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# My Hero?: The Work For Hire Doctrine And Termination Rights In Marvel Characters, Inc. v. Kirby

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Advanced Entertainment Law

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**MY HERO?: THE WORK FOR HIRE DOCTRINE AND  
TERMINATION RIGHTS IN *MARVEL CHARACTERS, INC. V. KIRBY***

Joseph Johnson

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## Introduction

On August 8, 2013, the Second Circuit Court of Appeals affirmed a summary judgment motion brought by Marvel Characters, Inc. (“Marvel”) in an action against the estate of comic book character creator and artist, Jack Kirby.<sup>1</sup> The Court found that the creations of the author at issue fell under the Work for Hire Doctrine, thereby vesting ownership of the rights to the characters in Marvel and denying the estate the right to terminate copyright ownership and regain the rights to the characters created by Kirby.<sup>2</sup> The Ninth Circuit Court of Appeals also recently rendered a similar decision against the estate of comic book creator and artist Jerome Siegel, dealing with early drawings, advertisements, and comics of Superman.<sup>3</sup> The tests that the Circuit Courts of Appeals employ in cases involving the work for hire doctrine vary greatly, especially when termination of copyright transfers are involved, and could result in differing outcomes with similar, or identical, cases tried in different locales. Discrepancies exist in and within the circuits as to these types of relationships generally and the tests to define them are not clearly laid out across the federal courts. The impacts of these court opinions and analyses, as well as the fact that the test used in this context may be contrary to Supreme Court precedent, can have a great effect among a wide range of dealings in the entertainment industry to such an extent that the Supreme Court could take one of these cases (*Marvel Characters, Inc. v. Kirby* or *Larson v. Warner Bros. Entm’t*) into consideration if the estates were to petition for certiorari.

The aim of this paper is to discuss the work for hire doctrine, termination rights in copyright transfers, and why the “Instance and Expense” test employed by the Second Circuit in *Kirby* should be reevaluated and changed in order to protect the termination rights of authors and their families/estates given under the Copyright Act of 1976. Part I will present the current statutory framework of the Work for Hire Doctrine in relation to termination of copyright grants and assignments and existing precedent relating to the topic. Part II will introduce the *Kirby* case and discuss the “Instance and Expense” test applied by the Second Circuit. Part III will consider the Work for Hire Doctrine in other fields in the Entertainment Industry and Part IV will argue why courts should reevaluate the tests employed in these circumstances to better protect authors and their families when they produce creative works of authorship.

## **Part I – Termination of Transfers and the Work for Hire Doctrine Under Copyright Law**

Rights in creative works of authorship are freely and easily transferrable to other parties by the original creator of a work.<sup>4</sup> “A ‘transfer of copyright ownership’ is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.”<sup>5</sup> In many instances, especially in the entertainment industry, this type of transfer may be a prerequisite for the publication or other exploitation of a work.<sup>6</sup> Because of the disparity in bargaining power between creators and publishers, the creators of the Copyright Act of 1976 (“1976 Act”) included provisions to protect authors by allowing them to regain the rights in their works that may have been assigned or otherwise

transferred after the creation of the work because of the bargaining positions of the parties.<sup>7</sup> Termination of a copyright grant or assignment allows for a restoration in the author or his/her estate of the rights originally transferred so that the author or successor in interest can renegotiate the terms of an additional transfer or to take the copyrighted material elsewhere to be exploited by another entity.

## **A. Termination of Copyright Transfers**

Sections 203 and 304(c) of the 1976 Act control terminations of transfers of copyrights.<sup>8</sup> The Congress that enacted the current Copyright Act recognized as justification for a recapture of rights the necessity of “safeguarding authors against unremunerative transfers ... needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work’s prior value until it has been exploited.”<sup>9</sup>

The division of the sections and their application to particular works are bound by the date of the grant of transfer in question.<sup>10</sup> When the date of grant is on or after January 1, 1978, §203 applies.<sup>11</sup> If the transfer occurred before this date, §304(c) governs.<sup>12</sup> The key termination section for discussion in this article will be §304(c), as the grants at issue in both *Kirby* and *Siegel* were originally made prior to 1978.

The relevant portion of §304 states:

In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, *other than a copyright in a work made for hire*, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section, otherwise than by will, is subject to termination under the following conditions:

....

... (3) Termination of the grant may be effected *at any time during a period of five years* beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later. (4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents... (A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection... and *the notice shall be served not less than two or more than ten years* before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect. (B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation. (5) Termination of the grant may be effected *notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant....* In all cases the reversion of rights is subject to the following limitations:... (B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.... a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause... (D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author [or owner of the termination right] and the original grantee or such grantee's successor in title, after the notice of termination has been served... (F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.<sup>13</sup>

In essence, the termination provision provides a five-year window beginning once the 56<sup>th</sup> year of the original grant ends. Notification of this period must be served to the grantee in a writing signed by the grantor, or the party(ies) of interest (persons or entities that have the

reversion rights), between two and ten years before the termination will occur. The notice must be technically correct in form, substance, and service or it may be found invalid by a court. A copy of the notice must then be recorded in the Copyright Office before the date of effect. After this has been completed and the termination window arrives, the termination is effective and the transfer is no longer in force.

