

No. 13-1178

IN THE
Supreme Court of the United States

LISA R. KIRBY, NEAL L. KIRBY, SUSAN N. KIRBY, and
BARBARA J. KIRBY,

Petitioners,

v.

MARVEL CHARACTERS, INCORPORATED,
MARVEL WORLDWIDE, INCORPORATED,
MVL RIGHTS, LLC, WALT DISNEY COMPANY, and
MARVEL ENTERTAINMENT, INCORPORATED,

Respondents.

On Petition for a Writ of Certiorari to the
United States Court of Appeals for the Second
Circuit

REPLY BRIEF FOR PETITIONERS

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REPLY BRIEF FOR PETITIONERS

Respondents, although called to respond, do not address the legal issues. Instead, they focus on the wrong questions and the wrong court. Their opposition reduces to the argument that because the “instance and expense” test for work-for-hire is entrenched in circuit precedent, it should evade review, no matter how capricious and indefensible it may be. Respondents thus mistake the problem for the solution in an area of the law that badly needs this Court’s authoritative voice.

The Second Circuit, in this case and the decisions on which it relied, “has decided an important federal question in a way that conflicts with relevant decisions of this Court.” S. Ct. R. 10. By construing “employer” in the 1909 Act’s work-for-hire provision to refer to commissioned works, these decisions radically alter the statute, flouting this Court’s consistently narrower construction of “employer” and its cognates under the common law of agency. *See Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 739-40 (1989) (“CCNV”).

Respondents attempt to dismiss the petition as “factbound.” BIO 1-2. But petitioners challenge the “instance and expense” test itself—not merely its application to this case. The distinction matters because nearly every publication authored before 1978 qualifies as a work-for-hire under the Second Circuit’s test, except those completed prior to the author-publisher relationship. The petition thus presents questions that implicate the ownership and value of an immense number of copyrighted works.

The Second Circuit’s rule also conflicts with core principles of copyright law. It is acknowledged that work-for-hire hinges on intent. App. 33-46. The “instance and expense” test establishes presumptive intent, overcome only by a contrary contemporaneous agreement. *Id.* But nowhere do respondents address how anyone in 1958-63 could have intended that Kirby’s freelance creations be works-for-hire, if, as is undisputed, the work-for-hire exception applied solely to traditional employment in that period. Nor can respondents answer why anyone in 1958-63 would bother to agree that commissioned work was not work-for-hire when it could not have been under the law at that time.

Respondents also never address how the “test” can be satisfied by post-creation contingencies—like Marvel’s payment of a “sum certain” only *if* work is accepted for publication—when under the statute, authorship vests *at creation*.

These and other questions, which highlight the illogic of the Second Circuit’s rule and its inconsistency with this Court’s precedents, were conspicuously ignored by the lower courts and by respondents to preserve judicial legislation that makes no legal sense.

I. The Second Circuit’s Decision And Construction Of The 1909 Copyright Act Conflicts With This Court’s Precedents.

Respondents ignore that for over a century this Court has followed the “principle that where words are employed in a statute which had at the time a well-known meaning at common law or in the law of this country they are presumed to have been used in

that sense unless the context compels to the contrary,” *Standard Oil Co. v. United States*, 221 U.S. 1, 59 (1911), and that this principle endures as a “cardinal rule of statutory construction.” *Molzof v. United States*, 502 U.S. 301, 307 (1992).

CCNV followed this “cardinal rule” in defining “employer” and “employee” in the copyright context under the common law of agency. 490 U.S. at 740 (noting “the conventional relation of employer and employee”), 752 (describing common-law interpretation of the “employment relationship”). That common-law definition *excludes* commissioning relationships. See *Nat’l Labor Relations Bd. v. Town & Country Elec. Inc.*, 516 U.S. 85, 92-93 (1995) (*CCNV* applied the “common-law test to distinguish between ‘employee’ and ‘independent contractor’” in work-for-hire legislation); *Clackamas Gastroenterology Assocs., P.C. v. Wells*, 538 U.S. 440, 445 n.5 (2003) (the common-law meaning of employment “draw[s] a line between independent contractors and employees”).

CCNV’s holding, like the canon itself, applies with equal force to “employer” in the 1909 Act. Respondents try to distinguish *CCNV* by emphasizing “scope of employment” in 17 U.S.C. § 101 and characterizing it as the reason “employee” was defined by resort to the common law. BIO 16. But the Court stated that its purpose for granting certiorari was to determine “the proper construction” of the 1976 Act’s *two* “work made for hire” provisions.” *CCNV*, 490 U.S. at 732 (“[W]e must construe” § 101 and § 201(b)). Respondents focus on § 101 (“a work prepared by an employee within the scope of [] employment”), *id.* at 738, but ignore that

“employer” appears alone in § 201(b) (“the employer or other person for whom the work was prepared is considered the author”).¹ *Id.* at 737. To construe § 201(b), the Court thus had to give independent meaning to the word “employer.”

