

Attorneys for Plaintiffs and counterdefendants:

1 TOBEROFF & ASSOCIATES, P.C.
Marc Toberoff (State Bar No. 188547)
2 Nicholas C. Williamson (State Bar No. 231124)
Keith G. Adams (State Bar No. 240497)
3 2049 Century Park East, Suite 2720
Los Angeles, California, 90067
4 Telephone: (310) 246-3333
Fax: (310) 246-3101
5

Attorneys for Defendants and counterclaimant:

6 WEISSMANN WOLFF BERGMAN
COLEMAN GRODIN & EVALL LLP
7 Michael Bergman (SBN 37797)
9665 Wilshire Boulevard, Ninth Floor
8 Beverly Hills, California 90212
Telephone: (310) 858-7888
9 Fax: (310) 550-7191

10 FROSS ZELNICK LEHRMAN & ZISSU, P.C.

Roger L. Zissu (Admitted pro hac vice)
11 James D. Weinberger (Admitted pro hac vice)
866 United Nations Plaza
12 New York, New York 10017
Telephone: (212) 813-5900
13 Fax: (212) 813-5901

14 PERKINS LAW OFFICE, P.C.

Patrick T. Perkins (Admitted pro hac vice)
15 1711 Route 9D
Cold Spring, New York 10516
16 Telephone: (845) 265-2820
Fax: (845) 265-2819
17

18 UNITED STATES DISTRICT COURT

19 CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

20 JOANNE SIEGEL and LAURA SIEGEL
LARSON,

21 Plaintiffs,

22 v.

23 TIME WARNER INC.; WARNER
COMMUNICATIONS INC.; WARNER
24 ENTERTAINMENT INC.; WARNER BROS.
TELEVISION PRODUCTION INC.; DC
25 COMICS; and DOES 1-10,

26 Defendants.

27 AND RELATED COUNTER-CLAIMS
28

Case No. CV-04-8700 ODW (RZx)
Case No. CV-04-8776 ODW (RZx)

Hon. Otis D. Wright II, U.S.D.J

JOINT STATUS REPORT

1 Plaintiffs Joanne Siegel and Laura Siegel Larson (collectively, "Plaintiffs") and
2 Defendants Time Warner Inc. ("Time-Warner"), Warner Communications Inc., Warner
3 Bros. Entertainment, Inc. ("Warner Bros."), Warner Bros. Television Production Inc., and
4 Defendant and Counterclaimant DC Comics ("DC") (collectively, "Defendants") hereby
5 submit this joint status report in Cases Nos. CV 04-8400 (the "Superman Action") and CV
6 04-8776 (the "Superboy Action"), as directed by the Court.¹

7 Plaintiffs Joanne Siegel and Laura Siegel Larson are the widow and daughter,
8 respectively, of Jerome Siegel ("Siegel") who, with Joseph Shuster ("Shuster"), co-created
9 Superman. Siegel and Shuster co-authored the first Superman comic book story which
10 was later published in 1938 by Detective Comics, Inc. ("Detective"), the predecessor of
11 defendant DC Comics, in a new publication entitled *Action Comics No. 1*. By agreement
12 dated March 1, 1938, Siegel and Shuster granted to Detective all worldwide rights in their
13 Superman story and character, and Detective exploited those rights in various media over
14 the next seventy years. During the period at issue, from 1938 to 1943, Siegel and Shuster
15 wrote, hundreds of additional Superman comic book stories published by Detective, and
16 hundreds of Superman newspaper strips syndicated by the McClure Newspaper Syndicate.

