

THE CASE

– *Siegel v Warner Brothers Entertainment Inc.*,
542 F Supp 2d 1098 (CD Cal 2008)

– US District Court for the Central District
of California

– 26 March 2008

Heirs' claim is kryptonite to DC Comics

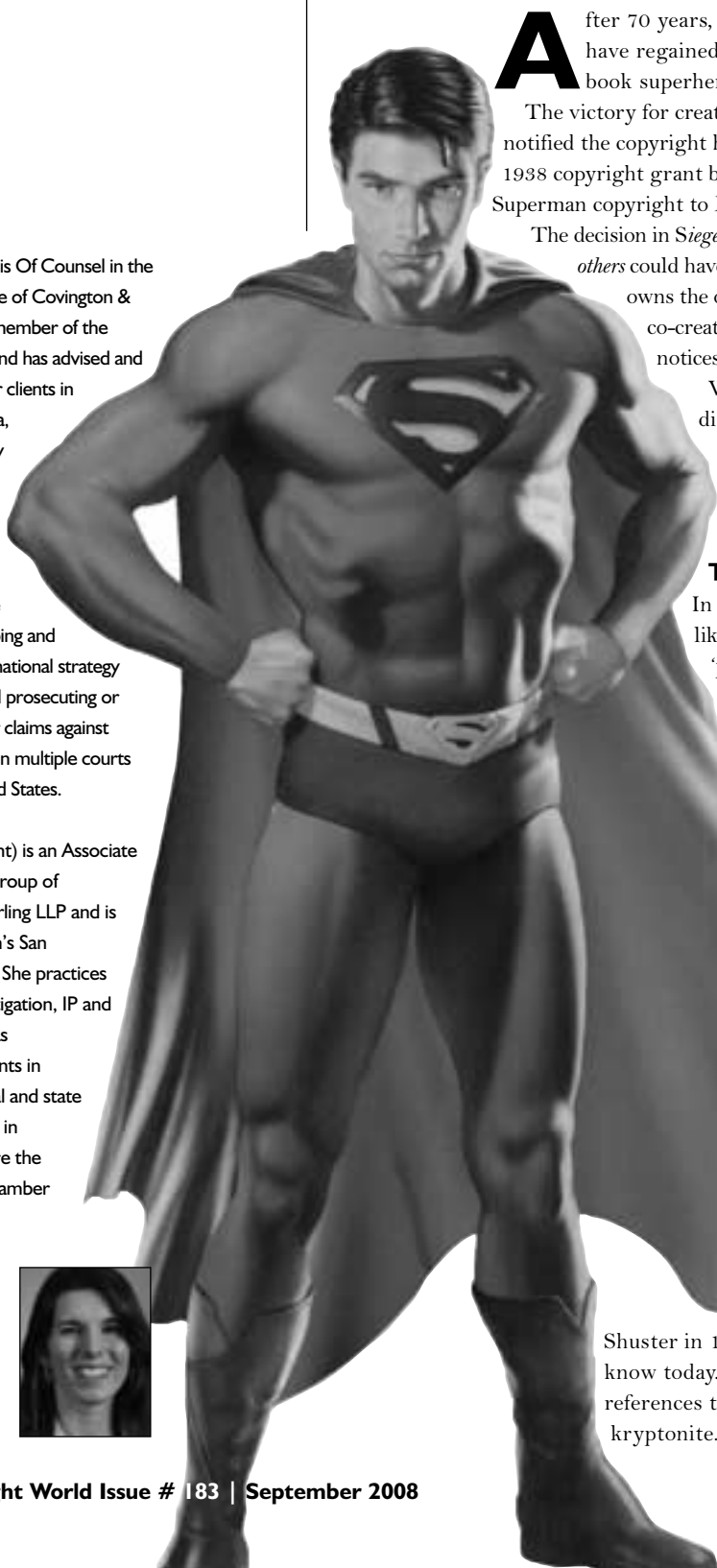
 *Creator's relatives recapture a portion of Superman copyright*

Ron Dove and Erin Smith of Covington & Burling LLP discuss the recent ruling over royalties following copyright termination

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After 70 years, the heirs of one of the creators of Superman have regained half of the copyright in the famous comic book superhero.