The provisions of sections 203 and 304(c) are, as one may deduce, very difficult to achieve, as stated by the court in the original *Siegel* case: “a constant theme throughout this litigation was that ‘the termination provisions contained in the 1976 Act are among the most complex and technical ones in the statute.’”<sup>14</sup> They may be easily circumvented by the grantees of the rights by exploiting technicalities such as incorrect termination dates, incorrect notice date, technical flaws in the termination notice, inclusion of materials outside the proper termination period, failure to get proper signature of all parties of interest on the notice.<sup>15</sup> Sometimes a court will recognize the great difficulty of the termination procedure and overlook deficiencies in a termination notice. In the original *Siegel* action, for instance, the court gave the estate of Jerome Siegel a great benefit, stating that “given the ‘near-Herculean effort and diligence’ that resulted in the preparation of a ‘six-pound, 546-page termination notice,’ the absence of these additional listings fell within the scope of harmless error, excused by applicable regulations. Accordingly, termination validly applied to those materials as well.”<sup>16</sup> Even in that opinion, however, other mistakes or deficiencies, such as inclusion of works outside the notice period were not given such lenience.<sup>17</sup> “By thus rendering the device of termination of transfers subject to evasion, the unfortunate consequence is that this highly complex addition to the Copyright Act often fails to afford any real relief to its intended beneficiaries.”<sup>18</sup> It is often

a great struggle, often involving court action, for an author or his/her estate to validate a transfer termination and receive a reversion of the copyright of a work.<sup>19</sup>

## **B. Works Made for Hire under the Copyright Act**

As emphasized in the above statutory provision, terminations of copyright transfers may only take place if the work is not considered a “work made for hire.”<sup>20</sup> “The current Act expressly provides that a grant from author to employer of rights in a ‘work made for hire’ is not subject to the termination provisions regardless of when it is executed.”<sup>21</sup>

Section 101 of the 1976 Act defines a work made for hire as:

- (1) a work prepared *by an employee within the scope of his or her employment*; or
- (2) a work *specially ordered or commissioned for use* as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, *if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.*<sup>22</sup>

If an employee prepares a work within the scope of employment, the work is automatically deemed a work made for hire. If these conditions do not exist or the work is created by an independent contractor, the provisions of paragraph (2) apply and the work must fall under one of the specified categories and the parties must sign an instrument stating the work is one made for hire in order for it to be deemed one. “The parties to a grant, [however,] may not agree that a work shall be deemed one made ‘for hire’ in order to avoid the termination provisions if a ‘for hire’ relationship (within the meaning of Section 101) does not, in fact, exist between them. Such an avoidance device would be contrary to the statutory provision

that ‘termination of the grant may be effected notwithstanding any agreement to the contrary.’”<sup>23</sup> As we will see, courts do not always interpret this provision consistently.

In the event a particular work is deemed a Work for Hire under the definition in §101, the employer is deemed to be the author and legal owner of the copyright for such work, unless some express agreement or writing states otherwise.<sup>24</sup> This affects termination rights because if the work in question is deemed to be a work made for hire, the creator has no right or ability to regain any rights in the work.<sup>25</sup>

Because terms used in this section, employee and employment specifically, are undefined in the 1976 Act, courts over time have produced several different approaches in order to determine whether a work is one made for hire.<sup>26</sup> Two of the most prominent tests that emerged prior to 1989 were the control test and the agency principles test.<sup>27</sup> That year, the Supreme Court considered the work for hire doctrine as it related to commissioned works in *Community for Creative Non-Violence v. Reid*.<sup>28</sup>

### **C. CCNV v. Reid**

*CCNV* involved a disputed work of visual art. The dispute centered on who owned the commissioned sculpture: the artist who created the work or the organization who contracted with the artist to create the work.<sup>29</sup> By examining the statutory language of the definition provision and the intent of the legislature in creating this section of the 1976 Act, the Court determined that the principles of agency law should govern whether an artist is an employee or an independent contractor.<sup>30</sup>

According to *CCNV*, the distinction of whether an artist is an employee or an independent contractor is vital in determining whether a work is made for hire.<sup>31</sup> If a work is made by an employee, the determination is based on whether the work was made in the scope of employment; but if it is made by an independent contractor, the work must fall into one of the categories specified in §101 of the 1976 Act.<sup>32</sup> The Court explains the reason for these distinctions in its consideration of the legislative history of the doctrine in the 1976 Act:

The interested parties selected these categories because they concluded that these commissioned works, although not prepared by employees and thus not covered by the first subsection, nevertheless should be treated as works for hire because they were ordinarily prepared "at the instance, direction, and risk of a publisher or producer."<sup>33</sup>

The importance of *CCNV* is the conclusion that works commissioned by publishers or producers are not automatically or specifically works made for hire. A court must first decide whether the relationship between the parties is one of employer-employee or employer-independent contractor. Only then can it be determined which section of §101 should be applied.<sup>34</sup> Most importantly, this Supreme Court decision advances the proposition that agency principles should guide the analysis in the absence of definitions in the Copyright Act and that control or the right to control the work should not be solely determinative of the issue of whether a work is "made for hire."<sup>35</sup>

## **Part II – *Marvel Characters, Inc. v. Kirby* and the "Instance and Expense" Test**

At various times throughout his career, Jack Kirby produced drawings and works for Marvel Comics on a freelance basis.<sup>36</sup> *Marvel Characters, Inc. v. Kirby* centers on certain works that were produced by Kirby during the period of 1958-1963.<sup>37</sup> In 2009, Kirby's

surviving children sent termination notices to Marvel purporting to exercise their termination rights for these works under §304 of the 1976 Act.<sup>38</sup> The children served “forty-five copyright-termination notices to Marvel Entertainment Inc., and other Hollywood studios relating to comic-book characters and stories created by Mr. Kirby, including [‘The Hulk’] ‘X-Men’ and ‘The Fantastic Four,’ seeking to recapture copyright in these characters as early as 2014”.<sup>39</sup> Following the notice, Marvel sought a declaratory judgment, which was granted by the lower court, that the works produced by Kirby during the period in question were works made for hire, meaning Marvel owned the rights to the characters and works and that the termination notices were invalid.<sup>40</sup> The Kirbys appealed this judgment to the Second Circuit Court of Appeals.<sup>41</sup> In *Kirby*, the Second Circuit decided that the works made by Jack Kirby under what is called the “Marvel Method” constitute works made for hire and that therefore Marvel owns the rights to the several characters and works created by Kirby during his time with Marvel.<sup>42</sup>