17 The 1976 Copyright Act, which became effective on January 1, 1978, provided
18 authors and their families with new rights to recapture the author's original copyright(s)
19 for the extended renewal term by noticing the termination of previous grants of copyright.
20 See 17 U.S.C. §§ 304(c), 304(d), 203(a). Pursuant to 304(c) of the 1976 Act, Plaintiffs
21 served notices of termination with respect to Superman and Superboy ("Termination
22 Notices" or "Terminations") on Defendants on April 3, 1997, and November 8, 2002,
23 respectively, and filed such notices with the U.S. Copyright Office, pertaining to Siegel's
24 alleged copyright interest in Superman and Superboy that had been the subject of certain
25 grants. Pursuant to section 304(c), the Superman Termination Notices set forth an

26 ¹ The parties have worked in good faith to prepare a mutually acceptable joint statement and
27 agree that neither party will be prejudiced by the descriptions of the claims, defenses, and
28 arguments presented herein.

1 effective Termination date of April 16, 1999, and the Superboy Termination Notices set
2 forth an effective Termination date of November 17, 2004.

3 Defendants challenged the scope and effectiveness of Plaintiffs' Superman and
4 Superboy Termination Notices. In response, Plaintiffs initiated, in October 2004, the
5 Superman Action and the Superboy Action for declaratory relief as to the validity of the
6 Superman and Superboy Terminations, respectively, and additional claims.

7 Superman is considered a joint work under the Copyright Act because it was co-
8 authored by Siegel and Shuster. As such, each co-author originally owned an undivided
9 50% interest in such joint work's copyright. Joint owners of a copyright each have the
10 non-exclusive right to exploit such copyright subject to a duty to account to one another.
11 The Superman Termination Notices related to Siegel's (but not his co-author Shuster's)
12 50% interest in the Superman copyrights. Therefore, because DC is currently still the
13 successor of Shuster's joint copyright interest, the Superman Action is principally an
14 action for an accounting of Plaintiffs' allocable share of profits from the exploitation of
15 Plaintiffs' recaptured Siegel Superman copyrights after April 16, 1999, the noticed
16 Superman Termination date.

17 The Superboy Action, in contrast, is based on Siegel's alleged sole authorship of the
18 original Superboy story, and is therefore principally a copyright infringement action, based
19 on Defendants' alleged exploitation of the allegedly recaptured Superboy copyrights after
20 November 17, 2004, the noticed Superboy Termination date.

21 In the more than five years since Plaintiffs filed their actions, the Court has issued a
22 number of wide-ranging opinions that have substantially refined and narrowed the issues
23 presented. In the sections that follow, we set forth the procedural history of each case,
24 describing the issues that have been determined along with the issues that remain pending.

25 **I. The Superman Action (Case No. CV 04-8400).**

26 On April 3, 1997, Plaintiffs served seven notices of termination pursuant to 17
27 U.S.C. § 304(c), all effective as of April 16, 1999, purporting to terminate Siegel's
28 copyright grants to DC's predecessors in the Superman character and comic book series

1 dating back to 1938.

2 Plaintiffs filed their initial Complaint in the Superman Action on October 4, 2004.

3 The Complaint contained the following causes of action:

- 4 • Plaintiffs' First Cause of Action sought declaratory relief to affirm the validity of
5 Plaintiffs' Superman Termination Notices pursuant to 17 U.S.C. § 304(c), and to
6 declare that Plaintiffs, having recaptured Siegel's fifty percent share of the original
7 Superman copyrights, were entitled to an accounting from Defendants for fifty
8 percent of their profits from the continued exploitation of the recaptured Superman
9 copyrights after April 16, 1999;
- 10 • Plaintiffs' Second Cause of Action sought declaratory relief as to the scope of
11 Defendants' duty to account to Plaintiffs for post-April 16, 1999 profits from
12 exploitation of Plaintiffs' recaptured Superman copyrights, including declarations:
13 (a) that Defendants' duty to account extends to profits from foreign territories based
14 on "predicate acts" in the United States; (b) that "apportionment" is applicable to
15 copyright *infringement* claims actions and not to an accounting of profits between
16 joint copyright owners; (c) that if apportionment is held to apply, its application
17 should be limited to derivative Superman works created by the accounting
18 Defendant(s), but not to passive Superman licensing by such accounting Defendant;
19 (d) that profits should include profits from any derivative Superman works created,
20 produced or manufactured on or after the effective Termination date; (e) that profits
21 should not be limited to the Superman profits of Warner Bros.' wholly owned
22 subsidiary, DC, but should include Superman profits of Warner Bros. and Time-
23 Warner as well; and (f) that, in determining profits, deductible costs should be
24 limited to those customarily deducted in arm's-length agreements and comply with
25 Generally-Accepted Accounting Principles ("GAAP");
- 26 • Plaintiffs' Third Cause of Action sought a declaration that Defendants have a duty
27 to account for post-April 16, 1999 exploitation of the Superman "crest" and/or
28 Superman "shield" on the ground that they are copyrighted works derivative of the

