

11-29-2015

## Marvel v. Kirby: A Clash of Comic Book Titans in the Work Made for Hire Arena

Meredith Annan House

Follow this and additional works at: <http://scholarship.law.berkeley.edu/btlj>



Part of the [Law Commons](#)

---

### Recommended Citation

Meredith Annan House, *Marvel v. Kirby: A Clash of Comic Book Titans in the Work Made for Hire Arena*, 30 BERKELEY TECH. L.J. 933 (2015).

Available at: <http://scholarship.law.berkeley.edu/btlj/vol30/iss4/14>

### Link to publisher version (DOI)

<http://dx.doi.org/https://doi.org/10.15779/Z381P2S>

This Article is brought to you for free and open access by the Law Journals and Related Materials at Berkeley Law Scholarship Repository. It has been accepted for inclusion in Berkeley Technology Law Journal by an authorized administrator of Berkeley Law Scholarship Repository. For more information, please contact [jcera@law.berkeley.edu](mailto:jcera@law.berkeley.edu).

# ***MARVEL V. KIRBY: A CLASH OF COMIC BOOK TITANS IN THE WORK MADE FOR HIRE ARENA***

*Meredith Annan House<sup>†</sup>*

The Avengers. Captain America. The X-Men. The Fantastic Four. A list of the works that artist Jack Kirby contributed to reads like a marquee of recent blockbuster movies.<sup>1</sup> But the battles these superheroes waged on the big screen were not the only ones in the comic book universe: until recently, Jack Kirby's estate and Marvel Comics battled it out in a lengthy five-year litigation over the rights to 262 highly valuable comic books to which Kirby contributed.

Jack Kirby was a prolific, path-breaking comic book artist who freelanced for Marvel Comics ("Marvel") in the 1950s and 1960s. In 2009, his children sent termination notices to Marvel to recapture the copyrights to their deceased father's works. Marvel responded by filing a declaratory action to establish that Kirby's contributions were works made for hire<sup>2</sup> under the 1909 Copyright Act ("1909 Act") and hence ineligible for copyright termination. Marvel further argued that Kirby had transferred any prior termination rights in an agreement dated nearly forty years earlier. The District Court for the Southern District of New York ruled in Marvel's favor, holding that the works were works made for hire.<sup>3</sup> The Court of Appeals for the Second Circuit affirmed.<sup>4</sup> Many comic book fans were outraged over Kirby's family's loss. Kirby's children timely filed a

---

© 2015 Meredith Annan House.

<sup>†</sup> J.D. Candidate, 2016, University of California, Berkeley, School of Law.

1. *Marvel Worldwide, Inc. v. Kirby*, No. 10 Civ. 141(CM)(KNF), 2010 WL 1655253, at \*1 (S.D.N.Y. Apr. 14, 2010) ("Between 1958 and 1963, Kirby collaborated with other individuals engaged by Marvel to contribute to the creation of many now-treasured comic books, featuring such familiar and enduring characters as the Fantastic Four, the Incredible Hulk and the X-Men . . .").

2. Complaint, *Marvel Worldwide, Inc. v. Kirby*, No. 10 CV 141, 2010 WL 194759 (S.D.N.Y. Jan. 8, 2010).

3. *Marvel Worldwide, Inc. v. Kirby*, 777 F. Supp. 2d 720 (S.D.N.Y. 2011).

4. *Marvel Characters, Inc. v. Kirby*, 726 F.3d 119 (2d Cir. 2013).

certiorari petition with the U.S. Supreme Court,<sup>5</sup> but the parties settled the case before the Court ruled on the petition.<sup>6</sup>

The courts rooted their decisions in the instance and expense test. This test is a common law tool to determine whether a work is considered a work made for hire under the 1909 Act; if it is, then the employer, rather than the creator, owns the copyright to the work. To be a work made for hire, “the employer [must] both constitute the motivating factor for the work’s creation [‘instance’] and [pay] the creator a sum certain rather than royalties [‘expense’].”<sup>7</sup> Various circuits have used the instance and expense test since 1965, and the test is the predominant method to analyze the classification of a work under the 1909 Act. Yet critics have decried its application as consistently denying creators’ rights to their works and therefore unfairly benefitting employers.<sup>8</sup>

This Note considers the underlying doctrinal question posed by the *Marvel* litigation and concludes that the Southern District of New York and the Second Circuit reached the appropriate outcome. Though it has a troubled history and is routinely misapplied by courts, the instance and expense test generally arrives at the correct outcome and prevents chilling effects on the entertainment industry. The test preserves the entertainment industry’s ability to prosper because it reduces its legal risk; yet from a non-economic standpoint, the instance and expense test continually harms characters’ creators and frustrates Congress’s efforts to restore copyright equality under the 1976 Copyright Act (“1976 Act”).<sup>9</sup> Part I of this Note provides background by discussing the history of the comic book industry, the 1909 Act’s work made for hire doctrine, and the transfer termination regime under both copyright Acts. Part II provides a history and overview of *Marvel Characters, Inc. v. Kirby*, with a focus on the courts’ analysis of the work made for hire doctrine under the 1909 Act.

---

5. See Petition for Writ of Certiorari at 1, *Kirby v. Marvel Characters, Inc.* (U.S. Mar. 21, 2014) (No. 13-1178), 2014 WL 1275190, at \*1.

6. See Michael Cavanaugh, *Marvel, Jack Kirby’s heirs ‘amicably’ settle legal battle over superhero-character rights*, WASHINGTON POST (Sept. 26, 2014, 10:10 AM), <http://www.washingtonpost.com/news/comic-riffs/wp/2014/09/26/marvel-jack-kirbys-heirs-settle-legal-battle-over-superhero-character-rights/>; Dominic Patten, *Marvel & Jack Kirby Heirs Settle Legal Battle Ahead of Supreme Court Showdown*, DEADLINE HOLLYWOOD (Sept. 26, 2014), <http://deadline.com/2014/09/jack-kirby-marvel-settlement-lawsuit-supreme-court-hearing-841711>.

7. 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.03 (Matthew Bender, rev. ed. 2010).

8. See *infra* Section III.A.

9. See, e.g., Peter S. Menell & David Nimmer, *Judicial Resistance to Copyright Law’s Inalienable Right to Terminate Transfers*, 33 COLUM. J.L. & ARTS 227, 227–30 (2010).

Part III explores criticisms levied at the instance and expense test, its use in previous comic book cases, and proposes statutory changes that would be both more equitable to authors and more faithful to Congress's intentions from the 1976 Act revisions. Part IV concludes.

## I. BACKGROUND

Copyright is grounded in Article I, § 8 of the U.S. Constitution, which grants Congress the power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>10</sup> The Framers intended this power to encourage the production of new art, thus enriching public life.<sup>11</sup> At the same time, a tension exists between public enjoyment of art and ensuring artists are fairly compensated for their work. This tension is particularly true in the work made for hire context. The limited monopoly that copyright grants authors is a means to achieve the ends of public availability of art, but is unavailable for works made for hire. As such, artists who create pieces that are works made for hire do not receive any monopoly for their work; instead, the employer or commissioner of the work possesses the monopoly, unless stipulated otherwise.

As background for the analysis, Section I.A traces the history of the comic book industry and explores the process by which most comic books, including the works at the issue in this case, were created. Section I.B examines the 1909 Act and the legislative and judicial backdrop behind the instance and expense test. Section I.C describes the pertinent provisions of the 1976 Act. Section I.D discusses the differing termination regimes under both copyright acts.

---

10. U.S. CONST. art. I, § 8, cl. 8.

11. *See, e.g.,* Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 349 (1991) (“It may seem unfair that much of the fruit of the compiler’s labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not ‘some unforeseen byproduct of a statutory scheme.’ . . . It is, rather, ‘the essence of copyright,’ . . . and a constitutional requirement.”) (citing *Harper & Row v. Nation Enters.*, 471 U.S. 539, 589 (1985) (Brennan, J., dissenting)); H.R. REP. NO. 60-2222, at 7 (1909) (“[Congress’s] copyright legislation . . . is not based upon any natural right that the author has in his writings . . . but upon the ground that the welfare of the public will be served. . . . [n]ot . . . for the benefit of the author, but primarily for the benefit of the public, such rights are given. . . .”).

### A. COMIC BOOK CONTEXT

The Golden Age of Comics began in the 1930s and lasted through the late 1940s.<sup>12</sup> During this time, young Jewish artists—like Kirby—flocked to the comics industry because of anti-Semitic “quotas” established in other echelons of the publishing industry.<sup>13</sup> However, the seedy underbelly to the labor practices of the early industry left many comic book illustrators—particularly young Jewish artists like Kirby—working in subpar conditions.<sup>14</sup> Lack of other options forced artists like Kirby to accept these low wages and poor conditions, which in turn allowed comic book publishers to take advantage of their bargaining position and secure higher profits.<sup>15</sup> But the late 1950s and 60s, widely considered to be the Silver Age of Comics, did not have widespread comic book sweatshops.<sup>16</sup> The Silver Age is renowned for being the era in which many of the most

---

12. See *A Brief History of Comics - Golden Age & Silver Age*, FLIMGEEKS, <http://flimgeeks.com/2009/a-brief-history-of-comics-golden-age-silver-age/> (last visited Feb. 13, 2014); *The Golden Age of Comics*, PBS.COM, <http://www.pbs.org/opb/historydetectives/feature/the-golden-age-of-comics/> (last visited Apr. 24, 2015).

13. See Graham Lawson, *Even Picasso could be found reading them*, THE TIMES OF ISRAEL (Aug. 10, 2012, 5:13 PM), <http://www.timesofisrael.com/even-picasso-could-be-found-reading-them-comics-stan-lee-art-spiegelman/>. Jewish families, wishing their sons to enter solid professions such as medicine or law, did not exactly warm to the idea of their sons eking out a living drawing cartoons in a comic strip sweatshop. For their part, said offspring, who were seeking to establish careers as illustrators, often found themselves excluded from advertising agencies and newspaper syndicates due to anti-Semitic “quotas.” The comics industry, however, in part owned by Jews, welcomed them with open arms—albeit with somewhat closed fists.