### **A. Background and the “Marvel Method”**

During the period of 1958-1963, Kirby, as a freelance artist, created artwork and characters, mainly in comic and graphic novel form, that are at issue in this case.<sup>43</sup> Kirby became known throughout his career as one of the greatest comic book artists of his time.<sup>44</sup> During the time in question in this case, many of his works were utilized by Marvel for use in their comic books.<sup>45</sup> The methods and conditions under which these works were made is at the center of the work for hire issue in this case. At that time, artists that drew for Marvel worked under a system called the "Marvel Method." The first step was for Stan

Lee, writer, editor, and director of Marvel Comics during the relevant period, to meet with an artist at a “plotting conference”:

Lee would provide the artist with a “brief outline” or “synopsis” of an issue; sometimes he would “just talk...with the artist” about ideas. The artist would then “draw it any way they wanted to.” Then a writer, such as Lee, would “put in all the dialogue and the captions.” According to Lee, he “maintain[ed] the ability to edit and make changes or reject what the other writers or artists had created”.<sup>46</sup>

There were no formal contracts of employment with many of these artists and there were also certain aspects typical in traditional employment relationships that were not present in the “Marvel Method”:

It is undisputed that Kirby was a freelancer, i.e., he was not a formal employee of Marvel, and not paid a fixed wage or salary. He did not receive benefits, and was not reimbursed for expenses or overhead in creating his drawings. He set his own hours and worked from his home. Marvel, usually in the person of Stan Lee, was free to reject Kirby's drawings or ask him to redraft them. When Marvel accepted drawings, it would pay Kirby by check at a per-page rate.<sup>47</sup>

The relationship between Kirby and Marvel, however, was atypical even of the Marvel Method.<sup>48</sup> Rather than having a set outline for his work, Lee and Kirby had an open, less formal, relationship within the “method.”<sup>49</sup> Kirby had less oversight than other artists, a freer hand in creation and the Second Circuit recognized “is it beyond dispute...that Kirby made many of the creative contributions,”<sup>50</sup> to the works, such as thinking up and introducing characters, influencing plotting and pitching ideas.<sup>51</sup>

## **B. The 2<sup>nd</sup> Circuit’s analysis**

On the issue of the works being created as works made for hire, the Court analyzed the relationship between Marvel and Kirby through the Instance and Expense test formulated under case law interpreting the Copyright Act of 1909 (“1909 Act”).<sup>52</sup> This test,

first used in the Second Circuit in *Picture Music, Inc. v. Bourne, Inc.*,<sup>53</sup> and later in *Playboy Enterprises, Inc. v. Dumas*,<sup>54</sup> purports to meld both employee and independent contractor situations in work for hire cases by asserting that "an independent contractor is an 'employee' and a hiring party an 'employer' for purposes of the [1909 Act] if the work is made at the hiring party's 'instance and expense.'"<sup>55</sup> This suggests that if a work is made through the hiring party's instance and expense, it does not matter whether the creator was an independent contractor because his relationship is essentially that of an employee.<sup>56</sup>

### **C. "Instance and expense"**

The Second Circuit has stated that a work is made at the hiring party's "instance and expense" when the employer induces the creation of the work and has the right to direct and supervise the manner in which the work is carried out.<sup>57</sup> "Instance refers to the extent to which the hiring party provided the impetus for, participated in, or had the power to supervise the creation of the work. Actual creative contributions or direction strongly suggest that the work is made at the hiring party's instance."<sup>58</sup> "The 'right to direct and supervise the manner in which the work is carried out,' moreover, even if not exercised, is in some circumstances enough to satisfy the "instance" requirement."<sup>59</sup> Expense refers to the resources the hiring party invests in the creation of the work.

We have, moreover, suggested that the hiring party's provision of tools, resources, or overhead may be controlling. In other cases, however, we seem to have focused mostly on the nature of payment: payment of a "sum certain" suggests a work-for-hire arrangement; but "where the creator of a work receives royalties as payment, that method of payment generally weighs against finding a work-for-hire relationship."<sup>60</sup>

Absent a writing to the contrary, if a court deems the instance and expense test is met, the work is found to be a work for hire and the employer is deemed the author of the work.<sup>61</sup> In

*Kirby*, the Court concluded the instance and expense test to be satisfied by Marvel and therefore the works created during the time frame at issue were works made for hire.<sup>62</sup>

In *Kirby*, the court ultimately determined that “Marvel's inducement, right to supervise, exercise of that right, and creative contribution with respect to Kirby's work during the relevant time period is more than enough to establish that the works were created at Marvel's instance,”<sup>63</sup> and

Though the record suggests that both parties took on risks with respect to the works' success—Kirby that he might occasionally not be paid for the labor and materials for certain pages, and Marvel that the pages it did pay for might not result in a successful comic book...we think that Marvel's payment of a flat rate and its contribution of both creative and production value, in light of the parties' relationship as a whole, is enough to satisfy the expense requirement.”<sup>64</sup>

For the instance requirement, the court focused on the closeness of the working relationship between Kirby and Marvel. Kirby received many assignments through Marvel throughout these years, more than most other artists, and most of Kirby's output during this period was made for Marvel or “with Marvel in mind.”<sup>65</sup> Marvel also played “at least some creative role with respect to the works.”<sup>66</sup> These factors, along with the fact that Marvel had the right to supervise, compel Kirby to edit, or reject Kirby's work lead to the court's conclusion that the instance element was met by Marvel.