1 copyrighted Superman crest in *Action Comics No. 1*;

2 • Plaintiffs' Fourth Cause of Action sought an accounting from all Defendants for
3 their respective exploitation of recaptured Superman copyrights after the effective
4 Termination date;

5 • Plaintiffs' Fifth Cause of Action alleged a claim for waste of the recaptured
6 Superman copyrights after the effective Termination date;

7 • Plaintiffs' Sixth Cause of Action alleged that Defendants violated the Lanham Act
8 by falsely representing exclusive ownership of Superman after the noticed
9 Termination date;²

10 • Plaintiffs' Seventh Cause of Action alleged that Defendants violated California
11 Business and Professions Code §§ 17200 *et seq.* by omitting the Terminations from
12 Time-Warner's public financial disclosures.

13
14 Defendants filed their initial Answer and Counterclaims in the Superman Action on
15 November 22, 2004. Defendant DC Comics asserted the following counterclaims:

16 • DC's First Counterclaim requested declaratory relief that the Termination Notices
17 are ineffective, alleging five independent reasons: (a) Plaintiffs did not send a
18 notice of termination with respect to a May 21, 1948 Consent Agreement; (b)
19 Plaintiff Joanne Siegel continued to accept benefits under a December 23, 1975
20 agreement, although she served a termination notice listing that agreement; (c)
21 Plaintiffs' Superboy Notice was ineffective because it was based on works that were
22 unpublished and therefore not subject to termination because they were neither in
23 their first nor their second term of copyright as of January 1, 1978, as required by 17
24 U.S.C. § 304(c); (d) Siegel's Superboy proposal and story sent to DC's predecessor-
25 in-interest were either prepared without the authorization of the copyright owner

26
27 ² Plaintiffs did not include the Fifth and Sixth Causes of Action in their Second Amended
28 Complaint, which was filed on October 8, 2008, with the Court's permission. Defendants filed
their Answer to Plaintiffs' Second Amended Complaint on October 20, 2008.

1 and/or were “works made for hire,” and therefore Siegel did not own any copyright
2 interest therein that would be subject to copyright termination; and (e) the Superman
3 Termination Notices were not timely served;

4 • DC’s Second Counterclaim requested a declaration that the Siegels’ claims are
5 barred by the statute of limitations;

6 • DC’s Third and Fourth Counterclaims alleged that the parties had entered into a
7 settlement agreement that the Siegels had repudiated,

8 • DC’s Fifth Counterclaim alleged on the basis of various limitations provided in
9 section 304(c) that the Court limit the scope and reach of the Superman and
10 Superboy notices in the following seven ways: (a) Plaintiffs failed to terminate
11 certain Superman Ads published prior to the publication of *Action Comics No. 1*, so
12 that the copyrights therein are still exclusively owned by DC Comics; (b) DC
13 Comics retains the rights to exploit Superman “derivative works” prepared prior to
14 the effective dates of the Superman and Superboy Notices; (c) DC owns all
15 copyrights in post-*Action Comics No. 1* “derivative works,” including new super
16 powers, villains, components to the Superman universe, or any other new Superman
17 elements contained therein; (d) Superboy is a “derivative work” based on Superman;
18 (e) Superboy is a joint work of authorship; (f) the television show “Smallville” is not
19 derived from the Siegel Superboy Submissions or any other Superboy work
20 exploited prior to May 21, 1948; and (g) certain “Additional Action Comics No. 1
21 Materials” were works made for hire;

22 • DC’s Sixth Counterclaim sought a determination regarding the application of a
23 number of accounting principles in the event that the Superman Termination Notices
24 and/or Superboy Termination Notice were deemed valid and effective.

