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WHO OWNS CAPTAIN AMERICA? CONTESTED AUTHORSHIP, WORK-FOR-HIRE, AND TERMINATION RIGHTS UNDER THE COPYRIGHT ACT OF 1976

INTRODUCTION

When Congress passed the Copyright Act of 1976 ("1976 Act"), it included a new termination right allowing authors to terminate an assignment of a copyright "notwithstanding any agreement to the contrary." However, Congress explicitly prevented creators of works-made-for-hire from exercising this right because they are not the statutory authors of a work. In the 1960s, Joe Simon, the creator of the comic book hero Captain America, sued the publishers of Captain America comic books, alleging that he owned the copyright to the character and that he had not created it as a work-for-hire. The parties settled the suit, and as part of that settlement, Simon stipulated that he had created Captain America as a work-for-hire. In 1999, Simon tried to exercise the termination right. The Second Circuit Court of Appeals held "that an agreement made subsequent to a work's creation which retroactively deems it a 'work for hire' constitutes an 'agreement to the contrary' under § 304(c)(5) of the 1976 Act" and therefore allows for termination. This decision potentially opens a floodgate of litigation concerning the validity of work-for-hire agreements signed subsequent to the creation of a work by giving creators more legal power to reclaim works that they signed away.

This Comment will examine the Second Circuit's decision in Marvel Characters, Inc. v. Simon and its potential impact on

1. Id. § 304(c).
2. See id. With a work-made-for-hire, the employer, not the creator, is the statutory author under the Copyright Act of 1976. See id. § 101.
3. See Marvel Characters, Inc. v. Simon, 310 F.3d 280, 283 (2d Cir. 2002).
4. Id.
7. See infra Parts IV-V.
8. 310 F.3d 280 (2d Cir. 2002).
copyright law. Part I will look at the previous suit concerning Simon’s ownership of Captain America.9 This suit produced the settlement agreement in which Simon stipulated that he created Captain America as a work-made-for-hire, thus giving rise to the current controversy.10 Part II will examine the termination right created by the 1976 Act.11 It will analyze the legislative purpose behind the new right—to protect authors who may not have equal bargaining power when they assign their works—and the key case leading to the creation of that right.12 It will then assess why the termination right does not include works-made-for-hire.13 Part II will also look at the United States Supreme Court’s interpretation of the termination right in Mills Music, Inc. v. Snyder,14 where the Court found that Congress created the right to protect authors’ interests.15

Part III will trace the development of the work-made-for-hire doctrine from the Copyright Act of 190916 ("1909 Act") to the 1976 Act.17 It will address the current circuit split concerning whether parties must sign work made-for-hire agreements prior to the creation of the work.18 Part IV will examine the holding from Marvel Characters, Inc. v. Simon that any agreement made subsequent to a work’s creation that retroactively declares it a work-made-for-hire constitutes an “agreement to the contrary” under § 304 of the 1976 Act, therefore allowing the creator to exercise the termination right.19 Finally, Part V will analyze the decision in Marvel Characters, Inc. and discuss its potential impact on works-made-for-hire in light of the current circuit split.20

10. See Marvel Characters, Inc., 2002 WL 313865, at *1; infra Part I.
11. See infra Part II.
12. See infra Part II.C.
13. See infra Part II.D.
15. See id. at 172; infra Part II.E.
17. See infra Part III.
18. See infra Part III.C.
19. See infra Part IV.
20. See infra Part V.
I. BACKGROUND

A. The Works

In 1940, writer Joe Simon and artist Jack Kirby created the patriotic superhero Captain America. In the same year, the character first appeared in Captain America Comics published by Timely Publications. Captain America was an “army-reject” named Steve Rogers whom the government turned into a masked hero. He helped defend America’s shores against Nazis, spies, and other criminals. Garbed in a red, white, and blue costume and wielding a stars-and-stripes shield, Captain America joined the pantheon of costumed super heroes featured in the comic books of the early 1940s. Simon continued to write the character’s adventures, which Timely published as Captain America Comics #1-10 for several years. Soon after publication, Timely received copyrights for each of the ten issues of the comic. Timely, and later Marvel Comics, Timely’s successor in interest, continued to publish comics featuring Captain America until 1949 and then reintroduced the character in the 1960s. The character’s enduring appeal continues to sell more than 40,000 comic books every month.

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22. Marvel Characters, Inc., 310 F.3d at 282.
23. Id.
24. Id.
25. See Markstein, supra note 21.
26. See Marvel Characters, Inc., 310 F.3d at 282.
27. Id.
28. See id.; Markstein, supra note 21.
B. The Prior Case

Under the 1909 Act, an author had a 28-year copyright from the date of publication and could renew that copyright for an additional 28 years by applying to the United States Copyright Office. In 1966, as the original copyright term for Captain America neared its end, Simon sued Timely and Marvel in New York state court for violation of state law property rights stemming from their use of the Captain America copyright. Simon claimed that Timely and Marvel misappropriated the character and engaged in unfair competition because he owned the copyright. Simon contended that he independently created the character and the first issue of the comic and that he sold the story to Timely after shopping it around to other comic book publishers. Simon also asserted that he wrote the second through tenth issues of the comic on a free-lance basis and assigned the rights to Timely.

In 1967, while the state claim was pending, Simon sought a declaratory judgment in federal court to establish that he was the statutory author of Captain America Comics and that he held the copyright to the character and the stories. Simon also sought injunctive relief to keep Timely from applying for the copyright renewal. In both the state and federal actions, Timely denied that Simon was the author of the work. In the state action, Timely asserted that Simon made his contributions as an “employee for hire.” In the federal suit, Timely asserted a counterclaim seeking a declaratory judgment establishing that it owned the copyright and an injunction to keep Simon from applying for the copyright renewal.