The expense requirement centered on the payment method of Kirby's output. Though Kirby was not paid for expenses, materials, overhaul, or office space, the fact that Kirby was paid a flat rate for pages accepted by Marvel and no royalties or other residual income was made by Kirby, that the expense, or risk of financial loss, was on Marvel.<sup>67</sup> Additionally, the court found that since many of Kirby's works during the time period were

created as a part of Marvel’s existing stories and products, the expense spent on those titles contributed to the expense element.

After establishing that the elements of the instance and expense test were met, the court denied the evidence the Kirbys presented, “a 1975 assignment executed by Jack Kirby that purported to transfer interests in certain works to Marvel (but also averred that all of his work was for hire), which they say suggests the parties’ understanding that Marvel did not already own the rights,” was enough to establish a “writing to the contrary.”<sup>68</sup> The Kirbys also highlighted language in payments that suggested assignment of rights rather than work-for-hire status of the works.<sup>69</sup> The court determined that this evidence was not enough to overcome the summary judgment motion and found in favor of Marvel.<sup>70</sup>

#### **D. Flaws in the analysis**

Though the Second Circuit correctly applied the Instance and Expense test in *Kirby* based on existing Circuit precedent, there are serious flaws in the Instance and Expense test itself, as well as the analysis the court undertook in the case. First, the test flies in the face of Supreme Court precedent. Second, the instance element, which is essentially a control test, is biased toward publishers and distributors as they essentially have control over most aspects of the works they produce commercially. Finally, the expense element will almost always fall on the side of the publisher or distributor because the entities who pay for creative works rarely offer compensation in a way that would defeat the expense element.

In *CCNV*, the Supreme Court stated that having a control test in a work for hire setting defies the purpose and intent of the work for hire provisions of the Copyright Act.<sup>71</sup> In that case, the court stated “transforming a commissioned work into a work by an employee on the basis of the hiring party’s right to control, or actual control of, the work is inconsistent with the

language, structure, and legislative history of the work for hire provisions.”<sup>72</sup>The instance and expense test, though it seems to be only partially a control test, is in fact a control test. The instance element looks at the impetus of the creation of the work, and can be satisfied, according to the Second Circuit, by showing control, participation in, or right to control the works in question.<sup>73</sup> This is the purest essence of a control test,<sup>74</sup> especially in light of the fact that “the ‘right to direct and supervise the manner in which the work is carried out,’ moreover, even if not exercised, is in some circumstances enough to satisfy the “instance” requirement.”<sup>75</sup> The expense portion of the test essentially inquires as to the expense provided by the “hiring” organization and determines whether that is sufficient to suggest a work for hire arrangement.<sup>76</sup> This may be met by either a direct payment, through payment of a flat fee for the work(s), an indirect payment through provision of materials or simply by showing that it has assumed the “risk of loss.”<sup>77</sup>

In *CCNV*, the Court discussed control tests and found that the language and the legislative intent prohibited employing such control factors alone in determining whether a work is one made for hire.<sup>78</sup> Under *CCNV*, if a creator is an employee, the question is whether the employee was acting within the scope of her employment in creating the work. Answering this question is executed by examining at general agency principles.<sup>79</sup> If the creator is an independent contractor, the instances under which the work is deemed a work for hire are limited to the circumstances laid out in §101(2).<sup>80</sup> The instance and expense test employed in *Kirby* has a substantial flaw in that it does not comply with Supreme Court precedent.

Additionally, as applied in *Kirby*, the instance and expense test is exceedingly biased in favor of publishers and distributors in the entertainment industry. The instance

factor examines the “extent to which the hiring party provided the impetus for, participated in, or had the power to supervise the creation of the work.”<sup>81</sup> This element, even if the impetus for the work does not come from the hiring party, is preferential to the hiring party, especially in the entertainment industry. Even if publishers and distributors are willing to decline the ability to have direct participation or supervision in works that they are producing for the public, most will exercise some right or power of supervision or modification. Publishers specifically are almost always going to have supervisory and editing rights over anything they print. It is unlikely that any entity in this type of industry would forego the opportunity to supervise or control in some way a product that it is responsible for producing and selling to the public.

The expense element is even more biased in its application because “expense” covers both direct and indirect funding, so there are a multitude of means to find the expense element met in any instance that does not show clear independence, a circumstance under which this test would not be used. It is also unlikely that a publisher or distributor would pay royalties for a creator who may not be in a position of high bargaining power or that already has an established career. For those that are in such a place, an entity could simply provide costs for the creator in the form of materials or space to work and meet the expense requirement. In the case of Jack Kirby, this may not apply, but in a wider scope, the payment of a flat rate as an indicator for work for hire status seems to favor the publishers/distributors in an unfair manner. This was the motivation for the court’s decision that the expense element was met in *Kirby*.<sup>82</sup> There were several, and indeed more, factors that suggested that Kirby was a freelance independent contractor, including the fact that he was not receiving employment benefits, office space, or even payment for materials

or overhead in creating works for Marvel.<sup>83</sup> The court deemed, however, that the payment of the flat rate and Marvel's risk of loss outweighed the other factors in the expense analysis.<sup>84</sup> The way that the expense portion of the instance and expense test was utilized in *Kirby* is highly favorable of Marvel. As a result of the system in place in the Second Circuit, many authors such as Jack Kirby could wrongly have their work classified as a work made for hire, when it in actuality is not.