25
26 The parties subsequently entered into a stipulation permitting Plaintiffs to file their
27 First Amended Complaint and permitting Defendants to file their First Amended
28 Counterclaims, and the Court adopted the stipulation on October 18, 2005.

1 Plaintiffs' First Amended Complaint largely tracked their initial complaint, except
2 for substantive amendments to Plaintiffs' sixth cause of action under the Lanham Act.

3 Defendants' First Amended Counterclaims contained additional allegations
4 concerning Defendants' alleged "settlement" defense. Defendants filed their Answer to
5 Plaintiffs' First Amended Complaint on November 1, 2005. Plaintiffs filed their Reply to
6 Defendants' First Amended Counterclaims on November 4, 2005.

7 **A. The Parties' April 30, 2007 Partial Summary Judgment Motions.**

8 On April 30, 2007, the parties filed cross-motions for partial summary judgment in
9 the Superman Action. Plaintiffs sought partial summary judgment as follows:

- 10 • That Defendants' Third and Fourth Alternative Counterclaims should be dismissed
11 because the parties failed to consummate a binding settlement agreement;
- 12 • That the Superman Termination is valid as a matter of law with respect to at least
13 the original Superman story published in *Action Comics No. 1*, and that Plaintiffs
14 have thereby recaptured Siegel's co-authorship share of the copyrights therein;
- 15 • That the defenses to the Terminations alleged in Defendants' First and Second
16 Alternative Counterclaims and parts of their Fifth Alternative Counterclaim lacked
17 merit because: (a) Siegel and Shuster's Superman story published in *Action Comics*
18 *No. 1* is not a "work made for hire" as it was independently created by them long
19 before their relationship with Detective; (b) that a May 21, 1948 consent judgment
20 need not have been listed in Plaintiffs' Termination Notices because it was not a
21 copyright grant and, in any event, is duplicative of the May 19, 1948 stipulation
22 listed in the Termination Notices; (c) that the December 23, 1975 agreement, was
23 not a copyright grant and, in any event, Plaintiff Joanne Siegel's acceptance of
24 certain pension benefits from Defendants did not reinstate any copyright grants; (d)
25 that the Superman Termination was timely served; and (e) that the Superman
26 Termination is not barred by the statute of limitations; and
- 27 • That Plaintiffs are entitled to an accounting of all profits earned from Plaintiffs'
28 recaptured Superman copyrights in the United States and in foreign territories (to the

1 extent such foreign profits are based on Defendants' predicate acts in the United
2 States).

3
4 Defendants sought partial summary judgment as follows:

- 5 • That Plaintiffs have no right under the Copyright Act to share in Defendants' profits
6 derived (a) from the foreign exploitation of any Superman work, including
7 "Superboy," or any other juvenile version of Superman, (b) from the exploitation of
8 the Superman family of trademarks, or (c) from the continued exploitation of any
9 Superman "derivative work," including "Superboy," or any other juvenile version of
10 Superman, created prior to the effective dates of Plaintiffs' Terminations;
- 11 • That as a result of Plaintiffs' alleged failure to terminate certain copyrighted works
12 as prescribed by the Copyright Act, Defendants remain free to use such
13 unterminated works and the elements contained therein without accounting to
14 Plaintiffs and without liability for copyright infringement; and
- 15 • That neither Warner Bros. nor Time-Warner is the "alter ego" of DC, and Plaintiffs
16 therefore are not entitled to reach any Superman-related profits of either of these
17 two Defendants.

18
19 The Court issued its ruling on the parties' partial summary judgment motions on
20 March 26, 2008.

