



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

IP/ENTERTAINMENT LAW WEEKLY CASE UPDATE FOR MOTION PICTURE STUDIOS AND TELEVISION NETWORKS

August 3, 2011

Table of Contents

- Jake Mandeville-Anthony v. The Walt Disney Company, et al.
- Marvel Worldwide, Inc. v. Kirby
- Twentieth Century Fox Film Corp. v. British Telecommunications PLC

Jake Mandeville-Anthony v. The Walt Disney Company, et al., USDC C.D. California, July 28, 2011

 [Click here for a copy of the full decision.](#)

- District court grants defendant motion picture companies' motion for judgment on the pleadings and dismisses without leave to amend writer's claim for copyright infringement regarding "CARS" and "CARS 2", finding that defendants have sufficiently shown that the respective works are not substantially similar in their protectable elements as a matter of law. Court also dismisses plaintiff's claim for breach of implied contract as time barred by the statute of limitations.

Plaintiff, Jake Mandeville-Anthony, brought suit against defendants, The Walt Disney Company, Walt Disney Pictures, Disney Enterprises, Inc. and Pixar d/b/a Pixar Animation Studios, for copyright infringement and breach of implied contract. He alleged he is the copyright owner of two works, "Cookie & Co." and "Cars/Auto-Excess/Cars Chaos," that defendants had access to those works at the time that they created the animated films "CARS" and "CARS 2," and the spin-off series "Cars Toon," and that defendants used those works to create their works without compensating him. Defendants asserted that their works were independently created and that the works are not substantially similar. After answering plaintiff's complaint, defendants moved for judgment on the pleadings on both plaintiff's copyright and contract claims. The court granted the motion and dismissed both claims without leave to amend.

The court dismissed plaintiff's copyright infringement claim without leave to amend, finding that defendants had sufficiently shown that their movies were not substantially similar to plaintiff's works in their protectable elements such as plot, sequence of events, pace, characters, theme, mood and setting as a matter of law and that plaintiff failed to sufficiently state a claim for copyright infringement.

At the outset, the court noted that to state a claim for copyright infringement, a plaintiff must allege that the respective works at issue are substantially similar in their protected elements. The court may determine the issue of substantial similarity as a matter of law at the pleading stage by examining and comparing the relevant works. Judgment on the pleadings in favor of defendant is appropriate where the facts asserted by plaintiff in his pleadings – including the attached works – and all reasonable inferences drawn from those facts, show the absence of substantial similarity. To assess substantial similarity as a matter of law, the court applied the objective "extrinsic test" to determine whether the protectable elements of the works, standing alone, were substantially similar. The test focuses on any articulable



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

similarities between the plot, themes, dialogue, mood, setting, pace, characters, and sequence of events. The court compared the elements and concluded that defendants had sufficiently shown that the protectable elements of those were not substantially similar as a matter of law.

Plaintiff asserted that the plots of the works were substantially similar, as they revolved around anthropomorphic cars, and included lead characters interacting with other cars and finding themselves in various situations that bring about humor and romance, against the backdrop of a race. The court disagreed, however, finding no substantial similarity with plot, sequence of events and pace.

Specifically, the court noted that that plaintiff's work "Cookie" revolved around a single long-distance road trip and the banter between two male characters, Mike and Brian, and included their encounters with local residents and foreigners. The plot complication was finishing the race, and the characters journey takes place over many months. Early on in the plot, it is revealed that all other racers have been disqualified and, in the final scene, the two characters win the race. Plaintiff's work "Cars Chaos" is a synopsis that proposes general ideas and includes an outline for a possible television episode titled "Alpine Antics" involving a race through the Swiss Alps, and the purpose is to win the race. The pace is rapid, lasting only a few minutes.

In contrast, the court noted that defendants' "CARS" works involved multiple subplots. While the first motion picture, "CARS," begins and ends with a rally car race, the film is really about friendship, falling in love and being part of a community. The second motion picture, "CARS 2," involves races in Tokyo, Italy and England, but the races – and who wins them – are of minor consequence to the story, which focuses on good cars triumphing over evil, and includes a spy operation. The "CARS Toon" shorts use the developed personalities and friendship from the movies and show a seemingly unsophisticated character who is, in fact, a hero.

The court also rejected plaintiff's assertion that the characters in the works – the characters described in his *Controlled Chaos* work and the animated three-dimensional cars from defendants' films – were substantially similar. Instead, the court agreed with defendants' argument that the concept of animated, anthropomorphic cars as characters was unprotectable, noting that, for decades, cartoons have featured real-life objects that can talk and have personalities, and holding that characters that flow naturally from a basic plot idea are unprotectable "scenes-a-faire." The court also found that the fact that some of the respective car characters shared attributes that flowed from their make and country of origin worked against plaintiff's claim, since no property interest exists in stereotyped characters. The court also noted defendants' assertion that plaintiff's car drawings were copies of famous cars designed and built by others, and that plaintiff did not have standing to sue for copyright of a third-party car design.

Comparing the physical characteristics of the respective characters, the court also noted that plaintiff depicted all his cars with headlights as eyes, while defendants used the entire windshield, and plaintiff's cars have arms and hands, as well as hair, eyelashes and eyebrows, while defendants' do not.