Finally, the requirement that a "sufficient" writing to the contrary having to be provided to overcome the instance and expense test seems to create a paradox for the party seeking to terminate. Under the language of the Copyright Act, a writing is supposed to be required in order to show that a work *is* a work made for hire.<sup>85</sup> In the absence, and possibly even in the presence, of a writing stating that a work or group of works is specifically made for hire, the statutory language suggests that it is not. The termination provisions also include language that works against the instance and expense test's requirement of a writing to overcome a work being deemed to be "made for hire":

Moreover, the 1976 Act provided that if the author did not survive to exercise termination, the interest would be distributed to the author's family members as a statutory class. Congress specifically made this scheme inalienable: "Termination of the grant may be effected notwithstanding *any* agreement to the contrary. ..." The author's statutory successors take the interest despite any assignment or will of the author divesting them of copyright ownership. This provision shows Congress's intent to give the author's statutory successors, rather than the author's assignees or devisees, the benefits of copyright recapture—including the new property right of an extended term of protection.<sup>86</sup>

If the provisions of the act are to be effectively applied as well as the case law, a paradox arises for the party seeking to overcome a claim that their (or their ancestor's) work was

made for hire. If there is no writing and the instance and expense test is deemed met by the court, the writing that could have vindicated their interests would not be available because it would not have needed to be made. If the work by an independent contractor is “made for hire”, there should, statutorily, be a writing. Including the need for a writing to overcome the instance and expense test, which takes an independent contractor’s work and misappropriates it in favor of the hiring party, creates an unrealistic and nearly impossible standard for those seeking to terminate copyright transfers. As we have seen on several occasions in the instance and expense context, the rights of creators and their successors is thwarted by this test and its application.

### **Part III – The Work for Hire Doctrine Throughout the Entertainment Industry**

#### **A. Work for hire and termination rights in other entertainment fields**

The termination of copyright transfers and the work for hire doctrine exist in every category of copyright law, so naturally, they have a substantial effect throughout the entertainment industry, not simply in the literary or comic space. There are several recent cases dealing with these issues throughout the entertainment industry, including in the music space, in literature and in film and television.

#### **B. Scorpio Music S.A. v. Willis**

The case of *Scorpio Music S.A. v. Willis*<sup>87</sup> involved termination rights in the music industry. In the case, the defendant, Willis, was the original lead singer of the Village People. This case concerns Willis's attempt to terminate his post-1977 grants in 33 musical

compositions including the song "YMCA."<sup>88</sup> The plaintiff, a music distributing company, challenged the validity of the 2011 termination notices sent by Willis and sought a declaratory judgment from the court that the works were made for hire or that Willis alone could not terminate the transfer because he was a part of a musical group.<sup>89</sup> The California Southern District Court denied both of these claims and granted Willis' motion to dismiss.<sup>90</sup> The court reasoned that an author of a joint work has full authority to unilaterally terminate his interest in a copyright transfer, regardless of the other joint authors.<sup>91</sup> The work for hire claim was dismissed by the plaintiff.<sup>92</sup>

### **C. Classic Media, Inc. v. Mewborn**

*Classic Media, Inc. v. Mewborn* concerned the character Lassie and related literary works, as well as the television and movie rights associated with grants made by the children of the author of the work.<sup>93</sup> The assignees of the rights attempted to invalidate a termination notice based on a second transfer made by the surviving daughter of the author.<sup>94</sup> The Ninth Circuit Court of Appeals decided in favor of Merborn, stating that her termination notice was valid and effective as to the radio, television and motion picture rights in *Lassie*, invoking the language of the statute to disregard a 1978 (made before the effective date of the 1976 Copyright Act) transfer of copyright.<sup>95</sup> The court focused on the bargaining power of the parties and distinguished similar cases, such as *Milne v. Steven Slesinger, Inc.*,<sup>96</sup> which dealt with the rights of Winnie the Pooh, to which the court held against the estate of A.A. Milne because of an additional Post-1978 grant, revoking and replacing the original grant, made by Milne's son, Christopher Robin:

Mewborn's predicament is a far cry from Christopher Milne's. Milne had--and knew that he had--the right to vest copyright in himself at the very time he revoked the prior grants and leveraged his termination rights to secure the benefits of the copyrighted works for A.A. Milne's heirs. Mewborn, on the other hand, would not have the right to serve the advance notice that would vest her rights under § 304(c)(6)(B) until at the very earliest six years later. Thus, unlike Milne, Mewborn had nothing in hand with which to bargain.<sup>97</sup>

The Ninth Circuit in *Mewborn* analyzed the case in light of the legislative intent of the protection of the interests of author and his heir's rights.

These two cases show that, though the ability of an artist or author to successfully terminate a copyright transfer is difficult in and of itself, the addition of the work for hire elements (especially the instance and expense test) provide an additional and substantial hurdle to the interests and goals of those seeking to regain rights in works. The work for hire doctrine is an inhibitory practice that has a detrimental effect and the instance and expense test works against the purpose and intent of the termination provisions of the copyright act.

#### **Part IV – Reevaluating the Work for Hire Doctrine In Relation to Termination Rights**

Because of the extensive impact on the entertainment industry that termination rights can have, it is very important to examine and reevaluate the terms and standards which we apply when dealing with terminations of copyright transfers, especially in relation with the work for hire doctrine. Creating a system that follows Supreme Court precedent as well as achieving the goals of the legislature in enacting the termination provisions is paramount to protecting the interests of creators and their families in the works that the creator produced.