21 The Court granted Plaintiffs' motion with respect to Defendants' work-for-hire
22 defense, concluding that "all the Superman material contained in Action Comics, Vol. 1, is
23 not a work-made-for-hire and therefore is subject to termination." *Siegel v. Warner Bros.*
24 *Ent. Inc.*, 542 F.Supp.2d 1098, 1130 (C.D. Cal. 2008) ("*Siegel II*"). The court also granted
25 Plaintiffs' motion in holding that Plaintiffs' omission of the 1948 consent judgment in the
26 Termination Notices did not diminish or invalidate the Notices. *Id.* at 1132. The Court
27 likewise granted Plaintiffs' motion that Joanne Siegel's continued acceptance of benefits
28 under the parties' 1975 agreement did not constitute a "grant" of copyrights under section

1 304(c)(6)(D) and had no effect on Plaintiffs' Terminations. *Id.* at 1134. The Court also
2 granted Plaintiffs' motion in denying Defendants' statute of limitations defense, holding
3 that Plaintiffs' action was timely filed. *Id.* at 1136. The Court likewise granted Plaintiffs'
4 motion in denying Defendants' defense that the parties had allegedly entered into a
5 binding settlement agreement in 2001, ruling that "the parties' settlement negotiations did
6 not result in an enforceable agreement." *Id.* at 1139.

7 The Court granted Defendants' motion in ruling that certain "promotional
8 announcements," due to their earlier publication, fell outside the statutory time "window"
9 of Plaintiffs' Termination Notices. *Id.* at 1126. The Court defined the scope of the
10 elements in the Promotional Announcements. *Id.*

11 In addition, the Court granted Defendants' motion on the foreign profits issue and
12 denied Plaintiffs' motion, ruling that the "the termination notice is not effective as to ...
13 defendants' exploitation of the work abroad," and that therefore Defendants "must account
14 to plaintiffs only for the profits from such domestic exploitation of the Superman
15 copyright." *Id.* at 1142. The Court also granted Defendants' motion that "plaintiffs cannot
16 share in defendants' profits 'purely attributable to [Superman] trademark rights,'" but
17 preserved the issue of Defendants' "accounting [for] the mixed use of trademark and
18 copyright." The Court also granted Defendants' motion that Plaintiffs' accounting "should
19 not include any profits attributable to the 'post-termination exploitation of [Superman]
20 derivative works prepared prior to termination,'" but preserved the issue as to the extent a
21 post-termination "alteration [of] pre-termination derivative works" creates a post-
22 termination derivative work for which Defendants must account. *Id.*

23 The Court denied Defendants' motion to dismiss Plaintiffs' "alter ego" claims,
24 holding that "whether the license fees paid [to DC Comics for the Superman rights]
25 represents the fair market value therefor, or whether the license for the works between the
26 entities was a 'sweetheart deal,' are questions of fact that are not answered on summary
27 judgment...." *Id.* at 1145.

28 Both parties moved for clarification and/or reconsideration of certain portions of the

1 Court's March 26, 2008 Partial Summary Judgment Order. Defendants' motion (Docket
2 Entry #307) requested that the Court reconsider its statement regarding the scope of
3 copyrightable material contained in the "promotional announcements." Plaintiffs' motion
4 (Docket Entry # 300, 312) requested that the Court "(a) clarify that Defendants did not
5 secure any copyrightable Superman elements via the 'promotional announcements;" and
6 (b) clarify that the promotional announcements did not detract from Plaintiffs' recaptured
7 Superman copyrights. Plaintiffs also sought clarification that the Court's statements in the
8 background section of its order regarding the Superman elements it did not see in *Action*
9 *Comics No. 1* were *dicta*, on the ground that this literary issue had not been joined.

10 On July 3, 2008, the Court issued an order denying Defendants' motion. In denying
11 Defendants' motion, the Court "affirm[ed] its conclusion on the scope of the copyrightable
12 material contained in those [promotional] announcements." Order at 3-4. The Court
13 denied Plaintiffs' motion, but without prejudice, stating that "[s]hould plaintiffs wish for
14 the Court to deal with the questions identified in their motion, they may append them to
15 those issues identified in the March 31, 2008 Order requiring further briefing." Order at 4.
16 See Discussion of Additional Issues Briefing in Section I(B), *infra*.