Marvel Characters, Inc., 310 F.3d at 282-83.
31. Marvel Characters, Inc., 310 F.3d at 283.
32. Id.
33. Id. at 282.
34. Id.
35. Id. at 283.
36. Id.
37. Marvel Characters, Inc., 310 F.3d at 283.
38. Id.
39. Id.
While the claims were pending, Marvel, Timely’s successor in interest, applied for the copyright renewal. 40

In 1969, Simon and Timely entered into a settlement agreement in which Simon acknowledged that he was “an employee for hire of [Timely]” when he created Captain America Comics and Captain America. 41 Simon then “assigned ‘any and all right, title and interest he may have or control or which he has had or controlled . . . (without warranty that he has had or controlled any such right, title or interest)’” to Timely and its successors in interest. 42 All parties to both the state and federal actions filed stipulations dismissing all claims with prejudice. 43

In the decade following the settlement agreement, Congress passed the 1976 Act, which granted authors a new right to terminate assignments of copyrights that meet certain criteria. 44 Congress, however, did not extend this termination right to the creators of works-made-for-hire. 45 In 1999, Simon tried to terminate his transfer of rights in Captain America under § 304(c) of the 1976 Act and filed notice with the Copyright Office. 46 In the notice, Simon declared that he did not create the works as works-made-for-hire, as the earlier settlement agreement indicated, but that he independently created Captain America and wrote the first issue of the comic book. 47

C. Marvel’s Action

In 2002, Marvel Characters, Inc., Timely’s successor in interest and the current publisher of comics featuring Captain America, sought a declaratory judgment to establish that it was the sole owner of the Captain America copyright. 48 Simon filed a counterclaim

40. Id.
41. Id.
42. Id. at 284.
43. Marvel Characters, Inc., 310 F.3d at 284.
45. See id.
47. Id.
48. Id.
seeking a declaratory judgment that "(1) he [was] the sole author of the Works; (2) the Termination Notices [were] valid; and (3) all copyrights in the Works revert to him on the effective date of the Notices of Termination." Marvel moved for summary judgment, and the district court granted its motion.

The district court found that res judicata barred Simon's claim that he was the sole author of the works because the parties' 1969 settlement agreement resolved the issue. The court also found that, based on the "plain language of the [s]ettlement [a]greement," Simon created the works as an employee-for-hire and thus could not exercise the termination right. Simon appealed the case to the Second Circuit Court of Appeals.

II. TERMINATION RIGHTS UNDER THE COPYRIGHT ACT OF 1976

When Congress passed the 1976 Act, it included a new right for authors who previously assigned their copyrights to another party. The 1976 Act contains two provisions concerning the termination right. Section 304 addresses works created before January 1, 1978, the date the 1976 Act took effect. Section 203 addresses works created after January 1, 1978.

A. 17 U.S.C. § 304(c)

Section 304(c) allows an author to terminate an assignment at the end of the initial or renewal term. Congress, however, expressly

49. Marvel Characters, Inc. v. Simon, 310 F.3d 280, 285 (2d Cir. 2002).
50. See id.
51. Id.
52. Id.
53. See id. at 282.
55. See id. §§ 203, 304(c).
56. See id. § 304.
57. See id. § 203.
58. Id. § 304(c).

In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before
prevented employees who created works-made-for-hire from exercising this right.\textsuperscript{59}

To obtain a termination for materials copyrighted before January 1, 1978, an author must comply with certain formalities.\textsuperscript{60} He must give written notice to the grantee of the copyright indicating the date of termination, and he must do so no more than ten years but no less than two years prior to the termination date.\textsuperscript{61} The author must also file a copy of the termination notice with the Copyright Office.\textsuperscript{62} The author may set the termination date at any point within a five year window "beginning at the end of fifty-six years from the date copyright was originally secured[ ] or beginning January 1, 1978, whichever is later."\textsuperscript{63} The law allows authors to exercise this right even if they have signed away renewal rights or any other rights.\textsuperscript{64}

B. 17 U.S.C. § 203

The primary difference between § 304 and § 203 is when an author may exercise the termination right.\textsuperscript{65} Under § 203 of the 1976 Act, all rights to works, except those created as a work-for-hire, are terminable.\textsuperscript{66} To obtain a termination for materials copyrighted after January 1, 1978, the grantor must give written notice to the grantee indicating the date of termination.\textsuperscript{67} The author must give the notice no more than ten years but no less than two years prior to the

\textsuperscript{60} See id.
\textsuperscript{61} Id. § 304(c)(4).
\textsuperscript{62} Id. § 304(c)(4)(A).
\textsuperscript{63} Id. § 304(c)(3).
\textsuperscript{64} See id. § 304(c)(5) ("Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.").

In the case of any work other than a work made for hire, the exclusive or nonexclusive 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, otherwise than by will, is subject to termination . . .

termination date, and he must file a copy of the termination notice with the Copyright Office. He may set the termination date at any point within a five-year window:

beginning at the end of thirty-five years from the date of execution of the grant; . . . if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.

C. Purpose of the Termination Rights

Congress included the termination right in the 1976 Act partly because of the Supreme Court’s decision in Fred Fisher Music Co. v. M. Witmark & Sons. There, the author of the song When Irish Eyes Are Smiling granted Witmark, a publishing company with which he was under contract, the rights to “‘all copyrights and renewals’” in a contract signed five years after the original publication date. The author also agreed to deliver to Witmark all documents necessary to renew the copyright at the expiration of the original 28-year copyright term. At the end of the 28-year copyright period, Witmark applied for the renewal in the author’s name and executed an assignment of the copyright to itself per the agreement. Several days later, the author applied for a renewal of the copyright and then assigned it to another music publishing company, Fred Fisher Music Co. Fisher proceeded to publish and to sell copies of the song despite the prior agreement between the author and Witmark and

68. Id. § 203(a)(4)(A).
69. Id. § 203(a)(3).
70. 318 U.S. 643 (1943); see 5 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT 9-7 to 9-9 (1994).
72. Id. at 645.
73. Id. at 646.
74. See id. at 646-47.
despite Witmark's application for renewal and assignment of rights.\textsuperscript{75} Witmark subsequently sued to enjoin Fisher's activities.\textsuperscript{76}

