can be either “written or oral,” was reached. *Playboy*, 53 F.3d at 554-55.

nonrefundable cash advance against royalties); *Brattleboro Publishing Co., v. Winmill Publishing Corp.*, 369 F.2d 565, 567-68 (2d Cir. 1966) (advertiser obligated to pay for ad's creation); *Hogarth*, 342 F.3d at 163, 2002 U.S. Dist. LEXIS 4219, at \*57 (S.D.N.Y. Mar. 15, 2002) (contractual obligation to pay a fixed sum); *Fifty-Six Hope Rd. Music Ltd. v. UMG Recordings, Inc.*, 2010 U.S. Dist. LEXIS 94500, at \*30-32 (S.D.N.Y. Sept. 10, 2010) (publisher contractually obligated to pay a nonrefundable advance against royalties); *In re Marvel*, 254 B.R. at 830 (“[publisher] paid [author] a flat fee per page of copy that [author] *provided*.”) (emph. added); *Murray v. Gelderman*, 566 F.2d 1307, 1309-11 (5th Cir. 1978) (“work for hire” created pursuant to an employment contract, where employee was “to be compensated for her services” and publisher “reimbursed [employee] for out-of-pocket expenses”).

*Hogarth*, *Brattleboro* and *Playboy* are illustrative. In *Hogarth*, the parties' contract provided for a fixed sum to be paid to the artist shortly after the contract's execution, and another fixed sum upon completion of the work. 342 F.3d at 152. The Second Circuit deferred to the district court's opinion on the “instance and expense” test (*id.* at 163), which found “expense” due to the “non-refundable advance against royalties” and the publisher's consequent “full assumption of the risk of loss on the project.” 2002 U.S. Dist. LEXIS 4219, at \*57. Interestingly, the district court discounted the artist's voluntary payment of certain expenses, on the grounds he was “never *contractually* bound to pay any of these costs.” *Id.* at \*59 (emphasis added). In *Brattleboro*, the issue was whether advertisers or a newspaper owned the copyrights in ads created by the newspaper for the advertisers. The Second Circuit clearly held that because the advertisers, when purchasing ad space, were pre-obligated to pay for the ad's creation, such work was created at the advertiser's “expense.” 369 F.2d at 567-68. *Playboy* concerned artwork created under the 1909 Act and later under the 1976 Act. On remand, the district court found

that the magazine met the “expense” prong by obligating itself prior to the works’ creation to pay a “turn-down” fee for any work it rejected. 960 F. Supp. at 715. Marvel fails to address this “turn-down” fee, which applied to artwork created under the 1909 Act. *Id.*<sup>3</sup> See also *Niss v. Columbia Pictures Indus.*, 2000 U.S. Dist. LEXIS 18328, at \*28 (S.D.N.Y. Dec. 20, 2000) (expense test met where employer was *contractually obligated* prior to creation to pay author); *Muller v. Walt Disney Prods.*, 871 F. Supp. 678, 684 (S.D.N.Y. 1994) (same).

“Work for hire” must be owned “automatically upon the employee’s creation of the work.” *Hogarth*, 342 F.3d at 162. Under Marvel’s faulty “paid a fixed sum” construction (Opp. at 14), whether a work is “for hire” would be undetermined until the putative employer decided to pay (or not pay) for it, and thus could not be owned at inception as “work for hire.” Without a more definitive legal structure, “work for hire” would cease to have any real meaning.