No substantial similarity existed in the central themes and moods of the works, or in their settings. Plaintiff's "Cookie" as an upbeat "guy movie" that includes slapstick, comedy, sex and car crashes, and his "Cars Chaos" is light, and



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

includes British quips for humor. In contrast, defendants' "CARS" works are described as comedic, romantic, sad and full of suspense. With respect to setting, "Cookie" takes place in 1988, and the long-distance rally takes the characters through various international locations. "Cars Chaos" also discusses the concept of developing stories in various international settings. In contrast, "CARS" takes place in the present day, in an imaginary version of the United States which includes a detailed depiction of the American Southwest – a setting that is crucial to the storyline. "CARS 2" also uses fictionalized versions of real landmarks and buildings adapted for the world inhabited by anthropomorphic cars. These settings are, as defendants asserted, an original combination of pure fantasy and detailed realism, and not substantially similar to plaintiff's works.

The court also concluded that plaintiff's breach of implied contract claim was time barred by the two-year statute of limitations under California law. The two years begins to run from the date of the alleged breach and where, as here, plaintiff alleges an implied promise by defendants to pay for his idea, the limitations period begins to no later than the date on which the motion picture is released in theaters. "CARS" was released nationwide in June 2006, and the statute of limitations expired in June 2008, but Plaintiff did not bring suit until March 2011.

Marvel Worldwide, Inc. v. Kirby, USDC S.D. New York, July 28, 2011

 [Click here for a copy of the full decision.](#)

- District court grants motion for summary judgment in favor of plaintiffs, comic book publishers, against defendants, the heirs of comic book artist Jack Kirby, finding that the works at issue were works made for hire under the Copyright Act of 1909, and that the plaintiffs owned the copyrights in those works. Therefore, the court held that the Notices of Termination issued by the defendants purporting to revoke Kirby's assignment of copyrights were ineffective.

Plaintiffs, Marvel Worldwide, Inc., Marvel Characters, Inc. and MVL Rights, LLC, creators and publishers of comic books, brought suit against defendants, the heirs of comic book legend Jack Kirby who died in 1994, seeking a declaration that 45 Termination Notices under Section 304(c) of the Copyright Act sent by the Kirby heirs to defendants purporting to terminate Kirby's assignment of federally protected copyrights in a number of Marvel comic editions published between 1958 and 1963 (the Kirby Works), were a nullity, since Marvel, not Kirby or his heirs, owned the copyrights in the works that were the subject of the Termination Notices. The Kirby Heirs counterclaimed for a declaration that the Termination Notices were effective and that the heirs now controlled the copyrights in these works. On cross-motions for summary judgment, the court granted plaintiffs' motion and denied defendants', finding that there were no genuine issues of material fact, and that the Kirby Works were works for hire within the meaning of the Copyright Act of 1909 and, as a result, plaintiffs owned the copyrights in the Kirby Works and the Termination Notices did not convey any copyrights in the Kirby Works to defendants.

Jack Kirby had a long association with Marvel Comics as a freelance artist and played a key role in the creation of a number of iconic characters, including "The Fantastic Four," "The Incredible Hulk," and "The X-Men." In June 1972, Marvel had Kirby execute an assignment to Marvel Management Company of any and all right, title and interest (specifically including any copyrights, whether statutory and at common law) that Kirby may have or control in any of



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

the works Kirby created for Marvel. The assignment did not state that Kirby owned any copyright in the works, and in fact contained an acknowledgement that Kirby had created the works "as an employee for hire" of the owners of Marvel, the Goodmans. On September 16, 2009, the Kirby Heirs sent plaintiffs 45 Termination Notices purporting to terminate Kirby's assignment of his federally protected copyrights the Kirby Works. Negotiations between the parties were unavailing and plaintiffs brought the declaratory judgment action. On cross-motions for summary judgment, plaintiffs asserted that no disputed issues of material fact exist and that the undisputed material facts establish that the Kirby Works were "works made for hire" under the Copyright Act of 1909, which confers all federal copyright in a "work made for hire" in the employer. Defendants asserted that while disputed issues of material fact barred summary judgment in plaintiffs' favor, none would prevent the court from concluding, as a matter of law, that the Kirby Works were not "works made for hire."

As a preliminary matter, the court dealt with a number of motions to strike by plaintiffs to disregard evidence offered by the Kirby Heirs intended to rebut the evidence offered by plaintiffs, including the deposition testimony of comic book icon Stan Lee, Marvel's editor during the period 1958-1963, when the Kirby Works were created. As the court noted, plaintiffs' motion for summary judgment "rose and fell" on Lee's testimony, although it was supplemented by three other witnesses who worked as artists or writers for Marvel during the same time as Kirby. In rebuttal, the Kirby Heirs offered the testimony of two witnesses who also worked for Marvel during the relevant time frame, as well as the testimony of two "experts." One was a writer, archivist, and publisher in the comic book industry who was prompted by Jack Kirby's death in 1994 to produce a newsletter about Kirby's life and achievements. The other was a comic book writer, columnist, and historian who Jack Kirby hired as an assistant in 1969 – six years after the relevant period – to conduct research, co-author "letter pages" in Kirby comic books, and to assist Kirby with creating storylines for new comic book projects that Kirby was producing for DC Comics, not Marvel.