The victory for creator Jerome Siegel's heirs came 11 years after they notified the copyright holder, DC Comics, of their intent to terminate the 1938 copyright grant by which Siegel granted ownership rights in the Superman copyright to DC Comics' predecessor, Detective Comics.

The decision in *Siegel and others v Warner Brothers Entertainment Inc and others* could have future consequences for DC Comics, which still owns the other half of the copyright that belonged to Siegel's co-creator, Joseph Shuster. Shuster's heirs have also filed notices seeking to terminate the 1938 copyright grant.

While ruling in favour of the Siegel heirs, the court did impose several limitations on the rights that they recaptured. To understand the court's decision, let us travel back in time to the creation of the original Superman.

The original Superman

In 1934, Siegel and Shuster created a character much like the Superman we know today: A man who, due to a 'pseudo-scientific explanation', has superhuman powers and uses them 'to perform daring feats for the public good'.

The Superman of 1934 had superhuman strength, could hurdle a 20-story building, and ran faster than an express train. Superman had an alter ego named Clark Kent, a secret identity that allowed for plot twists, especially surrounding the love triangle with fellow newspaper reporter Lois Lane.

Superman wore a leotard, briefs, a cape, and boots. Emblazoned on his chest was the letter 'S' in an inverted triangular crest. In contrast, Clark Kent wore a suit and black-rimmed glasses.

On 18 April 1938, Detective Comics published Superman for the first time in the comic book *Action Comics*, Vol 1. It was an instant success.

The Superman published in 1938 had all of the features conceived by Siegel and Shuster in 1934, but not all of the story elements that we know today. For example, the 1938 comic book did not contain references to Superman's ability to fly or his vulnerability to kryptonite. And some of the most well-known supporting

characters, such as Lex Luthor, were not in the 1938 comic.

The copyright grants

On 1 March 1938, six weeks before *Action Comics*, Vol 1 was published, Siegel and Shuster assigned to Detective Comics ‘all the good will attached and exclusive rights to Superman to have and hold forever’. In return, Siegel received \$130. This worldwide grant was confirmed in a September 1938 agreement acknowledging that Detective Comics was the ‘exclusive owner’ of Superman.

Over the next several decades, the parties sparred over who owned the Superman copyright. In 1948 they settled a lawsuit and agreed that Detective Comics owned ‘all rights’ to Superman. In 1974 the US Court of Appeals for the Second Circuit found that the 1938 grant had assigned to Detective Comics both the initial 28-year term for the Superman copyright as well as the renewal term.

In 1975, and again in 1982, DC Comics agreed to make ‘voluntary’ payments to the creators and their families, and Siegel and Shuster re-acknowledged the Second Circuit’s decision that DC Comics had ‘all right, title and interest in Superman’.

How, then, after the unequivocal grant of the Superman copyright in 1938, followed by at least four reaffirmations of DC Comics’ exclusive ownership of all rights, did Siegel’s heirs regain half of the Superman copyright? The answer lies in provisions of the 1976 Copyright Act that the court described as ‘formalistic and complex’.

The author’s right to terminate prior grants

The 1976 Copyright Act granted artists and their heirs a new right to terminate prior grants to their creations:

‘In the case of any copyright subsisting in either its first or renewal term on 1 January 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 1 January 1978... is subject to termination... notwithstanding any agreement to the contrary...’²

Importantly, the termination of a copyright grant includes derivative works created after the termination date³. The rationale behind this new right was to give authors (and their heirs) a second chance to reap the value of their creation, this time from a stronger bargaining position. (A similar termination right for grants made on or after 1 January 1978 is provided at 17 USC §203.)