The Supreme Court addressed the issue of whether "an agreement to assign his renewal, made by an author in advance of the twenty-eighth year of the original term of copyright, is valid and enforceable."\textsuperscript{77} While the Court acknowledged that authors may have inferior bargaining power and may therefore sell their works for a fraction of the works' potential worth, it found "no compelling considerations of policy" that would lead it to construe the statute in a way that would negate an author's assignment of a renewal right prior to securing it.\textsuperscript{78} As a result of this decision, publishers began requiring authors to assign both the copyright and renewal right, effectively eliminating the purpose of the renewal right—to allow the author to renew and often to regain the copyright.\textsuperscript{79}

In drafting the 1976 Act, Congress attempted to protect authors of works and extended to them new rights and protections.\textsuperscript{80} The 1976 Act granted an additional 19-year renewal term for works created and copyrighted prior to January 1, 1978.\textsuperscript{81} This 19-year extension of copyright protection created a new property right that will necessarily benefit either the author of the work or the assignee.\textsuperscript{82} Because Congress wanted authors to be the beneficiaries of copyright law, it added the termination right so that authors could receive any profits from the newly extended copyright period.\textsuperscript{83}

Additionally, Congress examined contract theory in adding the termination right.\textsuperscript{84} Because a bargained-for assignment of a copyright prior to the passage of the 1976 Act would not have contemplated compensation for the new 19-year extension, the

\textsuperscript{75} See id. at 646.
\textsuperscript{76} Fred Fisher Music Co., 318 U.S. at 646.
\textsuperscript{77} Id. at 647.
\textsuperscript{78} See id. at 656.
\textsuperscript{83} See id.
assignee could receive a potential windfall. Either the assignee or the author must receive that windfall. Because Congress intended the new rights to benefit authors, the termination right assures that authors receive the windfall, assuming the work is profitable and the author or his heirs desire to reclaim it.

D. Exclusion of Works-Made-for-Hire

Congress explicitly prevented creators of works-made-for-hire from exercising the termination right because they are not the statutory authors of the work. The employer is the statutory author of works-made-for-hire, even though the employee-creator never bargained or assigned away the work. The employee-creator therefore falls outside the scope of the policy rationales that led to the creation of the termination right.

E. Judicial Interpretation of the Termination Right

Although specifically dealing with the derivative rights exception to the right of termination, Mills Music, Inc. v. Snyder illustrates the Supreme Court's clearest holding on the purpose of termination rights. There, Snyder, a songwriter famous for his collaboration with Irving Berlin, co-wrote Who's Sorry Now. A trustee assigned the rights to the song to Mills Music, Inc., a publishing house, when Snyder's publishing company went into bankruptcy. Subsequently, Snyder and Mills Music, Inc. entered into an agreement regarding the renewal term of the copyright in which Snyder assigned his interest

86. See id.
87. See id.
92. See id. at 172-73.
93. Id. at 156; see Ted Snyder, SONGWRITERS HALL OF FAME, at http://www.songwritershalloffame.org/exhibit_home_page.asp?exhibitId=244 (last visited Sept. 23, 2004). All parties agreed that the Court should treat Snyder as the sole author for the purposes of the trial. Mills Music, Inc., 469 U.S. at 156.
to Mills Music, Inc. in exchange for royalties. Following the renewal of the copyright, Mills Music, Inc. issued more than 400 licenses to other music companies to create derivative works based on the original song, each of which were independently copyrightable. Before the renewal term expired, Congress passed the 1976 Act, which contained the new termination right and the additional 19-year extension for existing copyrights. Snyder’s widow and son then filed a termination notice against Mills Music, Inc.

The question before the Court focused on royalties from the derivative works, but the Court also examined the legislative intent in creating the termination right. The Court stated that the purpose of the termination right is to “provide added benefits to authors.” The overall intent of the new Act is to “make the rewards for the creativity of authors more substantial.” The Court also stated that the legislative history made it clear that Congress intended that the termination right benefit authors who had assigned away their copyright before recognizing its true value.

III. WORKS-MADE-FOR-HIRE DOCTRINE

While the distinction between a work-made-for-hire and a total assignment of rights may seem slight, there are important differences, not the least of which is the availability of the termination right. In executing an assignment, an author transfers some or all of his or her rights in a work, but the creator, not the assignee, remains the statutory author. A work-made-for-hire divests the creator of all

95. Id. at 157.
96. Id. at 158.
97. See id. at 160-61.
98. Id. at 162.
99. See id. at 156, 172-73.
101. Id. (noting the extension of existing copyrights to 75 years, the creation of a longer term for new copyrights, and the creation of a termination right).
102. See id. at 172-73.
104. See id. § 101 (defining a “work made for hire”).
rights in the work, and the employer becomes the statutory author of
the work under the 1976 Act.\textsuperscript{105}

A. Copyright Act of 1909

The 1909 Act mentions works-for-hire only in the definition
section of the statute: "[I]n the interpretation and construction of this
title . . . the word ‘author’ shall include an employer in the case of
works made for hire."\textsuperscript{106} As interpreted by courts, an employer who
hires another to create a copyrightable work is the author of the work
absent an agreement to the contrary.\textsuperscript{107} Courts have expanded the
document to include works created by independent contractors for an
employer.\textsuperscript{108} To determine whether works created by an independent
contractor qualify as works-made-for-hire, courts created the
"instance and expense" test.\textsuperscript{109} Courts performing the test look to the
"motivating factor in producing the work."\textsuperscript{110} If an employer induces
an independent contractor to create a work, the court will deem it to
be a work-made-for-hire.\textsuperscript{111} Courts also looked at whether the
employer has the right "to direct and supervise the manner in which
the [creator] performs his work."\textsuperscript{112}