The court denied plaintiffs' motion to strike the declarations and attached documents of defendants' two nonexpert witness, rejecting their argument that defendants failed to supplement their discovery disclosures and finding that the two witnesses were known to plaintiffs and that the documents plaintiffs sought to have excluded either were made known to plaintiffs during discovery or, in the case of an article and chronology of the comic books that Jack Kirby worked on while with Marvel, not prejudicial to plaintiffs.

The court granted plaintiffs' motion to strike the declarations of defendants' expert witnesses for multiple reasons, any one of which alone would be sufficient, according to the court. The court found that the purported "expert" reports were merely factual narratives based on the expert's review of secondary sources and interviews that attempted to reconstruct events about which neither man had first-hand knowledge. An expert may rely on hearsay in reaching his own opinion, but a party cannot call an expert to act simply as a conduit for introducing hearsay, under the guise that the expert used the hearsay as the basis of his testimony. The court also found that nothing either of the purported experts had to say concerned technical or scientific matters that lay jurors would need help to understand and their proffered testimony therefore was inadmissible as it related to matters that the trier of fact would be capable of understanding and deciding without the expert's help. Both experts also offered their "opinions" about the intent or motivations of Marvel and individuals that worked at Marvel – inferences that are outside the bounds of expert testimony. One of the experts also opined on the credibility of Stan Lee's testimony, concluding that it is more logical



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

to believe that certain comic book characters were conceived by Kirby rather than by Lee and stating that he disagreed with the accounts Lee had given of the creation of “The Fantastic Four” in which Lee solely created the concept and characters and Kirby's role was limited to simply drawing up Lee's creation. The court found that the “expert” had developed this opinion even though he was not present during discussions or plotting conferences between Kirby and Lee, and had no firsthand knowledge of how the Kirby Works were created. The opinion, without factual basis and based on speculation or conjecture, was therefore inappropriate material for consideration on a motion for summary judgment. The court also noted that by opining on the credibility of Stan Lee's testimony, the expert had improperly usurped the role of the jury and was therefore inadmissible.

After dispensing with plaintiffs' motions to strike, the court set out the undisputed facts, including facts relating to the history of Stan Lee's relationship with the Goodmans, the owners of Marvel Comics, as editor and art director. Lee was responsible for the creative editorial aspects of the comic books published by Marvel. As editor, he developed the ideas and stories for all of Marvel's comic books and all of Marvel's artists and writers reported to him. He assigned artists to work on comic books, edited or changed their work, set deadlines for the submission of work, and even gave artists direction and guidance about the stories they were assigned to draw. During the period 1958-1963, when the Kirby Works were created, Lee supervised the creation and publication of Marvel's comic books from beginning to end, and nothing was published without his approval. He reviewed every artist's work before publication and, because Goodman had final approval over everything Marvel published, Lee implemented Goodman's requests for changes.

Lee also developed what became known as the “Marvel Method” for creating comic books, sometime in the 1950s. Under the Marvel Method, Lee did not write a detailed script for a story before assigning an artist to draw it, but rather gave the artist the general contours of the story he had in mind at a “plotting conference” or in a “plot outline.” Lee gave the artist an outline of the plot, a description of the hero, and suggestions for how the story should look and the artist would draw the story along the lines of the main theme. After an artist completed the pencil drawings, Lee edited his work and added dialogue and captions. The court noted that while the Marvel Method gave an artist greater opportunity for input into the process of creating the characters and the stories, artists did not create work “on spec,” but only began to draw “pages” when they received an assignment and plot synopsis from Lee. The artists were constrained by Lee's plot outlines and he retained the right to edit or alter their work, or to reject the pages altogether and not publish them if he did not like them.

Between 1958 and 1963, Kirby worked on numerous comic book stories for Marvel. He received his assignments from Lee and did not draw art for Marvel without first receiving an assignment. Like other artists who worked for Marvel at the time, Kirby created his artwork based on plot outlines or scripts provided by Lee. At plotting conferences, Lee had the final say as to what was included in the comic book and he had to approve Kirby's artwork before publication, had the authority to require changes or edits to Kirby's work, and would occasionally ask Kirby to make changes, which Kirby always did. The court also noted that between 1958 and 1963, all of Marvel's freelance artists and writers, including Kirby, were paid flat per-page rates for artwork and scripts they produced, and Kirby never received royalties for his work. No evidence established any contemporaneous written contract between Marvel and Kirby relating to any of the Kirby Works and from Lee's testimony, the court found that Kirby was a freelancer



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

who was retained to create comic book artwork at Lee's instance and was paid an agreed-upon fee for doing so.

