

[Edited. You can read the full opinion [here](#).]

Marvel Characters, Inc. v. Kirby

726 F.3d 119 (2d Cir. 2013)

SACK, Circuit Judge:

This appeal requires us to revisit our case law applying the work-for-hire doctrine in the context of section 304 of the Copyright Act of 1976 (or, the "1976 Act"), 17 U.S.C. § 304. Defendants-counter-claimants-appellants Lisa, Neal, Susan, and Barbara Kirby (collectively, the "Kirbys") are the children of the late Jack Kirby. Kirby is considered one of the most influential comic book artists of all time. At various times throughout his career, he produced drawings for Marvel Comics, a comic book publisher that has since grown into the multifaceted enterprise reflected in the case caption: Marvel Characters, Inc., Marvel Worldwide, Inc., MVL Rights, LLC, and Marvel Entertainment, Inc. (collectively, "Marvel"). At issue here are the rights to drawings Kirby allegedly created between 1958 and 1963.

The Kirbys appeal from the district court's grant of summary judgment to Marvel, which was based on the conclusion that all of the works at issue are "works made for hire" within the meaning of section 304(c), and that the Kirbys therefore have no rights to the works. . . .

We conclude that the district court . . . was correct in concluding that the works at issue are "works made for hire" under section 304(c). . . .

BACKGROUND

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Jack Kirby

Jack Kirby, born Jacob Kurtzberg in New York City's Lower East Side in 1917, began his career in the comic book business in the late 1930s. In the summer of 1940, a young woman named Rosalind moved into the apartment above his with her family. The day they met, Kirby asked Rosalind if she "[w]ould like to see [his] etchings[.]" She thought he wanted "to fool around"; he only wanted to show her his drawings for a new comic book series called *Captain America*. [Citation.] Kirby and "Roz" were married in 1942. After Kirby's military service in World War II, the couple had four children: Susan, Neal, Barbara, and Lisa.

Kirby's career in comic book illustration spanned more than half a century. His influence was substantial. . . .

Kirby was prolific, too. In 1951 alone, 308 pages of Kirby's work appeared in published comic books. This output was typical for him in the years between 1940 and 1978.

Marvel Comics and Stan Lee

Marvel was founded as Timely Comics in 1939 by one Martin Goodman. In 1940, Marvel purchased the first ten issues of Captain America from Kirby and Joe Simon. But Kirby and Simon would soon move on to a competitor, DC Comics. To replace them, Goodman hired one Stanley Lieber.

Lieber would come to be known by his pen name, Stan Lee. Lee is in his own right a towering figure in the comic book world, and a central one in this case. He in effect directed Marvel from the early 1940s until sometime in the 1970s, serving, in his words, as "Editor," "Art Director" and "a staff writer." He continued to work for Marvel in one capacity or another at least to the day of his deposition testimony in this litigation.

But in the 1940s and 50s, Marvel, hobbled by poor business decisions, was hardly a success story. In 1958, Kirby began producing drawings for Marvel once again. And by 1961, its fortunes began to change. That year, Marvel released the first issues of *The Fantastic Four*. On its heels were releases of the first issues of some of Marvel's most enduring and profitable titles, including *The Incredible Hulk*, *The X-Men*, and *Spider-Man*.

Kirby's Relationship with Marvel from 1958-1963

This litigation concerns the property rights in 262 works published by Marvel between 1958 and 1963. Who owns these rights depends upon the nature of Kirby's arrangement with Marvel during that period.

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.

Despite the absence of a formal employment agreement, however, the record suggests that Kirby and Marvel were closely affiliated during the relevant time period. Lee assigned Kirby, whom he considered his best artist, a steady stream of work during that period.

And Kirby seems to have done most of his work with Marvel projects in mind. Although the Kirby children assert that their father could and did produce and sell his work to other publishers during those years, lists of Kirby's works cited by both parties establish that the vast majority of his published work in that time frame was published by Marvel (or Atlas Comics, as part of Marvel Comics Group).

The specifics of Kirby and Marvel's creative relationship during this time period are less clear.

According to Lee, at the relevant time, artists worked using what the parties call the "Marvel Method." It was developed as a way to "keep a lot of artists busy" when Lee or another writer could not provide the artist with a completed script.. The first step was for Lee 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." *Id.* According to Lee, he "maintain[ed] the ability to edit and make changes or reject what the other writers or artists had created."

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Other evidence in the record, including some of Lee's own deposition testimony, indicates, however, that Kirby had a freer hand within this framework than did comparable artists. For example, Lee explained that "instead of telling [Kirby] page by page" what to draw, Lee might simply tell him to "[d]evote five pages to this, five pages to that, and three pages to that." Sometimes during plotting sessions, Kirby might "contribute something or he might say, 'Stan, let's also do this or do that.'"