## **2. The Evidence Shows That Marvel Had No Legal Obligation to Pay**

Marvel, who has the burden of establishing its “work for hire” defense by credible evidence, fails to rebut the Kirbys’ ample evidence that Marvel had no legal obligation to pay for the material Kirby submitted to it. Instead, Marvel falsely argues that the Kirbys have no personal knowledge, that they have no percipient witnesses with knowledge of the Period, and that the Kirbys’ experts have no percipient knowledge. Opp. at 6. In truth, the Kirbys cite the testimony of numerous witnesses called by Marvel itself, including Larry Lieber, John Romita

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<sup>3</sup> Instead, Marvel sidetracks this issue by distinguishing a different *Playboy* statement – “[t]he district court on remand may find that... Playboy was not the motivating factor behind [the artist’s] paintings ... Playboy had no commitment to purchase any of [the artist’s] work” – as applicable to 1976 Act artwork. 53 F.3d at 563; Opp. at 16. But, as evidenced by its use of “motivating factor,” and other statements, the Second Circuit regarded the “instance and expense” test and the 1976 Act standard as essentially equivalent. 53 F.3d at 562 (“[T]he phrase ‘specially ordered or commissioned’ [in 1976 Act] has essentially the same meaning as ‘instance and expense.’”). *Playboy*’s analysis thus shows how it viewed the “instance and expense” test.

and Stan Lee. The Kirbys also present testimony of Marvel veterans Gene Colan, Dick Ayers, and Joe Sinnott, who worked extensively with Marvel during the Period, as well as Neal Adams and Jim Steranko, who, like Marvel's witnesses Roy Thomas and John Romita, started working with Marvel in the mid-to-late-1960's, just after the Period. Neal and Susan Kirby, who were teenagers at the time, testified as to relevant subjects based on personal knowledge. As shown in the Kirbys' oppositions to Marvel's motions to exclude Evanier and Morrow, experts need not be percipient witnesses in order to testify. *See* Docket No. 84 at 6-8, 10-17; No. 86 at 10-15.<sup>4</sup>

All the record evidence points to the conclusion that Marvel, after near bankruptcy in 1956-57, converted to a freelance model, *with no contracts*, to drastically reduce its financial commitments and keep its options open. *See* Declaration of Mark Evanier (Docket No. 74) ("Ev. Dec."), Ex. A at 7-8; Declaration of John Morrow (Docket No. 75) ("Mor. Dec.") Ex. A at 5-6; Declaration of Marc Toberoff (Docket No. 77) ("Tob. Dec."), Ex. F (Romita) at 200:4-201:20; Reply Declaration of Marc Toberoff ("Tob. Rep. Dec."), Ex. 1 at 78-80; Ex. 2 (Lee) at 367:15-373:13; Declaration of Richard Ayers (Docket No. 91) ("Ayers Dec.") ¶ 12 ("From 1959 to 1975, I never had a written contract with Marvel."); Declaration of Joe Sinnott (Docket No. 92) ("Sinnott Dec.") ¶ 10 ("I had no contract with Marvel when working as a freelancer in the 1950's and 1960's. In those days the business was very small, hectic and disorganized. You worked hand-to-mouth to feed your family with no financial security at all."); Declaration of Gene Colan (Docket No. 99) ("Colan Dec.") ¶ 9; Declaration of Neal Adams (Docket No. 93) ("Adams

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<sup>4</sup> The Federal Rules of Evidence welcomes such expert testimony based on historical study, knowledge and experience, as long as it may assist the trier of fact. *See* F.R.E. 702; *Kumho Tire Co. v. Carmichael*, 526 U.S. 137 (1999); *United States v. Joseph*, 542 F.3d 13, 21 (2d Cir. 2008) (expert testimony in social sciences does not require "the exactness of hard science methodologies"). Both Morrow and Evanier are imminently qualified. Docket No. 86 at 3-6. Marvel has acknowledged as much by repeatedly hiring each of them as advisors and to write forewords to its publications. Docket No. 84 at 2-3; No. 86 at 4-5; No. 88 at ¶ 2.

Dec.”) ¶ 7; Declaration of James Steranko (Docket No. 94) (“Steranko Dec.”) ¶ 8.