In the spring of 1972, Marvel and Kirby executed a written agreement that assigned to Magazine Management Company (a Marvel predecessor) "any and all right, title and interest [Kirby] *may have or control*" in all the work that Kirby created for Marvel. Specifically, Kirby assigned to Magazine Management Company:

(1) Any and all MATERIALS, including any and all ideas, names, characters, symbols, designs, likenesses, visual representations, stories, episodes, literary property, etc., which have been in whole or in part acquired, published, merchandised, advertised and/or licensed in any form, field, or media by the Goodmans, their affiliates, and/or their predecessors or successors in interest

(2) Any and all RIGHTS, including any all copyrights, trademarks, statutory rights, common law rights, goodwill, and any other rights whatsoever relating to the Materials in any and all media and/or fields including any and all rights to renewal or extension of copyright, to recover for past infringement and to make application or institute suit therefore, and including by way of example and without limitation Kirby's claim to renewal copyright in Volume 2, Nos. 1-10 of the work entitled "Captain America Comics," these being evidenced by Registration Nos. R429502, R446534, R446535, R446536, R446537, R446538, R446539, R446540, R446541, and R448324 in the United States Copyright Office.

While Kirby assigned whatever right, title or interest (including copyrights) he may have, the agreement contained no representation that he, in fact, had any right, title or interest to convey and contained explicit language intended to negate any suggestion that Kirby actually owned any federally protected copyright in his artwork: "Kirby acknowledges and agrees that all his work on the MATERIALS, and all his work which created or related to the RIGHTS, was done as an employee for hire of the Goodmans."

Considering the cross-motions for summary judgment, the court began by noting that the Copyright Act of 1976 gives authors or their heirs a nonwaivable right to terminate a prior assignment of copyright at any time during (1) a five-year period that begins on January 1, 1978, or (2) fifty-six years after the date the statutory copyright was originally secured, whichever is later. The defendants, the Kirby Heirs, purported to exercise this right by sending Marvel the 45 Termination Notices relating to the Kirby Works. They asserted that that Marvel acquired the federal copyright in the Kirby Works through the 1972 assignment. The court found the fact of the assignment "not conclusive," however, noting specifically that the assignment was couched in language assigning whatever rights (including copyrights) Kirby may have, without making any definitive statement about what rights he actually did have. The assignment also describes all of Kirby's work for Marvel, including the Kirby Works, as work done by Kirby as "an employee for hire of the Goodmans," the owners of Marvel – a situation which, if true, would mean that Marvel, not Kirby, owned the federal copyright all along.

According to the court, then, the question was whether under well-settled Second Circuit precedent, the Kirby Works were works made for hire. If they were, the Termination Notices were ineffective – works made for hire are statutorily exempt from termination because the holder of the copyright, the employer, is the statutory author of the work. The burden of raising the presumption that the Kirby Works were works made for hire rested with plaintiffs, and if they raised the presumption, they would be deemed the author unless the Kirby Heirs rebutted the presumption, which



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

they could only do so if they proved, by a preponderance of the evidence, that Kirby and Marvel had a contrary agreement, either written or oral. If defendants failed to raise a genuine issue of material fact on this score, plaintiffs were entitled to summary judgment.

Because the Kirby Works were published between 1958 and 1963, the Copyright Act of 1909 controlled whether they were works made for hire. Under the 1909 Act, the term "author" included "an employer in the case of works made for hire." An employer who hired another to create a copyrightable work is the author of the work for purposes of the statute, unless an agreement to the contrary exists. While the terms "employer" and "works made for hire" were not defined in the 1909 Act, for commissioned works, courts generally presumed that the commissioned party had impliedly agreed to convey the copyright, along with the work itself, to the hiring party. Courts also explicitly extended the work-for-hire doctrine to works commissioned from independent contractors, rather than created by employees, as well as expanding the definition of employer to include a hiring party who had the right to control or supervise the artist's work.

The Second Circuit adopted the "instance and expense" test – a two-pronged test to determine if a "work is made for hire" under the 1909 Act. The copyright belonged to the person at whose instance and expense the work was created, and an independent contractor is treated as an employee under the statute if the work is made at the hiring party's instance and expense. A work is deemed made at the hiring party's instance and expense when the employer induces the creation of the work and has the right to direct and supervise the manner in which the work is carried out. The hallmark of an employment for hire is whether the employer *could* have exercised the requisite power to control or supervise the creator's work, even if it never exercised that power. According to the court, the Second Circuit's jurisprudence created an almost irrebuttable presumption that any person who paid another to create a copyrightable work was the statutory author under the work for hire doctrine.

The court concluded that the undisputed facts established that the Kirby Works were created at the instance and expense of Marvel and, therefore, Marvel is presumed to be their author and holder of the statutory copyright as a matter of law.

With respect to the "instance" prong of the test, under Second Circuit precedent, when the motivating factor in producing the work was the employer who induced the creation, then the work is made at the hiring party's "instance." The test is not a 'but for' test – that but for the artist's employment the work would not have been created – but rather a more narrow inquiry focused on the nature and scope of the parties' business relationship, and the courts focus on the degree to which the hiring party had the right to control or supervise the artist's work. Whether the hiring party had the power to accept, reject, modify, or otherwise control the creation of the work is relevant to whether the work was created at the "instance" of the hiring party. Complete control over the creator's work is not necessary; the greater the degree of supervisory power and control over an independent contractor, the more likely it is that the work was created at the commissioning party's instance.



