

Siegel v. Warner Bros. Entertainment, Inc, et al.¹: Ownership of the Rights to Superman, A Tale of Copyright Law Revisions, Termination Rights, and More

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In a fascinating and extremely well analyzed and written opinion, United States District Judge Stephen G. Larson determined the ownership of the rights to Superman. What makes the opinion compelling, however, even for an intellectual property lawyer, is not so much the legal issues as the human story behind them.

The issue before the Court was a request by Joanne Siegel and Laura Siegel Larson, the widow and daughter of Jerome Siegel, one of the original creators of the famously iconic action hero, Superman. The Siegel plaintiffs were seeking a declaration from the Court confirming that they had successfully terminated the 1938 grant by Jerome Siegel to Detective Comics of his ownership share of the Superman copyrights. While the Siegels did not prevail on every point, the Court's decision is a clear win for them, and in the end (and after over 70 pages), the Court determined that "After seventy years, Jerome Siegel's heirs regain what he granted so long ago – the copyright in the Superman material that was published in Action Comics No. 1."

While this case only concerns the Siegel heirs' efforts to terminate the 1938 grant, the estate of Superman co-creator Joseph Shuster has also filed termination notices to reclaim the rights to the Superman copyright. The termination notices filed with the U.S. Copyright Office state the estate's intent to terminate the 1938 grant of the Superman copyright effective 2013, taking advantage of changes to the law made by the 1998 Sonny Bono Copyright Term Extension Act.

The backdrop to this decision is the long and difficult relationship between the original creators of Superman and the companies to whom they sold their rights. As the

Court recounts, in 1932, Jerome Siegel and Joseph Shuster were teenagers in high school when they first began working as collaborators. "On a hot summer night in 1934, Siegel, unable to sleep, began brainstorming over plot ideas," and the ideas behind the "Superman" character "struck him." Shuster soon began working on illustrations for the story, including conceiving of the fanciful costume for the superhero. The two "shopped the character for a number of years to numerous publishers, but were unsuccessful." In December 1937, Siegel and Shuster entered into an agreement with Detective Comics, the first of many agreements between the parties. Superman itself was published by Detective Comics, in Action Comics No. 1, which had a cover date of June, 1938. Superman was popular from the start, and soon became a superhero of epic proportions.

"With Superman's growing popularity, a growing rift developed between the parties," however, including with respect to the apportionment of profits and the authors' belief that Detective Comics "poached" artists from their studio. In 1947, Siegel and Shuster brought suit against Detective Comics' successor in interest. The suit was eventually settled; Siegel and Shuster received a payment of \$94,000 and agreed that Detective Comics owned "all rights" to Superman. The disputes continued, however, and "[i]n the mid-1960s, the simmering dispute boiled anew when the expiration of the initial copyright term for Superman led to another round of litigation." After the conclusion of this litigation, "the New York Times 'ran a story about how the two creators of Superman were living in near destitute conditions': Two 61-year-old men, nearly destitute and worried about how they will support themselves in old age, are invoking the spirit of Superman for

¹ *Siegel v. Warner Bros. Entertainment Inc.*, Nos. 04-8400, 04-8776, — F.Supp.2d —, 2008 WL 906718 (C.D. Cal. March 26, 2008).

help. Joseph Shuster, who sits amidst his threadbare furniture in Queens, and Jerry Siegel, who waits in his cramped apartment in Los Angeles, share the hope that each will get pensions from the man of steel.”

“Apparently in response to the bad publicity,” the parties and DC’s parent company, Warner Communications, entered into an agreement with Siegel and Shuster in December 1975 which provided them with “modest annual payments” and medical insurance, while they confirmed DC Comics ownership of “all right, title, and interest in” Superman. After Jerome’s death, Warner continued to make payments to his widow, Joanne (apparently \$20,000 and later \$50,000 annually). Changes in U.S. copyright law, including, most significantly for the Siegels, the passage of the Copyright Act of 1976 with its provisions for termination rights, raised questions regarding ownership of the Superman copyright once again.

On April 3, 1997, Joanne and her daughter, as Jerome’s heirs, served seven separate notices of termination pursuant to Section 304 of the Copyright Act, thus beginning the termination process at issue in the case at hand. After long years of settlement negotiations (including an April 2000 agreement intended to toll the effect of the statute of limitations), in October 2004, the Siegel plaintiffs initiated litigation against Warner Brothers Entertainment, Time Warner Inc., and DC Comics (the “Warner Brothers defendants”).