14. See, e.g., *ENCYCLOPEDIA OF COMIC BOOKS AND GRAPHIC NOVELS* 352 (M. Keith Booker ed. 2010) (“By the late 1930s . . . Kirby began . . . working in the sweatshop studios of Victor Fox at Fox Features Syndicate.”); *THE CAMBRIDGE COMPANION TO MODERN AMERICAN CULTURE* 400 (Christopher Bigsby ed. 2006) (“the superhero—Superman, Batman, and dozens more created by 1940—as drawn by overwhelmingly Jewish youngsters in sweatshop studios of Greater New York”); PAUL BUHLE, *FROM THE LOWER EAST SIDE TO HOLLYWOOD: JEWS IN AMERICAN POPULAR CULTURE* 107 (Verso 2004).

15. See Lawson, *supra* note 13.

16. For a breakdown of each of the comic book eras, see *Archetypes, Commercialism, and Hollywood: A History of the Comic Book*, RANDOM HISTORY (Mar. 18, 2008), <http://www.randomhistory.com/1-50/033comic.html>.

iconic comic book characters were created.<sup>17</sup> Kirby, a contributor to many such icons, worked for Marvel during this Silver Age.<sup>18</sup>

Of critical importance to the *Kirby* litigation, comic books were not typically the product of solitary endeavor. Rather, teams of creative people worked on them from start to finish. In the earlier days of the Golden Age, teams developed comic books in an assembly-line process in New York City factories.<sup>19</sup> In the Silver Age, writer Stan Lee conceived of the “Marvel Method,” which changed the creation process but still required a team of creators. With the Marvel Method, Lee would give a general plot summary to an artist to illustrate, which kept the artists busy and paid, instead of leaving them waiting around for Lee to finish entire story drafts before illustrating.<sup>20</sup> Typically, Lee would first describe the plot to an artist (like Kirby), and the artist would then “pencil” the story, laying out panels on the pages, breaking down the story into digestible panels, and drawing the characters within the panels.<sup>21</sup> The artist would then turn in the pages to a writer (Lee) to create the script based on the panels.<sup>22</sup> Next, a letterer would fill in dialogue where the writer had indicated, and then another artist would “ink” the pages, going over the pencil with marker.<sup>23</sup> Finally, another artist would colorize them.<sup>24</sup> This meant that at an absolute minimum, two people worked on a comic, but typically many more contributed to the book.<sup>25</sup>

As the comic book industry matured, it became very profitable, transforming from a niche subculture into a massively popular mainstream

---

17. *A Brief History of Comics*, COMICSPECTRUM.COM, [https://comicspectrum.com/Brief\\_History\\_of\\_Comics.html#Silver](https://comicspectrum.com/Brief_History_of_Comics.html#Silver) (last visited Apr. 21, 2015) (explaining that the Silver Age churned out icons like Spider-Man, the Avengers, X-Men, and the Fantastic Four).

18. *See* Marvel Worldwide, Inc. v. Kirby, 777 F. Supp. 2d 720, 731 (S.D.N.Y. 2011).

19. *See* RANDY DUNCAN & MATTHEW J. SMITH, *THE POWER OF COMICS: HISTORY, FORM AND CULTURE* 114 (Bloomsbury Academic 2009).

20. *See id.*

21. *See id.* at 115 (describing in detail each step of the process).

22. *See id.*

23. *See id.*

24. *See id.*

25. *See* MARK CHIARELLO & TODD KLEIN, *THE DC COMICS GUIDE TO COLORING AND LETTERING COMICS* (Watson-Guptill 2004); iFanboy, *Letterers, Colorers, and Inkers*, REVISION3 (Mar. 9, 2010), <https://revision3.com/ifanboy/lettercolorink>; Susana Polo, *DC Comics' New Creator Royalty Plan Means More Credit Where Credit Is Due*, THE MARY SUE (Jun. 24, 2014, 6:32 PM), <http://www.themarysue.com/dc-comics-pay-structure>.

genre with a diverse following.<sup>26</sup> Characters and storylines from popular comic books grew and evolved into an ever-expanding universe of movies, television shows, and video games.<sup>27</sup> Once solely a comic book publisher, Marvel became the epicenter of one of the most valuable creative industries by churning out video games, films, board games, theme parks, live shows, and television programs.<sup>28</sup> The Walt Disney Company bought Marvel for \$4.64 billion in 2009<sup>29</sup>—and just two weeks after announcing this, the Kirby children filed their termination notices.<sup>30</sup> As of this writing, Marvel Studios (now with distribution run by Walt Disney Studios Motion Pictures) has announced eleven upcoming movies, signifying that this immensely profitable comic book genre is not fading away any time soon.<sup>31</sup>

#### B. WORKS MADE FOR HIRE UNDER THE COPYRIGHT ACT OF 1909

Both the 1909 Act and the 1976 Act are relevant to this case. The 1909 Act controls the initial ownership of the Kirby works because they were created prior to January 1, 1978, the effective date for the 1976 Act. However, the 1976 Act controls the heirs' possible termination rights, since the 1976 Act retroactively grants termination rights to authors or

---

26. See Gus Lubin, *The Comic Book Industry Is On Fire, And It's About More Than Just The Movies*, BUSINESS INSIDER (Aug. 24, 2014, 11:57 AM), <http://www.businessinsider.com/the-comic-book-industry-is-on-fire-2014-8>.

27. See Alexandra Gibbs, *Why Comic Books Are Big Business*, CNBC (Dec. 30, 2014, 2:24 AM), <http://www.cnbc.com/id/102272227>.

28. See, e.g., DISNEY INFINITY: 2.0 EDITION, <https://infinity.disney.com/game-info> (last visited Dec. 23, 2014); THE MARVEL EXPERIENCE TOUR, <http://themarvel experiencetour.com/> (last visited Dec. 23, 2014); *The Incredible Hulk Coaster*, UNIVERSAL ORLANDO RESORT, <https://www.universalorlando.com/Rides/Islands-of-Adventure/The-Incredible-Hulk-Roller-Coaster.aspx> (last visited Dec. 23, 2014).

29. Brooks Barnes & Michael Cieply, *Disney Swoops Into Action, Buying Marvel for \$4 Billion*, N.Y. TIMES (Aug. 31, 2009), <http://www.nytimes.com/2009/09/01/business/media/01disney.html>.

30.

On August 31, 2009, the Walt Disney Company announced that it had agreed to acquire Marvel's ultimate parent. . . . Two weeks later, on or about September 16, 2009, the Kirby Heirs sent approximately forty-five Termination Notices relating to the Works to Marvel and other Marvel-related and unrelated entities.

*Marvel Worldwide, Inc. v. Kirby*, No. 10 Civ. 141(CM)(KNF), 2010 WL 1655253, at \*1 (S.D.N.Y. Apr. 14, 2010).

31. See Marc Graser, *Marvel Announces Next Phase of Superhero Movies*, CHICAGO TRIBUNE (Oct. 29, 2014, 9:22 PM), <http://www.chicagotribune.com/entertainment/chi-marvel-superhero-movies-20141029-story.html>.

heirs whose works are governed by the 1909 Act and were assigned to another party.<sup>32</sup>

The legislative history of both the 1909 Act and the 1976 Act elucidates the purposes of the drafters. At their core, both Acts express the continued desire to uphold the fundamental objectives of copyright law: the Acts take clear steps to enhance the public's access to creative works and encourage creativity, while also promoting settled expectations and certainty of copyright ownership.<sup>33</sup> The 1976 Act, however, strived to protect authors in ways the 1909 Act failed to do, by explicitly defining a work made for hire, altering the termination provisions, and trying to redistribute some of the power that courts had begun giving to publishers with their interpretation of the instance and expense test.<sup>34</sup>

This attempt to better equalize the tension between authors and publishers is evident in how the 1909 Act and the 1976 Act differ in their determination of what constitutes a work made for hire. The 1909 Act's work made for hire doctrine is brief and ambiguous: the sole reference to work made for hire in the entire Act is that "in the interpretation and construction of this title . . . the word 'author' shall include an employer in the case of works made for hire."<sup>35</sup> Because the 1909 Act did not define "work made for hire" or "employer," the courts had to interpret the meaning of these terms.

At first, courts held that the 1909 Act's work made for hire provision applied only to an employee's work created in the regular course of his employment. Commissioned works, on the other hand, were presumed to impliedly give the copyright bundled with the work itself to the hiring party.<sup>36</sup> One of the more significant decisions addressing these ambiguities was in *Yardley v. Houghton Mifflin Co.*,<sup>37</sup> where the city of New York commissioned an artist to paint a mural on the side of a school building.<sup>38</sup> The *Yardley* court held that a commissioned worker impliedly grants his

---

32. See 17 U.S.C. § 304(c) (2012); see also *infra* Section I.B (discussing the differing termination regimes).

33. See *supra* notes 7–11 and accompanying text.

34. See Lydia Pallas Loren, *Renegotiating the Copyright Deal in the Shadow of the "Inalienable" Right to Terminate*, 62 FLA. L. REV. 1329, 1342–49 (2010); Menell & Nimmer, *supra* note 9.

35. 17 U.S.C. § 26 (repealed 1976), reprinted in 5 NIMMER & NIMMER, *supra* note 7, § 26.

36. See, e.g., *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 744 (1989) (discussing the history of work made for hire under the 1909 Act).

37. *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2d Cir. 1939).