B. Copyright Act of 1976

Congress laid out more detailed definitions of the work-made-for-
hire doctrine in the 1976 Act for works created by both independent
contractors and employees:

\begin{footnotes}
\footnotetext{105}{ See id.}
\footnotetext{107}{ See, e.g., Playboy Enters., Inc. v. Dumas, 53 F.3d 549, 554 (2d Cir. 1995).}
\footnotetext{108}{ See, e.g., id.}
\footnotetext{109}{ See, e.g., id.}
\footnotetext{110}{ See, e.g., id.}
\footnotetext{111}{ See Siegel v. Nat’l Periodical Publ’ns, Inc., 508 F.2d 909, 914 (2d Cir. 1974) (quoting Picture
Music, Inc. v. Bourne, Inc., 457 F.2d 1213, 1216 (2d Cir. 1972)).}
\footnotetext{112}{ Playboy Enters., Inc., 53 F.3d at 554 (quoting Picture Music, Inc., 457 F.2d at 1216).}
\end{footnotes}
A “work made for hire” is—

(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. For the purpose of the foregoing sentence, a “supplementary work” is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an “instructional text” is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.\textsuperscript{113}

Works created by an independent contractor fall within the second subsection of the definition—those “specially ordered or commissioned”—and must fit in one of the nine enumerated categories.\textsuperscript{114} Additionally, the parties must sign an agreement stating that the work is made-for-hire, although the statute does not say when the parties must sign this agreement.\textsuperscript{115} In the course of business, not all employers and independent contractors draft a written statement.

\begin{footnotes}
\item{114.} See id.
\item{115.} See id.
\end{footnotes}
preceding the creation of the work. Consequently, this situation has resulted in a split among the circuits concerning when parties must sign a statement for it to validly create a work-made-for-hire.

C. Circuit Split: Timelines for an Agreement that a Work is a Work-Made-for-Hire

1. The Second Circuit

In *Playboy Enterprises, Inc. v. Dumas*, the Second Circuit Court of Appeals held that a writing stating that a work was made-for-hire can be enforceable when signed after the creation of a work. There, Playboy sought a declaratory judgment establishing that a series of paintings created by the artist Nagel and published in *Playboy* were works-made-for-hire. Nagel was a freelance artist who created nearly 300 iconic paintings of women that *Playboy* magazine published between 1974 and 1984. For the last nine years of that period, at least one Nagel illustration appeared in every issue of *Playboy*.

Initially, Playboy gave Nagel specific instructions concerning the paintings, but Playboy stopped giving him instructions after a few years and would generally publish those works that he submitted. The only writings between Nagel and Playboy concerning ownership of the works were paychecks issued by Playboy and signed by Nagel and others. Each paycheck bore a legend stating either that “payee

116. *See, e.g., Playboy Enter., Inc.*, 53 F.3d at 552, 558; *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 412 (7th Cir. 1992).
117. *Compare Playboy Enter., Inc.*, 53 F.3d at 559 (holding that the parties may execute the writing after the creation of the work provided that the writing confirms an agreement made before creation), *with Schiller & Schmidt, Inc.*, 969 F.2d at 413 (holding that the writing “must precede the creation” of the work).
118. 53 F.3d 549 (2d Cir. 1995).
119. *See id.* at 559.
120. *See id.* at 551.
121. *Id.* at 552.
122. *Id.*
123. *Id.*
124. *Playboy Enter., Inc.*, 53 F.3d at 553. One reason that the court remanded the case was to resolve whether Nagel authorized his accountant and representative, both of whom had endorsed some of the checks, to enter into a work-for-hire agreement on his behalf. *Id.* at 564-65.
acknowledges payment in full for the assignment to Playboy” of all
rights (for checks issued between 1974 and 1979) or that “[payee]
acknowledges payment in full for services rendered on a work-made-
for-hire basis,” Playboy paid Nagel a flat fee per painting that,
according to the court, buttressed the claim that Playboy had
commissioned works-made-for-hire. In addition, Playboy marked
each published painting that it returned to Nagel as “PLAYBOY’S
ARTWORK.”

Because the relationship between Nagel and Playboy spanned a
decade and traversed the passage and enactment of the 1976 Act, the
court examined the work-for-hire doctrine under both the 1909 and
1976 Acts. The court concluded that Playboy requested and funded
at least some of the pre-1978 paintings and that Playboy was the
presumptive author. Therefore, Nagel could not be the statutory
author unless there existed a writing to the contrary. The court
found that the language of the pay stub assigning the rights to
Playboy was not strong enough to overcome the presumption that
Nagel created the paintings as works-made-for-hire. The pay stub,
in the court’s opinion, did not constitute a writing to the contrary.

The court then turned to works falling under the 1976 Act. Because the 1976 Act requires a “written instrument” signed by both
parties for a “specially ordered or commissioned” work to make that
work one made-for-hire, the court examined the timing of the writing
in relation to the creation of the work. The court noted that the
statute was silent as to when the parties must sign the writing. The
court held that allowing parties to agree that a work was one made-
for-hire subsequent to its creation would defeat the congressional

125. Id. at 552.
126. See id. at 555.
127. Id. at 552.
128. See id. at 553.
129. Playboy Enters., Inc., 53 F.3d at 556-57.
130. Id. at 556-57.
131. Id. at 560.
132. See id.
133. Id. at 557-58.
135. Playboy Enters., Inc., 53 F.3d at 558.
intent of predictability regarding the ownership of intellectual property and would create a situation where there existed two statutory authors—one before the parties reached a work-for-hire agreement and one after.\(^{136}\) Therefore, the court held that the parties must reach a work-for-hire agreement before the creation of the work.\(^{137}\) However, it also held that the parties need not execute the writing formalizing that agreement prior to the creation of the work.\(^{138}\) The court found that those pay stubs marked "[payee] acknowledges payment in full for services rendered on a work-made-for-hire basis" satisfied the writing requirement of the 1976 Act and that the stubs indicated both parties' desire to enter into a work-for-hire agreement.\(^{139}\) The court held that Playboy's drafting of the language on the back of the pay stubs and Nagel's continued endorsement of the checks evidenced Playboy's intent.\(^{140}\)

