

## Marvel Characters v. Simon

310 F.3d 280 (2d Cir. 2002)

McLAUGHLIN, *Circuit Judge*:

This appeal requires us to examine the scope of the termination provision of the Copyright Act of 1976 (the "1976 Act"), 17 U.S.C. § 304 (c). Section 304(c) grants authors (or if deceased, their statutory heirs) an inalienable right to terminate a grant in a copyright fifty-six years after the original grant "notwithstanding any agreement to the contrary." 17 U.S.C. § 304 (c)(3), [\(5\)](#). The termination provision, however, has one salient exception: copyright grants in works created for hire cannot be terminated. 17 U.S.C. § 304 (c).

The question of first impression raised here is whether a settlement agreement, entered into long after a work's creation, stipulating that a work was created for hire constitutes "any agreement to the contrary" under the 1976 Act. We conclude that it does and, therefore, reverse.

### BACKGROUND

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#### I. Publication of Captain America Comics

In December 1940, Martin and Jean Goodman, doing business as Timely Publications and Timely Comics, Inc. (collectively "Timely") published the first issue of the now iconic *Captain America Comics*. Captain America, a.k.a. Steve Rogers, was an army-reject turned superhero who was charged with protecting America from all enemies, especially Nazi spies. Authorship of the comic book was attributed to Simon and Jack Kirby.

According to Simon, he created Captain America as an independent, freelance project before shopping it around to various publishers. Although there was no written agreement between the parties, Simon contends that he sold the Captain America story to Timely for a fixed page rate plus a twenty-five percent share of the profits of the comic books. Simon also maintains that he created the second through tenth issues of *Captain America Comics* on a freelance basis, and orally assigned his interest in *Captain America Comics* and the Captain America character (collectively the "Works") to Timely.

During 1941, Timely published the second through tenth issues of *Captain America*

*Comics*. Shortly after their publication, Timely applied for and received certificates of registration of the copyrights for each issue of the Works. The Works were a tremendous success, and to this day continue to generate substantial revenue for Marvel, Timely's successor in interest.

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As the initial twenty-eight year term of copyright in the Captain America Works neared its completion, Simon commenced two separate lawsuits . . . against the Goodmans and their affiliates. [In both lawsuits, Simon claimed that as the author of Captain America, he was entitled to exploit the character and to apply for the renewal term copyright. The Goodmans denied that Simon was the sole author of the work, and claimed that he had created Captain America as a work made for hire. In 1969, the parties reached a settlement and signed a settlement agreement in which Simon acknowledged that his contribution to the works "was done as an employee for hire of the Goodmans." Simon assigned "any and all right, title and interest he may have or control or which he has had or controlled in [the Works] (without warranty that he has had or controlled any such right, title or interest)" to Timely. Marvel Comics is Timely's successor in interest. ]

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In December 1999, recognizing an opportunity created by § 304(c) to reclaim his copyright in the Works, Simon filed Notices of Termination (the "Termination Notices") with the Copyright Office purporting to terminate his transfers of the copyrights to Timely pursuant to § 304(c). In the Termination Notices, Simon claimed that he independently created the Captain America character and authored the first issue in the Captain America comic book series, and that he was "neither an employee for hire nor a creator of a work for hire."

Thereafter, Marvel -- as Timely's successor in interest in all rights, title, and interest to the Works by virtue of a series of assignments -- commenced this action in the United States District Court for the Southern District of New York (Casey, *J.*) seeking a declaratory judgment that the Termination Notices were invalid and that Marvel remains the sole owner of the copyrights in the Works. Simon in turn filed a counterclaim for a declaratory judgment that: (1) he is the sole author of the Works; (2) the Termination Notices are valid; and (3) all copyrights in the Works revert to him on the effective date of the Notices of Termination.

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[T]he district court held that Marvel was entitled to summary judgment . . . based on the plain language of the Settlement Agreement. The court found that Simon's unambiguous acknowledgment in the Settlement Agreement that he created the Works "for hire" prevented Simon from exercising the termination right under § 304(c).

This appeal followed.

[The court concludes that neither *res judicata* nor collateral estoppel preclude Simon from asserting that as the author of Captain America, he is entitled to exercise his statutory

termination right.]

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Having concluded that Simon is not precluded from asserting that he is the author of the Works for purposes of exercising his statutory termination right, we turn, at length, to the issue of first impression presented by this case: whether an agreement made subsequent to a work's creation that declares that it is a work created for hire constitutes an "agreement to the contrary" under § 304(c)(5) of the 1976 Act. The district court never addressed this question. Instead, it simply assumed that because Simon had conceded in the unambiguous Settlement Agreement that the Works were created for hire, he could not now assert that he was the Works' author for purposes of exercising the termination right in this action. While the district court was undoubtedly correct that the Settlement Agreement is not ambiguous -- a contention disputed by the amici curiae -- this is not the relevant analysis on this issue. Instead, we must analyze the legislative intent and purpose of § 304(c) of the 1976 Act to determine its application to this case.

Simon contends that the district court's failure to give effect to § 304(c)'s mandate that authors can terminate copyright grants "notwithstanding any agreement to the contrary" contravenes the legislative intent and purpose of § 304(c). Further, because Simon has submitted testimony that he was not in fact an employee for hire when he created the Captain Marvel character, he maintains that a genuine issue of material fact exists regarding Marvel's claims that the Termination Notices are invalid and it is the sole owner of the copyright in the Works. Marvel's only response to Simon's contentions is that if Simon's reading of the statute is upheld, no litigation concerning a claim to authorship could ever be resolved by settlement. We find Simon's arguments persuasive and Marvel's prediction unfounded.

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When examining the legislative intent and purpose of § 304(c), it becomes clear that an agreement made after a work's creation stipulating that the work was created as a work for hire constitutes an "agreement to the contrary" which can be disavowed pursuant to the statute. Any other construction of § 304(c) would thwart the clear legislative purpose and intent of the statute. If an agreement between an author and publisher that a work was created for hire were outside the purview of § 304(c)(5), the termination provision would be rendered a nullity; litigation-savvy publishers would be able to utilize their superior bargaining position to compel authors to agree that a work was created for hire in order to get their works published. . . . We conclude that Congress included the "notwithstanding any agreement to the contrary" language in the termination provision precisely to avoid such a result.

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In sum, we hold that an agreement made subsequent to a work's creation which retroactively deems it a "work for hire" constitutes an "agreement to the contrary" under § 304(c)(5) of the 1976 Act. Therefore, Simon is not bound by the statement in the Settlement

Agreement that he created the Works as an employee for hire. Because Simon has proffered admissible evidence that he did not create the Works as an employee for hire, the district court's grant of summary judgment to Marvel was erroneous. 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. . . .

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For the foregoing reasons, the judgment of the district court is REVERSED. We hereby REMAND this action to the district court for further proceedings not inconsistent with this opinion.