INTELLECTUAL PROPERTY ARTICLE

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Time Warner Loses Superman Copyright to Creator's Family

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In a decision that has implications for both comic book fans and everyone who deals with copyrighted material, a federal court in Los Angeles has held that most of the copyright interests in the Superman character have been successfully recaptured by the family of the Man of Steel's creator. The case provides a stark reminder that those who acquire an assignment of the copyright in a work of enduring value are subject to the author's statutory right to terminate that assignment in the future, even if the assignment was characterized as an absolute and "unconditional" transfer of the copyright.

The origins of Superman date back to 1933, when teenage writer Jerry Siegel and his artist friend Joe Shuster conceived of a comic strip character they called "The Superman." In his first incarnation, however, Superman was a bald villain (perhaps foreshadowing his nemesis Lex Luthor). Over the next year or so, Siegel and Shuster transformed Superman into a hero -- but one who wore shorts and a t-shirt! Then, in 1934, they settled on the outlines of the character as we have known him ever since.

For several years, Siegel and Shuster shopped him unsuccessfully in comic strip form. Then, in 1937, they sold their strips to Detective Comics. The agreement provided that the existing strips and any other work they produced during a two-year "period of employment" was to be "sole and exclusive property" of DC, which was "deemed the sole creator thereof."

1938 was a pivotal year in Superman's life. Siegel and Shuster revised strips for publication in comic book form in the immortal issue no. 1 of Action Comics. 1938 also saw two new agreements between DC Comics and Siegel and Shuster. For $130, in what was characterized as an "employment agreement," the two creators acknowledged DC as the "exclusive owner" of existing strips *as well as Superman*, worldwide.

Over the ensuing years, the parties fought about relative nickels and dimes. There were two lawsuits, both of which reaffirmed DC's ownership of all rights in Superman. The final breakdown in relations began in the 1970s, when news reports described Siegel and Shuster as "nearly destitute." In 1975, and again in 1982, DC

and its successor, Warner Brothers, made "voluntary agreements" for modest payments to Siegel and his wife if she survived him. The payments would cease if the beneficiaries asserted any rights in the Superman copyright. Siegel died in 1996.

On April 3, 1997, Mrs. Joann Siegel and her daughter served statutory notices of termination of Siegel's grants of rights, effective April 16, 1999. After years of unsuccessful negotiations, the Siegel heirs sued on Oct. 8, 2004, seeking a declaratory judgment that the terminations were effective. The court held that in most respects they were.

The Superman copyrights were secured under the 1909 Copyright Act, which covered works created before January 1, 1978. Both the 1909 Copyright Act and the current Copyright Act provide that *any* license, exclusive or non-exclusive, or transfer or assignment of a copyright can be terminated by the author or his or her heirs or executor during a specific statutory window. The theory of this provision is to give authors or their heirs a chance to repudiate a deal made early in the life of a work, and to negotiate a new and better deal if the work appears to be more valuable than anticipated after the market has had a chance to express a judgment.

Determining *when* a license or transfer can be terminated is complicated. The basic rule for works created and assigned prior to 1978 is that termination can be effective any time within a five-year window that opens exactly 56 years from the date copyright was originally secured. So, if as in *Siegel*, a copyright was secured on April 18, 1938, the five-year termination window opened on April 18, 1994. But even if that window is missed, if the work was in its renewal term in 1998, a second five-year window opens 75 years after the date of copyright. Shuster's heirs are seeking to take advantage of this provision, having given notice of their intent to terminate in 2013 (1938 + 75 years). If a work is first created or assigned after 1978, the termination can generally be effective any time during a five-year window beginning 35 years after execution of the grant.

The only exception to the termination right is works for hire. This is a narrow category that includes works made by employees in the course of performing their duties, and contributions to collective works as long as there is a written work for hire agreement. In deciding whether a work was made for hire, the category of "employees" is strictly construed to include only those who work under supervision and are treated as employees for tax, benefit, and accounting purposes; independent contractors do not count.

The *Seigel* case illustrates the complexity of these rules. After parsing through the dates on which various versions of Superman were created, the court concluded that the termination *did* catch Superman's full-color debut in Action Comics No. 1, published April 18, 1938 (in color), but did *not* catch a black and white promotional version of the debut issue cover that was published on April 5, 1938. The net result is that DC/Warner retains *only* what was depicted on that black and white cover: "the image of a person of great strength (he's holding a car aloft) who wears a black and white leotard and cape." The Siegel heirs get back everything else (which they share with the Shuster heirs, who, as noted, intend to terminate separately), including the story line, the distinctive color scheme, and Superman's powers in addition to strength. An interesting footnote is that the termination process is so complicated that even the Siegels' lawyer, who had been General Counsel of the Copyright Office, was unable to get it exactly right.

For companies that acquire copyrights only in commercial items with a limited useful life, *Siegel* may be interesting but largely irrelevant. It is unusual for the copyright in commercial works to retain material value several decades after the works' creation.

For those who acquire rights in works of more enduring value, the *Siegel* saga and the legal provisions on which it turns offer somewhat contradictory lessons. Judging from the tenor of his opinion, the district judge clearly believed that DC/Warner brought the termination on itself by being remarkably stingy with the creators of an extraordinarily valuable property. Perhaps the payment of a few hundred thousand dollars earlier in the dispute might have kept the original deal in place. On the other hand, it is equally clear that generosity gives no guarantees. No matter how generous an assignee is with an author, he or she (or his or her heirs) can simply decide that a better deal can be had elsewhere and terminate. In the end, the only certain implication of the case is that even unequivocal assignments of copyrights are impermanent. Those who acquire rights in works with enduring value must keep looking over their shoulder for a long, long time and must accept the fact that even a termination right that arises decades in the future can have an impact on the value of rights being acquired today.