

# CASE No. 11-3333

## UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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Marvel Characters, Incorporated, Marvel Worldwide, Incorporated,  
MVL Rights, LLC,

*Plaintiffs-Counter-Defendants - Appellees,*

Walt Disney Company, Marvel Entertainment, Incorporated,

*Counter-Defendants - Appellees,*

v.

Lisa R. Kirby, Neal L. Kirby, Susan N. Kirby, Barbara J. Kirby,

*Defendants-Counter-Claimants - Appellants.*

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### APPELLANTS' OPENING BRIEF

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Appeal From The United States District Court for the Southern  
District of New York,

Civil Case No. 10-141 (CM) (KF), Hon. Colleen McMahon

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## **STATEMENT OF JURISDICTION**

This action seeking a declaration of rights under Section 304 of the United States Copyright Act was filed by Marvel Worldwide, Inc., Marvel Characters, Inc. and MVL Rights, LLC (“Plaintiffs”) against Lisa R. Kirby, Neal L. Kirby, Susan M. Kirby and Barbara J. Kirby (“Kirbys” or “Defendants”) in the Southern District of New York. The Kirbys counterclaimed against Marvel Entertainment, Inc. (with Plaintiffs and predecessors, “Marvel”) and Plaintiffs’ parent, The Walt Disney Company (“Disney”). The District Court had subject-matter jurisdiction under 28 U.S.C. §§ 1331, 1338 and 1367. This appeal arises from the District Court’s August 8, 2011 judgment after granting Marvel summary judgment. Special Appendix (“SA”) at SA 1-2. The notice of appeal was timely filed on August 15, 2011. Fed. R. Civ. P. 4(a)(1)(A); Joint Appendix (“JA”) at JA(IX) 2419-20. This Court has jurisdiction under 28 U.S.C. § 1291.

## **ISSUES PRESENTED**

1. Did the District Court err in denying Defendants’ motion to dismiss for lack of personal jurisdiction over indispensable parties, and assuming personal jurisdiction over longtime California residents Lisa Kirby and Neal Kirby, whose sole contact with New York was merely mailing statutory notices of termination as required by 17 U.S.C. § 304(c)(4)? The standard of review is *de novo*.
2. Did the District Court err in granting summary judgment to Plaintiffs

where it: (i) determined that Jack Kirby's 1958-1963 creations were "works made for hire" despite genuine issues of material fact; (ii) failed to view the evidence in the light most favorable to Defendants; (iii) determined the credibility of key witnesses; (iv) disregarded or misconstrued Defendants' evidence; (v) contravened clear Second Circuit precedent; and (vi) misinterpreted the "work for hire" test? The applicable standard of review is *de novo*.

3. Did the District Court err in granting Plaintiffs' motion to strike Defendants' experts, Mark Evanier and John Morrow, where these highly regarded Kirby authorities offered proper testimony regarding the relevant history and custom and practice of the comic book industry in the 1958-1963 period in question? The applicable standard of review is abuse of discretion.

4. Did the District Court err in denying summary judgment to Defendants, when all the evidence showed that in 1958-1963 Marvel was not legally obligated to pay Kirby for his services and simply *purchased* that Kirby material it accepted for publication, negating a central prong of the "work for hire" doctrine? The applicable standard of review is *de novo*.

## **STATEMENT OF THE CASE**

Defendants Lisa, Neal, Barbara and Susan Kirby are the children of legendary comic book artist and creator Jack Kirby. This case concerns Defendants' notices of termination (the "Termination Notices") pursuant to the

Copyright Act, 17 U.S.C. § 304(c), of Kirby's grants to Marvel of his copyright interests in the comic book characters/stories he created or co-created as a freelancer from 1958-1963, including the *Fantastic Four*, *Incredible Hulk*, *Thor*, *Sgt. Fury*, and *X-Men*.

The U.S. copyrights in Kirby's works were originally set to expire in the early 2000's. However, the renewal term was extended by the Copyright Act of 1976, and again by the 1998 Copyright Term Extension Act. Congress intended that authors and their families have the opportunity to benefit from these extensions, rather than provide a windfall to assignees. S. Rep. No. 104-315 at 22-23 (1996). To that end, Congress granted authors/heirs the inalienable right to recapture their original copyrights by terminating prior transfers of copyright "notwithstanding any agreement to the contrary." 17 U.S.C. §§ 304(c)(5), (d). The sole exceptions are "works for hire." 17 U.S.C. § 304(c).

On September 16, 2009, the Kirbys availed themselves of this right by serving the Termination Notices on Marvel and Disney, with effective dates of 2014-2019, in full compliance with section 304(c). JA(I) 21-22, JA(VI) 1408-1423.

On January 8, 2010, Marvel filed the instant action seeking declaratory relief that all of Kirby's works were purportedly "work for hire" to nullify the Notices. JA(I) 19-35. Thereafter, the District Court erroneously denied the Kirbys' motion

to dismiss for lack of personal jurisdiction over California residents Lisa and Neal Kirby, whose only New York contact was mailing additional Termination Notices there. JA(I) 36-77; SA 53-68.

On July 28, 2011, the District Court granted Marvel summary judgment, but failed to adhere to the governing standards (resolving every factual and credibility dispute and drawing most inferences in Marvel’s favor), distorted the “work for hire” test, and ruled contrary to binding Second Circuit authority. SA 3-52. The court acknowledged that Marvel’s motion “stands or falls on [Stan Lee’s] testimony,” yet accepted it all, though his credibility/reliability was in sharp dispute. SA 7. The District Court also found that purported “work for hire” acknowledgements, signed decades after creation, were “conclusive[]” (SA 40) contravening *Marvel v. Simon*, 310 F.3d 280 (2d Cir. 2002).

The District Court also misconstrued the “instance and expense” work for hire test under the 1909 Copyright Act, in holding that Marvel satisfied it. SA 50-51.

The record evidence showed that Marvel could not satisfy the “expense” prong as it had no legal obligation to pay Kirby for his services, and purchased by the page only that completed work Marvel wished to publish, in its sole discretion. When Marvel rejected Kirby’s submissions, or wanted pages redrawn, Kirby was not compensated and took the financial loss. Kirby, not Marvel, bore the expense

and financial risk of creation. There was no contract, nor legal commitment between them, other than the assignment language on the back of Marvel's checks purchasing such freelance material. Marvel also could not satisfy the "instance" prong because it could not show a legal right to control Kirby's creative process. Marvel simply had and exerted buying power in lean times.

All the evidence thus pointed to a purchase and implied assignment of that Kirby material Marvel accepted for publication – the converse of "work for hire."

On August 8, 2011, the District Court entered judgment for Marvel. SA 1-2. This appeal followed. JA(IX) 2419-20.

## **STATEMENT OF FACTS**

### **The Comic Book Industry**

From its beginnings in the Great Depression to the 1960s, the comic book business was a "fly-by-night" industry, where publishers came and went at an alarming rate. JA(V) 1095-96, 1147. Comic book publishers saw little value in their disposable product beyond monthly sales figures. JA(V) 1096, 1147. Little to no attention was paid to copyright issues by the publishers or artists. JA(V) 1096, 1152-53.

In the 1930s-40s, at some publishers, artists worked as employees, usually at long rows of desks, resembling a "sweat shop." JA(V) 1096. At others, freelancers submitted completed work and the publisher purchased what it chose to

publish. JA(V) 1096; JA(VI) 1518:17-1519:7, 1523:25-1526:4, 1540:18-1542:9, 1566:18-1567:21, 1568:19-1569:6, 1599:12-1601:1, 1607:6-19; JA(VII) 1741.

## **Marvel Comics**

In 1939, Martin Goodman founded Marvel's predecessor, Timely Comics, where his nephew Stanley Lieber (a.k.a. "Stan Lee") started as an office boy. JA(V) 1097, 1147; JA(VI) 1616:14-1617:4. In 1941, Goodman promoted Lee, then 18, to run this fledgling business. JA(V) 1097, 1147; JA(VI) 1626:22-1627:12. Timely was known for flooding the stands with knockoffs. JA(V) 1098.

In the mid-1940s, Timely had staff artists on salary. JA(V) 1148. In 1949, Goodman discovered surplus artwork, and fired his entire staff. JA(V) 1147; JA(VI) 1492:4-1493:3; JA(VIII) 2147-48 ¶4. In 1954-56, Senate hearings on the corrupting influence of comics nearly bankrupted the industry. JA(V) 1098, 1148; JA(VI) 1549:4-1550:20.

In 1957, Timely again fired all its employees except Lee and an assistant. JA(V) 1099; JA(VI) 1549:4-1550:20; JA(VII) 1731. Timely went from 60 comics a month to 8. *Id.* In 1958, Timely resumed buying freelance material at a per page rate. JA(V) 1099-1100, 1149-51, JA(VI) 1517:4-8. But it had no written contracts with freelancers and no obligation to buy their material. JA(V) 1375 ¶¶ 11-12, 1381 ¶¶10-11; JA(VI) 1386-87 ¶¶7-11, 1392-93 ¶¶8-11, 1518:17-1524:6, 1546:11-21, 1628:19-1629:25, 1663 ¶¶1, 3; JA(VIII) 2149 ¶9. Neither Marvel nor the

freelancers viewed their creations as “work for hire.” JA(V) 1375 ¶13, 1382 ¶15; JA(VI) 1387-88 ¶13, 1392-93 ¶¶8-9; JA(VIII) 2149-50 ¶12.

### **Jack Kirby**

Jack Kirby began his career in the Depression, hauling his art portfolio to publishers in New York. JA(V) 1097. From 1935-1940, he worked on staff at various companies, and supplemented his income selling freelance artwork. JA(V) 1149-50. Kirby then formed his famous partnership with Joe Simon, co-creating *Captain America* and many other comics that they sold to publishers, including Timely. *Id.* Simon and Kirby disbanded in 1955. JA(V) 1097-99, 1149-50.

In 1956, Kirby started submitting more work to Timely. JA(V) 1100, 1150-51. From 1958 until 1970, Kirby produced and sold artwork to Timely/Marvel on a purely freelance basis. JA(V) 1100-1102, 1150-53; JA(VI) 1518:17-1520:8, 1546:11-21, 1628:25-1629:25, 1663 ¶¶1, 3. Like other freelancers, Kirby was not paid a fixed wage, but was paid on a per-page basis for those pages that Marvel chose to purchase. *Id.*; *see also* JA(V) 1375 ¶¶9-12; 1380-81 ¶¶9-11; JA(VI) 1386-87 ¶¶6-12, 1392-94 ¶¶5-14; JA(VI) 1456:15-17, 1482:13-1485:5, 1496:4-1498:12, 1518:17-1526:4, 1529:2-1531:17, 1540:18-1542:9, 1552:24-1553:15; JA(VII) 1741; JA(VIII) 2148-49 ¶¶5-9. If page(s) were rejected, Kirby was not compensated, and personally took the financial loss. *Id.* Marvel also did not pay Kirby for work it wanted redrawn as a condition to its acceptance. JA(V) 1375

¶11; 1381 ¶11; JA(VI) 1386-87 ¶¶7-10, 1393 ¶¶10-11, 1524:20-1526:4, 1566:18-1567:21, 1599:12-1601:1, 1607:6-19; JA(VIII) 2149 ¶9. Kirby was free to sell, and sold, work to other publishers while selling to Marvel. JA(V) 1152-53; JA(VII) 1751-57, 1759-62, 1771-75, 1780. Kirby was free to use rejected work he had created for a Marvel project in work that he sold to Marvel's competitors. JA(IV) 1084-86 ¶¶17-20; JA(V) 1123-1131. Kirby worked out of his own home, set his own hours, paid his own overhead and all expenses of creating/selling artwork, which Marvel did not reimburse. JA(V) 1375 ¶10, 1380-81 ¶9; JA(VI) 1386 ¶7, 1393 ¶10, 1523:4-24, 1546:11-21, 1548:8-1549:2, 1553:19-1555:11, 1556:3-22, 1575:12-1578:11, 1605:15-1606:9; JA(VII) 1826-27; JA(VIII) 2148-49 ¶8. Marvel did not withhold any taxes from its payments, JA(VI) 1393 ¶10; JA(VI) 1526:5-14, 1536:24-1537:24, 1665 ¶13, nor provide Kirby with any benefits or insurance. JA(V) 1375 ¶10, 1380-81 ¶9; JA(VI) 1387 ¶10, 1393 ¶10, 1526:18-25, 1553:6-1554:15, 1664-65 ¶¶10-11; JA(VII) 1745.