As the Court explained, it accomplished that task by interpreting all of the relevant “undefined statutory *terms*” (plural) according to common law. *Id.* at 743 (emphasis added). Those terms included “employer” in addition to “employee” and “scope of employment.” *Id.* at 740. That makes sense: there is no logical reason to apply a different rule of statutory construction to such clearly linked terms. Thus, when the Court reasoned “Congress intended to describe the conventional master-servant relationship as understood by common-law agency doctrine” by using the term “employee” without defining it, that reasoning applied with equal force to “employer.” *Id.* at 739-40.

To be sure, as respondents (over-)emphasize, the Court also noted that the term “scope of employment” was a term of art in agency law, and thus supported the application of agency principles. *Id.* at 740. But if anything, *that* statement is dictum. As this Court later explained: “[w]hile [CCNV] supported this reading of the Copyright Act with other observations, the general rule [of construction] stood as independent authority for the decision.”

¹ This language is quite similar to that in § 26 of the 1909 Act (“The word author shall include an employer in the case of works made for hire.”).

Nationwide Mut. Ins. Co. v. Darden, 503 U.S. 318, 323 (1992).

This Court consistently follows the “presumption that Congress means an agency law definition” for the employer-employee relationship “unless it clearly indicates otherwise.” *Id.* at 325. Nothing in the 1909 Act “indicates otherwise,” and so the lower court’s interpretation imports “absent word[s] into the statute.” *Lamie v. United States Trustee*, 540 U.S. 526, 538 (2004).

Respondents also disregard the 1909 Act’s legislative history which makes clear that “employer” applied only to traditional employment. See Stenographic Report of the Proceedings of the Librarian’s Conf. on Copyright, 2d Sess. 188 (Nov 1-4, 1905). Respondents likewise misinterpret the 1976 Act’s legislative history (BIO 16), which reveals an explicit compromise: expanding work-for-hire to include commissioned works in exchange for artists’ termination rights. *CCNV*, 490 U.S. at 746.

There is good reason for the compulsory practice of relying on the common law to interpret undefined statutory terms. “Federal statutes are generally intended to have uniform nationwide application” and this is particularly true given the “objective of creating nationally uniform copyright law.” *Id.* at 740 (internal quotation marks omitted). Respondents and the courts below overlook that “[t]he underlying motive for the Supreme Court’s position” was “the structural issue of uniformity in the interpretation of federal statutes [T]he Court sent a clear message to the lower courts that undefined terms in federal statutes were to be given a uniform federal

interpretation in all cases.” 1 H. Abrams, *THE LAW OF COPYRIGHT (“ABRAMS”)* (2005) § 4:6, at 21-22.

The lower courts’ inconsistent reading of the 1909 Act ignores that message. Respondents emphasize that the circuits read employment differently under the 1909 and 1976 Acts (BIO 17-18), but it is that discrepancy which warrants review.² As to other statutes the Second and Ninth Circuits routinely follow this Court’s canon.³ But as to the 1909 Act, the circuits have replaced this Court’s rule with their own policy views.

The decision below flouts this Court’s ruling that the undefined statutory term “employer” excludes commissioned works without any proffered or plausible basis. Respondents’ argument that the Court’s repeated mandate does not apply because the circuits disregard it (BIO 18) is circular and marginalizes the Court’s supremacy.

² Respondents quote Nimmer out of context (BIO 19) to suggest endorsement of the circuits’ interpretation. Nimmer makes clear that judicial expansion of work-for-hire under the 1909 Act is “wrong both on principle and under the rule of the early cases.” 3 M. & D. Nimmer, *NIMMER ON COPYRIGHT (“NIMMER”)* § 9.03[D].

³ See, e.g., *Gulino v. N.Y. State Educ. Dep’t*, 460 F.3d 361, 374 (2d Cir. 2006) (“An expansive definition of ‘employer’ [in the Civil Rights Act] contravenes Supreme Court precedent [CCNV] and fundamental canons of statutory interpretation.”); *Frankel v. Bally, Inc.*, 987 F.2d 86, 90 (2d Cir. 1993) (applying *Darden* rule to “employee” in ADEA); *Guthart v. White*, 263 F.3d 1099, 1105 (9th Cir. 2001) (interpreting “employee” in LMRA according to canon).

Review is imperative to correct this disturbingly persistent work-for-hire doctrine. Only this Court can align these circuits with its statutory interpretation of “employer” under the common law and overturn their retroactive “legislation” regarding the 1909 Act.