There are several detailed requirements

for a termination notice to be effective for pre-1978 grants. Among others, the effective date of the termination must be between 56 and 61 years from the date the copyright was originally secured⁴. Notice of the termination must be served no less than two and no more than 10 years before the effective date of the termination⁵.

The Copyright Act also places certain limits on the availability and scope of the termination. Works made for hire, as well as derivative works prepared before the termination date, are not subject to termination⁶. Termination affects only those rights arising under the Copyright Act, not those ‘rights arising under any other Federal, State, or foreign laws’⁷.

The court’s holdings

In 1997 the Siegel heirs served notices to terminate the Superman copyright grants, effective 16 April 1999. Applying the rules set out above, the court held that the notices effectively terminated Siegel’s 1938 grant to Detective Comics, and the Siegel heirs regained the copyright in the Superman material published in *Action Comics*, Vol 1.

In addition to this central holding, the court also found that the Superman material in *Action Comics*, Vol 1 was not a work made for hire. The Second Circuit had already rejected that argument in the 1970s, finding that Siegel and Shuster created Superman long before their employment relationship with Detective Comics began, and collateral estoppel prevented the court from reconsidering that decision.

Furthermore, the court ruled that the acceptance of benefits from DC Comics by Siegel’s widow was not a post-termination re-grant of rights in the Superman copyright.

The court sided with DC Comics on a number of issues, including:


- The Siegel heirs recaptured only the US copyright, not the right to exploit the work abroad under the copyright laws of other nations. DC Comics, therefore, must only account to the Siegel heirs for domestic profits earned from the Superman copyright since 1999, the effective date of the termination.
- DC Comics retained the rights to its Superman-related trademarks and profits ‘purely attributable’ to those trademarks. The court did not decide how to determine which profits are derived purely from trademarks as opposed to mixed trademark and copyright uses.
- DC Comics does not have to account for profits from unaltered derivative works created prior to termination (such as the pre-

1999 Superman movies). The court reserved for another day the question of what to do about pre-termination derivative works that have been altered since the 1999 termination.

- Certain 1938 promotional announcements, which were published before *Action Comics*, Vol 1, are still held exclusively by DC Comics because they were published six days before the 61-year reach of the termination notice. Of course, these rights include only those features of Superman that were depicted in these particular illustrations, which the court found to be only a man of extraordinary strength wearing a black-and-white leotard and cape.
- Finally, the court declined to rule on summary judgment whether the Siegel heirs are entitled to profits from Warner Brothers, a corporate affiliate and licensee of DC Comics which distributed the 2006 movie *Superman Returns*. The court hinted, however, that if the record were to show that the licence between DC Comics and Warner Brothers was a ‘sweetheart deal’, then the shielding of those profits would be inequitable and an accounting would be appropriate.

A partial victory

The court’s decision drew to a close one portion of the 70-year Superman copyright battle, but the dispute is still not over. A trial on several issues is scheduled for later this year, and an appeal of the court’s summary judgment ruling is a real possibility.

These sorts of disputes are likely to increase in the years ahead as greater numbers of creators and their heirs exercise their own termination rights over characters and other creations. For creators and their heirs, the lesson of this decision is that they need to be careful in navigating through the complex and technical termination provisions of the US Copyright Act, seeking legal advice and making sure to follow those provisions to the letter. Grantees, for their part, should be aware that these termination rights exist in the US and should plan accordingly. 

Notes

1. *Joanne Siegel and Laura Siegel Larson v Time Warner Inc, Warner Communications Inc, Warner Bros Entertainment Inc, Warner Brothers Television Production Inc and DC Comics*, 542 F Supp 2d 1098 (CD Cal 2008).
2. 17 USC §304(c).
3. *Id* §304(c)(6)(A).
4. *Id* §304(c)(3).
5. *Id* §304(c)(4)(A).
6. 17 USC §§304(c), (c)(6)(A).
7. *Id* §304(c)(6)(E).