In 1958-1963, Marvel had no formal agreement with nor legal obligation to Kirby. JA(V) 1375 ¶¶ 11-12, 1381 ¶¶10-11; JA(VI) 1386-87 ¶¶7-11, 1392-93 ¶¶8-11, 1518:17-1524:6, 1546:11-21, 1552:6-1553:15, 1628:25-1629:25, 1663 ¶¶1, 3; JA(VIII) 2149 ¶9. Excluding the assignment language on the back of Marvel's freelance checks (see, e.g., JA(V) 1375-76 ¶14), the first written agreement with Kirby was executed on June 5, 1972, entitled "Assignment," and assigned all of

Kirby's creations published by Marvel. JA(III) 603-08.

In 1968, Marvel was sold to Perfect Film/Cadence Industries. JA(V) 1104.

Faced with Marvel's haphazard business practices, Cadence sought to shore up Marvel's assets. JA(V) 1104; JA(VI) 1628:25-1629:25. The "work for hire" doctrine became the focus of attention when the 1976 Copyright Act established an explicit "work for hire" regime under which freelance material could be "work for hire." 17 U.S.C. § 101. Thus, in the late 1970's, Marvel started requiring freelancers to sign "releases," as a pre-condition to returning their original artwork, that re-characterized as "work for hire," decades after creation, all of the freelance material Marvel had purchased. JA(III) 777-778; JA(V) 1104-05, 1156-57, 1376 ¶15, 1388 ¶14; JA(VI) 1394-95 ¶¶15-16, 1469:14-1470:23; JA(VII) 1831-41; JA(VIII) 2150 ¶¶14-15.

On September 16, 2009, Kirby's four children served Marvel with notices under 17 U.S.C. § 304(c) to recapture their father's copyright interests by statutory termination of any implied assignments and the 1972 "Assignment" to Marvel. JA(I) 21-22 ¶¶12-14, 24-35, 76 ¶4; JA(VI) 1408-23.

### **Prior Proceedings**

On December 3 and 16, 2009, the Kirbys held settlement conferences with Marvel/Disney, which agreed to get back to them after the holidays. JA(I) 76 ¶ 5. Instead, Marvel sued the Kirbys on January 8, 2010, seeking a declaration that Jack

Kirby's 1958-1963 creations were "works for hire." JA(I) 19-35. Plaintiffs rushed to file in New York, though two of the three Plaintiffs (and Disney) were headquartered in Los Angeles. JA(I) 21 ¶ 6.

On March 9, 2010, Defendants moved to dismiss for lack of personal jurisdiction over indispensable parties Lisa and Neal Kirby, which the District Court denied on April 14, 2010. JA(I) 36-38, 95-110.

On February 25, 2011, Marvel moved for summary judgment and *in limine* to exclude Defendants' expert witnesses. JA(I) 150-151, JA(IV) 945-46, 1017-18. Defendants cross-moved for summary judgment that Marvel could not meet its burden of proof as to its alleged "works for hire" defense. JA(IV) 1077-79. On July 28, 2011, the District Court granted all three Marvel motions, denied Defendants' motion, and entered judgment for Marvel on August 8, 2011. SA 1-52. On August 15, 2011, Defendants appealed that judgment. JA(IX) 2419-20.

## **STANDARD OF REVIEW**

Summary judgment is appropriate only if the record discloses "that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). The moving party bears the burden of identifying evidence demonstrating the absence of any genuine issue of material fact for trial. *Anderson v. Liberty Lobby*, 477 U.S. 242, 256 (1986). A fact is "material" if it affects the outcome under governing substantive law. *Id.* at

248. On summary judgment, the court *must* resolve all ambiguities and draw all reasonable inferences against the moving party. *Id.* at 249-250.

## **SUMMARY OF ARGUMENT**

I. The District Court erred in denying the Kirbys' motion to dismiss for lack of personal jurisdiction over California residents Lisa and Neal Kirby, who had no meaningful New York contacts. There is no dispute that the court lacked "general" jurisdiction. The court erred in finding, contrary to well-established law, that it had "specific" jurisdiction over Lisa and Kirby under N.Y. C.P.L.R. § 302(a)(1) based on the mere mailing by their California counsel of the Termination Notices to additional New York addresses, as required by the Copyright Act. 17 U.S.C. § 304(c); 37 C.F.R. § 201.10(d). Simply put, the mailing of legal notice to a New York address does not constitute the transaction of business in New York or purposeful availment of "the benefits and protections of its law." *Beacon Enters., Inc. v. Menzies*, 715 F.2d 757, 766 (2d Cir. 1983).

Lisa and Neal Kirby are clearly indispensable parties under Fed. R. Civ. P. 19(b) because their interests under 17 U.S.C. § 304(c) would be severely and irrevocably prejudiced by an adverse decision against Barbara and Susan Kirby. Accordingly, this action should have been dismissed for lack of personal jurisdiction.

II. The District Court erred in finding on summary judgment that all of Jack Kirby's 1958-1963 works purchased by Marvel were retroactively "works for hire." Because "works for hire" are the sole exemption from the authorial termination rights granted by the 1976 Act, 17 U.S.C. § 304(c), the court's sweeping decision eviscerated the Kirbys' Termination. The 1909 Act governs Kirby's creations and until 1966 the "work for hire" doctrine was limited thereunder to traditional employment. In the last decade of the 1909 Act, the doctrine was extended to freelancers in certain situations under an "instance and expense" test, though this has been roundly criticized as based on an express misreading of earlier implied *assignment* cases. *See Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc.* ("Hogarth"), 342 F.3d 149, 161 n.15 (2d Cir. 2003); 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* ("Nimmer") § 9.03[D], at 9-30 to 9-32 (2011); 2 W. Patry, *Patry on Copyright* ("Patry") § 5:45.

As specifically admitted by Marvel (JA(I) 207), a work is created at a party's "expense" if that party takes on "all the financial risk" of the work's creation. *Twentieth Century Fox Film Corp. v. Entertainment Distribution* ("Twentieth Century"), 429 F.3d 869, 879 (9th Cir. 2005). "Instance" requires that the employer have "the [legal] right to direct and supervise the manner in which the work is carried out." *Martha Graham School & Dance Foundation, Inc. v.*

*Martha Graham Center of Contemporary Dance, Inc.* (“*Martha Graham*”), 380 F.3d 624, 635 (2d Cir. 2004) (original emphasis).

Marvel could not meet its burden of establishing the “expense” prong because it is undisputed that Kirby created *all* of his material at his own expense, without any legal commitment from Marvel to pay for Kirby’s services. Instead, Marvel intentionally kept its financial options open, paying only for that completed material it chose to purchase for publication. Nor did Marvel pay for Kirby’s redrawing of his material as a condition to Marvel’s purchase. Without guaranteed compensation, Kirby, not Marvel, bore the financial risk of creation. This *contingent* arrangement refuted any possible notion that Kirby’s prolific creations were owned at inception as “work for hire” from the moment his pencil hit paper.

*Hogarth*, 342 F.3d at 162.

Marvel also did not meet its burden as to “instance.” Due to Marvel’s non-contractual, open-ended arrangement, it could not demonstrate a legal “right” to control Kirby’s creative process. Just as Marvel was not obligated to buy Kirby’s material, Kirby was not obligated to Marvel. All Marvel possessed was market leverage and purchasing power, like any publisher, which is insufficient to establish “work for hire.” All of the record evidence, including Marvel’s express statements, pointed to the fact that Marvel’s ownership of Kirby’s material was derived from a *purchase* and *assignment* – the antithesis of “work for hire.”

The District Court also egregiously ignored the governing standards on summary judgment. For instance, after acknowledging that Marvel’s motion “stands or falls” on the testimony of Stan Lee (SA 7), its longtime “Chairman Emeritus,” the court improperly determined Lee’s sharply contested credibility on summary judgment and heavily relied on Lee, despite strong evidence of Lee’s deep financial ties to Marvel/Disney, Lee’s contradictory testimony and Lee’s authenticated statements. This alone mandates reversal. *See Reeves v. Sanderson Plumbing Prods. Inc.*, 530 U.S. 133, 151 (2000); *Napoli v. First Unum Life Ins. Co.*, 78 Fed. Appx. 787, 789 (2d Cir. 2003).

The District Court not only blatantly failed to view the evidence in the light most favorable to the non-movant, it virtually ignored most of the Kirbys’ evidence, completely overlooked two of their key percipient witnesses, improperly weighed and misconstrued the evidence it did consider, and drew improper inferences from the facts. Among other reversible errors, the court held that self-serving post-hoc “work for hire” acknowledgements “prove conclusively that the Kirby Works were ‘works for hire’” (SA 40), directly contrary to binding Second Circuit authority and 17 U.S.C. § 304(c)(5). *See Marvel v. Simon (“Simon”)*, 310 F.3d 280, 289-292 (2d Cir. 2002).

III. The District Court also erred in excluding the Kirbys’ extremely knowledgeable and well-qualified expert witnesses, Mark Evanier and John

Morrow. Evanier was also a percipient witness. The court nonetheless struck all their testimony on the grounds that their reports were purportedly factual narratives that did not concern “technical or scientific matters” and related to credibility. Neither report was a mere “factual narrative,” and it is well-settled that expert testimony is not limited to “scientific matters,” and can concern history and industry custom and practice, F.R.E. 702; *Oneida Indian Nation v. New York*, 691 F.2d 1070, 1086 (2d Cir. 1982); 1 *Nimmer* § 5.03[D] at 5-56.12, and is not excluded because it is relevant to credibility. *United States v. Joseph*, 542 F.3d 13, 22 (2d Cir. 2008).

## **ARGUMENT**

### **I. THE DISTRICT COURT LACKED PERSONAL JURISDICTION OVER INDISPENSABLE PARTIES LISA AND NEAL KIRBY**

#### **A. No Personal Jurisdiction**

The District Court erred in finding personal jurisdiction over Lisa and Neal Kirby – long-time California residents with no commercial ties to New York. It was undisputed that the District Court lacked “general” jurisdiction over Lisa and Neal Kirby, but the court found “specific” jurisdiction under N.Y. C.P.L.R. §302(a)(1), holding that they “transacted business” in New York by mailing copies of the Termination Notices to additional New York addresses. SA 58-64.