It is beyond dispute, moreover, that Kirby made many of the creative contributions, often thinking up and drawing characters on his own, influencing plotting, or pitching fresh ideas.

The Termination Notices

The dispute before us began in September 2009, when the Kirbys served various Marvel entities with documents entitled "Notice of Termination of Transfer Covering Extended Renewal Term" (the "Termination Notices"). The Termination Notices purport to exercise statutory termination rights under section 304(c)(2) of the Copyright Act of 1976, 17 U.S.C. § 304, with respect to 262 works in all.

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Procedural History

Marvel filed this lawsuit on January 8, 2010. It sought a declaration that the Kirbys have no termination rights under section 304(c)(2), and that the Termination Notices are therefore ineffective. Marvel's claim was premised on its contention that all of the works were "made for hire" by Jack Kirby for Marvel within the definition of section 304(c).

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On July 28, 2011, the district court . . . granted Marvel's motion for summary judgment. It relied upon case law in this Circuit applying the so-called "instance and expense test" to determine whether a work is "made for hire" under section 304(c). The court concluded that undisputed facts in the record establish as a matter of law that the works at issue were made at Marvel's instance and expense, and were therefore works made for hire. This being so, the

Kirbys had no termination rights, and their Termination Notices were ineffective. The district court entered judgment accordingly on August 8, 2011.

The Kirbys appeal.

DISCUSSION

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III. Summary Judgment

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B. Termination Rights and Work Made for Hire

We thus, at last, arrive at the merits of Marvel's summary judgment motion. At issue is section 304(c) of the Copyright Act of 1976, which, insofar as bears on this litigation, provides:

Termination of Transfers and Licenses Covering Extended Renewal Term. -- 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 . . . is subject to termination

17 U.S.C. § 304(c).

If the author is no longer alive, section 304(c)(2) grants his or her termination rights to specified heirs. See *id.* § 304(c)(2)(B). The provision "protect[s] the property rights of widows and children in copyrights" by granting them the power to undo earlier transfers and to enjoy the remainder of the copyright term. . . .

But section 304(c) provides that termination rights under that section do not exist with respect to "work[s] made for hire." 17 U.S.C. § 304(c). Where a work is "made for hire," copyright law deems the employer to be the "author" for purposes of copyright ownership. [Citations.] The hired party, although "the 'author' in the colloquial sense," . . . therefore never owned the copyrights to assign. It stands to reason, then, that there are no rights the assignment of which his or her heirs may now terminate.

Marvel argues that all of the works at issue in this case fall into the category of "work made for hire."

1. The Instance and Expense Test. To determine whether a work is "work made for hire" within the meaning of section 304(c), we apply case law interpreting that term as used in the 1909 Act, the law in effect when the works were created. See *Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc.*, 342 F.3d 149, 156-63 (2d Cir. 2003). This requires us to apply what is known

as the "instance and expense test."

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We have stated as a general rule 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." [Citation.] Our case law is, however, not so tidy. To the extent we can distill from our prior cases a set of principles applicable here, they are these:

"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. . .

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The "expense" component refers to the resources the hiring party invests in the creation of the work. We have, at least in some cases, continued the tradition of treating the incidents of a traditional employment relationship as relevant to the analysis. . . . We have, moreover, suggested that the hiring party's provision of tools, resources, or overhead may be controlling. [Citations.]

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." [Citation.] We note, though, that this distinction appears to be a rather inexact method of properly rewarding with ownership the party that bears the risk with respect to the work's success. [Citations.]

Our case law counsels against rigid application of these principles. Whether the instance and expense test is satisfied turns on the parties' creative and financial arrangement as revealed by the record in each case. . . .

2. Application of the Instance and Expense Test in the Present Case. Applying these principles to the facts in the record before us -- a challenging endeavor in some respects -- we conclude that the works were created at Marvel's instance and expense, and that Barbara and Susan have not adduced evidence of an agreement to the contrary contemporaneous with the creation of the works. We therefore conclude that the district court was correct to award summary judgment in favor of Marvel.

a. Instance.

The evidence, construed in favor of the Kirbys, establishes beyond dispute that the works in question were made at Marvel's instance.

Although Jack Kirby was a freelancer, his working relationship with Marvel between the

years of 1958 and 1963 was close and continuous. Stan Lee considered Kirby to be Marvel's best artist, an assessment reinforced by the admiration of Kirby by his contemporaries. Lee "wanted to use Jack for everything," and Kirby appears to have been kept busy with assignments from Marvel.

Marvel published the great majority of Kirby's work during these years -- 1958 through 1963. There are indications in the record that artists did customarily work with more than one publisher during the relevant time period, and a handful of Kirby's works between 1958 and 1963 were not published by Marvel. But it is beyond dispute that most of Kirby's work during this period was published by Marvel and for established Marvel titles.