To curtail its financial risk, Marvel thus paid Kirby and other freelancers, who it forced to work from their own homes and to shoulder all expenses of creation, by the page for those pages of completed material that Marvel accepted in its sole discretion. Ayers Dec. ¶ 10 (“I ... paid for all my own expenses ... I was not reimbursed for these expenses by Marvel.”); Sinnott Dec. ¶¶ 11 (“[I]t was my understanding that they were under no legal obligation to buy any work from me ... payment for my material was always subject to their acceptance and approval of the finished product. It was only after I submitted completed material, and Marvel approved it, that I was paid....”); Colan Dec. ¶¶ 8-9; Steranko Dec. ¶¶ 10-14; Tob. Dec., Ex. E (Lieber) at 76:4-24; Ex. F (Romita) at 194:11-21, 199:8-200:3, 210:3-8.

Marvel did not pay for work it did not like, and similarly did not pay for pages it wanted to be redrawn, in its sole discretion. *See* Ayers Dec. ¶¶ 11-12 (“I was not paid for rejected material, nor was I paid for ... redoing any artwork at Marvel’s request as a condition to their purchase.”); Colan Dec. ¶¶ 8-9 (“Marvel ... did not pay for rejected material or material it wanted you to revise.”); Adams Dec. ¶¶ 11-12; Tob. Dec., Ex. B (Evanier) at 50:1-51:25; 61:24-62:9; Ex. C (Evanier) at 136:7-138:22; Ex. E (Lieber) at 76:25-79:4; Ex. F (Romita) at 123:18-125:12; Ex. G (Neal Kirby) at 57:19-58:21; 62:19-63:6; 234:6-236:1; Ex. H (Susan Kirby) at 37:6-19; Declaration of Randi Singer (Docket No. 66, “Singer Dec.”) Ex. 46 at ¶ 3 (Marvel’s 1975 agreement with Kirby: “rewrites/redrawing and changes shall not constitute pages for purposes of computing fee payable hereunder.”).<sup>5</sup> Marvel effectively admits this. *Opp.* at 6-7.

Kirby freely sold elsewhere the artwork Marvel rejected. *Mor. Dec. Ex. A* at 9-10; *Ev.*

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<sup>5</sup> Marvel falsely claims that Neal Kirby never testified to seeing rejected Kirby artwork. Neal specifically recalled and testified to *two* specific instances he witnessed of rejected artwork his father was not paid for. *See* *Tob. Dec., Ex. G* at 57:18-58:21, 235:6-236:1.

Dec. ¶¶ 17-20, Exs. B (K355-56), C, D. Kirby freely worked with other companies in the Period (see Defendants' Rule 56-1 Statement (Docket No. 78) ("56-1 Stmtnt") ¶¶ 16-17). See *Donaldson Publishing Co. v. Bregman, Vocco, & Conn, Inc.*, 375 F.2d 639, 643 (2nd Cir. 1967).

### 3. Marvel's "Straw Man" Arguments Fail

Marvel can cite no evidence that it was under a pre-existing legal obligation to pay Kirby for the material he created. Marvel thus skirts this critical issue, and, in so doing, effectively admits that it did not obligate itself to pay Kirby. To distract, Marvel falsely attacks the Kirbys' evidence, as if they, not Marvel, have the burden of proof as to its "work for hire" defense, and refute frivolous straw men that the Kirbys "require a showing that Marvel was legally obliged to pay, sight unseen, for any creative contribution that it commissioned irrespective of its state of completion," or that the Kirbys claim that "the expense prong is [] tied to the timing ... of a payment" or that "independent contractors cannot create works made for hire under the 1909 Act," when the Kirbys made no such arguments. Opp. at 15-17.

In attacking these straw men, Marvel argues that it is "commercially absurd" that publishers would oblige themselves to write a "blank check ... to secure the services of a third party." Opp. at 17. This so-called absurdity occurred in numerous cases on which Marvel heavily relies, such as *Hogarth*, 2002 U.S. Dist. LEXIS 4219, at \*57, and *Twentieth Century*, 429 F.3d at 881, where the publisher paid the author a nonrefundable cash advance. It is a common practice in the publishing, music and film industries to provide contracts with advances or other guaranteed payment before a work is completed or often even started. Marvel lamely argues that such an obligation somehow jeopardizes the hiring party's ability to supervise the creation of a work. Opp. at 17. On the contrary, a publisher's legal obligation to pay and the author's converse obligation to create material *supports* "instance and expense" under the 1909

Act. *See Playboy*, 53 F.3d at 554; *Martha Graham*, 380 F.3d at 635. Absent such a mutual legal obligation, the publisher or artist could “walk away” at any time, negating both prongs.