## **1. Mailing Notices To New York Does Not Establish Personal Jurisdiction**

New York law governs this issue. *Overseas Media, Inc. v. Skvortsov*, 407 F. Supp. 2d 563, 567 (S.D.N.Y. 2005); F.R.C.P. 4(k)(1)(A). A non-domiciliary transacts business in New York under section 302(a)(1) when he ““purposefully avails [himself] of the privilege of conducting activities within the forum State, thus invoking, the benefits and protections of its laws.”” *Beacon*, 715 F.2d at 766 (letter asserting copyright and trademark ownership does not sustain specific jurisdiction under section 302(a)(1)) (collecting cases).

To exercise their termination rights, the Kirbys were *required* to serve Kirby’s grantees and their successors by mail at their “last known address.” 17 U.S.C. § 304(c)(4); 37 C.F.R. § 201.10(d). As Marvel and Disney have numerous entities, and the Kirbys were not privy to which ones owned the copyrights, they mailed duplicate notices to 53 addresses, 13 in New York. JA(I) 88 ¶4; *see Spencer Trask Ventures, Inc. v. Archos S.A.*, 2002 U.S. Dist. LEXIS 4396 at \*11 (S.D.N.Y. Mar. 15, 2002) (“[J]urisdiction should not be asserted against a defendant based upon ‘random’ or ‘fortuitous’ contacts.”); *Abbate v. Abbate*, 82 A.D.2d 368, 384 (N.Y. App. 1981) (if “conduct within New York is ‘purely ministerial’ … personal jurisdiction under CPLR 302(a)(1) will not exist”).

Notably, all three Plaintiffs are Delaware corporations, and *none* were served in New York. JA(I) 20-21 ¶¶5-6, 88 ¶4; JA(V) 1409-1412. *See DirecTV*

*Latin Am., LLC v. Park 610, LLC*, 2010 U.S. Dist. LEXIS 6259, at \*33–34

(S.D.N.Y. 2010) (communications to Delaware plaintiff’s principal place of business in New York not grounds for personal jurisdiction).

The Termination Notices were served under the U.S. Copyright Act and have nationwide, not New York-specific, effect. It is impossible to characterize Lisa and Neal Kirby’s compliance as the “transaction of business” in New York under § 302(a)(1) or as “invok[ing] the benefits and protections of New York law.” *Beacon*, 715 F.2d at 766. *See Ehrenfeld v. Bin Mahfouz*, 9 N.Y.3d 501, 509 (2007) (“prefiling” letter sent to New York did not confer personal jurisdiction as it was legally required “to further assertion of rights under [non-New York] laws”).

It is well-established that mailing a legal notice to a New York addressee is insufficient to establish specific jurisdiction under section 302(a)(1) because “an interstate communication of one’s rights[] does not constitute a ‘business transaction’ under C.P.L.R. § 301(a)(1).” *Carlson v. Cuevas*, 932 F. Supp. 76, 77-80 (S.D.N.Y. 1996); *see also Beacon*, 715 F.2d at 766; *Modern Computer Corp. v. Ma*, 862 F. Supp. 938, 945 (E.D.N.Y. 1994); *Graphic Controls Corp. v. Utah Med. Prods.*, 149 F.3d 1382, 1387 (Fed. Cir. 1998); *Fort Knox Music, Inc. v. Baptiste*, 139 F. Supp. 2d 505 (S.D.N.Y. 2001).

Similarly, even extensive communications to New York will not establish jurisdiction if they do not concern “specific New York business activity.” *China*

*Resource Prods. (USA) v. China Distrib.,* 1994 U.S. Dist. LEXIS 11407, at \*17-28 (S.D.N.Y. Aug. 8, 1994); *see also Maranga v. Vira*, 386 F. Supp. 2d 299, 306 (S.D.N.Y. 2005); *United States Theatre Corp. v. Gunwyn/Lansburgh Ltd. Partnership*, 825 F. Supp. 594, 595-597 (S.D.N.Y. 1993); *Wilhelmshaven Acquisition Corporation v. Asher*, 810 F. Supp. 108, 113 (S.D.N.Y. 1993).

The District Court ignored this abundant case law on the sole basis that the Termination Notices are purportedly “self-executing” and “alter the status quo.” SA 55, 60.<sup>1</sup> Even if this were true (and it is not), this would still not create specific jurisdiction under § 302(a)(1). Service of notice cancelling a contract, like the service of the Notices, does not confer personal jurisdiction. *See Toledo Peoria & Western Ry. Corp. v. Southern Ill. Railcar Co.*, 84 F. Supp. 2d 340, 343 (N.D.N.Y. 2000) (rejecting as “outlandish” that “communicating a contract’s cancellation or revocation” creates personal jurisdiction); *DNT Enters. v. Tech. Sys.*, 333 Fed. Appx. 611, 613 n.1 (2d Cir. 2009) (no personal jurisdiction based on communications cancelling contract to distribute products in New York).

The Courts similarly lack jurisdiction over defendants who make other legally-effective communications with a New York plaintiff. *See National Sun Indus. v. Dakahlia Commer. Bank*, 1997 U.S. App. LEXIS 9662, \*4-5 (2d Cir.

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<sup>1</sup> Contrary to this, the Termination was ineffective unless filed with the Copyright Office prior to the noticed termination date. 17 U.S.C. § 304(c)(4)(A). As this was not until 2014-2019, the notices had not been filed. JA(I) 88-89 ¶6.

May 2, 1997) (account authorizations and revocation to New York bank); *Sternberg v. Nathan*, 1997 U.S. App. LEXIS 10376, 3-5 (2d Cir. May 7, 1997) (promise made to New York company); *Savin v. Ranier*, 898 F.2d 304 (2d Cir. 1990) (letter of credit issued to New York resident); *Mayes v. Leipziger*, 674 F.2d 178, 184-185 (2d Cir. 1982) (contract sent to New York); *Presidential Realty Corp. v. Michael Square West, Ltd.*, 44 N.Y.2d 672, 673-74 (1978) (contract signed in New York).

“It is significant that New York courts have refused to sustain jurisdiction over defendants with far more extensive contacts with the forum.” *Beacon*, 715 F.2d at 766 (collecting cases). *See Galgay v. Bulletin Co.*, 504 F.2d 1062, 1064-66 (2d Cir. 1974) (defendant negotiated contract with New York plaintiff, with New York choice of law clause, and had goods shipped from New York); *IP Co. LLC v. General Commun., Inc.*, 2007 U.S. Dist. LEXIS 81451 (S.D.N.Y. 2007) (defendant listed on stock exchange, raised capital and purchased goods in New York).

For its novel theory, the District Court solely relied on two inapplicable out-of-circuit decisions that involved alleged *tortious* conduct designed to damage the plaintiff’s competitive business in the forum state. *Dudnikov v. Chalk & Vermilion Fine Arts*, 514 F.3d 1063, 1069-73 (10th Cir. 2008); *Bancroft & Masters, Inc. v. Augusta Nat’l, Inc.*, 223 F.3d 1082, 1084-87 (9th Cir. 2000). The Kirbys’ Notices was not wrongful conduct, nor did Marvel allege this.

The District Court also analogized to readily-distinguishable cases concerning specific business negotiations with New York companies alleged to have infringed intellectual property (see SA 59-60; *PDK Labs, Inc. v. Friedlander*, 103 F.3d 1105, 1111 (2d Cir. 1997); *Andy Stroud, Inc. v. Brown*, 2009 U.S. Dist. LEXIS 18725, at \*16-18 (S.D.N.Y. Mar. 4, 2009) (tort claim based on alleged disruption of settlement of New York lawsuit and demand that New York company pay royalties)), and cited cases where, unlike here, the defendants clearly conducted New York business. *See Parke-Bernet Galleries, Inc. v. Franklyn*, 26 N.Y.2d 13, 15-16 (1970).

In sum, the District Court's unsupported theory and cases did not overcome the fact that Lisa and Neal Kirby had no meaningful commercial contacts with New York and, by the mere mailing of Termination Notices under federal law to additional New York addresses, had not transacted New York business nor purposefully availed themselves of the benefits of New York law.

The District Court's unwarranted decision chills the Copyright Act's termination right. Since an author/heir is required to serve notice on a grantee's successor(s), but is not privy to a copyright's exact chain-of-title, they would naturally serve numerous entities. If mere service to out-of-state addresses conferred personal jurisdiction, this would subject authors/heirs to lawsuits in multiple jurisdictions where they have no meaningful contacts, significantly

increasing their legal costs. *See Fort Knox Music, Inc.*, 139 F. Supp. at 511 n.6. Contrary to 17 U.S.C. § 304(c)(4) and 37 C.F.R. § 201.10(d), the District Court’s decision places authors/heirs in an untenable position by penalizing them for providing due notice to actual/potential successor grantees.

**B. The Complaint Must Be Dismissed For Lack Of Personal Jurisdiction Over Indispensable Parties**

While the District Court did not reach the issue, it should have dismissed the complaint for lack of personal jurisdiction over Lisa and Neal Kirby, because they were clearly “necessary” and “indispensable” parties. F.R.C.P. 19.

Under 17 U.S.C. § 304(c)(2)(B), all four of Kirby’s children “own” the termination interest, and a *majority* were *required* to exercise the termination right. Three of the four Kirbys are also required for any further grant or settlement of the copyrights recaptured by the terminations. 17 U.S.C. § 304(c)(6)(C). Accordingly, Lisa and Neal Kirby (two of four) are “necessary parties” under F.R.C.P. 19(a) as they “claim an interest in the subject matter of the action” and disposition in their absence could “impair or impede” that interest. *See American Optical Co. v. Curtiss*, 59 F.R.D. 644, 648 (S.D.N.Y. 1973).

Under F.R.C.P. 19(b) courts consider four factors to determine if a “necessary” party is indispensable. With respect to the first and second F.R.C.P. 19(b) factors (whether a judgment “in the person’s absence might prejudice” them and whether such “prejudice could be lessened or avoided”), a ruling against

Barbara and Susan Kirby would block Lisa and Neal Kirby from exploiting their copyright interest because of § 304(c)(6)(C)'s requirement of a "majority" for any new copyright grant. *See Envirotech Corp. v. Bethlehem Steel Corp.*, 729 F.2d 70, 75 (2d Cir. 1984) (a party who "possess[es] rights ... 'which are 'inextricably intertwined' with issues bound to be raised in an action" is an "indispensable party") (citations omitted); *Plunket v. Estate of Conan Doyle*, 2001 U.S. Dist. LEXIS 2001 at \*8, 20-21 (S.D.N.Y. Feb. 22, 2001) (heirs were indispensable parties where "[i]t is evident that determining plaintiff's declaratory judgment claim [re: notice of termination] could affect the[ir] interests in the Literary Properties").

As to the third F.R.C.P. 19(b) factor (adequacy of judgment absent the party), a judgment here would be inadequate because it would not bind Lisa or Neal Kirby and thereby pose "the possibility of multiple lawsuits and inconsistent verdicts." *Id.* at \*21; *Wales Industrial, Inc.*, 612 F. Supp. at 517.

As to the fourth F.R.C.P. 19(b) factor (whether plaintiff has an "adequate remedy" if case dismissed), all of the Kirbys consented to the jurisdiction of the Central District of California (JA(I) 46-47), providing Marvel/Disney with an alternate and more appropriate forum. *Smith v. Kessner*, 183 F.R.D. 373, 376 (S.D.N.Y. 1998) ("The factor that weights most clearly in favor of dismissal is the availability of an alternate, more appropriate forum for plaintiffs' claims ....").

In sum, the District Court erred in not dismissing the case for lack of personal jurisdiction over indispensable parties Lisa and Neal Kirby.