38. See *id.* at 29.

copyright along with the commissioned work to the party that commissioned the work for the first copyright term, but that the worker that created the commissioned work still controls the renewal rights after the first twenty-eight years end.<sup>39</sup> The *Yardley* rule transplanted the general principle for photographic portraits—the person commissioning the work impliedly receives the copyright in addition to the work itself—and translated it to other kinds of artwork.<sup>40</sup>

Over time, courts lessened the emphasis on the employer/commissioner distinction and instead developed the formal instance and expense test to determine if a work is made for hire under the 1909 Act. The “instance” prong is satisfied when a court finds that an employer was “the motivating factor in producing the work,”<sup>41</sup> demonstrable by the degree to which the hiring party could exercise supervisory control (e.g. reject, accept, influence) over the work.<sup>42</sup> The “expense” prong asks whether the hiring party shouldered the expense of the creation of the work.<sup>43</sup> The Second Circuit finds this prong satisfied “where a hiring party simply pays an independent contractor a sum certain for his or her work.”<sup>44</sup> Works created prior to January 1, 1978 that satisfy both prongs are works made for hire, and the employer holds the copyright to the work.

1. *Tracing the Instance and Expense Test and the Legislative History of the 1909 Act*

The instance and expense test did not appear out of thin air. Tracing back its evolution, from its development in the legislative history of the 1909 Act to its establishment in mid-twentieth century caselaw, demonstrates how both publishers and creators have, for better or for worse, generally settled expectations regarding works made for hire under the 1909 Act. The phrase “instance and expense” first originates in an

---

39. *See id.* at 30–31.

40. *See id.*

41. *Siegel v. Nat’l Periodical Publ’ns. Inc.*, 508 F.2d 909, 914 (2d Cir. 1974) (internal citations omitted).

42. *See Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 554 (2d Cir. 1995); *Estate of Hogarth v. Burroughs, Inc.*, No. 00 CIV. 9569(DLC), 2002 WL 398696, at \*18 (S.D.N.Y. Mar. 15, 2002).

43. *See, e.g., Marvel Worldwide, Inc. v. Kirby*, 777 F. Supp. 2d 720, 741 (S.D.N.Y. 2011).

44. *Id.* (citing *Playboy*, 53 F.3d at 555).

early copyright case decided prior to the 1909 Act: *Hanson v. Jaccard Jewelry Co.*, a case decided in 1887.<sup>45</sup>

The notion of “instance and expense” later resurfaces in the legislative history of the 1909 Act, where a participant in the drafting process requested “an exception [to the default notion of authorship be] made [on] behalf of the person at whose *expense* such works were made.”<sup>46</sup> Richard Bowker, the vice president of the American Authors’ Copyright League, also advocated for the definition of ‘author’ to include “a corporate body with respect to the publications of such corporation, and a person or persons at whose instance and expense a composite work is produced.”<sup>47</sup>

Encyclopedia publishers expressed the strongest concerns about rights to work made for hire creations during the drafting of the 1909 Act, as many contributors are needed to create encyclopedias. The publishers’ apprehension focused on the renewal term, not the initial grant of the work to the publisher.<sup>48</sup> Both in the law prior to the 1909 Act and in the 1909 Act, an author’s renewal term passed to his statutory heirs if he died before the renewal term began, even if he had previously assigned the renewal rights to someone else.<sup>49</sup> Encyclopedia publishers worried that if the contributors died after writing their respective pieces of the encyclopedia, the contributors’ statutory successors legally own the contributors’ renewal terms, even if the encyclopedia publisher had been assigned the renewal term.<sup>50</sup> Thus, to retain control over the rights of their encyclopedias, the publishers would have to track down all of the statutory successors.<sup>51</sup>

The Ninth Circuit was the first circuit to expressly employ the instance and expense test, in the 1965 case *Lin-Brook Builders Hardware v. Gertler*.<sup>52</sup> *Lin-Brook* also signified a massive shift in the work made for hire landscape: for the first time, a court explicitly expanded the work made for hire doctrine beyond the traditional employer-employee relationship to

---

45. *Hanson v. Jaccard Jewelry Co.*, 32 F. 202, 202 (C.C.E.D. Mo. 1887) (“From these and other facts it is obvious that the pamphlet in question was compiled and published at the *instance and expense* of the railroad company . . .”) (emphasis added).

46. 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT 188 (B. Fulton Brylawski & Abe Goldman eds., 1976) (emphasis added).

47. *Id.* at 143–44.

48. See Catherine L. Fisk, *Authors at Work: The Origins of the Work-for-Hire Doctrine*, 15 YALE J.L. & HUMAN. 1, 63 (2003).

49. See *id.* at 63 n.224 (discussing the history of the renewal rights).

50. See *id.* at 63 (citing 1 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT 54–56 (B. Fulton Brylawski & Abe Goldman eds., 1976)).

51. See *id.*

52. *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965).

relationships with independent contractors.<sup>53</sup> This case involved a hardware company, Lin-Brook, which advertised their wares with catalogues illustrated by an artist, Baxter, whom the company had hired as an independent contractor.<sup>54</sup> A competing hardware company began advertising with a similar catalog and Lin-Brook sued for copyright infringement.<sup>55</sup> The trial court decided that Lin-Brook could not bring a claim of copyright infringement, holding that since Baxter was an independent contractor he was the true “proprietor of the copyright.”<sup>56</sup> The Ninth Circuit rejected this argument, holding that

when one person engages another, *whether as employee or as an independent contractor*, to produce a work of an artistic nature, [] in the absence of an express contractual reservation of the copyright in the artist, the presumption arises that the mutual intent of the parties is that the title to the copyright shall be in the person at whose *instance and expense* the work is done.<sup>57</sup>

The court cited *Yardley*,<sup>58</sup> *Grant v. Kellogg Co.*,<sup>59</sup> and *Dielman v. White*<sup>60</sup> as authority for the instance and expense test,<sup>61</sup> although none of these cases explicitly use the phrase. Rather, these cases can at most be described as following the instance and expense line of reasoning. All of these cases involved commissioned works: the art mural in *Yardley* was done at the instance and expense of New York City;<sup>62</sup> the “gnomes,” better known as the Rice Krispie elves “Snap, Crackle, and Pop” in *Grant* were commissioned by the Kellogg Company;<sup>63</sup> and the Library of Congress commissioned the mosaic in *Dielman*.<sup>64</sup> The *Dielman* court explained:

---

53. *See id.*; *see also* Twentieth Century Fox Film Corp. v. Entm’t Distrib., 429 F.3d 869, 877–78 (9th Cir. 2005) (analyzing numerous cases across multiple circuits that as a result of *Lin-Brook* now use the instance and expense test on independent contractor situations).

54. *See Lin-Brook*, 352 F.2d at 299.

55. *See id.*

56. *Id.* at 300.

57. *Id.* (emphasis added).

58. *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2d Cir. 1939).

59. *Grant v. Kellogg Co.*, 58 F. Supp. 48 (S.D.N.Y. 1944).

60. *Dielman v. White*, 102 F. 892 (C.C.D. Mass. 1900).

61. *See Lin-Brook*, 352 F.2d at 300.

62. *See Yardley*, 108 F.2d at 29.

63. *See Grant*, 58 F. Supp. at 52–53 (“[T]he idea and theme [or *instance*] were Kellogg’s . . . to accomplish [catching the eye of the consumer] Kellogg spent large sums of money [or *expense*], and Grant was the recipient of a substantial part of it for his effort.”). Interestingly, the court in *Grant* references Superman, a DC Comics character, and the comic strip world (though a slightly less collaborative process than comic books) generally:

In general, when an artist is commissioned to execute a work of art not in existence at the time the commission is given, the burden of proving that he retains a copyright in the work of art executed, sold, and delivered under the commission rests heavily upon the artist himself. If a patron gives a commission to an artist, there appears . . . a very strong implication that the work of art commissioned is to belong unreservedly and without limitation to the patron.<sup>65</sup>

The instance and expense test first appeared in the Second Circuit (often referred to as “the *de facto* Copyright Court of the United States”)<sup>66</sup> in *Brattleboro Publishing Co. v. Winmill Publishing Corp.*<sup>67</sup> But this mention seems to be the result of a mistake by the court, as the opinion cites to the 1964 edition of Professor Melville Nimmer’s copyright treatise as authority for the test.<sup>68</sup> The phrase “instance and expense” is nowhere to be found in the treatise edition cited; Nimmer himself explains that the cited passage from the 1964 edition stated only: “The foregoing provision of Sec. 26 must be read as creating a presumption of copyright in the employer which may be rebutted only by a preponderance of evidence of a contrary agreement as between the parties.”<sup>69</sup> Partly as a result of this misattribution, critics have decried the continued use<sup>70</sup> of the test and it

---

The gnomes and their names, if they can be said to have been invented by plaintiff, were drawn for Rice Krispie advertising. They had not been, in the Grant form, exploited or used by him before. It was in that advertising that they had any significance, and for that matter, any value. They had acquired no secondary meaning, as being Grant's; they were Kellogg's. They had not been publicized except to forward Rice Krispie sales, and never had any personality or characteristic except as Rice Krispie salesmen. *They lived no life like Mutt & Jeff, Buster Brown and his dog, Jiggs, Superman, Betty Boop, Sparkplug, and other inhabitants of the comic strip world.* They had no significance except as decoys to beguile the public into reading about Rice Krispies.

*Id.* at 52 (emphasis added).

64. *See Dielman*, 102 F. at 892.

65. *Id.* at 894.

66. *Easter Seal Soc’y for Crippled Children & Adults of La., Inc. v. Playboy Enters.*, 815 F.2d 323, 325 (5th Cir. 1987).

67. *Brattleboro Publ’g Co. v. Winmill Publ’g Corp.*, 369 F.2d 565 (2d Cir. 1966).

68. *See id.* at 567 (“Professor Nimmer, in his treatise on copyright law, states that there is a presumption in the absence of an express contractual reservation to the contrary, that the copyright shall be in the person at whose *instance and expense* the work is done. Nimmer on Copyright 238 (1964).”) (emphasis added).

69. 1 NIMMER & NIMMER, *supra* note 7, § 5.03 n.171b.

