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Cases of Note -- Copyright -- Captain America Battles for § 304 (c) and the American Way Of Aiding Battered Authors

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Cases of Note

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Copyright - Captain America Battles For § 304 (c) and the American Way Of Aiding Battered Authors

Marvel Characters, Inc. v. Joseph H. Simon, United States Court of Appeals For the Second Circuit, 310 F.3d 280; 2002 U.S. App. LEXIS 23146 (2002).

Joe Simon and **Jack Kirby** created issue one of the iconic comic book series **Captain America** in 1940. **Simon** claimed he created the Cap'n as an independent project and shopped it around until **Martin** and **Jean Goodman** dba **Timely Publications** published it. America's youth was then gifted with the saga of **Steve Rogers**, army-reject become superhero battling Nazi spies.

As you recall, he was a Batman type vulnerable superhero relying primarily upon a bullet-proof shield and fisticuffs in his combat with thugs of the Third Reich. Which makes for far better action than the absurd Superman who could smash through anything, forcing the authors to come up with the even more absurd Kryptonite to put him in any danger at all.

Reflecting either the marvelous trust of the comic book world or general sloppiness of folks, there was no written contact. Issues two through ten **Simon** claimed was done as a free-lancer and his interest orally assigned to **Timely**.

And then success exploded, generating big bucks for **Timely** and its successor **Marvel**. And it wasn't long before the parties were fighting.

And successful it has been to this day. Even having a reference in the 1969 iconic motorcycle road epic Easy Rider with Peter Fonda quipping re Dennis Hopper: "I'm Captain America and he's Billy."

Fonda wore a vaguely Capt. America costume with the American flag on his helmet. And both he and Billy were vulnerable to gunfire as you saw in the final scene.

Copyright Act of 1909

The Act of 1909 under which the alleged assignment occurred, gave the author copyright for twenty-eight years from date of publication plus a renewal for a second twenty-eight. The purpose was to aid the starving and easily exploited artist who was in a lousy bargaining position at the time of the first sale. A proven work could allow him to charge a whole bunch more the second time around. *Stewart v. Abend*, 495 U.S. 207, 218-19 (1990).

As the first twenty-eight neared its end around 1966, **Simon** sued in federal court seeking a declaratory judgment that he had the sole right to the renewal.

After two years of discovery, **Simon** settled, admitting it had all been a work for hire as an employee of the **Goodmans**. The suit was dismissed with prejudice as to "all claims and matters alleged, threatened, implied or set forth in any of the pleadings filed by **Simon**."

Copyright Act of 1976

The Supreme Court made a hash of Congress' aid-the-artist intent in 1943. In a battle over rights to "When Irish Eyes Are Smiling," the Supremes held that authors could assign the renewal right in the first term before the renewal right had vested. *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943).

The publishing world had no trouble seeing what this meant. Furthering their role in life as one of grinding starving artists, publishers made said destitute artists assign both initial and renewal rights in the first transfer.

This wasn't an issue in the first **Simon** suit, but Congress' new attempt to cure the problem gave **Simon** his leverage.

In the 1976 revision, Congress allowed authors to simply terminate the grant of the renewal.

"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 ... grant of a transfer ... of the renewal ... is subject to termination under the following conditions: ...

(5) Termination of the grant may be effected notwithstanding any agreement to the contrary ... (!!!) 17 U.S.C. §§ 304(c)(5) (Strauch's !!! added).

Simon Hires A New Lawyer And Is Back in Court

In 1999, **Simon** filed Notice of Termination with the Copyright Office and went back to denying Capt. America had been a work-for-hire. And interestingly, **Jack Kirby** had conveniently died by then.

Marvel sued asking for a declaratory judgment as to ownership. Each side won and lost various parts on summary judgment and the case went to the Second Circuit.

Claim Preclusion

The doctrine of **Res Judicata** says a final judgment precludes the parties from re-litigating any issues that were or could have been raised. See *Allen v. McCurry*, 449 U.S. 90, 94 (1980). The settlement that **Simon** agreed to resulting in a dismissal with prejudice has the same effect. But claims that did not exist at the time of the settlement cannot be extinguished. *Lawlor v. Nat'l Screen Serv. Corp.*, 349 U.S. 322, 328 (1955). Likewise, new forms of relief. See, e.g., *Leather v. Eyck*, 180 F.3d 420 (2d Cir. 1999).

In the first action, **Simon** claimed he was entitled to the renewal term. In the second one, **Simon** would be barred from claiming benefits under the renewal period. But he is allowed to claim a right of termination.

Of course you're saying, but he settled! And agreed it was a work for hire. So read on.