Marvel misleadingly trumpets that “[d]efendants concede that Kirby was paid an agreed per-page rate for completed assignments he submitted to Marvel.” Opp. at 14. As consistently stated and shown by the evidence, Kirby was paid a per-page rate only those pages Marvel decided to accept and purchase, which is antithetical to Marvel’s “work for hire” defense. 56-1 Stmt ¶¶ 14-16. Similarly, Marvel’s claim that it “paid all ... artists ... long before publication and irrespective of whether the work was used” (Opp. at 15) is a red herring with no bearing on the issue of whether Marvel was obligated, in the first instance, to pay for the material Kirby created. The question is not whether Marvel ultimately published all the material it purchased, but whether it was “on the hook” before Kirby created his material to pay Kirby for such work. Once Marvel *purchased* Kirby’s submissions, it could “use” or not use the material as it saw fit.

#### **4. Marvel’s Attacks on Defendants’ Evidence Fail**

Marvel strains to cast some existential doubt on the testimony of numerous witnesses that Marvel did not pay for rejected work. For example, Marvel takes issue with Larry Lieber’s testimony regarding rejected *Hulk* pages, arguing that there is no “proof” the pages were ever submitted or that Kirby was not paid. Opp. at 10-11. This is nonsense. Lieber testified to seeing Kirby storm out of Lee’s office, angrily tear up the *Hulk* pages and throw them in the trash. Tob. Dec., Ex. E at 103:7-19. Rational inferences can be drawn from these events. *See* Tob. Dec., Ex. E at 105:11-14 (Lieber: “I assumed seeing a man walk out of the office and tear his artwork up, that ...they were rejected and he was annoyed or disgusted.”).<sup>6</sup> Kirby would not have been upset

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<sup>6</sup> The Kirbys’ expert John Morrow opined that the torn pages were drawn in the Period as Kirby only worked on the first six issues of *The Incredible Hulk*, which ran from May 1962 until March 1963. Tob. Dec., Exs. D (Morrow) at 89:13-91:4, N, O, X (MARVEL18465-66).

if he had been paid, and if Marvel owned the pages, he certainly would not have torn them up.

Marvel falsely claims that defendants' expert Mark Evanier "agreed" with Marvel's straw man that it paid for accepted work "irrespective of whether and how they were ultimately used." Opp. at 17. Evanier merely agreed that if Kirby's artwork was accepted by Marvel, then he was paid, even if it was ultimately not published for some reason. Opp. at 6. But the issue is whether Marvel paid Kirby for work it *rejected*. Evanier clearly testified that it did not. Tob. Dec. Ex. C at 136:7-138:22; *see also* Tob. Dec. Ex. B at 61:24-62:6 ("Jack's complaint was that ...if he had to draw 26 pages for a 20 page story, he was only paid for 20 pages."), Ex. C at 140:19-142:21 (failure to pay for rejected Spider-Man pages);<sup>7</sup> Ev. Dec., Ex. A at 12 ("If a page or story was rejected by Marvel, [Kirby] was not compensated for it .... If Marvel rejected seven pages of Kirby's work, and he redid the seven pages which were then accepted, Kirby would not be paid for fourteen pages, but simply for the seven pages approved for purchase.").

Marvel tries to exclude ¶¶ 17-20 of Evanier's declaration (Docket No. 74) (describing works that Marvel rejected and Kirby used elsewhere) by falsely arguing it "contains allegations not in his expert report." Opp. at 19. Evanier testified on these topics both in his expert report (*see* Ev. Dec., Ex. A at 8-9, 16), at his deposition as a fact witness (Tob. Dec. Ex. B at 50:19-51:25, 56:2-57:19), *and* at his expert deposition (Tob. Rep. Dec., Ex. 3 at 231:13-232:22).