70. *See* Part III.A *infra* for a discussion of the criticisms levied at the test.

has been the subject of much controversy.<sup>71</sup> It was not until the *Marvel* case—nearly fifty years after the initial error—that the Second Circuit fully acknowledged the mistake and corrected the authority of the instance and expense test to *Lin-Brook*.<sup>72</sup>

Most circuits have adopted the instance and expense test. In addition to the Second and Ninth Circuits, the First Circuit, Fifth Circuit, and Seventh Circuit also use the instance and expense test.<sup>73</sup> District courts in the Third Circuit, Fourth Circuit, Sixth Circuit, Seventh Circuit, Eighth Circuit, and Eleventh Circuit all have cited and used the instance and expense test as well.<sup>74</sup> The Tenth Circuit declined to adopt the test,<sup>75</sup> however, and there is no mention of the test in the Federal Circuit or D.C. Circuit caselaw.

The three circuits that hear the vast majority of copyright cases (the Second Circuit, Fifth Circuit, and Ninth Circuit) all utilize the instance and expense test and have done so for nearly half a century.<sup>76</sup> But because not all circuits follow the instance and expense test, there is no national consensus.<sup>77</sup>

---

71. The Second Circuit itself recognized the criticisms in the instant case, and acknowledged that a recent Supreme Court case ("*CCNV*," discussed *infra* in Part III.A) appears to disapprove of the instance and expense test. See *Marvel Characters, Inc. v. Kirby*, 726 F.3d 119, 139 n.8 (2d Cir. 2013).

72. See *Kirby*, 726 F.3d at 138.

73. See, e.g., *Forward v. Thorogood*, 985 F.2d 604, 606 (1st Cir. 1993); *Evans Newton Inc. v. Chi. Sys. Software*, 793 F.2d 889, 894 (7th Cir. 1986); *Murray v. Gelderman*, 563 F.2d 773, 775–76 (5th Cir. 1977).

74. See, e.g., *Brumley v. Brumley & Sons, Inc.*, No. 3:08-CV-1193, 2010 WL 1439972, at \*5 (M.D. Tenn. Apr. 9, 2010); *Corwin v. Walt Disney Co.*, No. 6:02-cv-1377-Orl-19KRS, 2004 WL 5486639, at \*14 (M.D. Fla. Nov. 12, 2004); *In re Marvel Entm't Grp., Inc.*, 254 B.R. 817, 828 (Bankr. Del. 2000); *Armento v. Laser Image, Inc.*, 950 F. Supp. 719, 731–32 (W.D.N.C. 1996); *Arthur Retlaw & Assocs., Inc. v. Travenol Labs., Inc.*, 582 F. Supp. 1010, 1012 (N.D. Ill. 1984); *Hanson v. Jaccard Jewelry Co.*, 32 F. 202, 202 (E.D. Mo. 1887).

75. See *Michael Found., Inc. v. Urantia Found.*, 61 Fed. Appx. 538, 549 (10th Cir. 2003). But see *Hughey v. Palographics Co.*, No. 75-F-481, 1976 WL 21079, at \*8 (D. Colo. Jan. 20, 1976).

76. See, e.g., *Murray v. Gelderman*, 563 F.2d 773, 775–76 (5th Cir. 1977); *Brattleboro Publ'g Co. v. Winmill Publ'g Corp.*, 369 F.2d 565, 567 (2d Cir. 1966); *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965); see also Patrick Murray, *Heroes-for-Hire: The Kryptonite to Termination Rights under the Copyright Act of 1976*, 23 SETON HALL J. SPORTS & ENT. L. 411, 426 (2013).

77. Although Marvel's attorneys disagree:

In short, this case presents a factbound application of a test uniformly adopted by the lower courts under a statute that does not apply to works created after 1978. It implicates no circuit split, no judicial

C. THE 1976 ACT: ATTEMPTING TO REMEDY THE AMBIGUITIES OF WORK MADE FOR HIRE

With the 1976 Act, Congress aimed to remedy the power disparity between publishers and creators. This imbalance had grown significantly in the work made for hire arena with the emergence of the instance and expense test. Congress made two critical changes of relevance to this case: it altered the work made for hire definition and the modification of termination provisions.<sup>78</sup> Partly in response to the criticisms of the 1909 Act's failure to define works made for hire, the 1976 Act explicitly defined what constitutes a work made for hire in order to restrict some of the overly broad rights of the commissioning party.<sup>79</sup> The 1976 Act enumerates nine categories that constitute a work made for hire in 17 U.S.C. § 101, and defines copyright ownership of a work made for hire under § 201(b).<sup>80</sup> These definitions promote settled expectations and reduce judiciary power by lessening the possibility of a circuit split better than the 1909 Act.<sup>81</sup>

The new definitions in the 1976 Act aimed to meet the recognized need to resolve the problems created by, and litigation stemming from, the 1909 Act. The work made for hire categories in the 1976 Act were the product of intense debate, evidenced by a dense morass of congressional testimony and legislative history, and a careful balance between the

---

taking, no due process violation, and no grave matter of separation of powers. It does not remotely merit this Court's review.

Brief in Opposition at 2, *Kirby v. Marvel Characters, Inc.*, 135 S. Ct. 42 (2014) (No. 13-1178), 2014 WL 4090436, at \*2.

78. The change in copyright terms and termination provisions in the 1976 Act is discussed in Section I.C *infra*.

79. See 17 U.S.C. § 101 (2012); Menell & Nimmer, *supra* note 9.

80. The act defines a work made for hire as

(1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

17 U.S.C. § 101 (2012).

81. There remains confusion of the scope of enumerated categories—such as compilations or contributions to a collective work. This is particularly problematic with respect to sound recordings. See generally David Nimmer and Peter S. Menell, *Sound Recordings, Works for Hire, and the Termination-of-Transfers Time Bomb*, 49 J. COPYRIGHT SOC'Y 387 (2001).

interests of authors and publishers.<sup>82</sup> A few notable conflicts emerge from the legislative history to the 1976 Act.

Congress ordered an exhaustive study on works made for hire in 1958 in anticipation of revisions to copyright law.<sup>83</sup> The study found that at the time the 1909 Act was promulgated, the primary works made for commission were photographic portraits.<sup>84</sup> The general rule for ownership of copyright in photographic portrait at the time was that the employer of the photographer owned both the photographic portrait itself and the rights to the photographic portrait under an implied agreement theory.<sup>85</sup> The study tracked the legislative history of work made for hire and found that a 1906 memorandum draft bill defined “author” as either a commissioner of a photographic portrait by a photographer or “[a]n employer, in the case of a work produced by an employee during the hours for which his salary is paid, subject to any agreement to the contrary.”<sup>86</sup> The memorandum draft bill made no explicit mention of a work for hire—or commissioned works generally.<sup>87</sup> The study also examined the caselaw surrounding works made for commission (as is the case with most, if not all, of the comic book cases), including *Yardley*, where the Second Circuit had applied the same general principle for copyright in photographic portraits to commissioned works of art.<sup>88</sup>

The study also examined how other countries had dealt with works made for hire; at the time of the study’s release, only China and Venezuela generally vested copyright ownership in the person who commissioned the work.<sup>89</sup> Other countries had more limited versions of this approach, vesting ownership in the commissioning party for some classes of works,

---

82. See 6 GEORGE S. GROSSMAN OMNIBUS COPYRIGHT REVISION HISTORY 983, 995 (2001) (statement of Adolph Schimel regarding H.R. 4347) (“The Register recognized the validity of these views of motion picture producers and distributors, as well as similar views of publishers of literary and musical materials . . . ‘the definition [of works made for hire] now in section 101 represents a carefully worked out compromise aimed at backing legitimate interests on both sides.’”).

83. BERGE VARMER, S. COMM. ON THE JUDICIARY, 86TH CONG., COPYRIGHT LAW REVISION STUDY NO. 13 WORKS MADE FOR HIRE AND ON COMMISSION 123 (Comm. Print 1958).

84. See *id.* at 130.

85. See *id.*; see also *Altman v. New Haven Union Co.*, 254 Fed. 113 (D.C. Conn. 1918) (stating this general rule); *Lumiere v. Pathe Exch., Inc.*, 275 Fed. 428 (2d Cir. 1921); *Lumiere v. Robertson-Cole Distrib. Corp.*, 280 Fed. 550 (2d Cir. 1922).

86. VARMER, *supra* note 83 at 128.

87. See generally *id.*

88. See *supra* Part I.B.1; see also VARMER, *supra* note 83, at 130.

89. VARMER, *supra* note 83, at 138–39.

such as photographs or photographic portraits.<sup>90</sup> The study concluded that because works prepared under commission had not been the subject of either legal revision efforts or much litigation, the 1909 Act's work made for hire doctrine "ha[d] operated satisfactorily," but at the same time cautioned that it was uncertain whether the reasoning in the few litigated cases of photographs and works of art would extend to other types of works.<sup>91</sup>

In the 1976 Act's legislative history, the film industry expressed many of the same concerns that the encyclopedia industry had expressed in the debates leading up to the 1909 Act.<sup>92</sup> Hearings for copyright revision continued through the 1960s. Adolph Schimel, representing the Motion Picture Association of America ("MPAA"), testified before Congress on behalf of the production side of the publishers in 1965.<sup>93</sup> The industry giants had major concerns about avoiding financial impracticability with respect to works made for hire.<sup>94</sup> Much like comic books at issue in *Marvel*, films are not an individual project; filmmaking requires hundreds of people who all contribute to one final product. Allowing each contributor to avoid a work made for hire classification and thereby later exercise his reversion or termination right would either bankrupt the film company or force the company to withdraw the film from public access.<sup>95</sup> Schimel claimed that these proposed versions of § 201(b)'s work made for hire definition and constraining termination rights in § 203 to contractual matters ensures settled expectations.<sup>96</sup>

The 1961 proposed revision retained nearly the entirety of the 1909 Act's work made for hire principles, but did not define an employer as an author.<sup>97</sup> A later version again defined an employer as an author, as explained by the Copyright Register's 1965 Supplementary Report: "In the course of drafting, however, it became clear that there are great advantages of convenience and simplicity in assimilating employers to 'authors' for all purposes. . . . [F]ailure to identify the employer as 'author' might have

---

90. *Id.* at 139 (citing 12(2) of the Canadian Act of 1921, 4(3) of the U.K. Act, Article 88 of the Italian Copyright Law of 1942, and Articles 24 and 25 of the Japanese Copyright Law of 1899).