II. The Second Circuit Erred In Re-Characterizing Kirby’s Creations As Work-for-Hire Under The Presumptive “Instance And Expense” Test.

The “instance and expense” test has been criticized by leading copyright commentators as both arbitrary and inequitable. *See* 3 NIMMER § 9.03[D], 9-28.2-.3; 2 William Patry, PATRY ON COPYRIGHT § 5:45; ABRAMS §§ 4:6, 4:9, at 12-15. Rather than defend it, respondents spill much ink arguing that there is no circuit split—a point that was never disputed. However, that the Second and Ninth Circuits, where most copyright cases arise, routinely disenfranchise freelance authors contrary to this Court’s precedents only underscores the need for review.

“A direct conflict between the decision of the court of appeals of which review is being sought and a decision of the Supreme Court is one of the strongest possible grounds for securing the issuance of a writ of certiorari.” Robert L. Stern et al., SUPREME COURT PRACTICE 232 (8th ed. 2002).

The lower courts’ description of the malleable “instance and expense” test emphasized by respondents highlights the problem—it encompasses nearly every author-publisher relationship. BIO 3-4 (“Instance” is satisfied “[w]hen the motivating factor”

was the publisher and “expense . . . is satisfied” by payment of “a sum certain.”). When a so-called “test” fails to differentiate, it is not a test, it is a pre-text.

Respondents distort the record to promote the illusion that Kirby produced works-for-hire. Their arguments are largely irrelevant to the Questions Presented because Kirby was not Marvel’s employee. Respondents’ misstatements nonetheless warrant correction to illustrate just how capacious the Second Circuit’s rule is.

Respondents stack the deck with references to “the hiring party” and “employer,” suggesting financial commitments and bilateral legal obligations. BIO 3-4, 9-10. But the record showed that Marvel studiously avoided any legal or financial commitments to Kirby. App. 7. Marvel had no “right” to direct Kirby (BIO 3); all it had was purchasing *power*. Kirby also shouldered all expenses of creation without any guarantee his work would sell. App. 7. Yet respondents dwell on the financial “risk” of “publication” which *every* publisher incurs. BIO 5; App. 7; *see* 1 NIMMER § 5.03[B][2][d] at 5-56.8 n.171c. (“Plainly, it is the expense of creation, rather than publication, that is relevant.”).

Respondents also focus on the district court’s summary judgment characterizations (BIO 20-21), which were not binding on appeal. The Second Circuit, viewing the record *de novo*, found that in 1958-63: (1) Kirby worked solely as an independent contractor and bore all costs of creation (App. 7); (2) “Marvel paid Kirby . . . for [only] those pages it accepted . . . [and] was free to reject Kirby’s pages and pay him nothing” (App. 44); and (3) the only

contemporaneous agreement between the parties consisted of legends on the back of Marvel's checks, assigning the copyright in that work Marvel chose to buy. App. 47 ("evidence []indicates that Marvel paid Kirby during the relevant time periods with checks that contained a legend with assignment . . . language.").⁴

Respondents' argument that Kirby "confirmed that Marvel owned all the rights" (BIO 26) thus leads nowhere. Indeed, a plethora of additional evidence showed that Marvel owned Kirby's works *by assignment*,⁵ which is unsurprising as only traditional employees could produce work-for-hire under the law in 1958-63.

All this made no difference to the Second Circuit, demonstrating how far its jurisprudence has strayed. Even though *everything* pointed to the purchase and assignment of completed material, the circuit could

⁴ Five percipient witnesses testified that Marvel's checks in the period contained "copyright assignment" legends. JA(V)1381(Joe Sinnott); JA(V)1375-76 (Richard Ayers); JA(VIII)2150 (Gene Colan); JA(VI)1394 (James Steranko); JA(VI)1388 (Neal Adams). 1973-74 Marvel checks still contained "assignment" legends; the earliest "work-for-hire" check legend was from 1986. JA(VII)1794, 1818-19.

⁵ Kirby's 1972 "Assignment" of his characters has *three pages* of copyright-assignment clauses, and one "work-for-hire" sentence respondents emphasize (BIO 21). JA(III)604-07; *Marvel v. Simon*, 310 F.3d 280, 289-92 (2d Cir. 2002) invalidated a *virtually identical* post-hoc work-for-hire "acknowledgment" (JA(III)604-08) under § 304(c)(5). Kirby's 1975 agreement also framed Marvel's ownership in assignment language (JA(IV)879), as did Marvel's other freelancer agreements. JA(VII)1885, 1894; CA(I)87, 96, 105.

still deem all Kirby creations works-for-hire under the “instance and expense” test—a startling testament to just how bad that test is.