Marvel also attempts to limit the Kirbys' witnesses to those who personally witnessed Marvel and Kirby in the Period. Yet Marvel freely offers testimony of such witnesses as Roy Thomas and John Romita,<sup>8</sup> who did *not* work for Marvel during the Period, to raise inferences

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<sup>7</sup> Marvel also claims Morrow agreed with the unremarkable proposition that Marvel's owner Martin Goodman "handled all the money." That is irrelevant to the issue of whether Kirby bore the financial risk of *creation*. On that point, Morrow is clear. *See* Mor. Dec., Ex. A at 7-10.

<sup>8</sup> Marvel mischaracterizes Romita's damaging testimony, claiming he was only "instructed to stop work" (Opp at 11) when in fact he was not paid for pages he had completed. Tob. Dec. Ex.

about its practices in the Period. Tob. Rep. Dec. Ex. 4 (Romita) at 219:6-220:11; Ex. 5 (Thomas) at 112:3-6; 214:11-13. Evidence close to the Period is probative. Marvel bears the burden of proving “instance and expense,” and it provided no evidence that Marvel’s practices or intent changed between the early 1960’s and mid-to-late 1960’s or even the 1970’s.

In the mid-1970’s, Marvel, with the financial success of Kirby’s superheroes, and its purchase by Cadence, was a larger, better funded, more organized company. Ev. Dec., Ex. A at 13. The only reasonable inference is that if Marvel’s freelance checks/contracts in the mid-1970’s still had express purchase and assignment language, with no mention of “work for hire,” then Marvel, in the haphazard Period (1958-63), neither intended nor implemented a “work for hire” relationship with freelancers like Kirby. See Tob. Dec., Ex. AA, Ex. T; Tob. Rep. Dec., Ex. 6 at 7 (ME826), Ex. C (ME867), Ex. E ¶ 7 (ME878); Confidential Declaration of Marc Toberoff in Opposition to Marvel’s MSJ (“Tob. Conf. Dec.”), Ex. 10 at ¶ 7; Ex. 11 at ¶ 7; Ex. 12 at ¶ 7; Ayers Dec. at ¶¶ 13-14; Colan Dec. at ¶¶ 12-14; Steranko Dec. at ¶¶ 12-14; Sinnott Dec. at ¶¶ 13-15; Adams Dec. ¶¶ 13-14; Singer Dec., Ex. 46 at ¶ 7.

### **5. Marvel’s Construction of “Financial Risk” is Erroneous**

After admitting that the crux of the “expense” prong is who “b[ears] the entire financial risk associated with *the creation* of the Works” (Marvel’s MSJ (Docket No. 62) at 17, emphasis added), Marvel now hedges in opposition to this motion. It now claims that the expense prong is met when the hiring party “bears the financial risk of production and ultimate success of the work” and “all printing and publication costs as well as the risk of loss if the books were not successful.” Opp. at 14-15. This is fundamentally wrong. The focal point of “work for hire”

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F at 124:5-125:12 (“I had done two or three days work ... [Stan’s assistant said] ‘... Stan says to stop work on the Western book’ .... I said to her ‘well, I spent three days on it. I’d like to get \$100 for the work’ ... I never heard another word about [the] money [from Marvel].”).

analysis is creation. It is not the costs associated with publication/ distribution of a work that is relevant, but who bears the financial risk of *creation*. See 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* (“Nimmer”), § 5.03[B][2][d] at 5-56.9, n.171c (“Plainly, it is the expense of creation, rather than publication, that is relevant” to the expense test.). A publisher always takes on the financial risk of *publication* regardless of whether the published work was “for hire.”