## **II. THE DISTRICT COURT IMPROPERLY FOUND THAT JACK KIRBY'S CREATIONS WERE "WORKS FOR HIRE"**

### **A. The Termination Right Under The U.S. Copyright Act**

Since 1831, Congress has consistently provided authors and their heirs with the right to recover assigned copyrights, and has strengthened such "recapture" rights to enable authors and heirs to better realize the value of an author's work.

*Stewart v. Abend*, 495 U.S. 207, 219 (1990); 17 U.S.C. §§ 203(a), 304(c)-(d).

Under the Copyright Act of 1909, copyright protection was divided into two separate 28-year terms: the "initial" and "renewal" terms. 17 U.S.C. § 24 (1974). The renewal term was intended to be owned by the author, to protect authors who struck imprudent deals and enable them to participate in the increased value of their work. *Stewart*, 495 U.S. at 217-220. This clear legislative purpose to protect and benefit authors was severely undermined by *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 657-59 (1943), which held that the renewal interest could be assigned away during the initial term. *Stewart*, 495 U.S. at 219. Thereafter, publishers routinely insisted that authors assign *both* terms, curtailing an author's participation in the success of his works. *Id.*

On January 1, 1978, the Copyright Act of 1976 went into effect, and with it significant enhancements of authors' rights. 17 U.S.C. § 101 *et seq.* See

*Greenberg v. National Geographic Society*, 533 F.3d 1244, 1259 n.1 (11th Cir. 2008) (“The 1976 Copyright Act was supposed to reverse two hundred years of publishers’ exploitation of authors.”); *Simon*, 310 F.3d at 290 (“[T]he legislative history of the termination provision reflects Congress’s intent to protect authors from unequal bargaining positions.”).

When Congress extended the renewal term from 28 to 47 years, it intended to benefit authors rather than grantees, *see H.R. Rep. No. 94-1476 at 140 (1976)*, and coupled the extension with a *new* right of authors/heirs to terminate transfers of rights in the renewal term. *See 17 U.S.C. § 304(c); Classic Media, Inc. v. Mewborn*, 532 F.3d 978, 982 (9th Cir. 2008).<sup>2</sup>

In recognition of this concerted legislative intent, the Supreme Court has repeatedly emphasized the “inalienable authorial right to revoke a copyright transfer.” *N.Y. Times v. Tasini*, 533 U.S. 483, 496 n.1 (2001); *see Abend*, 495 U.S. at 230. This right lies in stark contrast to ordinary contract principles, as it empowers authors/heirs to terminate prior grants without cause. 17 U.S.C. § 304(c)(5). Congress created this vital right to prevent the inequities caused by *Fred Fisher*, and “to assure that [the 1976 Act’s] new benefits would be for the

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<sup>2</sup> Additionally, Congress provided for termination of post-1/1/78 grants after 35 years, 17 U.S.C. § 203(a), and coupled the Copyright Term Extension Act of 1998 with a *third* termination right. 17 U.S.C. § 304(b), (d).

authors and their heirs.” *Classic Media*, 532 F.3d at 984; *see also Simon*, 310 F.3d at 290-91. Thus, in further abrogation of “freedom of contract” principles, the termination right cannot be waived or circumvented, and “may be effected notwithstanding any agreement to the contrary.” 17 U.S.C. §§ 304(c)(5), (c)(6)(B).

#### **B. “Work For Hire” Under The 1909 Copyright Act**

“Works for hire” are the sole exemption from the 1976 Act’s termination rights. 17 U.S.C. §§ 203(a), 304(c). Therefore, the District Court’s summary determination that *all* of Kirby’s 1958-1963 works listed in the Termination Notices were “works for hire” (17 U.S.C. § 304(c)(3)) nullified them.

As Kirby’s works were created prior to 1978, the 1909 Act governs them. *Hogarth*, 342 F.3d 149. The 1909 Act did not define “work for hire,” but simply stated that “the word ‘author’ shall include an *employer* in the case of works made for hire.” 17 U.S.C. § 26 (1974) (repealed) (emphasis added). Section 26, included “at the behest of … publishers of encyclopedias” as to “material composed by their staffs,” was to be applied narrowly. *Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640, 649, 651-52 (S.D.N.Y. 1970). Thus, “[u]ntil the mid-1960’s, federal courts applied the work-for-hire doctrine only to cases in which a traditional employer/employee relationship existed ....” *Hogarth*, 342 F.3d at 161 n.15 (citation omitted). In contrast, “[c]ommissioned works … were treated as if the commissioned party impliedly agreed to convey the copyright

along with the work itself to the hiring party” by an implied assignment. *National Center for Jewish Film v. Goldman*, 943 F. Supp. 113, 116 (D. Mass. 1996).

As stated by the Copyright Office, itself, in **1960**:

The statutory concept of employment for hire is based on the specific contractual relationship between employer and employee .... section 26 refers only to works made by salaried employees in the regular course of their employment.

B. Varmer, Copyright Law Revision Study No. 13, Prepared for the Copyright Office, Reprinted by the Senate Committee on the Judiciary, 86th Cong., 2d Sess. 127, 130 (Comm. Print 1960).

“In the last decade that the [1909] Act was effective, courts expanded the doctrine to include less traditional relationships....” *Twentieth Century*, 429 F.3d at 877. *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965), citing early implied *assignment* cases like *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2d Cir. 1939), formulated an “instance and expense” test to determine whether the employer of an independent contractor was the copyright owner by implied assignment, but did not mention “work for hire.” *Brattleboro Publishing Co., v. Winmill Publishing Corp.* (“*Brattleboro*”), 369 F.2d 565, 567-68 (2d Cir. 1966), also used an “instance and expense” test to find an implied *assignment* of a freelance author’s copyright to a publisher, citing *Lin-Brook*. See *Hogarth*, 342 F.3d at 160 n.14.

*Picture Music, Inc. v. Bourne, Inc.*, 457 F.2d 1213 (2d Cir. 1972), extended

the “instance and expense” doctrine to hold an independent contractor’s work to be “for hire,” based on express misinterpretations of these implied assignment cases as “work for hire” cases. *Hogarth*, 342 F.3d at 160, 160 n.14.

As this unsupported extension of the “work for hire” doctrine to freelancers was based on a clear misreading of assignment cases, *id.*, it has been roundly criticized. *See 3 Nimmer* § 9.03[D], at 9-30 to 9-32 (decisions applying “instance and expense” test to freelancers are “wrong both on principle and under the rule of the early cases”); *2 Patry* § 5:45 (criticizing vague expansion of “work for hire” to freelancers and “worst features of presumptive ‘instance and expense’ approach.”).

As the main issue in these early “instance and expense” cases was ownership, the line between ownership by implied assignment or as “work for hire” was less important and often blurred. This distinction, however, is critical under 17 U.S.C. § 304(c) because ownership is presumed by termination, “works for hire” are exempt, and assigned works are the focus.

To prove “work for hire,” a defendant must come forth with “credible evidence that [the] work was done at the ‘instance and expense’ of [the hiring party].” *Self-Realization Fellowship Church v. Ananda Church of Self-Realization* (“*Self-Realization*”), 206 F.3d 1322, 1326 (9th Cir. 2000). As the District Court acknowledged, Marvel bore the burden on this issue (SA 27), because “work for

hire” is a statutory exception, 17 U.S.C. § 304(c), and an affirmative defense, *Dolman v. Agee*, 157 F.3d 708, 712 (9th Cir. 1998).

**C. The District Court Improperly Found On Summary Judgment That Jack Kirby’s Creations Were “Works For Hire”**

**1. The District Court Not Only Did Not View The Evidence In The Light Most Favorable To The Kirbys, It Ignored Most Of The Kirbys’ Relevant Evidence**

**a. The District Court Improperly Determined And Relied Upon The Credibility Of Stan Lee, Which Was Sharply In Dispute**

“Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts” are all improper on summary judgment. *Anderson*, 477 U.S. at 255. While the District Court acknowledged that it must “disregard all evidence favorable to the moving party that the jury is not required to believe,” it egregiously failed to do so. SA 25 (citing *Reeves*, 530 U.S. at 151).

Stan Lee is Marvel’s longstanding “Chairmen Emeritus.” Lee’s rehearsed testimony, repeating hearsay in self-aggrandizing Marvel books, was frequently the *sole* evidence of Marvel’s “facts” and the foundation of its motion. JA(I) 157-180 ¶¶ 14, 18, 20, 42, 43, 57, 65, 79, 81, 82-83, 85, 87, 91, 93, 97, 99, 107. See *Jeffreys v. City of New York*, 426 F.3d 549, 554 (2d Cir. 2005) (summary judgment improper “where the plaintiff relies almost exclusively on his own testimony”).

The District Court acknowledged that “Marvel’s motion stands or falls on [Lee’s] testimony.” SA 7. Yet, faced with abundant evidence placing Lee’s

credibility and testimony in sharp dispute, the court improperly determined Lee’s credibility and heavily, if not solely, relied on it in granting Marvel summary judgment. SA 7, 15-17, 19-22; JA(I) 157-180 ¶¶ 14-16, 18-35, 37-59, 61-65, 79-83, 85, 87-88, 90-91, 93-95, 97, 99, 101, 103, 105, 107.

This mandates reversal. *See Self-Realization*, 206 F.3d at 1330 (reversing summary judgment as to “work-for-hire” because district court improperly “ma[de] a determination of credibility”); *Napoli*, 78 Fed. Appx. at 789 (reversing summary judgment where court credited one witness over another, because “[s]uch a credibility determination … exceeds the scope of a judge’s authority in considering a summary judgment motion”).

The record evidence demonstrated that Lee’s deep financial ties to *both* Marvel and Disney, coupled with the contradictions between Lee’s testimony, his prior authenticated statements, and much of the record evidence, raised very serious concerns about Lee’s credibility. JA(III) 627-630 ¶¶2(a), 4(a)(iv), 4(b)(i), 4(b)(ii), 4(c); JA(V) 1372-77; JA(VI) 1378-96; JA(VIII) 2146-2151; Confidential Appendix (“CA”) at CA(I) 33-34, 35-76, CA(III) at 549:13-551:6; CA(IV) at 729:21-732:4, 753:23-755:23, 757:2-763:3, 768:14-17, 783:7-12, 785:14-787:2. The evidence also showed that shortly after receiving the Terminations regarding Marvel’s biggest characters, Disney gratuitously paid Lee significant additional monies. CA(I) 39-46, 59-71.

Lee's attempt to get his brother Larry Lieber to testify in Marvel's favor is also revealing. Lieber's sole livelihood has been drawing Lee's *Spider-Man* strip for 23 years. Document 102-5 at 7:18-23, 59:2-19. Marvel sought to recruit Lieber and others, but Lieber declined. *Id.* at 51:20-52:23. Lee then leaned on his own brother. *Id.* at 58:19-59:19 (Lieber: “[Lee] said, ‘Well I hope you don’t lose the [Spider-Man] strip because of it or something.’”).

Lee's credibility was further undermined by his now taking *sole* credit for creating the iconic characters at issue. JA(X) at 2456:15-18 (Lee: “I dreamed up the Fantastic Four”); 2459:16-62:15 (taking credit for creating The Fantastic Four); 2500:10-2504:23 (taking credit for creating The Hulk); CA(IV) 888:25-891:11 (“[T]he original concept, the original ideas, came from me.”; “I know it sounds – it’s hard to believe, but yes, they were all my ideas.”). This was flatly inconsistent with both the record and Lee's prior authenticated statements. *See* JA(VII) 1906 (“[Kirby] was a virtually inexhaustible wellspring of fantastic new ideas, concepts and designs.”), 1936 (“I co-created The Fantastic Four and the Hulk with Kirby.”); CA(IV) 895:8-896:8, 897:4-898:1 (“Some artists, such as Jack Kirby, need no plot at all. I mean I’ll just say to Jack, ‘Let’s let the next villain be Dr. Doom’ … or I may not even say that. He may tell me. And then he goes home and does it. He’s so good at plots, I’m sure he’s a thousand times better than I. He just about makes up the plots for these stories. All I do is a little editing.”), 902:2-904:11.