91. Varmer, *supra* note 83, at 142.

92. *See supra* notes 48–49 and accompanying text.

93. *See* 6 GEORGE S. GROSSMAN OMNIBUS COPYRIGHT REVISION HISTORY, *supra* note 82, at 983–1052 (2001).

94. *See id.*

95. *See id.* at 1047.

96. *See id.* at 1048.

97. *See id.* at 1016.

unintended consequences . . . .”<sup>98</sup> The proposed revisions to § 201(b) of the 1976 Act<sup>99</sup> were praised for providing more equal bargaining power between employees and employers than the 1909 Act had provided.<sup>100</sup> The proposed revision protected employers from being held hostage by employees and possible competitive uses, while still allowing employees to contract for rights.<sup>101</sup> Although authors and publishers disagreed on many parts of the work made for hire doctrine, one mutually agreed-upon provision was inserting “in writing” into § 201(b)’s work made for hire clause<sup>102</sup> to avoid uncertainty, future litigation, and potential Statute of Frauds issues.<sup>103</sup>

Another proponent of maintaining the status quo to benefit the motion picture industry, and to a larger degree to benefit corporations and employers generally, was Edward Sargoy, then-president of the Copyright Society of the United States.<sup>104</sup> His commentary on the 1958 Varmer Work-For-Hire Study supported the “employer as author” idea, stating that “[t]here are so many creative and artistic talents that can and do contribute today to the production of a work of intellectual and artistic creation, that a basic definition [of an employer being the author] . . . is . . . fundamental.”<sup>105</sup> These arguments echo the concerns of the encyclopedia publishers in the 1909 Act’s legislative history, and permeate the arguments of publishers and other employers.

#### D. EVOLVING TERMINATION REGIMES

Whether a work is deemed a work made for hire determines whether its author (or statutory successors) can exercise termination provisions to reclaim his copyright. In an attempt to better protect authors, the 1976 Act retroactively granted pre-1978 works termination of transfer rights

---

98. *Id.*

99. 17 U.S.C. § 201(b) (2012) (“In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.”).

100. *See* 6 GEORGE S. GROSSMAN OMNIBUS COPYRIGHT REVISION HISTORY, *supra* note 82, at 1016–17 (2001).

101. *See id.*

102. *See id.* at 1034 (“We concur with the authors and publishers of literary and musical materials, and their performing rights society, in urging this amendment.”).

103. *See id.*

104. *See id.* at 1051.

105. VARMER, *supra* note 83, at 151.

and a shift to a unitary copyright term—but not to works made for hire.<sup>106</sup> Because of this exception, the determination of work made for hire status of the works in the *Kirby* case was of central importance; if the instance and expense test was not satisfied, then the works were not works made for hire, and Kirby's children could thus validly exercise their termination of transfer rights.

The 1909 Act (and all other American copyright law preceding it) had a two-term consecutive copyright structure, where an author could renew his copyright after the first copyright term ended by exercising his “reversion right.”<sup>107</sup> Reversion rights are rights to a copyrighted work that would automatically revert back to the creator (or, if the creator was dead, to his statutory successors) of the copyrighted work upon copyright renewal.<sup>108</sup> This automatic “flip” was what had worried both encyclopedia publishers and the film industry.<sup>109</sup> The reversion right was a well-intentioned but poorly executed way for authors “to have a second opportunity to market their works after an original sale of copyright.”<sup>110</sup> Congress recognized that most works were incapable of being properly economically evaluated before their exploitation, and because of this, authors were “necessarily . . . in a poor bargaining position when initially negotiating the sale of copyright.”<sup>111</sup> Giving authors a renewal option to a second copyright term would theoretically give them a second chance to enjoy the successes of a work. But because of the initial unequal bargaining power between authors and publishers, authors oftentimes waived or assigned away their reversion rights and so were unable to benefit from the second copyright term.

The 1909 Act gave authors and their heirs the use of reversion rights to repossess works they had sold earlier, so long as they exercised these rights during the copyright's renewal term. The maximum term of protection for a copyright under the 1909 Act was fifty-six years, comprised of the original twenty-eight years of copyright protection after

---

106. See Melville B. Nimmer, *Termination of Transfers Under the Copyright Act of 1976*, 125 U. PENN. L. REV. 948, 954 (1977) (“[A] grant from author to employer of rights in a work made for hire is not subject to the termination provisions regardless of when it is executed.”).

107. See *id.* at 949 n.3 (1977).

108. Lionel Bently & Jane C. Ginsburg, *The Sole Right Shall Return to the Authors: Anglo-American Authors Reversion Rights from the Statute of Ann to Contemporary U.S. Copyright*, 25 BERKELEY TECH. L.J. 1475, 1561 (2010).

109. See generally *id.*

110. Nimmer, *supra* note 106, at 949.

111. *Id.* at 950.

registration and a right to renew for another twenty-eight year term.<sup>112</sup> If the author died during the first twenty-eight years, then the right to renew automatically reverted back to his heirs, even if the author had previously sold the renewal right with the work.<sup>113</sup> Under § 24 of the 1909 Act, authors retained the right to renew the copyright even after selling their work, presuming they did not sell the renewal right along with the work.<sup>114</sup> This regime created problems with authors holding producers of successful films hostage (as these films are classified as derivative works), although the extent to which this occurred is debatable.<sup>115</sup> Indeed, some argue that authors were still disadvantaged under the reversionary right regime because although they could renegotiate “with the enhanced leverage of knowing the market valuation of the copyrighted work . . . [i]n practice, copyright renewal proved difficult and confusing due to unwieldy renewal formalities, which often led to works lapsing into the public domain.”<sup>116</sup>

The 1976 Act replaced reversion rights with termination rights to better capture the goals of copyright and to end the litigation caused by unclear reversion rights in the 1909 Act.<sup>117</sup> Congress also added the termination rights to the 1976 Act to place authors in a more balanced position with publishers.<sup>118</sup> These termination rights evolved out of the reversion rights of the 1909 Act.<sup>119</sup> But unlike reversion rights, which could be waived or contracted away, termination rights are inalienable.<sup>120</sup> The Supreme Court noted that “the termination right was expressly intended to relieve authors of the consequences of ill-advised and

---

112. See generally Bently & Ginsburg, *supra* note 108.

113. See *id.*

114. See *id.*

115. See *id.*

116. See Adam R. Blankenheimer, Comment, *Of Rights and Men: The Re-Alienability of Termination of Transfer Rights in Penguin Group v. Steinbeck*, 24 BERKELEY TECH L.J. 321, 325 (2009) (citing Stephen W. Tropp, *It Had to Be Murder or Will Be Soon—17 U.S.C. § 203 Termination of Transfers: A Call for Legislative Reform*, 51 J. COPYRIGHT SOC'Y U.S.A. 797, 802 (2004) (“[T]he formalities associated with registration of the renewal term often led to forfeiture”)).

117. See *id.* at 325–26; see also *infra* note 118.

118. H.R. REP. NO. 94-1476, at 124 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5740.

119. Howard B. Abrams, *Who's Sorry Now? Termination Rights and the Derivative Works Exception*, 62 U. DET. J. URB. L. 181, 209–11 (1985).

120. Or at least in theory inalienable, although some recent cases have evinced courts' hesitancy to limit freedom of contract. See Blankenheimer, *supra* note 116, at 322 (discussing the failures of the holding in *Penguin Group Inc. v. Steinbeck*, 537 F.3d 193, 204 (2d Cir. 2008)).

unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.”<sup>121</sup>

Congress implemented a single copyright term in the 1976 Act instead of the dual term of the previous regime. The term of protection for a natural author was extended to the author’s life plus fifty years, and the work for hire copyright term was extended to seventy-five years.<sup>122</sup> With this extension, authors and their heirs could terminate copyright grants for works created before January 1, 1978 (the date the 1976 Act went into effect) during a five-year period after the fifty-sixth year of protection.<sup>123</sup> During the drafting process, Congress noted that the “extended term represents a completely new property right, and there are strong reasons for giving the author, who is the fundamental beneficiary of copyright under the Constitution, an opportunity to share in it.”<sup>124</sup> A second termination provision in § 203 gives authors and their heirs the ability to terminate copyright grants made after January 1, 1978 during a five-year period after the thirty-fifth year of protection.<sup>125</sup> In 1998, Congress passed the Sonny Bono Copyright Term Extension Act (“CTEA”), which further extended the term of protection for copyrights and granted a third termination provision.<sup>126</sup> It allows authors and heirs to terminate copyright grants that occurred before January 1, 1978 during the five years after the seventy-fifth year of protection.<sup>127</sup> However, all of the above termination rights explicitly exclude works made for hire.<sup>128</sup>

If a pre-1976 Act work is not a work made for hire, then the author is eligible under the 1976 Act to exercise termination rights, even if the

---

121. *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172–73 (1985).

122. 17 U.S.C. § 304(d)(2). *See also* Blankenheimer, *supra* note 116, at 327.

123. 17 U.S.C. § 304(c)(3) (2012).

124. H.R. REP. NO. 94-1476, at 140 (1976).

125. 17 U.S.C. § 203(a) (2012).

126. *See* 17 U.S.C. § 304(b), (d) (2012).

127. *See* 17 U.S.C. § 304(d)(2) (2012).