A publisher only takes on the financial risk of *creation* if it obligates itself prior to the work’s creation to pay for the completed work, as was the case in *Twentieth Century*, 429 F.3d at 881 and *Hogarth*, 2002 U.S. Dist. LEXIS 4219, at \*57, both cited by Marvel as to “financial risk.” Marvel cannot have it both ways. Since Marvel chose to not legally obligate itself, Kirby, who invested his time and expense in creating his material without any guarantee of a sale or reimbursement, took on the financial risk of *creation*. Kirby’s payment for his own art supplies and overhead is relevant for this reason. See 56.1 Stmtnt at ¶11; *Fifty-Six Hope Rd. Music Ltd.*, 2010 U.S. Dist. LEXIS 94500, at \*26-27 (expense test met because the “[publisher] paid the [artist] advances against royalties for the creation of the [works]” and “advanced the recording costs,” which “would only be recouped if the albums were successful”).

Marvel argues that it “engaged an entire team to complete comic books,” including “production staff” (Opp. at 14), but this again misses the mark. The focus of this lawsuit is on Kirbys’ creation of material, not on how Marvel published his work after purchasing it. A publisher of a novel may pay for a cover, typesetting, and printing; that would not render the novel a “work for hire.” Marvel paying a “production staff” does not distinguish it from any other publisher, nor demonstrate that it took on the risk of creating the Kirby material at issue.

**C. Marvel Improperly Ignores the Key Legal Distinction Between Ownership by Assignment and Ownership as “Work for Hire”**

Marvel does not, because it cannot, dispute that “work for hire” is a question of the

“mutual intent of the parties.” *Playboy*, 53 F.3d at 556-57. Nor can it dispute that all of the evidence supports that the parties’ understanding was that Marvel acquired Kirby’s completed freelance material via a purchase and assignment, which is antithetical to “work for hire.”

Contrary to Marvel’s revisionist claims, its own conduct during and shortly after the Period – from the “assignment” legends it placed on the back of its freelance checks, to the express grant language in the agreements it finally made with freelancers in the 1970’s which *still* made no mention of “work-for-hire” – support the sole conclusion that Marvel itself viewed its ownership as based on the purchase and assignment of freelance material. *See* Tob. Dec., Ex. AA, Ex. T; Tob. Rep. Dec., Ex. 6 at 7 (ME826), Ex. C (ME867), Ex. E ¶ 7 (ME878); Tob. Conf. Dec., Ex. 10 at ¶ 7; Ex. 11 at ¶ 7; Ex. 12 at ¶ 7; Ayers Dec. at ¶¶ 13-14; Colan Dec. at ¶¶ 12-14; Steranko Dec. at ¶¶ 12-14; Sinnott Dec. at ¶¶ 13-14; Adams Dec. ¶¶ 13-15; Singer Dec., Ex. 46 at ¶ 7. Numerous witnesses testified to Marvel’s consistent use of such assignment language in the Period, and that “work for hire” language did not appear until the late 1970’s (after 1976 Act became effective). *See* Colan Dec. ¶¶ 12-14 (“[I]t was not until the late 1970’s that the words ‘work for hire’ and ‘work made for hire’ were” added to the checks.); Ayers Dec. ¶¶ 13-14 (“Marvel’s checks to me would include stamped writing on the back ... which stated that by signing the check I was transferring to the comic book publisher all of my rights in the material it had purchased.”); Steranko Dec. ¶¶ 12-14; Sinnott Dec. ¶¶ 13-14; Adams Dec. ¶¶ 13-15.<sup>9</sup>

Numerous witnesses, even Marvel’s key witnesses, Stan Lee and Roy Thomas, testified to this basic understanding that Marvel simply purchased the freelance material it accepted. *See* Tob. Dec. Ex. J (Lee) at 396:1-14, Ex. K (Thomas) at 232:5-10, Ex. E (Lieber) at 100:21-101:9; Ayers Dec. ¶¶ 11-14 (“The reality was that Marvel and other comic book publishers bought our

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<sup>9</sup> Contrary to Marvel, Susan Kirby did see the writing on Kirby’s checks: “Q: Well, did you look at the writing on the back of each check? A: I looked at it.” Tob. Dec. Ex. H at 45:24-46:3.

freelance artwork once it had been submitted and accepted by the publisher. I believed that Marvel owned all rights to the artwork because they bought it from me.”); Colan Dec. ¶¶ 9, 12 (“I understood that Marvel would own the artwork I submitted once they accepted it because I was selling it to Marvel.”); Steranko Dec. ¶¶ 8-14; Sinnott Dec. ¶¶ 10-11; Adams Dec. ¶¶ 7-15.