The fact is that, unlike Kirby (*Captain America* in 1941, *The New Gods* in 1971), Lee did not create *a single* well-known character before 1958, when Kirby arrived, or after 1970, when Kirby left (due to Lee taking credit for Kirby's work). JA(V) 1101-02, 1106-07; CA(IV) 898:5-8.

Lee's bias is shown by his contradictory testimony on many other key points. For instance, Lee testified on direct that Marvel's checks in the 1950's and 1960's always contained "work for hire" legends (JA(X) 2448:20-2449:11) and signed a similar affidavit in other litigation. JA(III) 766 ¶13. Lee's testimony contradicted all the record evidence, ignored by the District Court (SA 44-45), including the testimony of five contemporaneous witnesses, that the checks contained assignment language and did not mention "work for hire." JA(V) 1375-76 ¶14, 1381 ¶¶13-14; JA(VI) 1388 ¶¶14-15, 1394 ¶12; JA(VIII) 2150 ¶¶14-15.

On cross, Lee admitted that, as late as 1974, Marvel's checks contained "assignment," not "work for hire," language and that he really had no idea when the "work for hire" legend first appeared on Marvel's checks. JA(VI) 1461:9-1462:21; CA(IV) 831:12-836:12. *See Adams v. Master Carvers of Jamestown, Ltd.*, 91 Fed. Appx. 718, 725 (2d Cir. 2004) ("inconsistencies" in testimony "raise a genuine issue of material fact as to the credibility of the defendants' assertions"). Lee has also repeatedly acknowledged in numerous authenticated statements that he has a very poor memory. *See* JA(VII) 1955; CA(IV) 839:10-842:24.

The District Court summarily dismissed all of this damning evidence as a mere “general attack[]” on Mr. Lee’s credibility. SA 26. The District Court’s failure to critically evaluate Lee’s testimony was crucial, as its factual findings were heavily based on Lee’s testimony. SA 16-22. Such credibility determinations were wholly improper on summary judgment. *See United States v. Rem*, 38 F.3d 634, 645 (2d Cir. 1994) (reversing summary judgment because “the weighing of the evidence and the assessment of credibility were not appropriate”).

b. The District Court Improperly Ignored Much Of The Kirbys’ Evidence

The District Court not only failed to view the evidence in the light most favorable to the Kirbys, it improperly ignored or discounted much of their evidence. For instance, the Kirbys offered the testimony of **five** notable freelance artists who had consistently sold work to Marvel both during and shortly after 1958-1963, and who testified in detail as to their working relationship with Marvel. JA(V) 1372-77; JA(VI) 1378-96; JA(VIII) 2146-2151.

Throughout its Order, the District Court erroneously considered only *three* of these five key witnesses, overlooking completely the important record testimony of the remaining two, Gene Colan and Neal Adams. SA 7-8 (“The Kirby Heirs offer the testimony from three comic book artists...”), 31 (“The Kirby Heirs submitted declarations from three other freelance artists ....”). This was serious error. Colan, for example, worked for Marvel and its predecessors as a freelance

artist from the 1940's to the 1970's, and had firsthand knowledge of many of the disputed facts. JA 2147-48 ¶¶4-7.

The District Court egregiously ignored the three Kirby witnesses it did acknowledge – noted freelance artists Joe Sinnott, Richard Ayers and James Steranko – referring only to minor aspects of their relevant testimony. SA 29-30, 33. Sinnott, for instance, drew hundreds of comic book covers and stories published by Marvel in the 1950's and 1960's and worked extensively with Kirby. JA(V) 1379-80 ¶¶2-5. Ayers also sold freelance artwork to Marvel from 1959 – 1975, drawing a vast number of its comics. JA(V) 1373-75 ¶¶3-8.

In sharp contrast, the District Court repeatedly featured and relied on the testimony of Marvel's witnesses John Romita and Roy Thomas, and specially requested their full deposition transcripts, even though they did not work with Marvel during the period in question. SA 7. The court emphasized that Lee "was there," while ignoring that Colan, Sinnott and Ayers were also "there." SA 11, 34 n.4.

Moreover, the District Court mischaracterized the facts and the evidence, in large ways and small, to establish "instance and expense." For example:

- The court dismissed the testimony of Neal and Susan Kirby as the mere "reminiscences" of "children" (SA 8), when they were teenagers with first-

hand knowledge of their father's actions during the relevant period. JA(VI) at 1569:2-22, 1605:10-13.

- The court erroneously found that “Lee developed the ideas and stories for all of Marvel’s comic books” (SA 16), ignoring record evidence that Kirby provided the origin stories and personalities of many of Marvel’s most famous characters. JA(VIII) 2069-71 ¶22, 2076-78 ¶31 (citing JA(IV) 928-29; JA(V) 1105-1108, 1153-56; JA(VIII) 1855, 1862, 1864, 1867-68, 1871, 1901, 1906, 1908).
- The court accepted Lee’s testimony that “Kirby created his artwork based on plot outlines or scripts provided by Lee” (SA 18-19), ignoring the record evidence, including Lee’s own authenticated statements, that this is not how Kirby worked and that Kirby originated many of the plots and characters for his stories. JA(VIII) 2081-83 ¶37 (citing JA(IV) 928-29; JA(V) 1098-99, 1151; JA(VIII) 1862, 1864, 1867-68, 1871, 1901, 1906, 1908).
- The court stated that freelancers “were paid flat per-page rates for artwork and scripts they produced” (SA 18), while citing only evidence that Marvel paid for work it *purchased* (*id.*) and omitting that Marvel was never obligated to pay, and did not pay for material rejected for publication. *See, e.g.*, JA(V) 1375 ¶¶9-12; 1380-81 ¶¶9-11; JA(VI) 1386-87 ¶¶6-12, 1392-94 ¶¶5-14; JA(VIII) 2148-49 ¶¶5-9.

- The court found that Lee originated “Spider-Man” (SA 20), while ignoring significant evidence that Spider-Man was based on “The Fly,” a character co-created by Kirby in the late 1950’s. JA (VIII) 2119-20 ¶90 (citing, *e.g.*, JA(V) 1107-08, 1155; CA(IV) 876:11-877:1).
- The court stated “Lee brought [Nick] Fury back to life” (SA 22), when the evidence showed that “Nick Fury” was largely based on Kirby’s World War II experiences. JA(VIII) 2124-25 ¶103 (citing, *e.g.*, JA(V) 1103-04, 1155-56).
- The court stated “Don Heck drew the artwork” (SA 21) for “Iron Man,” but ignored that Heck confirmed that Kirby designed “Iron Man” and plotted the first issue. JA (VIII) 2120-21 ¶94 (citing, *e.g.*, JA(VII) 1733, 1928).
- The court assumed that Lee created “The Mighty Thor” (SA 20), despite Kirby’s creation of an earlier Thor comic in 1942 and Kirby’s well-known love of Norse mythology. JA(VIII) 2117-18 ¶88 (citing JA(V) 1107, 1154-55, 1380 ¶6; JA(VI) 1449:7-1451:10, 1504:18-1505:14, 1508:13-1509:9, 1563:14-1565:14, 1572:21-1573:19; JA(VII) 1902, 1923, 1939, 1964, 1967).
- The court accepted Marvel’s claim that Lee provided Kirby with a “detailed narrative” of the first issue of *The Fantastic Four* (SA 34), while ignoring Lee’s contradictory statements, and evidence that this “outline,” produced by Lee years later, was never given to Kirby. JA(V) 1105-07, JA(VII) 1939.

**2. Marvel Could Not Meet Its Burden Of Proving That Kirby's Material Was "Work Made For Hire"**

- a. Marvel Could Not Satisfy The "Expense" Prong Of The "Work For Hire" Test
  - i. *"Expense" Requires A Legal Commitment To Pay For The Work's Creation*

A work is created at a party's "expense" if that party takes on "all the financial risk" of the work's creation. *Twentieth Century*, 429 F.3d at 881. *See also Community for Creative Non-Violence v. Reid* ("CCNV"), 490 U.S. 730, 741 (1989). "Plainly, it is the expense of creation, rather than publication, that is relevant." 1 *Nimmer* § 5.03[B][2][d] at 5-56.8 n.171c. As a publisher always bears the expense and financial risk of publication, regardless of whether a work is "for hire," this should not affect the "expense" prong. *Id.* ("[I]f funding publication could convert a manuscript into a work for hire, then the category would soon subsume all published material – given the universal custom of publishers to fund printing, distribution, advertising, *etc.* of their wares."); 2 *Patry* § 5:54; *Epoch Producing Corp. v. Killiam Shows, Inc.* ("Epoch"), 522 F.2d 737, 745 (2nd Cir. 1975) ("The existence of evidence that is as consistent with such a [for hire] relationship as it is with numerous other hypotheses[] cannot be bootstrapped" to support a "work for hire" conclusion).

Marvel admitted that the crux of "expense" is who "bore the entire financial risk associated with the *creation* of the Works"? JA(I) 207 (emphasis added).

Where payment is *contingent*, this weighs very heavily against “work for hire,” because the author bears the financial risk of the work’s creation. *Martha Graham*, 380 F.3d at 641; *Playboy Enterprises, Inc. v. Dumas* (“*Playboy*”), 53 F.3d 549, 555 (2d Cir. 1995) (“royalty” “generally weighs against finding a work-for-hire relationship”); *Twentieth Century*, 429 F.3d at 881(same); 2 *Patry* § 5:61 (same); 1 *Nimmer* § 5.03[B][2][d] at 5-56.8 (same).

In the cases finding “work for hire” based on the payment of a “sum certain,” the employer was *obliged* to pay the author, regardless of whether his work was accepted for publication. See *Hogarth*, 342 F.3d at 163, 2002 U.S. Dist. LEXIS 4219, at \*57 (finding “expense” based on publisher’s contractual obligation to pay a guaranteed fixed sum); *Twentieth Century*, 429 F.3d at 881 (finding “expense” based on publisher’s contractual obligation to pay a “nonrefundable” cash advance); *Brattleboro*, 369 F.2d at 568 (finding “expense” because hiring party was obliged to bear expense of creating work whether or not accepted or used, see *Brattleboro*, 250 F. Supp. 215, 218 (D. Vt. 1966)); *Playboy*, 960 F. Supp. 710, 715-16 (S.D.N.Y. 1997) (holding publisher’s obligation to pay artist a ““turn-down”” fee for “unused work” weighs in favor of “work for hire”; “if *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 ....”).

If payment is contingent on whether a putative employer ultimately chooses

to accept or publish submitted work, the logic of the “work for hire” doctrine collapses. “[W]ith a true work for hire, copyright ownership … [is] with the employer automatically upon the employee’s creation of the work,” and the employer is the “author.” *Hogarth*, 342 F.3d at 162. *See Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 547 (1984) (Copyright “vest[s] in the author of an original work from the time of its creation.”).

Thus, whether a work is “made for hire” must be fixed by the relationship of the parties *prior to the work’s creation*, not by after-the-fact contingencies, such as contingent payment. “Work for hire” cannot be left undetermined until the putative employer chooses to pay or not pay for it, as it could not have “authored” and owned the copyright to the work at inception. If legally the hiring party “had no commitment to [pay]” for an author’s work, this supports a finding that such was not “made-for-hire.” *Playboy*, 53 F.3d at 563.