128. 17 U.S.C. § 203(a) (2012) (“In the case of any work *other than a work made for hire*, the . . . grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, . . . is subject to termination under the following . . .”) (emphasis added); 17 U.S.C. § 304(c) (2012) (“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 . . . grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978 . . .”) (emphasis added); 17 U.S.C. § 304(d) (2012) (“In the case of any copyright *other than a work made for hire*, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act for which the termination right provided in subsection (c) has expired by such date . . .”) (emphasis added).

author had transferred his or her copyright interest to another party.<sup>129</sup> Termination rights allow an author or statutory successor the option to end an earlier assignment of the work by the author if they seek termination in the designated temporal window and comply with other statutory requirements.<sup>130</sup> Congress changed reversion rights to termination rights in the 1976 Act in an attempt to give authors more equal footing with publishers because creators were waiving or assigning away their reversion rights.<sup>131</sup>

## II. *MARVEL CHARACTERS, INC. V. KIRBY*

Jack Kirby is a name known throughout the comic book world and popular culture. His iconic status made *Marvel* a high-profile case with a lot of emotionally charged, and at times distorted, media coverage.<sup>132</sup> Working as a freelance artist for Marvel, Kirby created and worked on world-famous characters now worth billions of dollars. Some of these characters are part of billion-dollar movie franchises—Kirby worked on the Avengers, Spider-Man, Thor, Iron Man, and the X-Men, among other characters.<sup>133</sup> This case centers on the rights to 262 of Kirby's works published by Marvel between 1958 and 1963.<sup>134</sup> The rights are now worth much more money than they were in the 1960s due to the use of characters in these movie franchises.<sup>135</sup>

---

129. See 17 U.S.C. § 304(c) (2012) (“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 . . .*”) (emphasis added).

130. See 17 U.S.C. §§ 203(a), 304(c)–(d) (2012).

131. See Murray, *Heroes-for-Hire*, *supra* note 76; Blankenheimer, *supra* note 116, at 321 (explaining the holding in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 656–59 (1943)).

132. See *Marvel Worldwide, Inc. v. Kirby (Marvel I)*, 777 F. Supp. 2d 720, 725 (S.D.N.Y. 2011) (citations omitted). Judge McMahon explained:

Contrary to recent press accounts and editorials, this case is not about whether Jack Kirby or Stan Lee is the real “creator” of Marvel characters, or whether Kirby (and other freelance artists who created culturally iconic comic book characters for Marvel and other publishers) were treated “fairly” by companies that grew rich off the fruit of their labor. It is about whether Kirby's work qualifies as work-for-hire under the Copyright Act of 1909, as interpreted by the courts, notably the United States Court of Appeals for the Second Circuit.

*Id.*

133. See Barnes & Cieply, *supra* note 29.

134. See *Marvel I* at 731; see also *Marvel Characters, Inc. v. Kirby (Marvel II)*, 726 F.3d 119, 127 (2d Cir. 2013).

135. See *supra* notes 26–29 and the accompanying text.

Kirby briefly created works for Timely Comics, the predecessor to Marvel, in 1939 or 1940.<sup>136</sup> Kirby left the company, but returned in 1958 and began drawing comics to submit to Marvel.<sup>137</sup> Stan Lee, another icon in the comic book world, was Marvel's editor at the time. As such, he "developed the ideas and stories for all of Marvel's comic books . . . he assigned artists to work on comic books, edited or changed their work, set deadlines . . . and . . . gave artists direction and guidance about the stories they were assigned to draw."<sup>138</sup>

Even with the use of Lee's Marvel Method, the freelance artists still did not work "on speculation."<sup>139</sup> The artists only drew the pages, were "always constrained by Lee's plot outlines, and Lee retained the right to edit or alter their work, or to reject the pages altogether and not publish them."<sup>140</sup> Kirby worked as an independent contractor, was paid a flat fee by Marvel for each page, and never received any royalties.<sup>141</sup> In 1972, Kirby and Marvel signed an agreement assigning any rights that Kirby "*may have or control*" to Marvel.<sup>142</sup>

Kirby died in 1994, leaving behind four children.<sup>143</sup> In 2009, these four statutory successors sent termination notices to Marvel under § 304(c) of the 1976 Act, attempting to end their father's assignment of copyrights to Marvel in the 1958 to 1963 time period.<sup>144</sup> They presented the 1972 agreement between Kirby and Marvel as evidence that the works at issue were not created under the "work made for hire" meaning of the Copyright Act of 1909.<sup>145</sup> Marvel filed suit, seeking a declaratory judgment that the termination notices were invalid, and asserted that Kirby never owned the copyrights so he could not have assigned them away.<sup>146</sup> Marvel defended the 1972 agreement as simply a protective measure: the word "may" negated any implication of copyright held by

---

136. *See Marvel I* at 731.

137. *See id.* at 732.

138. *Id.* at 731.

139. *See Marvel II*, 726 F.3d 119, 141 (2d Cir. 2013) (explaining that "on speculation" means working on comic book pages before any creative direction was given by Lee, and not staying "within the scope of Marvel's assignments and titles"). For a detailed explanation of the Marvel Method, see *supra* Section I.A.

140. *Marvel I*, 777 F. Supp. 2d at 732.

141. *See id.* at 732, 742.

142. *Id.* at 734, 745.

143. *See id.* at 724.

144. *See Marvel II*, 726 F.3d at 127.

145. *See Marvel I*, 777 F. Supp. 2d at 736–37.

146. *See Marvel II*, 726 F.3d at 127.

Kirby.<sup>147</sup> Marvel further claimed that it has always owned the copyrights at issue because Kirby's drawings were "works made for hire" under the 1909 Act.<sup>148</sup> Kirby's children filed a motion for summary judgment, arguing that the termination notices were valid, effective, and that the rights to the works were now under their control.<sup>149</sup>

The Southern District of New York granted summary judgment in favor of Marvel, finding that the two-pronged instance and expense test under the 1909 Act was satisfied.<sup>150</sup> The court acknowledged the problem of stale evidence and heavy reliance on Stan Lee's testimony, but noted that "many matters about which Lee testified are corroborated by testimony from other freelance artists and writers."<sup>151</sup> The Kirby children appealed, but the Second Circuit affirmed the district court's judgment for Marvel.<sup>152</sup> The Second Circuit found Stan Lee's involvement—including his Marvel Method and the fact that he allegedly had the ideas for most of the characters—determinative.<sup>153</sup> The Kirbys appealed again,<sup>154</sup> and had a writ of certiorari pending to the Supreme Court. But on September 26, 2014, the parties "amicably resolved their legal disputes" for an undisclosed settlement sum.<sup>155</sup> In late October 2014, Jack Kirby's name began appearing on comic books, now crediting him as a co-creator, along with Stan Lee.<sup>156</sup> This change is presumably one of the stipulations of the settlement agreement.

### III. MAKING SENSE OF THE DOCTRINE

At the heart of this case is the questioned validity of the instance and expense test and the multiple tensions it has created: between Congress and the judiciary, between publishers and creators, and between precedent and policy. Its criticisms are valid, particularly when noting the power

---

147. See *Marvel I*, 777 F. Supp. 2d at 744–46.

148. See *Marvel II*, 726 F.3d at 127.

149. Memorandum of Law in Support of Defendants' Motion for Summary Judgment at 1, *Marvel Worldwide, Inc. v. Kirby*, 777 F. Supp. 2d 720 (S.D.N.Y. 2011).

150. See *Marvel I*, 777 F. Supp. 2d at 738–43.

151. *Id.* at 736.

152. *Marvel II*, 726 F.3d at 124.

153. See *id.* at 140–43. See also Murray, *Heroes-for-Hire*, *supra* note 76, at 430 n.144 (illustrating what Lee and Kirby did respectively for each work at issue).

154. Petition for Writ of Certiorari at 1, *Kirby v. Marvel Characters, Inc.* (U.S. Mar. 21, 2014) (No. 13-1178), 2014 WL 1275190, at \*1.

155. Cavna, *supra* note 6.

156. See Kevin Melrose, *Marvel Titles Now Include Jack Kirby Creator Credit*, ROBOT 6 COMIC BOOK RESOURCES (Oct. 30, 2014, 6:55 AM), <http://robot6.comicbookresources.com/2014/10/marvel-titles-now-include-jack-kirby-credit>.

disparity between publishers and creators. Yet precedent and continued public access to works tilt in the instance and expense test's favor. Section III.A discusses the various criticisms levied at the test. Section III.B examines other comic book cases as possible precedent, and Section III.C proposes a statutory amendment that would retain the instance and expense test while simultaneously granting particular authors some monetary equality.

#### A. CRITICISM OF THE INSTANCE AND EXPENSE TEST

The Second Circuit's mistaken attribution, subsequent adoption, and continued application of the instance and expense test has been questioned. One such critic is the Supreme Court, who in *Community for Creative Non-Violence v. Reid* ("CCNV") criticized the test, finding it to be inherently overbroad.<sup>157</sup> In *CCNV*, a freelance artist, Reid, had created a statue for CCNV, a nonprofit organization.<sup>158</sup> Post-completion, the parties disagreed as to whether to take the statue on tour and how best to make repairs.<sup>159</sup> Both parties then filed competing copyright registration certificates, and litigation ensued to determine copyright ownership.<sup>160</sup> After various appeals, the Supreme Court granted certiorari to resolve a circuit split in the interpretation of the 1976 Act's work made for hire definition.<sup>161</sup> The district court (among others) that decided *CCNV* had relied on the instance and expense test caselaw from the 1909 Act to resolve 1976 Act cases that came before it.<sup>162</sup> The Supreme Court rejected this reliance on the instance and expense caselaw, instead using agency law principles to determine whether a work is a work made for hire.<sup>163</sup> The Court, using statutory interpretation, held that Congress intended for the definitions in the 1976 Act to "be understood in light of the general common law of agency."<sup>164</sup> It criticized the instance and expense test (referred to in the opinion as the "actual control" test, or the "right to direct and supervise" test, which stemmed from *Aldon Accessories Ltd. v. Spiegel, Inc.*<sup>165</sup>, a case decided under the 1976 Act) as too broad by its own terms.<sup>166</sup> Justice Marshall, writing for a unanimous Court, explained that

---

157. *Comm. for Creative Non-Violence v. Reid*, 490 U.S. 730, 741–42 (1989).