Marvel attempts to explain away this important evidence of the parties’ intent by arguing that assignment language is not “dispositive.” Opp. at 8. However, in each case Marvel cites for this, the publisher was financially obligated prior to creation or there was not “assignment” language. *See Playboy*, 53 F.3d at 563, 960 F. Supp. at 715 (obligated to pay a turn-down fee); *Twentieth Century*, 429 F.3d at 881 (obligated to pay nonrefundable advance against royalties); *Fifty-Six Hope Rd. Music Ltd.*, 2010 U.S. Dist. LEXIS 94500, at \*30-32 (same); *Archie Comic Publ’ns, Inc.*, 258 F. Supp. 2d at 329 (“does not even expressly acknowledge an assignment.”). While random “assignment” language may not be “dispositive” when the evidence strongly favors “work for hire,” where, as here, all the evidence demonstrates that Marvel was not legally obligated to pay for freelance submissions, and that both the freelancers and Marvel viewed their deal as a simple purchase at Marvel’s discretion, “work for hire” cannot be found. *See Marascalco v. Fantasy, Inc.*, 1990 U.S. Dist. LEXIS 18206, at \*3 (C.D. Cal. Oct. 24, 1990) (finding work was not “for hire,” where the employee/author entered into a contract that “assigned his copyright interest, as an author of the Song, to ... the Song’s publisher”).

Marvel also tries to downplay its 2008 licensing of Kirby’s previously rejected *Fantastic Four*,<sup>10</sup> *Hulk, Thor and X-Men* artwork from his estate, which clearly shows that Marvel did not

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<sup>10</sup> Marvel’s objection to the *Fantastic Four: The Lost Adventure* comic book (Mor. Dec., Ex. B) is unfounded as Morrow discussed it in his expert report and deposition, and Marvel licensed and sold it in 2008. Mor. Dec. Ex. A at 3-4; Ex. B; Tob Dec., Ex. D at 91:13-92:5; 138:11-139:4, Ex. S. *See* F.R.C.P. 26(e)(1)(A) (party must supplement “if the additional or corrective information has not otherwise been made known to the other parties during the discovery process ....”)

view Kirby's freelance material as "work for hire," owned by Marvel at inception. *Hogarth*, 342 F.3d at 162. While Marvel attempts to raise doubts, these are clearly Kirby drawings, based on the artwork itself and the fact that Marvel had to license it from Kirby's estate. Tob. Dec., Ex. B (Evanier) at 89:13-92:5; 138:11-139:4; Ex. P; Ex. Q (at K1510-12); Ex. R (at K1492); Mor. Dec., Ex. A at 3; Ex. B. The Kirby covers Marvel licensed with an intended cover date for both an *X-Men* and a *Thor* book strongly indicate that Kirby had long ago submitted this material to Marvel. Tob. Dec., Ex. Q at K1511-12. If Marvel had paid for or owned this material as "work for hire," it would not have sought out the Kirby estate to license and pay for it again.

All of the evidence runs contrary to "work for hire." Marvel's financially motivated attempt to rewrite history and the parties' "actual relationship" is entirely unpersuasive and fails. *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 291 (2d Cir. 2002).

### **CONCLUSION**

For the foregoing reasons, the Kirbys respectfully request that their motion for summary judgment be granted.

Dated: April 8, 2011

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

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

Dated: April 8, 2011

TOBEROFF & ASSOCIATES, P.C.

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