##### **A. A Freer and Easier System**

Though the intention and the desire for creating the termination provisions in the Copyright Act were clear, and have been reiterated in several court opinions, legal articles and subject matter treatises, in practice, those aims are not always able to be achieved by those they were intended to protect. Since its inception, courts have observed that these “intricate provisions oftentimes create unexpected pitfalls that thwart or blunt the effort of the terminating party to reclaim the full measure of the copyright in a work of

authorship.”<sup>98</sup> The system in place for termination of copyright transfers is one of rigid formality and harsh technicality:

Even when the path to termination is theoretically open, innumerable potholes remain. The termination notice for *Tarzan* was ruled fatally deficient in most particulars. Even when “near-Herculean effort and diligence” went into the preparation of a 546-page termination notice for *Superman*, abetted by a seemingly endless litigation budget, the end result proved decidedly mixed: The termination was recognized as valid in some respects, but disallowed in numerous others.<sup>99</sup>

In order to more effectively provide for the rights of authors and their estates, a change in either the law or the jurisprudence should be made to clarify, simplify, and relax the termination standards. Suggestions for modifying the law include revising sections 203 and 304 of the Copyright Act in order to make the process cleaner for those seeking to enforce their rights, creating new or modifying existing regulations coming from the Copyright office in order to relax the standards from such a rigid template and to allow for mistakes, or to have the legislature resolve the language in the Copyright Act concerning terms, such as “employee” and “employment” and applications of these terms in the circumstances under which they apply. These solutions, of course, contain issues with conception, timing implementation and are not perfect. A freer and easier system of allowing termination, for example, may make publishers and distributors wary or even unwilling to make deals with creators and authors for a while, but in the long run, the termination provisions are a great aid to authors and their families and should be continued and made available and more practicable for the rights of creators.

The largest barrier that exists for many of these creators, other than the formality and technical aspects of the termination process, is the work for hire doctrine and its free

and biased application in the courts. The need to change this is vital and will likely become a more prevalent and important issue as more creative works, including music, artwork, literature and even comics, reach the time for termination notices to be served and enacted. At this point, there is a danger of courts becoming flooded with claims, actions for declaratory judgment and other issues involving termination as more works from 1978 onward that could be solved by a change in the law or the courts on this subject. This is further compelling evidence that should *Kirby* be appealed to the Supreme Court, the Court should consider taking the case.

## **B. Freely and more easily terminating transfers of rights moving forward**

As we have seen with the *Kirby* case, as well as other cases such as *Milne* and *Larson*, termination of transfers are often not granted to those seeking them. But is this a bad practice? Is the idea of allowing authors or their estates to freely and more easily terminate transfers of rights a beneficial path for creators moving forward? While arguments can certainly be made against the practice, such as the willingness of producers and publishers to welcome new artists and authors or the benefits of commercial entities' distribution powers to disseminate information, in instances where transfers have been terminated, the outcomes have been beneficial.

In *Marvel Characters, Inc. v. Simon*,<sup>100</sup> a dispute arose between Marvel and Joe Simon in his creation, with Jack Kirby, of Captain America after termination notices were sent to Marvel by Simon. In the *Simon* case, Marvel argued that a settlement agreement from a previous case involving ownership of Captain America controlled and barred Simon from attempting to assert his termination right and, alternatively, that the character and the

series were works made for hire and Simon's termination notices were invalid.<sup>101</sup> The Second Circuit Court of Appeals decided that although a settlement agreement was present, the agreement did not touch on the ownership of the character or the works and in any case did not affect the termination rights that were at the center of the case at hand.<sup>102</sup> The court also reversed the district court's grant of summary judgment to Marvel concerning the invalidity of the termination notices under the work for hire doctrine.<sup>103</sup> The court stated that sufficient questions of fact were present pertaining to that issue and that It will be up to a jury to determine whether Simon was the author of the Works and, therefore, whether he can exercise § 304(c)'s termination right.<sup>104</sup> Though the final outcome of the case was not published, since this decision, multiple comics, television shows, and motion pictures have been released featuring Captain America, suggesting that the issues were resolved by the parties.

*Gary Friedrich Enters., LLC v. Marvel Characters, Inc.*<sup>105</sup> dealt with a situation similar to *Kirby*, as the work for hire issue under the Marvel Method arose in respect to the character Ghost Rider.<sup>106</sup> In its limited discussion over the issue, the Second Circuit again reversed the lower court's grant of summary judgment to Marvel.<sup>107</sup> Finding issues of material fact in question over the Marvel Method's effect on ownership of the Ghost Rider character and early works, the court remanded the case for trial.<sup>108</sup>

The differing opinions and outcomes of *Kirby*, *Simon* and *Friedrich* emphasize the need for courts to formulate a uniform system for determining ownership and rights in this area of copyright law. The standard for determining which works are made for hire should follow the *CCNV* standard and should seek to protect the rights of creators. The test employed should not be the instance and expense test because, as has been argued here, it

is an unfair test that does not accurately follow the intent of the legislature in creating the Copyright Act or the Supreme Court precedent of *CCNV*.

“The Second Circuit has acknowledged that its jurisprudence concerning the status of commissioned works under the 1909 Act has created an almost irrebuttable presumption that any person who paid another to create a copyrightable work was the statutory 'author' under the 'work for hire' doctrine.”<sup>109</sup> The fact that this view is known and tacitly accepted by courts, not only in the Second Circuit but nation-wide, is a problem that cannot be allowed to stand unopposed if the rights of copyright creators is, as the legislative history suggests, of great importance under the Copyright Act. Having the right and the ability to terminate previous unremunerated transfers was the purpose of Sections 203 and 304(c). This protection should not be ignored or so easily manipulated.