2. The Seventh Circuit

In *Schiller & Schmidt, Inc. v. Nordisco Corp.*,\(^{141}\) the Seventh Circuit Court of Appeals held that the parties must execute a work-made-for-hire agreement prior to the creation of the work.\(^{142}\) Schiller & Schmidt sold office supplies and produced a catalog featuring its products.\(^{143}\) James Rybak, the nephew of Schiller & Schmidt's president and a former employee of the company, later founded Nordisco, which also sold office supplies and produced a catalog featuring its products.\(^{144}\) When Rybak founded Nordisco, he took with him a number of photographs, taken by a third party, of products used in Schiller and Schmidt's catalog; Nordisco used these photos in its catalog.\(^{145}\) In 1988, after the suit between Schiller & Schmidt and

\(^{136}\) *Id.* at 559.

\(^{137}\) *Id.*

\(^{138}\) *Id.*

\(^{139}\) *See id.* at 560 (emphasis omitted).

\(^{140}\) *See id.*

\(^{141}\) 969 F.2d 410 (7th Cir. 1992).

\(^{142}\) *See id.* at 413.

\(^{143}\) *Id.* at 411.

\(^{144}\) *Id.*

\(^{145}\) *Id.*
Nordisco commenced, the third party photographer signed a statement that the photographs were works-made-for-hire and "that Schiller and Schmidt . . . owned the copyright [in the photos]."\textsuperscript{146}

The court first held that the signed statement was invalid because only the third party, not both the third party and Schiller and Schmidt, had signed the written agreement; therefore, the written agreement did not satisfy the statute.\textsuperscript{147} The court then turned to the timing of the signed agreement and stated that the writing should serve to make the ownership of a work "clear and definite."\textsuperscript{148} Because the signed writing came after the suit had begun, it did not clarify ownership.\textsuperscript{149} The court held that "[t]he writing must precede the creation of the property in order to serve its purpose of identifying the (noncreator) owner unequivocally."\textsuperscript{150}

IV. \textit{Marvel Characters, Inc. v. Simon}

In 2002, Marvel Characters, Inc., Timely’s successor in interest and the current publisher of Captain America comic books, sought a declaratory judgment to establish that it was the sole owner of the Captain America copyright.\textsuperscript{151} Simon, a creator of the Captain America character, filed a counterclaim seeking a declaratory judgment that he was the sole author of the work and that he could terminate his assignment.\textsuperscript{152} Simon claimed that he independently created the Captain America character, authored the first issue in the Captain America comic book series, and was "neither an employee for hire nor a creator of a work for hire" at that time.\textsuperscript{153}

\textsuperscript{146} Id. at 412.
\textsuperscript{147} \textit{See} \textit{17 U.S.C. § 101 (2000)} ("[A] work specially ordered or commissioned . . . if the parties expressly agree in a written instrument signed by them . . . shall be considered a work made for hire."); \textit{Schiller & Schmidt, Inc.}, 969 F.2d at 412.
\textsuperscript{148} \textit{Schiller & Schmidt, Inc.}, 969 F.2d at 412.
\textsuperscript{149} See id.
\textsuperscript{150} Id. at 413. \textit{But see} \textit{Playboy Enters., Inc. v. Dumas}, 53 F.3d 549, 559 (2d Cir. 1995) (holding that the parties do not need to execute a writing formalizing a work-for-hire agreement prior to the creation of the work).
\textsuperscript{151} \textit{Marvel Characters, Inc. v. Simon}, No. 00-CIV-1393 (RCC), 2002 WL 313865, at *1 (S.D.N.Y. Feb. 27, 2002).
\textsuperscript{152} \textit{Marvel Characters, Inc. v. Simon}, 310 F.3d 280, 283 (2d Cir. 2002).
\textsuperscript{153} Id. at 284-85.
Marvel asserted the following three defenses to Simon's claim based on the prior actions between Simon and Timely: res judicata, collateral estoppel, and equitable estoppel.\(^{154}\) Arguing res judicata, Marvel stated that the settlement agreement and Simon's stipulation that he had created Captain America as a work-for-hire served as a final judgment on the merits and prevented him from relitigating claims that he raised or could have raised in that action.\(^{155}\) Marvel claimed that there was "no meaningful distinction" between the issue of authorship in the earlier actions and the termination right at issue in this case.\(^{156}\) Thus, res judicata barred Simon from arguing that he was the statutory author of the works and exercising the termination right.\(^{157}\) Rejecting this argument, the court held that a prior judgment "cannot be given the effect of extinguishing claims which did not even then exist and which could not possibly have been sued upon in the previous case."\(^{158}\) At the time of the earlier actions, the termination right did not exist and could not have been litigated since the prior actions came more than a decade before Congress enacted the 1976 Act.\(^{159}\) Because the claims raised in the 1966 and 1967 actions were distinct from the claim raised in the current action, res judicata did not apply.\(^{160}\)

The court next addressed whether collateral estoppel prevented Simon from asserting that he was the statutory author of the works.\(^{161}\) Collateral estoppel bars the litigation of "an issue of fact or law that was fully and fairly litigated in a prior proceeding."\(^{162}\) Similar to its res judicata claim, Marvel predicated this claim on the fact that the parties raised the issue of authorship in the earlier actions, where the

\(^{154}\) See id. at 285.
\(^{155}\) See id. at 286.
\(^{156}\) Id.
\(^{157}\) See id.
\(^{158}\) Marvel Characters, Inc., 310 F.3d at 287 (quoting Lawlor v. Nat'l Screen Serv. Corp., 349 U.S. 322, 328 (1955)).
\(^{159}\) See id.
\(^{160}\) See id. at 287-88 ("In the Prior Actions, Simon claimed that he was entitled to the renewal term of copyright for the Works. In the present suit, Simon claims that he is entitled to terminate Marvel's copyright in the Works and obtain the extended copyright term by virtue of § 304(c) of the 1976 Act.").
\(^{161}\) See id. at 288-89.
\(^{162}\) Id.
Parties stipulated that Timely, not Simon, was the statutory author of the works. The court found that the stipulations were not binding because findings “sufficient for a subsequent court to conclude that certain matters were actually decided” did not accompany them. Therefore, collateral estoppel did not prevent Simon from litigating the issue of authorship of Captain America.