III. Petitioners’ Taking Argument Is Sound And Properly Before The Court.

Petitioners’ taking argument rests on the following: (1) in 1958-63, when Kirby created his characters as a freelancer, work-for-hire applied solely to traditional employment; (2) accordingly, Kirby owned his copyrights at inception, and assigned to Marvel those works it chose to purchase for publication; (3) petitioners’ statutory termination interest stems from Kirby’s original authorship/ownership; (4) courts re-characterized Kirby’s creations as work-for-hire based on an admitted misreading of implied assignment cases and; (5) Kirby was consequently divested of valuable property for private benefit.

Respondents’ argument that the courts “merely ‘clarified] and elaborate[d] property entitlements that were previously unclear’” has no traction. BIO 20 (citing *Stop the Beach Renourishment, Inc. v. Fla. Dep’t of Envtl. Prot.*, 560 U.S. 702, 713-25 (2010)). It was crystal clear in 1958-63 that Kirby was the author and original owner because work-for-hire applied solely to conventional employees from 1909-1965. App. 35. This was not judicial “clarification” or a gradual intellectual shift; it was an about-face. When the Second Circuit recognizes that it made a fundamental mistake and nevertheless perpetuates it, destroying valuable property interests in the process, a judicial taking has occurred. *See Estate of*

Burne Hogarth v. Edgar Rice Burroughs, Inc., 342 F.3d 149, 161 n.15 (2d Cir. 2003).

Respondents admit that copyrights are legally cognizable property sufficient to support a taking, but argue circularly that the reclassification of Kirby's original copyrights means there was nothing to take. BIO 21. Respondents' floodgate argument (BIO 22) that every losing party will allege judicial taking is equally unpersuasive. Since *Stop the Beach*, no deluge has occurred.

Petitioners' constitutional arguments are properly before this Court. They are not new claims but "argument[s] to support what has been [petitioners'] consistent claim" *Lebron v. Nat'l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995), "within the clear intendment" of that claim. *Braniff Airways v. Neb. State Bd. of Equalization & Assessment*, 347 U.S. 590, 598-99 (1954). Petitioners claimed below that Kirby authored/owned his works at inception and that the courts divested his statutory heirs of their property via the "instance and expense test." Dkt-70 at 36, 45. Petitioners also argued that judicial rewriting of the 1909 Act conflicted with *CCNV*. Dkt-122 at 1-2, 11-12; Dkt-70, at 12, 54-56. Petitioners' constitutional arguments are a natural "predicate to an intelligent resolution' of the question[s] presented." *Caterpillar Inc. v. Lewis*, 519 U.S. 61, 75 (1996) (citation omitted).

IV. The Questions Presented Are Of Surpassing Importance To The Application Of Copyright Law.

Even if the legal rule at issue affected only the multi-billion dollar franchises based on Kirby's

creations—*X-Men*, *Thor*, *The Avengers*, *Captain America*, *Iron Man*, and *Hulk*, for example—that would justify review. But the implications are much broader.

“Classifying a work as ‘made for hire’ determines not only the initial ownership of its copyright, but also the copyright’s duration, § 302(c), and the owner’s renewal rights, § 304(a), [and] termination rights.” *CCNV*, 490 U.S. at 737 (citing NIMMER § 5.03[A]). “The contours of the work for hire doctrine therefore carry profound significance for freelance creators—including artists, writers, photographers, designers, composers, and computer programmers—and for the publishing, advertising, music, and other industries which commission their works.” *Id.*

Respondents deflect the obvious importance of this by relegating it to the past. But because work-for-hire is the sole exception to statutory termination, the circuits’ unsupported construction of the 1909 Act guts the 1976 Act’s termination provisions as to most pre-1978 works, casting a pall over the present rights of innumerable authors.

Respondents’ reliance argument (BIO 22) is unpersuasive, particularly in the termination context, in which Congress carefully balanced competing interests. Grantees enjoy the benefits of their original bargain under the 1909 Act’s fifty-six-year copyright term, while termination gives authors the benefits of the “extended renewal term.” 17 U.S.C. § 304(c). *See* 3 NIMMER § 11.07[B][3]. Grantees can continue to exploit derivative works produced under their original grants. 17 U.S.C. § 304(c)(6)(A). Moreover, when, as here, termination

largely applies to co-authorship interests, grantees can continue producing new works, subject to simply paying the terminators their fair share of profits. *See* 1 NIMMER, § 6.12[A].

Many of our most celebrated literary and musical works were created before 1978 and signed away to publishers in un-remunerative transactions. Termination rights were “needed because of the unequal bargaining position of authors.” H.R. Rep. No. 94-1476, at 124 (1976). It would be hard to find a better example of this than the prolific Jack Kirby who worked in his basement with no contract, no financial security, and no employment benefits, but without whom Marvel might not even be in business today.

CONCLUSION

For the foregoing reasons, as well as those set forth in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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