“Expense” thus necessarily entails a prior legal obligation of the employer to pay a non-contingent, fixed sum, for the services it commissioned. This is far more consistent with the doctrine. If the putative employer fails to pay, the work remains “for hire,” and the freelancer has a breach of contract claim. *See Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136, 1143 (9th Cir. 2003).

ii. *Marvel Had No Legal Obligation To Pay For Kirby’s Services*

The District Court found, contrary to all of the above, that “expense” is

easily satisfied “where a hiring party simply pays an independent contractor a sum certain for his or her work.” SA 35. In so holding, the court ignored the critical function of the “expense” prong to distinguish “work for hire” from a purchase / assignment of material.

As the District Court appeared to accept, and the evidence shows, Marvel intentionally did not obligate itself to buy artwork submitted by Kirby. SA 36. Marvel converted to a freelance model in 1957, with no contracts, to avoid such financial obligations. *See* JA(V) 1098-99, 1147, 1375 ¶12, 1381 ¶10. Kirby worked as a freelancer, without a contract, paid all his own expenses, and was paid by the page for only those completed pages Marvel chose to accept. *See, e.g.*, JA(V) at 1100-02, 1150-53. Kirby was not paid for rejected pages or for revisions. *See* JA(VI) 1524:20-1526:4, 1566:18-1567:21, 1599:12-1601:1, 1607:6-19.

Testimony from **seven** percipient witnesses (Colan, Sinnott, Ayers, Adams, Steranko, and Neal and Susan Kirby) confirmed that Marvel, in its sole discretion, did not pay for work it did not fancy, or wanted redrawn. JA(V) 1375 ¶11; 1381 ¶11; JA(VI) 1386-87 ¶¶7-10, 1393 ¶¶10-11, JA(VIII) 2149 ¶9; JA(VI) 1600:1-1601:1, 1607:6-19. The District Court ignored this, and pretended such testimony only stated that freelancers paid for their own supplies and materials. SA 35.

Examples include Kirby’s rejected pages of *The Incredible Hulk* that he tore up, but Lieber salvaged from the trash. JA(VI) 1529:7-1531:17, 1675-1689.

Marvel witness Lieber testified that Marvel was “not obligated” to buy his work, JA(VI) 1518:17-1526:4, and Marvel’s Romita confirmed that Marvel did not pay for freelance work it disliked. JA(VI) 1540:18-1542:9; JA(VII) 1741.

Even as late as 1974-1977, when Marvel gave its top freelancers written contracts, Marvel would not pay them for redrawing work. JA(VI) 1888 ¶3(a); CA(I) 84 ¶3(a), 93 ¶3(a), 101 ¶3(a).

Further undermining his credibility, Lee testified that Kirby supposedly got paid for his famously rejected *Spider-Man* pages. JA(VI) 1651:13-15 (Q.: “Did Kirby get paid for those pages?” A: “Sure.”). However, that is both contrary to all the evidence cited above and Lee’s own testimony. JA(VI) 1630:17-1631:1 (“I was never in charge of payroll .... I have no idea what went on there.”).

When John Morrow helped Marvel re-assemble a rejected *Fantastic Four* story drawn by Kirby in 1970, Marvel paid Kirby’s estate \$325 per page in 2008 to license that unused story. JA(V) at 1145-46, 1162-1228; JA(VI) 1484:13-1485:5, 1486:11-1487:4; JA(VII) 1690-1691, 1713-1722. Marvel similarly approached the Kirbys in 2008 and licensed at a per-page rate rejected covers their father did for *Thor*, *X-Men* and *The Fantastic Four* (JA(VII) 1692-1703) and rejected interior *Thor* artwork. JA(VII) 1704-12.

If Kirby’s *Fantastic Four*, *Thor* and *X-Men* were “work for hire,” there would have been no need for Marvel to license (and re-pay for) this material,

highlighting the absurdity of the contingent “expense” test advanced by Marvel and the District Court.

All of this credible evidence showed that Marvel conditioned payment on its purchase of completed work, in Marvel’s sole discretion, as one might expect. That freelancers like Kirby redrew their work, without extra compensation, as a condition of Marvel’s purchase underscores this point. *See, e.g.*, JA(V) 1375 ¶11; 1381 ¶11; JA(VI) 1386-87 ¶¶7-10, 1393 ¶¶10-11; JA(VIII) 2149 ¶9.

Faced with clear evidence that Marvel intentionally did not obligate itself to Kirby and other freelancers, the District Court skirted this critical issue. SA 35. But *all* the cases it cited involved a financial commitment *prior* to the work’s creation to pay a “fixed sum.” *See Twentieth Century*, 429 F.3d at 881; *Hogarth*, 342 F.3d at 163, 2002 U.S. Dist. LEXIS 4219, at \*57; *Playboy*, 960 F. Supp. 710, 715-16; *Fifty-Six Hope Rd. Music Ltd.*, 2010 U.S. Dist. LEXIS 94500, at \*26-27 (S.D.N.Y. September 10, 2010) (expense test met because the “[publisher] paid the [artist] advances against royalties for the creation of the [works]” and “the recording costs”).

When a company like Marvel pays only for that freelance material it deems acceptable, that is a *purchase* – the antithesis of “work for hire.” Such contingent compensation, as opposed to the guaranteed payment of a “sum certain,” shifts the “financial risk” of creation from the publisher to the freelancer. *Twentieth*

*Century*, 429 F.3d at 881; 1 *Nimmer* § 5.03[B][2][d] at 5-56.9 n.171c. It is clear that Kirby, who invested his time and expense in creating material without any guarantee of a sale or reimbursement, took on the financial risk of creation. *Id.*

The District Court misconstrued the “work for hire” test, contrary to Marvel’s admission (JA(I) 207) by shifting focus to the ultimate “profitability” of Marvel’s publications, rather than Kirby’s financial risk in creating his material at issue. SA 36, 38. Publishers bear the expenses of publication and the market risks of “profitability” as to *all* published works.

As Marvel could not establish the “expense” prong of the “instance and expense” test, as a matter of law, the District Court should have granted the Kirbys’ motion for summary judgment.

b. Marvel Did Not Establish “Instance”

i. “Instance” Requires A Legal Right To Control The Creation Of The Work

The “instance” prong entails whether “the motivating factor in producing the work was the employer who induced the creation.” *Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909, 914 (2d Cir. 1974); *Self-Realization*, 206 F.3d at 1326 (same). “Instance” also requires that the employer have “the right to direct and supervise the manner in which the work is carried out,” *i.e.*, the creative process. *Martha Graham*, 380 F.3d at 635 (original emphasis). See *Self-Realization*, 206 F.3d at 1327 (“the right to control or supervise the artist’s

work””) (citation omitted).

As a matter of law and logic, this “right” to control a work’s creation refers to a legal right. *Martha Graham*, 380 F.3d at 635 (holding that such “right” “need never be exercised”). It is not the practical purchasing power or superior bargaining position exercised by a buyer, or the editorial supervision exercised by a publisher as to both work-for-hire and non-work-for-hire. *Twentieth Century*, 429 F.3d at 880 (distinguishing “right” of control for “instance” from a publisher’s “typical process”); *Epoch*, 522 F.2d at 745. The right of control also cannot refer to the ultimate decision to publish a work. 2 *Patry* § 5:54 (“Any hiring party ultimately has the ability to ‘control’ the work in the sense of accepting or rejecting it.”). It refers to the specific “right” to control the creative process. *Martha Graham*, 380 F.3d at 635.

The District Court ignored this critical distinction, and relied instead on “the power to accept, reject, modify, or otherwise control the creation of the work” (SA 30), rather than the legal “right” to do so. *Compare Fifty-Six Hope Rd. Music Ltd.*, 2010 U.S. Dist. LEXIS 94500, at \*29 (“[Employer] had the contractual right to accept, reject, modify and otherwise control the creation of the [works].”).

ii. *Marvel Had No Legal Right To Control Kirby’s Creation Of The Works*

Kirby and Marvel indisputably had no contract in 1958-1963 (besides assignment legends on the back of Marvel’s checks). *See Section III.C.3.A.i, infra.*

Marvel could not proffer any evidence that it had a legal right to control Kirby's creation of his material.

The District Court found that Marvel held the right of control simply because Lee purportedly "had complete editorial and stylistic control over all work that Marvel *published*." SA 32 (emphasis added). But the court could cite no evidence that Marvel had any "right" to modify Kirby's material unless and until Marvel bought it.

Just as Marvel had no legal obligation to buy Kirby's material, Kirby and other freelancers had no legal obligation to provide material to Marvel, to modify their work or even to finish work they started. *See JA(V) 1375 ¶¶10-12 ("I was not obligated to Marvel to create or work on any material."), 1381 ¶¶10-11; JA(VI) 1386-87 ¶¶8-10, 1392-93 ¶¶8-11; JA(VIII) 2148-50 ¶¶8-14.* This weighs heavily against "instance." *See Playboy*, 960 F. Supp. 710, 715-16; 53 F.3d at 563.

There is a natural link between an obligation to pay and the "right to direct and supervise" under the "instance" test. It is commonplace for a publisher to "accept, reject or modify" a work as part of its standard editorial process, regardless of whether it is "work for hire." The "work for hire" distinction lies in the parties' obligations to each other: in the case of a work-for-hire, the publisher has committed to pay the employee, and the employee has committed to produce the work, such that the publisher may fairly be said to have the "right to direct and

supervise” the work’s creation. In the case of a purchase, the publisher has not committed to pay for the work, and the artist is not obligated to create the work; the publisher may have the practical power to set parameters or make requests as a condition of purchase, but it does not have a “right to direct or supervise” the artist. Marvel’s lack of any legal obligation to pay Kirby for creating material thus weighs against both “instance” and “expense.”

All Marvel had was purchasing power over freelancers like Kirby who worked on a piecemeal basis with little or no financial security. Marvel’s suggestions or Kirby’s compliance, prior to Marvel purchasing his material, were purely a function of Marvel’s buying power as shown by Marvel’s refusal to pay for “redraws” and rejection of material without pay. JA(V) 1375 ¶11; 1381 ¶11; JA(VI) 1386-87 ¶¶7-10, 1393 ¶¶10-11, JA(VIII) 2149 ¶9. That Marvel purchased and published much of what Kirby produced did not render it “work for hire.”

For example, Kirby developed a new version of Marvel’s *Captain America* that it rejected. JA(IV) 1085 ¶19; JA(V) 1124. Kirby later used this same artwork in *Captain Glory*, published by Topps (*id.*), even though under Marvel’s revisionist theory it would have owned this at inception as “work for hire.”

Marvel’s power as a publisher to reject and not pay for Kirby’s material did not render it “work for hire” – quite the opposite. Everything cited by the District Court as evidence of “instance” was simply derived from Marvel’s role as a

*publisher. See, e.g.,* SA 32-35 (“Lee edited Kirby’s work and reviewed and approved all of his work prior to publication”; “If Lee did not approve of the artist’s work, it was not published.”); *Epoch*, 522 F.2d at 745. Marvel only had the legal right to control or modify Kirby’s material once it purchased it. The District Court could not cite *any* evidence that Marvel had the requisite “right … to direct and supervise the manner in which [Kirby] perform[ed] his work.” *Martha Graham*, at 554.