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

The court reasoned that the record allowed for only one conclusion: Kirby did not create the Kirby Works unless Stan Lee assigned him to do so. As the court noted, not only did Lee so testify, but Kirby's son Neal had also testified that his father didn't do work on speculation, but rather got paid by the page. Although Neal Kirby testified that his father did pitch ideas to Marvel, he did not draw a comic book story until he had received approval for that story or was assigned to that story by Lee or Goodman. Kirby's refusal to work "on spec," was consistent with how other Marvel freelance artists operated at the time. Goodman and Lee were responsible for hiring artists to create work that Marvel could publish. Plaintiffs' other witnesses also testified that artists did not work on comic book pages before receiving an assignment, that assignments to write scripts came from Lee, and that Lee was responsible for deciding which writer was assigned to a particular comic book script. Lee also testified that Marvel did not purchase work created "on spec." The declarations of defendants witnesses, three other freelance artists who were contemporaries of Kirby, didn't create an issue of fact the "instance" element, because all three stated that payment for their work was contingent on approval of the work by Lee, and none stated that he worked on spec.

The court found it undisputed that at all times between 1958 and 1963 Lee had complete editorial and stylistic control over all work that Marvel published. He supervised the creation of Marvel's comic books from conception to publication. He had authority to ask artists to revise or edit their work before publication – which he frequently exercised – and if Lee did not approve of the artist's work, it was not published. Kirby was no exception; Lee edited Kirby's work and reviewed and approved all of his work prior to publication. Lee's testimony was consistent with the recollection of Kirby's daughter, Susan Kirby, who testified that Lee asked her father to redo pages. Lee also generated the plot or synopsis from which an artist created the pencil drawing for each assignment and he assigned an artist to draw a comic book after he had either described the premise in a plot outline or plotting conference, or provided the artist with a detailed script. He created the plot and dialogue for the characters after the pencil drawing was completed and often ignored any margin notes submitted by the artist with suggestions as to the plot or dialogue in the story. The court also noted that Lee's testimony was corroborated by both documentary evidence and testimony from other artists and writers who worked for Marvel during the 1950s and 1960s. Plaintiff produced a plot outline for the first issue of "The Fantastic Four" comic book, which gave the artist a detailed narrative of the story to be drawn, including the number of pages the artwork should consume. Kirby produced the pencil drawing for that issue.

Defendants argued that Kirby did not have a contractual relationship with Marvel – no written contract setting forth the terms of their arrangement existed – and therefore Marvel lacked the legal right to control Kirby's work. The court found the argument "entirely unpersuasive." That no written contract existed did not, as a matter of law, mean there was no contractual relationship – an agreement to draw a picture in exchange for payment creates a contract, whether the agreement is reduced to writing or not – and no written contract is needed to satisfy the "instance" prong of the instance and expense test. Courts focus on the actual relationship between the parties and whether the hiring party *could have* controlled or supervised the creator's work, and the hiring party's ability to supervise and edit an artist's work does not need to be based on terms set out in a written contract. The undisputed facts illustrated that, Marvel, through Lee, gave artists assignments, reviewed their work, and made changes when necessary – Marvel controlled and supervised all work that it published between 1958 and 1963.



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

To qualify as a work made for hire under the 1909 Act, the Kirby Works must also have been created at the expense of the hiring party – Marvel. While the parties do not dispute that Kirby provided his own tools, worked his own hours, paid his own taxes and benefits, and used his own art supplies, the court found that these facts – and the declarations of the other three artists in which they state that as freelance artists they worked from home and paid for their own supplies – were relevant only to the issue of whether an artist worked as an employee and not an independent contractor, and had no bearing on whether the work was made at the hiring party's expense. Under Second Circuit precedent, the "expense" requirement is satisfied where the hiring party simply pays an independent contractor a certain sum for his work. The focus is on who bore the risk of profitability in the work. Where the creator of a work receives royalties as payment, that method of payment generally weighs against finding a work-for-hire relationship. The court found it undisputed that Kirby was paid a fixed per-page fee for all work that Marvel published—including the Kirby Works – and that the works were created at Marvel's expense.

The court rejected the Kirby Heirs argument that Kirby bore the risk of his work's profitability because Marvel was not legally obligated to purchase all the work that Kirby submitted, and on occasion rejected Kirby's work, or asked him to revise it, and that he was not paid any "turn down fee" or any extra amount if he was required to revise a drawing. Existing precedent disfavored defendants' argument and favored plaintiffs' rebuttal – that the relevant question was which party bore the risk of the profitability of entire project, that is, the risk that the published comic book would not sell. According to plaintiffs, Marvel bore that risk. It hired the team of artists who created the comic book and paid them a flat fee before publication, as well as bore the cost of printing the comic book, irrespective of whether the comic book made a profit. The court concluded that while Kirby's contribution to creating the comic books at issue was plainly critical, Kirby took on none of the risks of the success of the many comic books he helped produce, and Marvel bore the risk of its failure.

The court also found that defendants failed to rebut the work-for-hire presumption. The Kirby Works were created at Marvel's instance and expense and Marvel is presumed to be the "author" of the Kirby Works and the original owner of the copyright in those works. While the presumption can be overcome by evidence of a contrary agreement, either written or oral, the Kirby Heirs did not meet their burden to demonstrate by a preponderance of the evidence that a contrary agreement existed – the Kirby Heirs adduced no admissible evidence justifying a finding or raising a genuine issue of fact that Kirby and Marvel agreed that the Kirby Works would not be "works made for hire."

