Marvel Prevails in Copyright Termination Case: Famous artist Jack Kirby found to have created his comic drawings as a "work made for hire"

Date: August 14, 2013
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In what can fairly be interpreted as a favorable decision for any business whose success depends upon copyrighted intellectual property, on August 8, 2013, the Second Circuit Court of Appeals issued its decision in *Marvel Characters, Incorporated, et al v. Kirby, et al*, __ F.3d __, 2013 WL 4016875 (2d. Cir. 2013), determining that the late Jack Kirby, one of the most influential comic book artists of all times and who produced drawings for Marvel Comics from his home as a freelancer without a written contract, did so as a "work made for hire" and therefore neither he nor his heirs possessed a right to terminate the grant of copyrights under Section 304(c)(2) of the Copyright Act of 1976. As a result, Marvel is free to continue to create additional derivative works such as movies and television series based on Jack Kirby's drawings at issue in the case.

"Copyright Termination" is the legal term for the right of an author to terminate any transfer of his or her interest in a copyrighted work. This includes any sale or grant of any rights in a copyright, including licenses, such as a literary purchase or option agreement for a screenplay.

The right to terminate a copyright transfer does not apply to works created as a "work made for hire", such as when a motion picture studio engages a writer to create or revise a screenplay (in which case the studio is the author of the literary work). However, the right to terminate a copyright transfer would apply to an underlying literary work, such as a treatment or screenplay, which the writer is hired to revise.

The issue of whether a work was created as a "work made for hire" can be hotly contested, and different tests apply depending upon whether the works were created before or after January 1, 1978, the effective date of the Copyright Act of 1976. The “old” Copyright Act of 1909 governs copyrights issued prior to January 1, 1978. The “new” Act governs copyrights issued on or after January 1, 1978.

Subject to some variations, copyrights governed by the old Act are generally protected for a total of 95 years under current law, assuming they are properly renewed. This includes an initial 28-year copyright term and a 67-year renewal term. On the other hand, copyrights governed by the new Act are protected for the life of the author plus 70 years.

For terminations, the key date is when the agreement you wish to terminate was entered into. If the agreement was executed before January 1, 1978, then the time periods established by the old Act apply. If the agreement was executed on or after January 1, 1978, then the new Act applies.

In *Marvel*, 262 Kirby drawings made between 1958 and 1963 were at issue. Accordingly, the key question under the 1909 Copyright Act was whether the scripts were created at the employer’s “instance and expense.” The “instance and expense” test requires the court to analyze three factors: (1) whether the employer was the motivating factor in producing the work; (2) the degree to which the employer had the right to control or supervise the artist’s work; and (3) whether the work was created at the employer’s expense. *Twentieth Century Fox Film Corp. v. Entertainment Distributing*, 429 F.3d 869, 879-881 (9th Cir. 2005) (applying 1909 Act). In *Playboy Enterprises, Inc. v. Dumas*, 53 F.3d 549, 556 (2d. Cir. 1995),

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the Second Circuit found that paintings were works made for hire when the artist “certainly would not have created those particular paintings if he had not been given the assignments by Playboy.”

Against that backdrop, the Second Circuit pointed out that "[i]t 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 the per-page rate." It was also undisputed that "Kirby made many of the creative contributions, often thinking up and drawing characters on his own, influencing plotting, or pitching ideas."

But Kirby and other Marvel freelance artists worked using the "Marvel Method" by which Marvel furnished the artist with an outline or ideas and the artist would draw it "any way they wanted to," with Kirby having even more latitude than most other artists.

The *Marvel* court found that Kirby created the drawings at the "instance" of Marvel, that "the hiring party provide the impetus for, participated in, or had the power to supervise the creation of the work," because "Kirby created the relevant works pursuant to Marvel's assignment or with Marvel specifically in mind" and "Marvel also played at least some creative role with respect to the works".

The court also found that Kirby created the works at the "expense" of Marvel. The "expense" component refers to the resources the hiring party invests in the creation of the work, such as the provisioning of tools, overhead or resources or in other cases the nature of the payment: "payment of a 'sum certain' suggests a work-for-hire."

It was undisputed that "Marvel paid Kirby a flat rate per page for those pages it accepted and no royalties. It did not pay for Kirby's supplies or provide him with office space. It was free to reject Kirby's pages and pay him nothing for them."

Ultimately, the *Marvel* court found 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."

The result in *Marvel v. Kirby* was favorable to the employer, but as the Second Circuit noted: "Whether the instance and expense test is satisfied turns on the parties' creative and financial arrangement as revealed by the record in each case."

As a copyright termination precludes an employer from creating additional derivative works based on the author's work, a contrary result would have prevented Marvel from creating and exploiting in the United States any additional movies or television series or comic books, among other things, based on the Kirby drawings at issue in the case absent a new grant of rights from Jack Kirby's heirs.

JMBM's attorneys have represented studios, record companies and individuals on numerous copyright termination matters, and we would be pleased to discuss how the *Marvel* decision might affect you and your business.

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