Marvel next argued that equitable estoppel barred Simon’s claim. Equitable estoppel bars a claim when “the enforcement of the rights of one party would work an injustice upon the other party due to the latter’s justifiable reliance upon the former’s words or conduct.” The court found that Marvel’s equitable estoppel claim failed for three reasons. First, “equitable estoppel does not superecede § 304(c),” which will necessarily bring seemingly settled cases back into court. The court found that allowing equitable estoppel to bar the termination right would “contravene the plain language, intent, and purpose of § 304(c),” which Congress drafted to allow creators to reclaim copyrights granted to others. According to the court, Congress foresaw that granting this right would renew supposedly settled questions, so Congress must have intended for the statute to superecede equitable estoppel. Second, Simon could not have raised his claim at the time of the initial suits because the 1976 Act was not yet in effect; therefore, equitable estoppel did not apply. Third, Marvel had received the full benefit of the 28-year renewal term and could continue to benefit from derivative works

163. See id. at 285, 289.
164. Marvel Characters, Inc., 310 F.3d at 289 (quoting Lawlor v. Nat'l Screen Serv. Corp., 349 U.S. 322, 327 (1955)). “[N]either of the stipulations filed in the Prior Actions contain any specific findings as to whether Simon authored the Works independently or whether the Captain America character was created as a work for hire.” Id.
165. Id.
166. Id. at 292.
167. Id. (quoting Kosakow v. New Rochelle Radiology Assocs., P.C., 274 F.3d 706, 725 (2nd Cir. 2001)).
168. Id.
169. Marvel Characters, Inc., 310 F.3d at 292.
170. Id.
171. See id.
172. See id.
created prior to the termination.\textsuperscript{173} Marvel therefore could not establish a detriment, a required element of an equitable estoppel claim.\textsuperscript{174}

Having established that Simon's claim could go forward, the court next looked at whether an agreement made subsequent to a work's creation that declares it is a work-made-for-hire constitutes an "agreement to the contrary" under § 304(c)(5) of the 1976 Act, thus allowing for termination.\textsuperscript{175} The court found that a settlement agreement would generally constitute "any agreement to the contrary" for the purpose of the statute, but it also explored the legislative intent behind the statute.\textsuperscript{176} For this examination of congressional intent, the court looked to the Supreme Court's interpretation of the termination right in \textit{Mills Music, Inc. v. Snyder}.\textsuperscript{177} Relying on the congressional intent to protect authors in a position of unequal bargaining power, the court here found that an author could not waive his termination right through a contract.\textsuperscript{178} The court then found "that an agreement made after a work's creation stipulating that the work was created as a work for hire constitutes an 'agreement to the contrary' which can be disavowed pursuant to the statute."\textsuperscript{179} The court reasoned that to rule otherwise would force authors with unequal bargaining power to acquiesce to postcreation agreements that their works were made-for-hire, thus negating the purpose of the termination right.\textsuperscript{180} Public policy, therefore, required

\textsuperscript{173} \textit{Id.} at 292-93.
\textsuperscript{174} See \textit{id.} at 292.
\textsuperscript{175} \textit{Marvel Characters, Inc.}, 310 F.3d at 289.
\textsuperscript{176} See \textit{id.} at 290.
\textsuperscript{177} See \textit{id.} (quoting Mills Music, Inc. v. Snyder, 469 U.S. 153, 172-73 (1985)).
The principal purpose of the amendments in § 304 was to provide added benefits to authors. The . . . concept of a termination right itself w[as] obviously intended to make the rewards for the creativity of authors more substantial. More particularly, the termination right was expressly intended to relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product.

\textit{Id.}
\textsuperscript{178} See \textit{id.}
\textsuperscript{179} \textit{Id.}
\textsuperscript{180} See \textit{Marvel Characters, Inc.}, 310 F.3d at 290-91.
this ruling; otherwise, the termination right would become meaningless.\footnote{See id.}

V. POTENTIAL IMPACTS OF THE MARVEL DECISION IN LIGHT OF THE CURRENT CIRCUIT SPLIT

Only one case has looked to Marvel Characters, Inc. v. Simon to examine a situation where a prior agreement tested a termination right.\footnote{See Milne v. Stephen Slesinger, Inc., No. CV02-08508-FMC (PLAX), 2003 WL 21076983 (C.D. Cal. May 8, 2003).} In Milne v. Stephen Slesinger, Inc.,\footnote{Id.} a California district court distinguished the claim before it from that in Marvel Characters, Inc., holding that the disputed agreement between Simon and Timely sought to change the nature of the two parties' relationship by simply changing the designation to "work-for-hire" but that the agreement in Milne did not seek to change the nature of the parties' "long-standing" relationship.\footnote{Id. at *5.} In Milne, the parties signed an agreement in 1983 that revoked a 1930 assignment; however, the later agreement regranted "all of the rights in and to [the works] which were transferred [by virtue of the 1930 Grant] . . . ."\footnote{Id. at *2.} The court in Milne took no position on the propriety of the holding in Marvel Characters, Inc., and thus, there is no indication of whether other courts will adopt the ruling.\footnote{See id. at *5.}

Although one might have expected the court in Marvel Characters, Inc. v. Simon to follow the precedent that it established in Playboy Enterprises, Inc. v. Dumas and to infer from the settlement agreement between Simon and Timely that both parties intended to enter into a work-for-hire-agreement, it did not.\footnote{Compare Marvel Characters, Inc. v. Simon, 310 F.3d 280, 290 (2d Cir. 2002), with Playboy Enters., Inc. v. Dumas, 53 F.3d 549, 559 (2d Cir. 1995).} Because the facts in the two cases diverge, Marvel Characters, Inc. did not overrule Playboy
Enterprises, Inc.  The court would have had to stretch to find a pre-existing intent to create a work-for-hire arrangement from a settlement agreement that ended litigation and that the parties entered into some 20 years after the creation of the work.