158. *See id.* at 730.

159. *See id.* at 735.

160. *See id.*

161. *See id.* at 736.

162. *See id.* at 735, 741.

163. *See id.* at 750–51.

164. *See id.* at 740–41.

165. 738 F.2d 548 (2d Cir. 1984).

166. *See CCNV*, 490 U.S. at 748–50.

“hiring parties . . . [can] unilaterally obtain work-made-for-hire rights . . . as long as they directed or supervised the work, a standard that is hard not to meet when one is a hiring party.”<sup>167</sup>

Two of the leading copyright treatises have also noted the misattribution of the instance and expense test from *Brattleboro* and found *CCNV* to be the correct interpretation of the 1909 Act’s work made for hire test.<sup>168</sup> They have questioned the validity and expansion of the instance and expense test, with Nimmer going so far as to argue that the instance and expense test was effectively overruled by *CCNV*.<sup>169</sup> However, subsequent decisions by circuit courts have rejected these interpretations of *CCNV* as non-binding, continuing instead to use the instance and expense test.<sup>170</sup> The Second Circuit (where *Marvel* was decided) has been particularly resistant to follow *CCNV*, explaining that:

*CCNV* was not concerned with the status of commissioned works under the 1909 Act. The language that mentions such works is a brief historical account . . . because we agree with Judge Gee’s observation in *Easter Seal Society* that any distinction in the case law under the 1909 Act between employees and independent contractors ‘was erased long before the 1976 Act’s arrival,’ we conclude that the historical review in *CCNV*, if dictum at all, is dictum of a weak variety, and not grounds to relieve us from our obligation to follow *Picture Music* and *Playboy*.<sup>171</sup>

So, too, is the Ninth Circuit dismissive of *CCNV*, claiming that because “[n]o part of [*CCNV*]’s decision rests on the meaning of the work-for-hire provision in the 1909 Act . . . its commentary [is] non-binding dicta.”<sup>172</sup>

The Nimmer treatise also disagrees with the outcome of *Marvel* for a variety of reasons. Nimmer appears to disagree with the continued use of the instance and expense test generally after *CCNV*.<sup>173</sup> He also criticizes

167. *Id.* at 750.

168. See 3 NIMMER & NIMMER, *supra* note 7, §§ 9.03[D], 9.28.2–9.28.3. (“wrong both on principle and under the rule of the early cases”); 2 WILLIAM PATRY, PATRY ON COPYRIGHT § 5.45 (“worst features of [the] presumptive ‘instance and expense’ approach”).

169. See NIMMER & NIMMER, *supra* note 7, 168§§ 9.32–9.34.

170. See *Twentieth Century Fox Film Corp. v. Entm’t Distrib.*, 429 F.3d 869, 878 (9th Cir. 2005); *Estate of Hogarth v. Burroughs, Inc.*, 342 F.3d 149, 162–63 (2d Cir. 2003).

171. *Hogarth*, 342 F.3d at 162–63.

172. *Twentieth Century Fox*, 429 F.3d at 878.

173. See Nimmer, *supra* note 106.

the Second Circuit's application of the instance and expense test in *Marvel*.<sup>174</sup> Nimmer agrees with the Second Circuit that the "instance" prong is satisfied when the employer is the primary motivating factor behind the work's creation,<sup>175</sup> but the "expense" prong is where the Second Circuit and Nimmer differ. Nimmer contends that:

Plainly, it is the expense of *creation*, rather than publication, that is relevant . . . for if funding publication could convert a manuscript into a work made for hire, then the category would soon subsume all published material—given the universal custom of publishers to fund printing, distribution, advertising, etc.<sup>176</sup>

However, the Second Circuit found the expense of publication determinative in *Marvel*.<sup>177</sup> The court held that the expense prong was satisfied because although both parties took on risks, "Marvel's payment of a flat rate and its contribution of both creative and production value . . . is enough to satisfy the expense requirement."<sup>178</sup> The court quickly dismissed the fact that Kirby paid for the tools he used to create the work.<sup>179</sup> Even though Kirby had "undertaken all of the costs of producing the drawings," the Second Circuit found that the drawings were not free-standing, and instead "built on . . . 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."<sup>180</sup> The court found the payment scheme, in which Kirby was never paid royalties and instead was paid a certain sum every time he submitted a work (even if ultimately unpublished), to be determinative.<sup>181</sup> This reasoning follows the precedent from *Playboy Enterprises v. Dumas*,<sup>182</sup> where a freelance artist was paid a flat sum for each of his works published in *Playboy* magazine; the Second Circuit found that arrangement sufficient to meet the "expense" prong of the test.<sup>183</sup> The court noted that "[conversely,] where

---

174. See 1 NIMMER & NIMMER, *supra* note 7, § 5.03 n.171c.

175. See *id.*

176. *Id.* (emphasis added).

177. See *Marvel Characters, Inc. v. Kirby (Marvel II)*, 726 F.3d 119, 142–143 (2d Cir. 2013).

178. *Id.* at 143.

179. *Id.*

180. *Id.* at 142–43.

181. *Id.* at 143.

182. *Playboy Enters., Inc. v. Dumas*, 53 F.3d 549 (2d Cir. 1995).

183. See *id.* at 555.

the creator of a work receives royalties as payment, that method of payment generally weighs against finding a work-for-hire relationship.”<sup>184</sup>

#### B. COMIC BOOK PRECEDENT

Perhaps part of the Second Circuit’s ruling was influenced by prior comic book cases, which almost unanimously found in favor of comic book publishers with regard to works made for hire. These cases are also worth examining because they have similar fact patterns to *Marvel* and are also governed by the 1909 Act and 1976 Act.

One of the Second Circuit’s first encounters with the comic book industry was in *Siegel v. National Periodical Publications, Inc.*<sup>185</sup> *Siegel* involved the universally known character Superman, created by Jerome Siegel and Joseph Shuster.<sup>186</sup> At issue were Superman works from the years 1938 to 1943.<sup>187</sup> In 1938, Warner Brothers, after seeing the Superman comics in a newspaper, contracted with Siegel and Shuster and directed them to “expand and reformat their material” for Warner Brothers.<sup>188</sup> In 1969, Siegel and Shuster sued when the initial copyright term was expiring, claiming they owned the renewal right.<sup>189</sup> A court found otherwise, holding that a previous agreement they signed in 1938 had validly assigned away their renewal right.<sup>190</sup> Litigation began again in 1997 when Siegel’s surviving family and Shuster’s surviving nephew sent termination notices to DC Comics.<sup>191</sup> The parties tried to settle but could not agree to terms to regrant the Superman license; the Siegels filed suit.<sup>192</sup>

The Central District of California essentially divided the rights to different Superman works.<sup>193</sup> The court found that the Siegel family could reclaim particular Superman comics as well as the initial two weeks’ work

---

184. *Id.*

185. *Siegel v. Nat’l Periodical Publ’ns, Inc.*, 508 F.2d 909 (2d Cir. 1974). This litigation has stretched into recent years despite its inception in the 1970s. *See Siegel v. Warner Bros. Entm’t Inc.*, 690 F. Supp. 2d 1048 (C.D. Cal. 2009); *Siegel v. Warner Bros. Entm’t Inc.*, 658 F. Supp. 2d 1036 (C.D. Cal. 2009); *Siegel v. Time Warner, Inc.*, 496 F. Supp. 2d 1111 (C.D. Cal. 2007).

186. *Siegel*, 508 F.2d at 910.

187. *Siegel*, 658 F. Supp. 2d at 1042.

188. Anthony Cheng, *Lex Luthor Wins: How the Termination Right Threatens to Tear the Man of Steel in Two*, 34 COLUM. J.L. & ARTS 261, 271 (2011).

189. *See id.* at 273.

190. *See Siegel v. Nat’l Periodical Publ’ns, Inc.*, 364 F. Supp. 1032, 1036–37 (S.D.N.Y. 1973), *aff’d by*, 508 F.2d 909 (2d Cir. 1974).

191. *See Siegel v. Warner Bros. Entm’t Inc.*, 542 F. Supp. 2d 1098, 1114 (C.D. Cal. 2008).

192. *See id.* at 1116.

193. *See Siegel*, 658 F. Supp. 2d at 1095.

of comic strips that Siegel and Shuster had created prior to their employment with DC Comics.<sup>194</sup> However, DC Comics retained the rights to the works made from 1938 to 1943 because they were works made for hire.<sup>195</sup>

Marvel itself is no newcomer to battles over rights to comic book characters, and has not won every battle.<sup>196</sup> Marvel purchased the rights to Captain America from his creator Joe Simon in 1940 for a “fixed page rate plus a twenty-five percent share of the profits of the comic books.”<sup>197</sup> Unlike Kirby in *Marvel*, Simon had unquestionably created Captain America prior to his employment with Timely, meaning the analysis could not use the instance and expense framework.<sup>198</sup> Simon then verbally assigned his interest in Captain America to Marvel.<sup>199</sup> In 1967, Simon sued Timely and its owners seeking a declaratory judgment that he held the copyright to the Captain America character and stories.<sup>200</sup> In 1969, the parties reached a settlement agreement wherein Simon assigned away all of his rights and stated that his contribution to Captain America was a work made for hire.<sup>201</sup> In 1999, Simon served termination notices on Marvel, seeking to reclaim his copyrights; Marvel then filed for a declaratory judgment that the termination notices were invalid.<sup>202</sup> The Second Circuit found that the 1969 settlement agreement constituted an “agreement to the contrary” under § 304(c)(5) of the 1976 Act, so Simon was not bound by the agreement.<sup>203</sup> Further, because the settlement agreement had occurred nearly a decade prior to when termination rights were promulgated under the 1976 Act, a jury would have to decide if Simon was entitled to exercise his rights.<sup>204</sup> The court thus held that the ex post work made for hire settlement agreement did not bar Simon from exercising termination provisions to recapture his rights to Captain

---

194. *See id.*

195. *See id.* at 1036, 1075. Though outside the scope of this Note, the fragmentation of the Superman character was of great concern to comic book fans, and similar concerns were raised about the characters at issue in this case, had Kirby’s children successfully terminated rights.