17 **B. Additional Issues Briefing.**

18 On February 21, 2008, a month before the Court issued its March 26, 2008 Partial
19 Summary Judgment Order, the parties filed a stipulation with the Court, requesting that it
20 accept briefing on and decide certain "Additional Issues" that would substantially impact
21 the nature, conduct and length of the trial, as well as the parties' pre-trial preparations.
22 The Additional Issues were:

- 23 • If Plaintiffs are successful in their Superman copyright termination claim, is
24 Plaintiffs' share of post-termination profits as a joint owner of the recaptured
25 Superman copyright(s) subject to reduction via an "apportionment" analysis?
- 26 • If Plaintiffs are successful in their Superman copyright termination claim, are the
27 following to be determined by the Court or by the jury: (a) the amount of post-
28 termination Superman profits at issue and (b) the degree, if any, to which Plaintiffs'

1 share of such profits should be reduced by “apportionment”?

- 2 • If an “apportionment” analysis is held to be appropriate, is the trier of fact (be it the
3 Court or the jury) required to make a separate and independent apportionment
4 determination, if any, for each post-termination Superman work?
- 5 • Do Plaintiffs or Defendants bear the burden of proof on (a) the issue of Defendants’
6 profits, and (b) the issue of the apportionment, if any, of those profits?
- 7 • If Plaintiffs are successful in their Superman copyright termination claim, are
8 Plaintiffs only entitled to profits derived from Plaintiffs’ recaptured copyright
9 interest in *Action Comics No. 1*; that is, was Jerome Siegel’s contribution on all
10 *subsequent* Superman works (within the termination “window”) as a “work-made-
11 for-hire” and accordingly not subject to termination?

12
13 In a March 31, 2008 Order, issued several days after the Court’s Partial Summary
14 Judgment Order, the Court ordered the parties to engage in settlement mediation, and
15 stated that it would set a briefing schedule for the Additional Issues if the parties were
16 unable to reach a settlement.³ The Court also requested that the parties brief (along with
17 the Additional Issues) the following issues that had been left unresolved by the Court’s
18 March 26, 2008 Partial Summary Judgment Order:

- 19 • Whether and to what extent post-termination alterations to pre-termination
20 derivative works fall within the scope of what Plaintiffs regained through their
21 termination notices; and
- 22 • Whether and to what extent mixed uses of trademarks and copyright fall within the
23 scope of what Plaintiffs regained through their termination notices.

24
25 Pursuant to the Court’s July 3, 2008 Order regarding Plaintiffs’ motion for
26 clarification, Plaintiffs also re-briefed the issues of (a) the scope of Defendants’ rights

27 _____
28 ³ The parties’ mediation efforts are described in Section III below.

1 based on the “promotional announcements,” and (b) whether the Court’s background
2 statements concerning the absence of certain Superman elements in *Action Comics No. 1*
3 were *dicta*.

4 The parties submitted their initial briefs on the Additional Issues on July 21, 2008
5 and their responsive briefs on July 28, 2008. The Court heard oral argument on September
6 16, 2008, during which the Court bifurcated the trial, with separate trials on (1) the alter
7 ego issues identified in the Court’s March 26, 2008 Partial Summary Judgment Order, to
8 determine which Defendants were required to account to Plaintiffs for their Superman
9 profits; and (2) the ultimate accounting claim.

10 On October 6, 2008, the Court issued an Order denying Plaintiffs’ request for a jury
11 trial on their “alter ego” and accounting claims. *Siegel v. Warner Bros. Entm’t Inc.*, 581 F.
12 Supp. 2d 1067 (C.D. Cal. 2008).⁴ The Court “reserve[d decision on the other Additional
13 Issues] until shortly before the time of [the accounting] trial.” *Id.* at 1076.