The defendants' argued that three documents constitutes the necessary evidence to the contrary sufficient to justify the conclusion that Kirby and Marvel did not intend a work-for-hire relationship: (1) the 1972 assignment agreement between Kirby and Marvel, (2) checks issued between 1973 and 1974 by Marvel to freelance artists other than Kirby, and (3) a 1975 employment agreement between Kirby and Marvel. The court rejected the Kirby Heirs argument that these documents demonstrated an understanding that Kirby, not Marvel, originally owned the federal statutory copyright in the Kirby Works, and that Marvel acquired those copyrights through the revoked assignment from Kirby, finding instead that the documents on which the Kirby Heirs rely were not evidence to the contrary of the presumption, but proved conclusively that the Kirby Works were works for hire.



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

With respect to the 1972 assignment, the court found that defendants' argument – that the agreement necessarily showed that Marvel knew Kirby owned the copyrights in his works prior to the document's execution, otherwise it would be superfluous – had been repeatedly rejected by the courts. The fact that the 1972 agreement assigned to Marvel whatever right, title and interest Kirby had at that time in the copyrights to the Kirby Works did not mean that the works were not created as "works for hire" within the meaning of the 1909 Act. The agreement only purports to assign whatever right, title and interest Kirby may have in the Kirby Works, but did not contain any language acknowledging that Kirby actually had retained any federally protected copyright in those works at the time he created them. The 1972 agreement did contain Kirby's admission that he created the works as an employee for hire of Marvel's owners—definitive language that, according to the court, “completely eviscerates the Kirby Heirs' claim that the agreement constitutes evidence of an understanding that the Kirby Works were not works for hire.”

The court also found unpersuasive defendants' argument that the language of the 1975 employment agreement indicated that, as late as 1975, Marvel believed its relationship with its freelance artists was premised on the purchase of work and the assignment of copyright, and not on the work-for-hire doctrine. The employment agreement – executed literally on the eve of passage of the 1976 Copyright Act under which Kirby's future work would not have qualified as work for hire in the absence of such an agreement — was not evidence that Kirby and Marvel intended for Kirby to retain any federal copyright in his work at the time he created it. The 1975 Agreement could not be an agreement to the contrary because it related to work that was going to be produced between May 1975 and May 1978, not to the Kirby Works, created between 1958 and 1963.

Finally, the court found that while there was no real need to consider the other evidence presented by the Kirby Heirs, the other documents – checks for payment from 1973 and 1974 – added nothing of substance to their contentions. Not only were no checks from the relevant time period produced, but the checks that defendants did produce all bore legends that did not contradict the fact that the work created by freelancers was work for hire. The court declined to infer whether – and what – legend checks from the relevant time period might have included, and found that the language in the legend on the checks from 1973 and 1974, which assigns to Marvel the copyright in the work, was not dispositive of whether a work-for-hire relationship existed under the 1909 Act.

As the court concluded, none of defendants' evidence made “so much as a dent” in the “almost irrebutable” presumption that the Kirby Works were works for hire. The Kirby Heirs were not entitled to summary judgment nor had they have not raised any genuine issue of fact. The 45 Termination Notices had no effect, because Marvel owned the federal statutory copyright in the Kirby Works by virtue of its status as their “author” under the work-for-hire doctrine.

Twentieth Century Fox Film Corp. v. British Telecommunications PLC, Royal Courts of Justice, High Court of Justice, Chancery Division, July 28, 2011

 [Click here for a copy of the full decision.](#)



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

- Court issues order directing British Telecom, an internet service provider, to prevent access to Newzbin.com, a website that had been found by the court in a previous decision to be infringing on plaintiffs' copyrights by distributing commercial content without their permission.

Plaintiffs, the Motion Picture Association and member motion picture studios (the Studios) brought a successful claim for copyright infringement against Newzbin, Ltd., which operated Newzbin1 at www.newzbin.com, a website that distributed commercial content without permission from the copyright owners. After the injunction was awarded, the Newzbin1 website ceased operating and an almost identical website, Newzbin2, commenced operation at the same location. The Studios then brought an application against British Telecom (BT), an internet service provider (ISP), in the High Court of London, invoking section 97A of the Copyright, Designs and Patents Act (CDPA) and seeking a court order directing BT to block its users from accessing the websites Newzbin1 and Newzbin2.

Justice Arnold began by accepting that online copyright infringement is a serious problem for copyright owners, though in general it is one whose impact is difficult to quantify in a statistically robust way. However, he qualified that acceptance that in this case, there is "fairly good evidence of the scale of the wrongdoing." Judge Arnold then discussed the rights of expression under European law, rights of an internet service provider under European and UK law, and rights of copyright holders under European and UK law. BT argued that though it is a service provider within the meaning of 97A of the CDPA, the court lacked jurisdiction because there was no "use" of its service to infringe copyrights and it had no "actual knowledge." The court disagreed, finding that use is sufficient where BT as the ISP provided the connection for communication of infringing materials between the subscriber and the third party, and that actual knowledge existed where the service provider had notice that subscribers were using its service to commit restricted activities that infringed on rights of certain copyright holders. Having found appropriate jurisdiction to issue the order, the court went further and found that the order would not be contrary to European law.