196. *See, e.g., Marvel Characters v. Simon*, 310 F.3d 280, 282 (2d Cir. 2002).

197. *Id.*

198. *See id.* at 282.

199. *See id.* At the time, Marvel was doing business as Timely Comics.

200. *See id.* at 283.

201. *See id.* at 283–84.

202. *See id.* at 285.

203. *See id.* at 290–92.

204. *See id.* at 292 (“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.”).

America.<sup>205</sup> Simon and Marvel then promptly settled, with Simon again granting all of his rights to Captain America to Marvel.<sup>206</sup>

Similarly, in *Archie Comic Publications, Inc. v. DeCarlo*, comic book artist Daniel DeCarlo performed freelance work for Archie Comic Publications in the 1950s and filed suit in 2000, seeking declaratory judgment to establish his ownership rights.<sup>207</sup> Archie Comic Publications disagreed, claiming that his contributions were works for hire under the 1909 Act—therefore, he had no rights.<sup>208</sup> The comic at issue was the well-known Sabrina the Teenage Witch series.<sup>209</sup> As in *Marvel*, the Sabrina works had been transformed into wildly successful television shows and movies, and the decades-long time lapse between when the works were created and when the suit was filed resulted in a stale evidence problem.<sup>210</sup> Further parallels include facts in the record that Richard Goldwater, a co-owner at Archie Comic Publications, came up with the ideas for the characters and stories, much like Stan Lee and the Marvel Method.<sup>211</sup> DeCarlo, like Kirby, also never received royalties.<sup>212</sup> The court found that because Archie Comic Publications “retained editorial and stylistic control over anything submitted” and that DeCarlo received payment for each assignment, Archie Comic Publications satisfied the instance and expense test.<sup>213</sup> Therefore, as in *Marvel*, Archie Comic Publications retained ownership over the works.<sup>214</sup>

These other comic book cases seem to inform the outcome of *Marvel*. As unfortunate and unfair as it may be for creators, these cases have created precedent for comic book publishers and illustrators alike that would have been upended had *Marvel* been decided differently. The consistent application of the instance and expense test to comic book works under the 1909 Act, regardless of its fairness to creators, seemingly all but foreclosed an alternate outcome for *Marvel* due to the Second Circuit’s continued use of the instance and expense test.

---

205. *See id.*

206. Bloomberg News, *Dispute Over Captain America Is Settled*, N.Y. TIMES (Sept. 30, 2003), <http://www.nytimes.com/2003/09/30/business/media/30MARV.html>.

207. *Archie Comic Publ’ns, Inc. v. DeCarlo*, 258 F. Supp. 2d 315 (S.D.N.Y. 2003).

208. *See id.* at 328.

209. *See id.* at 328–34.

210. *See id.* at 320–22.

211. *See id.* at 320.

212. *See id.* at 322, 325.

213. *See id.* at 328.

214. *See id.* at 315.

C. POSSIBLE CHANGES: THRESHOLD ROYALTIES

Theory, policy, and precedent tilt the scales heavily in favor of publishers retaining the rights in work made for hire situations. However, an outcome that leaves creators and their statutory successors with absolutely nothing does raise fundamental issues of economic equity and fairness, particularly in the case of ex post runaway successes. Even if Kirby's works were definitively works made for hire and there was no argument about the legitimacy of the instance and expense test, who could have predicted at the time of creation that fifty years later Marvel would so massively profit from them? Although the instance and expense test seems appropriate as a matter of dynamic efficiency when looking forward from the time of creation of a work, in hindsight the wild success of Kirby's works makes the test's outcome seem massively unjust. It is therefore desirable to seek some middle ground to even the playing field for creators, without forcing them to instigate costly uncertain litigation to reclaim disputed rights or receive monetary benefits. One might speculate that the Kirby children likely received a hefty settlement sum; even if so, however, they still had to endure nearly five years of litigation (and the costs therein) to obtain it. Settlement agreements are simply too inefficient and too uncertain for creators or statutory successors to rely upon as a mechanism of fair compensation.

One possible means of achieving a more equitable outcome in situations like Kirby's would be to supplement the common-law instance and expense test with an unwaivable statutory threshold to trigger royalty payments that could operate with the benefit of hindsight. More specifically, if a creator or statutory successor governed by the 1909 Act could demonstrate that his work made for hire creation generated profits for the publisher exceeding a predetermined threshold floor (established by statute, e.g. \$2 million, adjusted for inflation), then the publisher must pay some small pre-established percentage of the profit over this floor. The pre-established percentage would be small, likely below two percent, to discourage publishers from engaging in questionable accounting practices. Because the payout would be relatively insignificant to the publishers, the burden of engaging in deceptive "Hollywood accounting" would outweigh the payment. To better protect all creators, this statutory royalty would be an entirely distinct separate right. If applied to the case at hand, Kirby's successors could have presented evidence of his contributions to some of Marvel's characters and demonstrated that the characters each individually generated profits surpassing the threshold, thus entitling them to the pre-established profit percentage.

Realistically, there will certainly be practical limitations to implementing such a solution. For one, it is unlikely as a political matter that Congress would address this imbalance in the future since this problem is confined to the 1909 Act. Second, the solution is difficult to implement and evaluate: for example, should the profits from each individual work the individual works (e.g., a comic book) be required to surpass the statutory threshold, or should the profits from all works containing a given character be aggregated? It would be hard to demonstrate that a single comic book cover standing alone—even if it was the first appearance of a now-popular character—is inextricably linked to today's profits. Thus, such a statutory solution would undoubtedly create more line-drawing problems, much like the instance and expense test. Moreover, evaluation of the amount a particular creator's work contributed to a character would require case-by-case analysis and yet more arbitrary line drawing, again similarly to the instance and expense test. For example, Kirby worked on some characters' first comic book appearances with varying degrees of influence. Stan Lee deemed Kirby's drawing of Spiderman to be too muscular and went with Stan Ditko's rendering instead, but Kirby later drew the cover for Spiderman's first issue following Ditko's Spiderman style.<sup>215</sup> A factfinder would be hard pressed to apportion credit accurately in this instance.

Finally, one of the biggest hurdles would be ensuring that creators are not prevented from demonstrating achievement of a statutory profit threshold in the face of infamous Hollywood accounting practices that understate profits.<sup>216</sup> Indeed, this fairly common Hollywood practice<sup>217</sup> routinely circumvents analogous profit-threshold bonuses for actors, raising the possibility that similar tactics could be used in the comic book industry, particularly in light of purchases of comic book properties by large movie studios. However, it is unclear how ominous or realistic this threat is for two reasons. First, if the royalty percentage is minimal (1 to 2 percent), then it may not be worthwhile for publishers to engage in deceptive accounting practices when the potential payout is so little.

---

215. See, e.g., ROY THOMAS, *ALTER EGO, THE COMIC BOOK ARTIST COLLECTION* 56 (2001).

216. For an explanation of how filmmakers are shortchanged by this practice (and so it would likely extend to this proposed amendment), see Mike Masnick, *Hollywood Accounting: How A \$19 Million Movie Makes \$150 Million... And Still Isn't Profitable*, TECHDIRT (Oct. 19, 2012, 8:44 AM), <https://www.techdirt.com/articles/20121018/01054720744/hollywood-accounting-how-19-million-movie-makes-150-million-stil-isnt-profitable.shtml>.

217. See *id.*

Second, the music industry has audit rights in place for artists whose works are being licensed or monetized that are aimed squarely at preventing this type of problem.<sup>218</sup> A similar audit right for creators could remedy this concern here.

Notwithstanding potential administrability issues, both equity and general copyright principles would support this proposal. It could prevent chilling on the publishers' side, since they would have notice of this buy-out clause and its possible required payments in the future. This solution is fairer to creators because even if there is unequal bargaining power at the outset, this disparity does not govern the entirety of compensation for the work. Instead, the creators get a second chance at reassessment later if the work turns out to be immensely profitable. Conversely, although the publishers face the possible threat of a future royalty payment, they do gain the certainty of being able to commercially exploit the work without fear of losing any ownership rights, since the right is limited to possible royalties and not nearly as ambitious as that of the 1976 Act's termination or reversion rights. Because the rights would therefore remain with the publisher without being prohibitively expensive, this solution would also promote copyright's goal of ensuring broad access to the public.

#### IV. CONCLUSION

The long-standing struggle to strike a balance between protecting publishers' settled expectations and fairly remunerating artists and their heirs continues. While the original legal basis for the instance and expense test is not without some question, as Nimmer and others have shown, the doctrine has helped to achieve copyright's primary goal of benefitting the public by making creative works broadly available. The test's benefits of increased efficiency and broader access to works, particularly when applied to works with multiple contributors, like comic books, underscores its ability to resolve small-scale anticommons problems. Further, its consistent application to comic book cases sets a strong precedential presumption that has settled expectations. A different approach could result in fragmentation of the characters and create a general chilling effect on the entertainment industry. There remain, however, serious questions as to whether the doctrine fully comports with legislative provisions and policies supporting reclaiming of rights by authors and their statutory

---

218. Lon Sorensen, *California's Recording Industry Accounting Practices Act, SB 1034: New Auditing Rights for Artists*, 20 BERKELEY TECH. L.J. 933 (2005).

successors. Nevertheless, resolution of that question by the Supreme Court or Congress will have to wait. For now, at least, the X-Men, Avengers, and the rest of the Marvel universe will continue their epic battles solely on the big screen.