### **Conclusion**

The legislative history of the termination of transfer provision—Sections 203 and 304(c)—relates to the confluence of two major policy changes driving the legislative project: (1) the shift from a dual term structure for copyrights and (2) the goal of safeguarding authors and their spouses, children, and grandchildren against unremunerative transfers and improve their bargaining position.

....

Section 304(c)(5) was drafted for the very purpose of blocking the efforts of publishers and persons outside the class of statutory successors from frustrating exercise of this right.<sup>110</sup>

Especially in light of the way the Entertainment Industry functions and the remarkable imbalance of bargaining power between creators and exploiters, the test that courts use to determine whether a particular work is a Work for Hire should be reevaluated and made uniform throughout the Circuits. The method chosen should not be the “Instance and Expense” test used in *Kirby*, as the methods employed by certain entertainment

entities, such as comic book publishers and distributors, lend themselves to a finding of instance and especially expense in many cases in an unfair manner. It is possible that even taking another test into account, the Kirby works may be deemed to be works made for hire, but the test employed by the second circuit in *Kirby* considers these relationships in many cases in a biased manner and flies in the face of Supreme Court precedent. This paper does not argue that Kirby's works are not works made for hire, but rather that the test that should be employed should be one that conforms closely to the standards set forth in *CCNV* and considers traditional agency principles as well as control standards in order to determine whether a particular work of group of works are Works Made for Hire. Such a test would help to better serve the aims of the Copyright Act and the interests of authors and their families through allowing easier ability to terminate grants and transfers of rights and giving these parties a greater position to renegotiate or exploit their intellectual property elsewhere.

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<sup>1</sup> *Marvel Characters Inc. v. Kirby*, 726 F.3d 119, 124 (2nd Cir. 2013).

<sup>2</sup> *Id.* at 144.

<sup>3</sup> *Larson v. Warner Bros. Entm't.*, 504 Fed. Appx. 586 (9th Cir. 2013).

<sup>4</sup> 17 U.S.C. § 101 (LEXIS 2013).

<sup>5</sup> 3 Nimmer on Copyright, ch. 11, § 11.02, note 5, *see* 17 U.S.C. § 101.

<sup>6</sup> 17 USCS § 201(d), *see Geisel v. Poynter Prods., Inc.*, 295 F. Supp. 331, 337 (S.D.N.Y. 1968) (“If all rights in artist's cartoons were not assigned to magazine publisher, publisher's copyright upon entire issues of magazine does not cover cartoons; it would then follow that cartoons would be in public domain because they were published without separate copyright; this result would transpire because work can be copyrighted only by its author or proprietor; proprietor can be assignee but not licensee of right to use work; to be assignee, one must have been assigned all rights in work”).

<sup>7</sup> Craig Joyce, *Copyright Law*, 8th ed., 360 (2011). *See also Siegel v. Warner Bros. Entm't, Inc.*, 542 F. Supp. 2d 1098, 1117 (C.D. Cal. 2008).

<sup>8</sup> *See* 17 U.S.C. §§ 203, 304(c).

<sup>9</sup> 3 Nimmer on Copyright, ch. 11, § 11.01. *See also Harry Fox Agency, Inc. v. Mills Music, Inc.*, 543 F. Supp. 844, 859 (S.D.N.Y. 1982), *Mills Music, Inc. v. Snyder*, 469 U.S. 153 (1985).

<sup>10</sup> 17 U.S.C. §§ 203, 304(c).

<sup>11</sup> 17 USCS § 203.

<sup>12</sup> 17 USCS § 304(c).

<sup>13</sup> *Id.* (emphasis added).

<sup>14</sup> *Siegel*, 542 F. Supp. 2d at 1134.

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<sup>15</sup> *Id.* at 1117 (“As one noted author has commented, ‘[i]t is difficult to overstate the intricacies of these [termination] provisions, the result of which is that they are barely used, no doubt the result desired by lobbyists for assignees.’ William Patry, *Choice of Law and International Copyright*, 48 AM. J. COMP. L. 383, 447 (2000)”).

<sup>16</sup> *Id.* at 1092-95.

<sup>17</sup> *Id.* at 1118.

<sup>18</sup> 3 Nimmer on Copyright, ch. 11, § 11.01.

<sup>19</sup> See *Burroughs v. Metro-Goldwyn-Mayer, Inc.*, 683 F.2d 610, 621 (2nd Cir. 1982) (commenting that the steps necessary to make a termination effective often- times create “ difficult, technical questions ”), see also *Siegel*, 542 F. Supp. 2d at 1117 (“Those intricate provisions oftentimes create unexpected pitfalls that thwart or blunt the effort of the terminating party to reclaim the full measure of the copyright in a work of authorship”).

<sup>20</sup> 17 USCS § 304(c).

<sup>21</sup> 3 Nimmer on Copyright, ch. 11, § 11.02.

<sup>22</sup> 17 USCS § 101 (emphasis added), see *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 738 (1989).

<sup>23</sup> 3 Nimmer on Copyright, ch. 11, § 11.02.

<sup>24</sup> 17 USCS § 201(b) (“In the case of a work made for hire, the employer...is considered the author...and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright”).

<sup>25</sup> *Id.*

<sup>26</sup> *CCNV*, 490 U.S. at 738-39 (“The Act does not define these terms. In the absence of such guidance, four interpretations have emerged. The first holds that a work is prepared by an employee whenever the hiring party 6 retains the right to control the product....A second, and closely related, view is that a work is prepared by an employee under § 101(1) when the hiring party has actually wielded control with respect to the creation of a particular work....A third view is that the term ‘employee’ within § 101(1) carries its common- law agency law meaning....Finally, respondent and numerous amici curiae contend that the term ‘employee’ only refers to ‘formal, salaried employees’”(citations omitted).