Justice Arnold then discussed how Newzbin worked, and the substantive findings in the judgment against Newzbin1. He explained that Newzbin1 operated as part of an internet system called Usenet which allowed its users to upload and view messages on the web equivalent of public bulletin boards. Newzbin allows the posting of both binary and text files. Binary files are frequently split up by RAR encoding, which splits the file into smaller parts, each of which is in turn split into 50 or more messages, and each of those messages is posted to the newsgroup separately. If a user wishes to download the film file, he must identify each one of those messages, download the message files and assemble them to form a whole copy of the film file. Access to Newzbin1 was restricted to members, who were either basic or premium. Basic members could not download files while premium members could, for £0.30 per week. For 2009, Newzbin had a profit in excess of £360,000.

A crucial part of being a premium member is that they could create and access NZB files, which contained all the information a client required to fetch all the messages and reassemble the original file from its component parts. The final output was a set of files suitable for burning to a DVD and that could then be played on a DVD player. Premium members also could search the bulletin boards according to categories, including "Movies" and "TV." The overwhelming majority of the Movies category had content that was commercially available and very likely to be protected by copyright. Judge Kitchin in *Newzbin1* found that Newzbin Ltd "knew that the vast majority of films in the



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

Movies category were commercial and very likely to be protected by copyright and the members who used the NZB facility to download those materials, including the Studios' films, were infringing copyright.”

Judge Kitchen held in *Newzbin1* that the Studios' copyrights had been infringed by Newzbin1's premium members and that Newzbin1 had infringed the copyrights by (1) authorizing its premium members to make infringing copies of the Studios' films, (2) procuring the premium members to infringe and participating in a common design with the premium members to infringe, and (3) communicating the copyright works to the public. Further, Judge Kitchen held that Newzbin Ltd “had engaged in a deliberate course of conduct well knowing that the vast majority of the materials in the Movies category were protected by copyright and that the users of the website who downloaded the materials were infringing copyright,” enjoined Newzbin Ltd from making available copyrighted materials identified by the Studios, and assessed damages of £230,000. Newzbin Ltd then sought voluntary liquidation. Shortly thereafter, Newzbin2 appeared at the same web address. However, Newzbin2 was operated by anonymous individuals, with servers located outside of the UK, with a company registered in the Seychelles, and with a Swedish company receiving the payments made to the website. The Studios then sued BT, the largest ISP in the UK, to block access to the website.

BT has the largest number of internet subscribers in the UK of any ISP. BT facilitates the communication between its customers and third-party websites, and it does not monitor the communications. It also does not provide any services to the operators of the Newzbin2 website nor does it host the website. As an ISP, BT currently implements a blocking system that blocks access to websites identified by the Internet Watch Foundation (IWF) as those that make available child sexual abuse content.

The Studios sought in their application that BT implement the same measures with regard to the Newzbin2 website that it already operates with regard to the websites reported to it by the IWF. The measures include (1) DNS name blocking, which blocks access to the IP address associated with the registered domain name, (2) IP address blocking using routers, which blocks a customer's communications to a website by blocking access to the IP address, (3) DPI-based URL blocking, which employs Deep Packet Inspection (DPI) and would reset or block a specific website that shares an IP address with other websites that are not to be blocked. In 2004, BT launched a system known as Cleanfeed to disrupt access to websites identified by the IWF. Cleanfeed is a hybrid of IP address blocking and DPI-based URL blocking. It involves minimal and summary analyses of contents of the data packets, but not a detailed, invasive analysis.

Judge Arnold then discussed the rights of expression under European law, rights of an internet service provider under European and UK law, and rights of copyright holders under European and UK law. Section 97A of the CDPA allows the issuance of injunctions against an ISP where the ISP has “actual knowledge” of another person “using” their service to infringe copyright.

BT argued that the court has no jurisdiction to make an order requiring BT to block access. First, BT argued that there has been no “use” of their service by the users or the operators of the website and analogized their participation in the infringement to that of the postal service who delivers a pirated DVD to a customer. Judge Arnold rejected this



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

argument, finding that ISPs who enable clients to access the internet provides a service capable of being used by a third party to infringe a copyright by providing the user with the connection, making possible the transmission of unauthorized materials between the subscriber and a third party. Judge Arnold also referred to Judge Kitchin's opinion, which found the operators infringing by making available to the public the copyrighted works in such a way that users can access them. In this case, the works are made available for access over BT's network, and Judge Arnold found it sufficient to constitute use.