**3. The District Court Improperly Ignored The Evidence That The Parties Never Intended That Kirby’s Creations Be Owned At Inception By Marvel As “Work For Hire”**

a. The Record Evidence Establishes That The Parties Understood That Marvel Purchased And Kirby Assigned His Freelance Work

It is well accepted that whether a work is “made for hire” under the 1909 Act turns on ““the mutual intent of the parties.”” *Martha Graham*, 380 F.3d at 634 n.17; *Twentieth Century*, 429 F.3d at 877 (same); *Playboy*, 53 F.3d at 556-57 (same). Such “questions … as to the parties’ intent … are generally for the trier of fact.” 3 *Nimmer* § 12.10[A]. Notably, this Circuit’s “instance and expense” cases cited by the District Court were tried. *See Hogarth*, 342 F.3d at 150; *Martha Graham*, 380 F.3d at 631; *Playboy*, 53 F.3d at 551. As held in *Simon*, “it will be for the [trier of fact] to determine whether Simon was the author of the Works and, therefore, whether he can exercise § 304(c)’s termination right.” 310 F.3d at 291-

292 (requiring evaluation of “the actual relationship between the parties”). *See 3 Nimmer* § 11.02[A][2] at 11-13.

A work is “made for hire” if “ownership … [is] with the employer automatically upon the employee’s creation of the work.” *Hogarth*, 342 F.3d at 162. All the evidence reflects that this was not the parties’ understanding, and that Kirby impliedly assigned the freelance material that Marvel chose to purchase.

i. *Marvel’s “Checks”*

Marvel put a legal acknowledgement or “legend” on the back of its checks, forcing freelancers to sign underneath to cash them. Marvel claims it has no freelancer checks before 1974, and no checks to Jack Kirby prior to 1986. JA(VI) 1663-64 ¶¶2, 4; JA(VII) 1792-1816. However, the Kirbys uncovered a 1973 Marvel check to freelancer Stephen Gerber that Marvel submitted in a 1980 lawsuit against Gerber. JA(VII) 1883. Marvel described the check as “typical,” and it contained this “legend”:

By endorsement of this check, I, the payee, acknowledge full payment for my employment by Magazine Management Company, Inc. and for my assignment to it of any copyright, trademark and any other rights in or related to the material, and including my assignment of any rights to renewal copyright.

*Id.*; JA(VII) 1792-1816. This “assignment” legend also appeared on the earliest check produced by Marvel – a 1974 check to the freelance artist Dick Ayers (*Sgt. Fury*). JA(VII) 1794.

Freelancers Ayers, Sinnott, Colan, Steranko and Adams specifically testified that Marvel's checks in the 1950's and 1960's contained explicit language of purchase and assignment, not "work for hire." JA(V) 1375-76 ¶14, 1381 ¶¶13-14; JA(VI) 1388 ¶¶14-15, 1394 ¶12; JA(VIII) 2150 ¶¶14-15. The earliest check Marvel could produce with a legend mentioning "work for hire" was from 1986, and applied to traditional employment. JA(VII) 1818-1819.

Despite this, the District Court held "there is absolutely no evidence" of assignment legends on Marvel's checks from 1958-1963 (SA 47).

The court also improperly held "one cannot infer what might have been written on a check issued in 1958[-1963]" from later language, despite direct testimony as to the checks in this period, and the obvious inference that, if "work for hire" language did not appear in the mid-1970's (after the doctrine was extended to freelancers), it certainly would not have appeared earlier. SA 46-50.

## ii. *Marvel's Later Agreements With Freelancers*

Marvel's language of purchase and assignment can even be found in Marvel's agreements with freelancers in the mid-to-late 1970's, where the term "work for hire" nowhere appears. Kirby's agreement with Marvel, dated March 24, 1975, emphasizes assignment language. JA(IV) 879 ¶11. Therein, Kirby "grants to Marvel the sole and exclusive right to all Material delivered to Marvel hereunder..." JA(IV) 879 ¶7. The 1975 agreement further provides that Kirby

shall “deliver such further documents … for the purpose of confirming the rights herein granted to Marvel.” JA(IV) 879 ¶11.

Marvel’s October 7, 1977 agreement with Gerber, its March 22, 1975 agreement with Colan, and its August 27, 1976 agreement with Thomas, all use the same grant or assignment language. JA(VII) 1885 ¶7, 1894 ¶7; CA(I) 87 ¶7, 96 ¶7, 105 ¶7. In the Gerber lawsuit, Marvel emphasized that his agreement granted to Marvel “the sole and exclusive right to all Material delivered to Marvel hereunder, including … the exclusive right to secure copyrights in the Material.” JA(VII) 1879 ¶7. Marvel similarly informed Thomas that “it was our intent [in the 1976 agreement] that all copyrights be assigned to Marvel.” CA(I) 111, 113 ¶7.

Thus, as late as 1976-1977, Marvel still couched its freelancer relationships in terms of the purchase/assignment of copyright, not “work for hire,” in *both* its agreements and checks.

### iii. *The Actual Understanding At The Time*

The foregoing is consistent with the understanding of numerous freelancers that Marvel simply *purchased* their work. *See* JA(V) 1375-76 ¶¶11-14, 1381 ¶¶10-11 (“In the 1950’s through the 1960’s, I certainly did not consider my freelance artwork to be ‘work for hire.’ Nor did the other freelance artists I knew. No one was thinking along those lines.”); 1386-88 ¶¶7-15, 1392-94 ¶¶8-14, 2149-50 ¶¶9-12.

Whether material is “work for hire” under the 1909 Act “always turn[s] on the intention of the parties.” 1 *Nimmer* § 5.03[B][2][c] at 5-56.1; *see Dolman*, 157 F.3d at 712.

Marvel’s own witnesses Lee (CA(IV) 951:1-14), Thomas (JA(VI) 1658:5-10) and Lieber (JA(VI) 1527:21-1528:9) *all* admitted that Marvel simply “purchased” that material it accepted for publication.

The courts should not retroactively impute an intent the parties could not have had. Moreover, until 1965-66, “the courts had applied the work for hire doctrine under the 1909 Act exclusively to traditional employees.” *CCNV*, 490 U.S. at 749. Even if the parties had retained sophisticated counsel, they would have been advised that Kirby’s freelance work was not “for hire.” *See JA(VIII) 2043-46, 2046 n.80* (attaching M. Nimmer, *Nimmer on Copyright* (1963)). As the doctrine only applied to employees in 1958-1963, they could not have intended that Kirby’s creations be “work for hire.”

#### iv. *Marvel’s Failure To Pay Sales Tax*

That Marvel did not view this material as “work for hire” is also shown by Marvel’s concern over its failure to pay sales tax when it *purchased* it. JA(V) 1109, 1156, JA(VI) 1394 ¶ 15, JA(VII) 1912, JA(VIII) 2150 ¶15. As early as the 1950s, comic book companies in California paid sales tax when purchasing artwork. JA(V) 1109. In the early 1980s, freelancers inquired about this practice

with the New York tax authorities. *Id.*; JA(VIII) 2051-55. Marvel feared substantial liability for years of back taxes on purchased freelance artwork. JA(VI) 1394 ¶¶15-16, 1659:14-19; JA(VIII) 2150 ¶15.

v. *Kirby's Use Of Rejected Artwork*

Also inconsistent with Marvel's revisionist "work for hire" theory is that Kirby used rejected work elsewhere. JA(V) 1152-53. For example, Kirby developed *The New Gods* for Marvel's *Thor*; but Marvel did not purchase this and never objected when it became Kirby's flagship comic at Marvel's rival, DC Comics. JA(IV) 1084-86 ¶¶17, 20; JA(V) 1125-1134. Kirby's re-imagined version of *Thor* was similarly rejected by Marvel without pay, and Kirby openly sold copies of it, also without objection from Marvel. JA(IV) 1084 ¶17; JA(V) 1126-1131.

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From every respect, Marvel's conduct contradicts its revisionist "work for hire" claim. All the evidence shows that the parties did not intend that Kirby's material be owned "automatically upon ...creation," *Hogarth*, 342 F.3d at 162, but that they intended that Marvel own that freelance material it chose to purchase in its sole discretion for publication.

b. The District Court Erred In Holding That Post-Hoc “Work For Hire” Acknowledgments Were “Conclusive,” Contrary To Clear Second Circuit Authority

Contrary to *Marvel v. Simon*, 310 F.3d 280 (2d Cir. 2002), the District Court erroneously relied on two self-serving documents drafted years later by Marvel and signed by Kirby under economic pressure – the 1972 “Assignment” in connection with a 1969 lawsuit by Joe Simon over the renewal copyright to *Captain America*; and a mandatory 1986 “artwork release” for the return of Kirby’s original artwork (see, e.g., JA(V) 1110-11; JA(VIII) 2150 ¶¶14-15) – re-characterizing *all* Kirby material published by Marvel as “work for hire,” long after-the-fact. *See* SA 40 (the 1972 Assignment and 1986 release “prove conclusively that the Kirby Works were ‘works for hire’”), 45 (the “language of the 1972 ‘assignment’ and Kirby’s own statements doom [the Kirby’s] position”).

The 1972 “Assignment,” as entitled and drafted by Marvel, devotes three pages to *assigning* all of Kirby’s published material to Marvel, including a warranty that “[Kirby] has not assigned, licensed, or pledged … any of the MATERIALS and RIGHTS to anyone else,” and an agreement “not to contest … the RIGHTS … conferred.” JA(III) 604-07. By contrast, Marvel’s attorneys inserted one contradictory sentence stating that Kirby’s work was as an “employee for hire.” JA(III) 606.

The District Court noted that the 1972 “Assignment,” “speaks out of both

sides of its mouth.” SA 27. Yet, rather than assess it in the light most favorable to the Kirbys, the court heavily relied upon this “work for hire” sentence, downplaying the contradiction and that this “Assignment” was *predominantly* that.<sup>3</sup> SA 32, 40 (“The plain language of the 1972 assignment makes it clear that all of Kirby’s work … was ‘work for hire.’”), 42 (“What the 1972 agreement does contain is Kirby’s admission that completely eviscerates the Kirby Heirs’ claim....”).

The District Court completely ignored and contravened *Simon*, 310 F.3d 280, this Circuit’s leading termination/work-for-hire case, highlighted by the Kirbys. *See, e.g.*, Document 96 at 22. Marvel also never mentioned *Simon* in its briefs. *See* Documents 62, 81, 107. In *Simon*, Marvel sought to invalidate Joe Simon’s statutory termination notice regarding *Captain America* (co-created by Kirby) by arguing that it was “work for hire.” The trial court granted summary judgment based, in part, on Simon’s settlement agreement, ***regarding the same 1969 lawsuit as Kirby’s 1972 Assignment, and containing an identical “work for***

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<sup>3</sup> The District Court emphasized that it assigned all rights Kirby “*may have*” but kept omitting the rest of the sentence – “or which he has had or controlled.” SA 4, 23, 26, 40, 42. This is significant as the latter part fits perfectly with Marvel’s prior purchase of Kirby’s material and both parts together address the issue in Simon’s 1969 lawsuit: ownership of the renewal copyright. *Simon*, 310 F.3d at 283-84.

*hire*" acknowledgement.<sup>4</sup> 310 F.3d at 283-84; JA(III) 606. This Circuit held that Marvel cannot avoid the inalienable termination right by "retroactively" re-characterizing a work as "for hire" years after its creation; and that such post-hoc acknowledgement is void *ab initio* under 17 U.S.C. § 304(c)(5) as "'an agreement to the contrary.'" *Simon*, 310 F. 3d at 289-92.