However, the court in Marvel Characters, Inc. could have crafted a narrower holding. In the introduction to the opinion, the court stated that “[t]he question of first impression raised here is whether a settlement agreement, entered into long after a work’s creation, stipulating that a work was created for hire constitutes ‘any agreement to the contrary’ under the 1976 [Copyright] Act.” After analyzing the case, the court held that “an agreement made subsequent to a work’s creation which retroactively deems it a ‘work for hire’ constitutes an ‘agreement to the contrary’ under § 304(c)(5) of the 1976 Act.” The court broadened the scope of the inquiry and the holding to encompass any agreement made after the work’s creation, which retroactively makes it a work made-for-hire. However, the court limited the holding to subsequent agreements that change the nature of the parties’ relationship. Therefore, the court may, as in Playboy Enterprises, Inc., infer a pre-creation intent to create a work-made-for-hire from a subsequent agreement that does not change the nature of the parties’ relationship. Ultimately, the court remanded Marvel Characters, Inc. for a factual determination of statutory authorship.

Because the broader holding in Marvel Characters, Inc. allows for expansive interpretation, it is foreseeable that the Second Circuit might retreat from this ruling and interpret the holding more narrowly.

188. Compare Marvel Characters, Inc., 310 F.3d at 282, with Playboy Enters., Inc., 53 F.3d at 552-53.
189. See Marvel Characters, Inc., 310 F.3d at 283.
190. See id. at 292.
191. Id. at 282.
192. Id. at 292.
193. See id.
194. See id.
195. See Marvel Characters, Inc., 310 F.3d at 292.
in the future.\footnote{Cf. Playboy Enter., Inc. v. Dumas, 53 F.3d 549 (2d Cir. 1995) (holding that a work-for-hire agreement executed after creation of the work is valid provided that “it confirms a prior agreement, either explicit or implicit, made before the creation of the work”).} Given the existing circuit split concerning when parties must sign a work-for-hire agreement for it to be valid, it is likely that a similar split could develop regarding the intent to create a work-for-hire agreement.\footnote{Cf. Playboy Enter., Inc., 53 F.3d at 559 (holding that the parties may execute the writing after the creation of the work provided that the writing confirms an agreement made before creation); Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410, 413 (7th Cir. 1992) (holding that the writing “must precede the creation” of the work).} In Schiller & Schmidt, Inc. v. Nordisco Corp., the Seventh Circuit ruled that, for a signed writing to validly create a work-made-for-hire, the parties must execute it prior to the creation of the work.\footnote{Schiller & Schmidt, Inc., 969 F.2d at 413.} The Seventh Circuit’s ruling does not allow the court to infer the intent of the parties.\footnote{See id.} Facially, the holding in Marvel Characters, Inc. seems to conform to the Seventh Circuit’s holding in Schiller & Schmidt, Inc., and in a factually similar case, the Seventh Circuit might have ruled that the settlement agreement in Marvel Characters, Inc. constituted “any agreement to the contrary” such that it was terminable.\footnote{Compare Marvel Characters, Inc., 310 F.3d at 292, with Schiller & Schmidt, Inc., 969 F.2d at 413.} Based on Schiller, the Seventh Circuit might also have adopted a broader rule—any agreement that a work is one made-for-hire made subsequent to the creation of the work is an “agreement to the contrary” under 304(c) and is therefore terminable.\footnote{See 17 U.S.C. § 304(c) (2000); cf. Schiller & Schmidt, Inc., 969 F.2d at 413 (holding that a “writing must precede the creation” of the work).}

The rule in Marvel Characters, Inc., though perhaps broader than necessary, is a good compromise between the protection of creators’ rights, the upholding of legislative intent for the termination right, and the actualities of business decisions.\footnote{See H.R. Rep. No. 94-1476, at 124 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5740.} It also followed the Second Circuit’s precedent from Playboy Enterprises, Inc. v. Dumas concerning the work-for-hire doctrine under the 1909 Act by looking to the actual nature of the relationship between the parties rather than
the language of any agreement between them. In *Playboy Enterprises, Inc.*, the court found that nearly a decade's worth of pay stubs stating that the works were made-for-hire indicated that both parties intended to create a work-for-hire arrangement. In *Marvel Characters, Inc.*, the court found that a settlement agreement entered into 20 years after the creation of the work might not indicate such an intent.

The strongest evidence that the court should have crafted a narrower ruling is that Simon might not have been the type of person Congress sought to protect in adopting the termination right. The House Report states that "[a] provision of this sort is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited." Yet, at the time of the settlement agreement between Simon and Timely, the Captain America character had been in print for nearly 30 years and had been "exploited" in popular comic books and films. At that time, Simon must have been able to ascertain the work's value, especially since this period was one of the high points of comic book publishing. The court mentioned something akin to this in dismissing Marvel's "dire prediction" that this decision will open a floodgate of litigation: "[W]hen the relationship between parties has deteriorated to the point of litigation, presumably all parties are represented by counsel. Accordingly, the need to protect 'ill-advised' authors from publishers or other more sophisticated