With these facts as colorful background, the Court’s decision provides concise and insightful analysis of what can be some of the most arcane aspects of copyright law – the termination rights set forth in 17 U.S.C. §304. The 1976 Copyright Act created this new right, allowing authors and their heirs the ability to terminate, at a statutorily set time, a prior grant to a third party of the copyright in their creations. “The principal purpose behind the creation of the termination right was to give authors (and their heirs) a chance to retain the extended renewal term in their work and then re-bargain for it when its value in the marketplace was known.” The Act sets forth very specific provisions about how termination must be effectuated, however, and the failure to comply with these provisions can result in the termination being entirely void or ineffective. Because of the complexity of the provisions, these new rights, while a boon to authors and their heirs, have created the epitome of a legal “trap for the unwary.”

For example, for termination under the provisions of the 1976 Act, the termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years *from the date copyright was originally secured*, and calculating this time period is often a less than

straightforward analysis requiring an understanding of the interplay of the various revisions to the Copyright Act over the years, including how those revisions affect the determination of the “date copyright was originally secured.” For instance, under the 1909 Act which applied in the Superman case, works could have obtained statutory copyright without the necessity of registration, simply by the act of publishing copies of the work bearing a proper copyright notice. Thus the analysis requires determining when the work was first published and whether it bore a proper copyright notice at the time (not necessarily so easy when relying on records from, say, the mid-1930s.) In addition, the notice of termination must be served not less than two or more than ten years before its effective date. The Court quoted one commentator who had observed dryly that “[i]t is difficult to overstate the intricacies of these [termination] provisions, the result of which is that they are barely used, no doubt the result desired by lobbyists for the assignees.” Indeed, the Court concluded, “[o]nce a termination effective date is chosen and listed in the notice, the five year time window is an unbendable rule with an inescapable effect, not subject to harmless error analysis.” 2008 WL 906718 at *17. For an example of the a failed attempt by the Walt Disney Company to orchestrate an exercise of these right to Winnie the Pooh, see the Summer 2003 issue of the Bromberg & Sunstein *Dispatch*.

Reasoning through a maze of complex facts and these arcane statutory provisions, while also addressing issues relating to work for hire claims (17 U.S.C. §101) (and their impact on the termination claim), arguments that the post-termination payments received by Joanne Siegel acted to re-grant the copyright, and statute of limitation allegations and other ancillary claims and issues, the Court determined that although the termination notice tendered by the Siegels was not sufficient to capture material published with a proper copyright notice prior to April 16, 1938, the termination notice was sufficient with respect to subsequent materials. Superman itself, the Court concluded, was published by Detective Comics on April 18, 1938, in Action Comics No. 1. But, the Warner Brothers defendants argued, there were promotion announcements that were published earlier, and, indeed, *prior to* the April 16, 1938 effective date of the Siegels’ termination notice. Thus, said the Warner Brothers defendants, we still own the copyright to that earlier material, and thus, to Superman.

The Court agreed with the Warner Brothers defendants that copyright ownership for earlier promotional announcements for Action Comics Vol. 1, which were published just days earlier than the April 16, 1938, cut off

date, remained unaffected by the Siegels' termination notice. But gentle reader, do not fear, for the potentially catastrophic impact of the failure of the Siegels notice to capture this earlier material was mitigated by the Court's determination that the promotional materials in fact contained very little with respect to the actual Superman storyline and graphics. Instead, the Court held that the promotional announcement materials showed only a person of great strength (holding aloft a car) wearing some type of costume (in black and white), and the "S" which Warner Brothers alleged appeared on his chest, was "so small and blurred as to not be readily recognizable."

Thus, the Court concluded, the Warner Brothers defendants "may continue to exploit the image of a person with extraordinary strength who wears a black and white leotard and cape. What remains of the Siegel and Shuster's Superman copyright that is still subject to termination (and, of course, what defendants truly seek) is the entire storyline from Action Comics No. 1,

Superman's distinctive blue leotard (complete with its inverted triangular crest across the chest with a red "S" on a yellow background), a red cape and boots, and his superhuman ability to leap tall buildings, repel bullets, and run faster than a locomotive, none of which is apparent from the announcement." While winning the technical argument on the timing of the termination notice and its failure to capture all of the earliest published Superman material, the Warner Brothers defendants lost the right to retain all of the profits relating to their exploitation of the Superman materials to themselves, now becoming co-owners of the U.S. rights with the Siegel plaintiffs (at least until the Shuster termination goes into effect). Did the Siegel plaintiffs dodge the bullet, or did the Man of Steel step into its path?

Unless the parties can now reach a settlement, next up on the Court's agenda will be determining an apportionment of profits between the new co-owners. And that is a story for another day. ✨