Understood as products of this overarching relationship, Kirby's works during this period were hardly self-directed projects in which he hoped Marvel, as one of several potential publishers, might have an interest; rather, he created the relevant works pursuant to Marvel's assignment or with Marvel specifically in mind. Kirby's ongoing partnership with Marvel, however unbalanced and under-remunerative to the artist, is therefore what induced Kirby's creation of the works.

Marvel also played at least some creative role with respect to the works. Kirby undoubtedly enjoyed more creative discretion than most artists did under the "Marvel Method," a fact Lee readily admits. But the only evidence on the issue indicates that he did not work on "spec" (speculation) -- that is, he worked within the scope of Marvel's assignments and titles. There is no disputing, moreover, that Marvel had the power to reject Kirby's pages and require him to redo them, or to alter them, a power it exercised from time to time. And there is evidence that Kirby collaborated with Lee with respect to many of the works.

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.

The Kirbys' attempts to avoid this conclusion are unsuccessful. Their argument is that the "right to supervise" referred to in our case law requires a legal, presumably contractual, right. We find no hint of this requirement in our case law applying the instance and expense test. Nor do the Kirbys provide a principled reason why Marvel's active involvement in the creative process, coupled with its power to reject pages and request that they be redone, should not suffice.

The Kirbys also point to factual disputes over who actually created the characters, plots, and other concepts in Marvel's comic books during the relevant time period, mostly in an attempt to discredit Lee and find fault in the district court's reading of the record. Questions of who created the characters are mostly beside the point. That Marvel owes many of its triumphs to Kirby is beyond question. But the hired party's ingenuity and acumen are a substantial reason for the hiring party to have enlisted him. It makes little sense to foreclose a finding that work is made for hire because the hired artist indeed put his exceptional gifts to work for the party that contracted for their benefit.

b. Expense.

Whether the Works were created at Marvel's expense presents a more difficult question. We ultimately find ourselves in agreement with the district court and in favor of Marvel here too.

The facts underlying the expense component are not in dispute. 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. The record contains anecdotal evidence that Marvel did in fact reject Kirby's work or require him to redo it on occasion, if less often than it did the work of other artists, but with what frequency is unclear.

Marvel argues that its payment of a flat rate for Kirby's pages is all that matters. . . . Because, Marvel argues, it paid Kirby a sum certain when it accepted his pages -- irrespective of whether the pages required edits or additions, were ultimately published, or were part of a comic book that was a commercial success -- it took on the risk of financial loss.

The Kirbys urge us to focus not on the risk Marvel took at the time it purchased the pages, but on the risk Kirby took when he set out to create them. Until Marvel purchased Kirby's pages, they point out, Kirby had undertaken all of the costs of producing the drawings - time, tools, overhead -- and shouldered the risk that Marvel would reject them, leaving him in the lurch. Marvel's purely contingent payment, they argue, thus acted more like a royalty than a sum certain.

This argument might give us pause if Kirby's relationship with Marvel comprised discrete engagements with materially uncertain prospects for payment, or, indeed, if he undertook to create the works independent of Marvel. But there is no evidence of which we are aware to either effect. The evidence suggests instead that Marvel and Kirby had a standing engagement whereby Kirby would produce drawings designed to fit within specific Marvel universes that his previously purchased pages had helped to define. When Kirby sat down to draw, then, it was not in the hope that Marvel or some other publisher might one day be interested enough in them to buy, but with the expectation, established through their ongoing, mutually beneficial relationship, that Marvel would pay him. And the record makes clear that in the run of assignments, this expectation proved warranted.

Kirby's completed pencil drawings, moreover, were generally not free-standing creative works, marketable to any publisher as a finished or nearly finished product. They built on preexisting titles and themes that Marvel had expended resources to establish -- and in which Marvel held rights -- and they required both creative contributions and production work that Marvel supplied. That the works are now valuable is therefore in substantial part a function of Marvel's expenditures over and above the flat rate it paid Kirby for his drawings.

In the final analysis, then, 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. But 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.

c. Agreement to the Contrary.

Because Marvel has satisfied the instance and expense test, a presumption arises that the works in question were "works made for hire" under section 304(c). This presumption can be overcome only by evidence of an agreement to the contrary contemporaneous with the creation of the works.

The Kirbys' showing in this regard consists mostly of negative or elliptical inferences concerning the parties' agreement at the time. For example, they point to 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. They also call to our attention evidence that indicates that Marvel paid Kirby during the relevant time periods with checks that contained a legend with assignment, instead of work-for-hire, language.

This evidence is not enough to enable the Kirbys to survive the motion for summary judgment. . . . It is all too likely that, if the parties thought about it at all, Kirby's assignments at the time he was paid or later were redundancies insisted upon by Marvel to protect its rights; we decline to infer from Marvel's suspenders that it had agreed to give Kirby its belt.

In sum, the district court made no error, in our view, in determining as a matter of law that the works were made at Marvel's instance and expense, and that the parties had no agreement to the contrary. . . .