<sup>27</sup> *Id.* at 739.

<sup>28</sup> 490 U.S. 730 (1989).

<sup>29</sup> *CCNV*, 490 U.S. at 732.

<sup>30</sup> *Id.* at 742.

<sup>31</sup> *Id.* at 741 (“Section 101 plainly creates two distinct ways in which a work can be deemed for hire: one for works prepared by employees, the other for those specially ordered or commissioned works which fall within one of the nine enumerated categories and are the subject of a written agreement”).

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 746.

<sup>34</sup> *Id.* at 750-751 (“Transforming a commissioned work into a work by an employee on the basis of the hiring party’s right to control, or actual control of, the work is inconsistent with the language, structure, and legislative history of the work for hire provisions. To determine whether a work is for hire under the Act, a court first should ascertain, using principles of general common law of agency, whether the work was prepared by an employee or an independent contractor. After making this determination, the court can apply the appropriate subsection of § 101”).

<sup>35</sup> *Id.*

<sup>36</sup> *Kirby*, 726 F.3d at 125-26.

<sup>37</sup> *Id.* at 125.

<sup>38</sup> *Id.* at 127.

<sup>39</sup> 3 Nimmer on Copyright, ch. 11, § 110.7, note 11 (citing Lauren A.E. Schuker, *Heirs of Comic Book Creator Seek to Recapture Copyrights*, WALL ST. J., Sept. 21, 2009, at B7).

<sup>40</sup> *Kirby*, 726 F.3d at 127-28.

<sup>41</sup> *Id.* at 128.

<sup>42</sup> *Id.* at 124.

<sup>43</sup> *Id.* at 125.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.* at 140.

<sup>46</sup> *Id.* at 126 (citations omitted).

<sup>47</sup> *Id.* at 125-26.

<sup>48</sup> *Id.* at 126.

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<sup>49</sup> *Id.* (“I gave it to Jack, and then I told him what I thought the first story should be, how to open it, who the villain should be, and how we would end it. And that was all. Jack went home and drew the whole thing. I put the dialogue in”).

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 126-27.

<sup>52</sup> *Id.* at 137.

<sup>53</sup> 457 F.2d 1213, 1216 (2d Cir. 1972).

<sup>54</sup> 53 F.3d 549, 554 (2d Cir. 1995).

<sup>55</sup> *Kirby*, 726 F.3d at 138-39.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* at 139 (citation omitted).

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> *Id.* at 140 (citations omitted).

<sup>61</sup> *Kirby*, 726 F.3d at 143.

<sup>62</sup> *See Kirby*, 726 F.3d at 141-43.

<sup>63</sup> *Kirby*, 726 F.3d at 141.

<sup>64</sup> *Id.* at 143.

<sup>65</sup> *Id.* at 141.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 142.

<sup>68</sup> *Id.* at 143.

<sup>69</sup> *Id.*

<sup>70</sup> *Id.*

<sup>71</sup> *CCNV*, 490 U.S. at 750.

<sup>72</sup> *Id.*

<sup>73</sup> *Kirby*, 726 F.3d at 139.

<sup>74</sup> *CCNV*, 490 U.S. at 742.

<sup>75</sup> *Kirby*, 726 f.3d at 139.

<sup>76</sup> *Id.* at 140.

<sup>77</sup> *Id.*

<sup>78</sup> *CCNV*, 490 U.S. at 748.

<sup>79</sup> *Id.* at 741.

<sup>80</sup> *Id.* at 750-51.

<sup>81</sup> *Kirby*, 726 F.3d at 139.

<sup>82</sup> *Id.* at 143.

<sup>83</sup> *Id.* at 125-26.

<sup>84</sup> *Id.* at 143.

<sup>85</sup> 17 U.S.C. § 101

<sup>86</sup> 3 Nimmer on Copyright, ch. 11, §11.07.

<sup>87</sup> 2012 U.S. Dist. LEXIS 63858 (S.D. Cal. 2012).

<sup>88</sup> *Id.* at \*1-2.

<sup>89</sup> *Id.* at \*3.

<sup>90</sup> *Id.* at \*18.

<sup>91</sup> *Id.* at \*12.

<sup>92</sup> *Id.* at \*13.

<sup>93</sup> 532 F.3d 978, 979 (9th Cir. 2008).

<sup>94</sup> *Id.* at 981.

<sup>95</sup> *Id.* at 986.

<sup>96</sup> 430 F.3d 1036 (9th Cir. 2005).

<sup>97</sup> *Mewborn*, 532 F.3d at 989.

<sup>98</sup> Siegel, 542 F. Supp. 2d at 1117.

<sup>99</sup> 3 Nimmer on Copyright, ch. 11, § 11.10.

<sup>100</sup> 310 F.3d 280 (2nd Cir. 2002).

<sup>101</sup> *Id.* at 289.

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<sup>102</sup> *Id.* at 292.

<sup>103</sup> *Id.*

<sup>104</sup> *Id.*

<sup>105</sup> 716 F.3d 302 (2nd Cir. 2013).

<sup>106</sup> *Id.* at 321.

<sup>107</sup> *Id.*

<sup>108</sup> *Id.*

<sup>109</sup> Fifty-Six Hope Rd. Music Ltd. v. UMG Recordings, Inc., 2010 U.S. Dist. LEXIS 94500, 23-24 (S.D.N.Y. Sept. 10, 2010) (citation omitted).

<sup>110</sup> 3 Nimmer on Copyright, ch. 11, § 11.07.