Second, BT argued that there has been no "actual knowledge." Judge Arnold found that the purpose and wording of section 97(A) is most decisive in determining of what the service provider must have actual knowledge. Because section 97(A) implements Article 8(3) of the Information Society Directive, Judge Arnold found instructive the Information Society Directive. Recital 59 of the Information Society Directive states that the purpose of Article 8(3), and hence section 97(A) is to enable an injunction to be granted against "an intermediary" (the ISP), which "carries" an infringement because ISPs are "best placed" to bring the infringing activities to an end. Judge Arnold found that this suggests that the requirement for actual knowledge should not be interpreted too restrictively. Accordingly, he found that all that must be shown is that "the service provider has actual knowledge of one or more persons using its service to infringe copyright." Additionally, he stated that the more information the service provider has about the infringing activity, including whether and to what extent it has knowledge of particular copyright works or classes of works are involved, particular restricted acts or types of restricted acts committed, and particular persons or groups of persons committing the acts, the more likely it is that the service provider will have actual knowledge. It is "not essential to prove actual knowledge of a specific infringement of a specific copyright work by a specific individual."

Judge Arnold found that it is also relevant to consider whether the ISP has been given notice of the infringement, and found that an ISP may be given actual knowledge by "receipt of a sufficiently detailed notice and a reasonable opportunity to investigate the position."

Because BT knew that users and operators of Newzbin2 infringe copyrights on a large scale, in particular the copyrights of the Studios, knew that the users of Newzbin2 include BT subscribers, and knew that those users use its service to receive infringing copies of copyright works from Newzbin2, BT had actual knowledge of other persons using its service to infringe copyright, and the court has sufficient jurisdiction under 97(A) of the CDPA to issue an injunction.

BT then argued that the order requested by the Studios would contravene several European laws. Judge Arnold disagreed.

First, an injunction also would not be contrary to Article 12(1) of the E-Commerce Directive, which provides that an ISP would be protected from liability for infringement of copyright as it is a mere conduit in this case, because Article 12(3) provides that the protection under Article 12(1) does not affect to possibility for a court to require an ISP to terminate or prevent an infringement. The injunction is also not contrary to Article 15(1) of the E-Commerce Directive, which prohibits Member States from imposing a "general obligation" on ISPs to "monitor the information which they transmit." However, under both recital (47) of the E-Commerce Directive and judgment of the Court of Justice in



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

L'Oreal v. eBay, Article 15(1) does not concern specific monitoring obligations, and it does not prevent courts from making orders requiring ISPs to take measure to prevent future infringements. Because the order sought by the Studios only refers to passive automated filtering rather than active, detailed inspection of data of BT's customers, to the extent that the blocking activity is monitoring, it is specific rather than general and would not be contrary to Article 15(1).

Lastly, the injunction would not be contrary to Article 10 of the European Convention on Human Rights (ECHR), which provides that everyone has the right to freedom of expression. Judge Arnold found that the order sought by the Studios is clear and precise as to the meaning and nature of the applicable measure and define with adequate clarity the scope and conditions of the exercise of the power to restrict the right to freedom of expression, because it requires BT to implement an existing technical solution for a specific purpose, and is not general in all respects, an order requiring this restriction is one not contrary to Article 10 of the ECHR.

BT further contended that even if the court has jurisdiction to make this order, it should decline to do so in the exercise of its discretion. Judge Arnold considered all three reasons advanced and a fourth potential reason and rejected them all. Judge Arnold rejected the argument that it would be wrong to deny access to the entire website even though the Studios are only interested in the 70 percent of the materials offered on the website because the Studios form the biggest single group of rightholders interested in obtaining such relief, that their rights are being infringed on a massive scale, and because the order would also benefit other rightholders. Judge Arnold also rejected the argument that granting the order would lead to multiple future claims against ISPs including BT, because the fact that there may be further application in the future is not a sufficient reason to refuse the present application because the effects of making future orders can be addressed when they are applied for. Judge Arnold also rejected the argument that the order would be ineffective since subscribers can circumvent the blocking, because not all users have the additional expertise to circumvent the blocking, the blocking will lead to slower and lower quality downloads and the users will have to pay extra for the circumvention, which will decrease the overall number of users who will circumvent the blocking measures, and the order would be justified even if it only prevented access by a minority of the users.

Judge Arnold also found that the order is proportionate between interfering with the right to freedom of expression granted by Article 10 ECHR and protecting the copyrights of the Studios. Protecting the copyrights of the Studios and other copyright owners clearly outweigh the Article 10 ECHR rights of the users of Newzbin2 and those of the operators of Newzbin2. Having found jurisdiction under section 97(A) of the CDPA and rejected all of BT's arguments, Judge Arnold granted the Studio's application for an order directing BT to block access to the Newzbin2 website.

For more information, please contact [Jonathan Zavin](mailto:jjzavin@loeb.com) at jjzavin@loeb.com or at 212.407.4161.

Westlaw decisions are reprinted with permission of Thomson/West. If you wish to check the currency of these cases, you may do so using KeyCite on Westlaw by visiting <http://www.westlaw.com/>.



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

Circular 230 Disclosure: To assure compliance with Treasury Department rules governing tax practice, we inform you that any advice (including in any attachment) (1) was not written and is not intended to be used, and cannot be used, for the purpose of avoiding any federal tax penalty that may be imposed on the taxpayer, and (2) may not be used in connection with promoting, marketing or recommending to another person any transaction or matter addressed herein.

This publication may constitute "Attorney Advertising" under the New York Rules of Professional Conduct and under the law of other jurisdictions.

© 2011 Loeb & Loeb LLP. All rights reserved.