203. Compare *Marvel Characters, Inc.*, 310 F.3d at 291 ("Courts engaging in such an analysis have focused on the actual relationship between the parties, rather than the language of their agreements, in determining authorship of the work."); *with* *Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 554 (2d Cir. 1995) ("[A]n essential element of the employer-employee relationship [is] the right of the employer 'to direct and supervise the manner in which the [creator] performs his work.'" (quoting *Picture Music, Inc. v. Bourne*, Inc., 457 F.2d 1213 (2d Cir. 1972)).
204. See *Playboy Enters., Inc.*, 53 F.3d at 560.
205. See *Marvel Characters, Inc.*, 310 F.3d at 292.
207. Id.
208. See *Marvel Characters, Inc.*, 310 F.3d at 282, 283.
entities—the policy concern underlying § 304(c)—is no longer present.\textsuperscript{210}

This was the case with Simon in the prior actions that led to the settlement agreement, yet the court still found him to be the type of creator in need of the statute’s protection.\textsuperscript{211} Even so, Simon would not have been aware of, or able to bargain for, the extended renewal term that did not become available until the passage of the 1976 Act, several years after the settlement agreement.\textsuperscript{212}

As Marvel contended, this rule could possibly open the door to other litigation concerning seemingly decided issues of ownership.\textsuperscript{213} The ruling will not allow all disputed ownership claims to go forward; instead, it permits only those claims where a subsequent agreement "retroactively deems" a work as one made-for-hire.\textsuperscript{214} The language of the decision requires a factual and judicial determination of whether an agreement "retroactively deems" the work to be what it was not originally, and as a result, it is likely that this will open the door to future litigation.\textsuperscript{215} Furthermore, a bright-line rule to determine when a subsequent agreement alters a relationship as opposed to the agreement formalizing that relationship probably cannot exist, and the court offered no guidelines in making that distinction.\textsuperscript{216} The court might have relied on the factors considered in \textit{Playboy Enterprises, Inc.}, but it did not cite to that case.\textsuperscript{217} The court did assert that agreements may still settle these issues, but to do so, they must "comply with the requirements of collateral estoppel by filing a detailed stipulation of settlement, complete with sufficient factual findings on authorship, with the court."\textsuperscript{218}

\begin{footnotes}
\item[210] \textit{Marvel Characters, Inc.}, 310 F.3d at 291-92.
\item[211] \textit{See id.} at 282-83, 290.
\item[212] \textit{See} 17 U.S.C. § 304 (2000); \textit{Marvel Characters, Inc.}, 310 F.3d at 287.
\item[213] \textit{See Marvel Characters, Inc.}, 310 F.3d at 292.
\item[214] \textit{See id.} at 289, 292.
\item[215] \textit{See id.} at 292.
\item[216] \textit{See id.} at 291, 292.
\item[217] \textit{See id.}
\item[218] \textit{Id.} at 291.
\end{footnotes}
This decision also marks a judicial recognition of greater rights for creators under the 1976 Act. Copyrights exist in a liminal space somewhere between property and personal rights. By vesting any potential windfall from the extended copyright term with the creator rather than the contractual rights holder, the court recognized that intellectual property is more akin to a personal right than a mere property right. As a type of personal right, the courts should be more hesitant to divest creators of their intellectual property. Congressional intent as expressed in the language of the statute—"notwithstanding any agreement to the contrary"—supports this interpretation of the termination right. The court's holding only impacts subsequent agreements to the contrary. If a creator did not make the work as one made-for-hire, a court cannot later declare it as one. As the court noted, this seems to be exactly the sort of situation Congress contemplated in passing this provision.

CONCLUSION

The court's decision in Marvel Characters, Inc. v. Simon potentially opens the door to a flood of suits challenging work-for-hire agreements as creators attempt to exercise the termination right. While encouraging litigation may not be a traditional goal of judicial decisions, in this instance, Congress contemplated and probably intended to stimulate these types of lawsuits. Although Congress may not have foreseen this particular type of controversy—a disputed work-for-hire agreement signed 20 years after the creation

221. See Fielkow, supra note 220, at 221.
224. See Marvel Characters, Inc. v. Simon, 310 F.3d 280, 291-92 (2d Cir. 2002).
225. See id. at 292.
226. See id. at 291.
227. See supra Part V.
228. See supra Part II.C.
of the work, which the parties entered into to settle litigation—-
it intended to protect authors from losing all financial benefits from a
successful work before knowing its value.229 Because copyrights are
fundamentally different from property rights, Congress sought to
bolster creator’s rights, which had eroded under the 1909 Act, by
including the termination right.230 Congress created the termination
right to aid authors in recovering profitable works that they assigned
to others before knowing the potential value of the work.231 While it
seems to disregard contractual agreements, the decision effectuates
Congress’s intention in creating the termination right.232 By
disallowing agreements that change the fundamental nature of a
work, the court prevented the emasculation of the termination
right.233 Ruling otherwise would have allowed publishers to force
authors to sign subsequent work-for-hire agreements, thus depriving
authors of the termination right.234 Similar to what happened
following *Fred Fisher Music Co.*, this would strip the right of any
value.235

The decision also adheres to the Second Circuit’s decisions on
when parties can enter into a valid work-for-hire agreement.236
*Marvel Characters, Inc. v. Simon* tracks the Second Circuit’s holding
in *Playboy Enterprises, Inc. v. Dumas*, which depended upon the
parties’ actual understanding of the agreement rather than the
formalities of the contract.237

Other courts have not examined the potential impact of the holding
in *Marvel Characters, Inc.*, so it is unclear whether other courts will
adopt the holding.238 However, the decision makes a strong statement

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229. *See supra* Part II.C.
230. *See supra* Part II.C.
231. *See supra* Part V.
232. *See supra* Part V.
233. *See supra* Part IV.
234. *See supra* Part II.E.
235. *See supra* Part II.E.
238. *See supra* Part V.
that the judiciary can enforce congressional intent and grant authors protection in situations where they have unequal bargaining power.\textsuperscript{239}

\textit{John Molinaro}

\textsuperscript{239} \textit{See supra Part V.}