Issue Preclusion

Collateral estoppel bars parties from re-litigating an issue of fact or law that was fully and fairly litigated in a prior action. See *Boguslavsky v. Kaplan*, 159 F.3d 715, 719-20 (2d Cir. 1998). This applies when: "(1) the identical issue was raised in a previous proceeding; (2) the issue was actually litigated and decided in the previous proceeding; (3) the party had a full and fair opportunity to litigate the issue; and (4) the resolution of the issue was necessary to support a valid and final judgment on the merits." *Boguslavsky*, 159 F.3d at 720.

So you'd think Marvel would have him here.

But a stipulation of settlement "unaccompanied by findings" does "not bind the parties on any issue... which might arise in connection with another cause of action." *Lawlor*, 349 U.S. at 327.

"To have a preclusive effect on specific issues or facts, however, a voluntary dismissal also must be accompanied by specific findings sufficient for a subsequent court to conclude that certain matters were actually decided." *Motrade v. Rizkozaan, Inc.*, 1998 U.S. Dist. LEXIS 2864 (S.D.N.Y. March 11, 1998).

I.e., Simon might have settled because his wallet was exhausted. While the facts would have shown it was not a work for hire.

And incredibly, the Settlement Agreement was detailed as to who authored Captain America but had nothing about whether it was a work for hire.

Termination and the 1976 Act

§304(c)(5) says the author can terminate despite any "agreement to the contrary." **Simon** unambiguously agreed in the settlement that he had done a work for hire. Is this an agreement to the contrary?

Marvel argued that if **Simon** got his way, no settlement agreement could be had as to issues of authorship.

The Second Circuit looked to the intent of Congress as elucidated by the Supreme Court.

"The principal purpose of the amendments in §304 was to provide added benefits to authors. ... More particularly, the termination right was expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product." *Mills Music*, 469 U.S. at 172-73.

So an agreement post creation that a work was one for hire is an "agreement to the contrary" which can be disavowed. Any other interpretation would permit "litigation-savvy publishers" to force authors to agree the work was

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one for hire before it would be published the first time.

The effect would be a repeat of the *Fred Fisher* decision and once again blow away Congressional intent.

"The parties to a grant 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 ... 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.' ... It is the relationship that in fact exists between the parties and not their description of that relationship, that is determinative." 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 11.02[A][2] (2000 ed.).

In interpreting works "for hire," courts focus on actual relationships between the parties and not the language of their agreement. See, e.g. *Donaldson Pub. Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639, 640-42 (2d Cir. 1967).

Likewise, under agency law, one is not an agent merely because the parties have used the word "agent." The designation does not control facts that show something contrary. 3 *Am. Jur.* 2d Agency §19 (2002).

Despite *Marvel's* dire prediction, all publishers would have to do in a settlement is comply with the demands of collateral

estoppel and file detailed factual findings on the employment status of the author with the court.

Another of Those Estoppels You've Always Wondered About But Been Too Shy To Ask

The doctrine of equitable estoppel applies "where the enforcement of the rights of one party would work an injustice upon the other party due to the latter's justifiable reliance upon the former's words or conduct." *Kosakow v. New Rochelle Radiology Assocs., P.C.*, 274 F.3d 706, 725 (2d Cir. 2001).

Marvel's final contention was they would have gone on to trial had they known Simon would later disavow the agreement. And they would have called as witnesses *Martin Goodman* and *Jack Kirby*. And both have now died.

But there was full discovery with cross-examination in the depositions. Aren't those admissible in evidence?

However the Second Circuit said *Marvel* was overlooking the intent of § 304(c). Congress intended for authors to be able take back their promises. Otherwise, § 304(c) would always be trumped by equitable estoppel.

And further, *Simon's* claim didn't arise until a decade after the agreement. There is no detriment to *Marvel* which has reaped the cash harvest for the twenty-eight year renewal period. And even should *Simon* prove at trial he was not working for hire, *Marvel* can continue to profit from all Captain America works prior to the termination date.

Questions & Answers — Copyright Column

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QUESTION: A professor wants to photocopy several cases handed down by the United States Supreme Court. Since U.S. government documents are fair use, how does this apply if he is copying the cases from a textbook, not the Supreme Court Reporter. Does that make any difference?

ANSWER: Actually, U.S. government documents are public domain rather than fair use which means that the works may be copied, edited, etc., without seeking permission from the copyright owner or applying the four fair use factors. The official *U.S. Reports*, available from GPO, is a government publication and therefore may be freely reproduced, edited, translated, etc. The *Supreme Court Reporter*, published by

West Publishing Company, is a commercially published law reporter, and it contains features that make the volume copyrightable as a compilation such as the headnotes, the editorial features, and the like. However, if the faculty member copies only the case itself without the headnotes, the text of the court opinion, even from the *West* publication, is also public domain.

Taking a court opinion from a textbook presents a different issue since most text or casebooks contain edited versions of cases. Has the editor done enough work to qualify the cases as derivatives work that would be separately copyrightable? Perhaps. The faculty member then has several alternatives to stay within the law: (1) reproduce the

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