**D. In The Context Of Statutory Termination, The "Instance And Expense" Test Should Be Narrowly Construed**

If "instance and expense" is too broadly or literally construed, as it was when the District Court found it satisfied by Marvel's practical buying power and payment for purchased material, the "test" ceases to have any meaning or to differentiate "work for hire" and non-"work for hire," as it applies equally to both.<sup>5</sup>

It is well-accepted that "where words are employed in a statute which had at the time a well-known meaning at common law ... they are presumed to have been used in that sense unless the context compels to the contrary." *Standard Oil Co. v. United States*, 221 U.S. 1, 59 (1911).

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<sup>4</sup> In fact, Kirby's 1972 "Assignment" reveals that it was originally between Simon and Marvel regarding *Captain America*. JA(III) 604. Simon's name was "whited out" and "Kirby" was handwritten in, but the preamble still refers to "Simon." *Id.*

<sup>5</sup> Unrestrained application of the "instance and expense" test leads to absurd contradictions. For example, a work created by a traditional *employee* "as a special job assignment, outside ...[his] regular duties" is not "work for hire," even though the employer pays for and has the right to supervise it. *Martha Graham*, 380 F.3d at 635.

If the “instance and expense” test is too liberally applied to freelancers, it would contradict the common law meaning of “employer” in the 1909 Act, which connotes a more “conventional master-servant relationship.” *Clackamas Gastroenterology Associates, P.C. v. Wells*, 538 U.S. 440, 455, 445 n.5 (2003)

As to copyrights, the Supreme Court clearly distinguished between an “employee” and an “independent contractor,” and expressly stated that “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 common-law agency doctrine.” *CCNV*, 490 U.S. at 739-40. Notably, the Supreme Court unanimously *rejected* the “instance and expense” test, relying instead on the common law of agency, to define an “employee” under the 1976 Act. *CCNV*, 490 U.S. at 749-50; *see 1 Nimmer* § 5.03[B][1][a][ii].

Authorities read *CCNV* as overruling the “instance and expense” test under the 1909 Act, *see 3 Nimmer* § 9.03[D] at 9-32 to 9-34, though *Hogarth* declined to do so. 342 F.3d at 162-63. Nonetheless, *Hogarth* could not reconcile *CCNV* with the 1909 Act’s limitation of “work for hire” to an “employer,” or its requisite common law definition.

This Circuit has never applied the “instance and expense” test to determine “work for hire” under the 1976 Act’s termination provisions, as none of its post-*CCNV* “instance and expense” cases relate to termination. *See Playboy*, 53 F.3d

549 (ownership under 1909 Act); *Hogarth*, 342 F.3d 149 (renewal rights); *Martha Graham*, 380 F.3d 624 (same). When this Circuit addressed the “work for hire” exception to the statutory termination right, it construed “work for hire,” under the 1909 Act, narrowly. *Simon*, 310 F.3d at 290.

The clear legislative intent behind the termination provisions is “to protect authors from [their] unequal bargaining positions.” *Id.* In light of the concerted legislative objective behind the “inalienable termination right,” *N.Y. Times*, 533 U.S. at 496 n.1, the controversial “instance and expense” test should be applied narrowly, and with great care. If this already vague test is too loosely applied, the “work for hire” exception will swallow the rule, “repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author’s termination right.” *Simon*, 310 F.3d at 290.

### **III. THE DISTRICT COURT ERRED IN STRIKING THE TESTIMONY OF THE KIRBYS’ KNOWLEDGEABLE EXPERTS MARK EVANIER AND JOHN MORROW**

As a preliminary matter, the District Court erred in striking Mark Evanier’s testimony, insofar as he was also a relevant “fact” witness. *See e.g.*, JA(IV) 1084-86 ¶¶17-20; SA 9 (Kirby hired Evanier as an assistant in the 1960’s). Marvel was permitted to take Evanier’s deposition *twice* – both as a fact and expert witness. JA(I) 140-41.

Both Mark Evanier and John Morrow were extremely well-qualified to

testify. Evanier is one of the most widely respected comic book historians, and wrote an award-winning Kirby biography (JA(IV) 1092-95) and was singled-out at a recent trial regarding “Superman” as a “credible and persuasive” expert. *Siegel v. Warner Bros. Entm't, Inc.*, 2009 U.S. Dist. LEXIS 66115, at \*14-15 (C.D. Cal. July 8, 2009). As founder, editor and publisher of *The Jack Kirby Collector*, Morrow has extensively researched Kirby’s life, compiling a wealth of archival material and interviews. JA(V) 1144-47, 1303:20-1305:10.

In conjunction with overlooking two percipient witnesses (Colan and Adams), the District Court’s striking of Evanier and Morrow effectively removed four very knowledgeable Kirby witnesses, handicapping their case.

The striking of Morrow and Evanier’s testimony, on the purported grounds that their reports were factual narratives that did not concern “technical or scientific matters” and related to credibility, was clear error. SA 13.

As the District Court has held, “the Federal Rules of Evidence favor the admissibility of expert testimony, and [the court’s] role as gatekeeper is not intended to serve as a replacement for the adversary system.” *POM Wonderful LLC v. Organic Juice USA, Inc.*, 2011 U.S. Dist. LEXIS 1534, at \*19 (S.D.N.Y. Jan. 3, 2011). As such, “the district court’s role as a gatekeeper in screening out unreliable testimony is tempered by the liberal thrust of the Federal Rules of Evidence and the presumption of admissibility.” *Colon v. BIC USA, Inc.*, 199 F.

Supp. 2d 53, 75 (S.D.N.Y. 2001). *See Borawick v. Shay*, 68 F.3d 597, 610 (2d Cir. 1995). The District Court’s wholesale rejection of Evanier and Morrow’s expert testimony was unjustified and contrary to law.

*First*, neither expert report was a mere “factual narrative.” Contrary to the court’s order, it is very well-settled that expert testimony is not limited to “technical or scientific matters,” but rather can offer historical context and/or industry custom and practice, and draw inferences from this based on his expertise. *See, e.g., Oneida Indian Nation v. New York*, 691 F.2d 1070, 1086 (2d Cir. 1982) (history); *Chavez v. Carranza*, 559 F.3d 486, 497 (6th Cir. 2009) (modern history); *SR Int’l Bus. Ins. Co. v. World Trade Ctr. Props., LLC*, 467 F.3d 107, 133-134 (2d Cir. 2006) (“custom and practice”); *Bayway Ref. Co. v. Oxygenated Mktg. & Trading A.G.*, 215 F.3d 219, 225 (2d Cir. 2000) (same); *Travelers Indem. Co. v. Scor Reinsurance Co.*, 62 F.3d 74, 78 (2d Cir. 1995) (same).

Notably, under the 1909 Act, the “custom and practice” of an industry can be used to rebut the “work for hire” presumption of the “instance and expense” test, making such testimony especially pertinent. *See 1 Nimmer § 5.03[D]* at 5-56.12; *Playboy*, 53 F.3d at 557; *May v. Morganelli-Heumann & Assocs.*, 618 F.2d 1363, 1369 (9th Cir. 1980).

*Second*, to the extent Evanier and Morrow’s report related to “intent” or “credibility,” this was not improper. The rules allow expert testimony as to intent

and motive. *SR Int'l Bus. Ins. Co.*, 467 F.3d at 132; (approving expert testimony on contractual “intent”); *Travelers Indem. Co.*, 62 F.3d at 78 (same); *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988) (permitting expert testimony as to “no evidence of deceptive intent”); *Joseph*, 542 F.3d at 22 (approving expert testimony on “motivations”). This is particularly true where, as here, the subject is decades old. *Commercial Union Ins. Co. v. Seven Provinces Ins. Co.*, 217 F.3d 33, 38-39 (1st Cir. 2000) (the experts “could testify to what the terms in the policy must have meant in light of industry practice” “because the policy was several decades old”).

Nor was it proper for the court to dismiss such expert testimony because Evanier and Morrow were not “there” in 1958-63 (SA 11, 34 n.4) or sometimes cited hearsay. An expert is not required to be a percipient witness and can properly consider hearsay. *See, e.g., Chavez*, 559 F.3d at 497; *SR Int'l Bus. Ins. Co.*, 467 F.3d at 133-134; *Katt v. City of New York*, 151 F. Supp. 2d 313, 356 (S.D.N.Y. 2001). Evanier and Morrow’s testimony was properly based on their extensive knowledge of the history, culture and practices of the comic book industry, gleaned from numerous in-person interviews of leading industry figures, experience, in-depth archival study and other acceptable sources of expert opinion. Moreover, such testimony is not excluded merely because it also pertains to a witness’ credibility. *See, e.g., Joseph*, 542 F.3d at 22 n.11; *SR Int'l Bus. Ins. Co.*, 467 F.3d

at 132; *Travelers Indem. Co.*, 62 F.3d at 78.

Evanier and Morrow's reports were not intended "to create issues of fact" (SA 11), but rather to put events that occurred half a century ago into their proper historical context. JA(V) 1092-1114, 1144-59.

**IV. AS THE DISTRICT COURT MADE CRUCIAL CREDIBILITY AND FACTUAL DETERMINATIONS, THIS CASE SHOULD BE REASSIGNED**

The Kirbys respectfully request that, if this Court is inclined to remand the case for further substantive proceedings, that it exercise its authority to reassign it.

*Liteky v. United States*, 510 U.S. 540, 554-55 (1994). Among the "principal factors" considered when reassigning cases on remand are whether "the original judge would reasonably be expected upon remand to have substantial difficulty in putting out of []her mind" her prior findings and "whether reassignment is advisable to preserve the appearance of justice." *United States v. Robin*, 553 F.2d 8, 10 (2d Cir. 1977) (reassignment does "not [] imply any personal criticism of the judge").

"[T]he appearance of justice would be well-served by reassignment on remand," where, as here, the district court already made a key "judgment on ... personal credibility." *Shcherbakovskiy v. Da Capo Al Fine, Ltd.*, 490 F.3d 130, 142 (2d Cir. 2007). See *Szafran v. Sandata Techs., Inc.*, 205 Fed. Appx. 864, 869

(2d Cir. 2006) (reassigning case based on district court’s “strong belief” in its reversed legal and factual findings).

Here, the District Court held that Marvel’s case “stands or falls” on Stan Lee’s testimony (SA 7), found it credible, despite considerable contrary evidence and of Lee’s bias, and largely based a fifty-page opinion on that determination. Under such circumstances, reassignment is appropriate as the District Court would be the trier of fact on remand. *See Robin*, 553 F.2d at 10 (“Where the judge sits as the fact-finder, reassignment is the preferable course, since it avoids any rub-off of earlier error.”); *Mackler Prods. v. Cohen*, 225 F.3d 136, 146-147 (2d Cir. 2000) (ordering reassignment as judge would be the fact-finder on remand).

## **CONCLUSION**

Appellants respectfully request that that this Court reverse the judgment of the District Court, and remand (a) to dismiss for lack of jurisdiction, or alternatively, (b) entry of partial summary judgment in their favor or (c) for trial.

Dated: January 25, 2012  
Malibu, California

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**CERTIFICATE OF COMPLIANCE**

Pursuant to Federal Rules of Appellate Procedure 27(d) and 32(a), I certify that Appellants' attached opening brief is proportionately spaced, has a typeface of 14 points or more, and does not exceed 14,000 words.

Dated: January 26, 2012  
Malibu, California

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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. Pursuant to Local Rule 31.1, six paper copies of the corrected brief have been or will be mailed via first-class mail to the Court.

Dated: January 26, 2012  
Malibu, California

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