14 **C. Plaintiffs’ Lanham (Trademark) Act and Waste Claims**

15 Trial on Plaintiffs’ Lanham Act and waste claims was set for November 4, 2008.
16 On September 25, 2008, the parties submitted a stipulation seeking leave for Plaintiffs to
17 file their Second Amended Complaint, removing Plaintiffs’ Lanham Act and waste claims.
18 On October 6, 2008, the Court held a status conference to address the parties’ stipulation
19 and other trial scheduling issues. The Court then accepted the parties’ stipulation, granting
20 Plaintiffs leave to file the Second Amended Complaint, which they did on October 8,
21 2008. Defendants filed their Answer to Plaintiffs’ Second Amended Complaint on
22 October 20, 2008.

23 In the Court’s October 6, 2008 Order on the jury issues, the Court bifurcated the
24 trial, with separate trials on: (1) the alter ego issues identified in the Court’s March 26,

25 _____
26 ⁴ Plaintiffs had alternatively requested an advisory jury to the extent the Court engaged in an
27 “apportionment” analysis. Plaintiffs contend that the Court did not decide Plaintiffs’ request
28 that it empanel an “advisory jury.” Defendants contend that the Court rejected any claim for a
jury in connection with the accounting trial and did not leave the question of an advisory jury
for later decision.

1 2008 partial summary judgment Order, which would determine which Defendants'
2 Superman profits would be subject to an accounting, and (2) the ultimate accounting
3 claims. The Court scheduled the alter ego trial for January 20, 2009 and the accounting
4 trial for March 16, 2009.

5 **D. The "Alter-Ego Trial"**

6 In its March 26, 2008 Partial Summary Judgment Order, the Court found, with
7 respect to the close relationship between DC and Warner Bros., that "[t]his fact alone
8 raises a specter of a 'sweetheart deal' entered into by related entities in order to pay a less
9 than market value fee for licensing valuable copyrights." *Siegel II*, 542 F.Supp.2d at 1144.
10 Accordingly, the Court conducted the "alter-ego trial" from April 28, 2009 to May 13,
11 2009, and heard closing arguments on May 19, 2009. In its March 13, 2009 Final Pre-
12 Trial Conference Order, the Court stated:

13 Given the nature and the characterization of the property in question, the trial shall
14 determine whether the value of the various Superman option and assignment
15 agreements between DC Comics and TWEC [Time Warner Entertainment
16 Company, LP], Warner Bros. Entertainment's predecessor in interest, and the
17 amounts paid to DC Comics by TWEC (and its successor Warner Bros.
18 Entertainment) thereunder, reflect the fair market value of the nonexclusive rights
19 that the Court has determined were transferred from DC Comics to TWEC (and its
20 successor Warner Bros. Entertainment), and, if not, what accounting shall be
21 required of Warner Bros. Entertainment to ensure an equitable result.

22 Final Pretrial Conference Order at 7-8.

23 After the parties finished their closing arguments on May 19, 2009, the Court
24 dismissed Time-Warner from the case pursuant to Rule 52(c) (Tr. at 1598:2 – 1598:3) and
25 held that there was insufficient evidence to establish that the consumer products agreement
26 or animation agreements at issue were not fair market agreements. (Tr. at 1598:4 –
27 1598:8).

28 The Court took the other issues under submission. On July 8, 2009, the Court issued
its findings of fact and conclusions of law concerning the "alter-ego trial." The court
found in favor of Defendants as of the time of trial with respect to each of the agreements
at issue, concluding that:

- "there is insufficient evidence that the Superman film agreement between DC

1 Comics and Warner Bros., whether judged by its direct economic terms or its
2 indirect ones, was consummated at below its fair market value.” Order at 28; and
3 • “the Court finds that there is no evidence introduced at trial that demonstrates that
4 the Smallville agreement was for less than fair market terms.” *Id.*

5
6 However, the Court held that because the Defendants’ Superman film agreement did
7 not contain a customary “reversion” clause in DC’s favor, Plaintiffs could seek damages if
8 filming on a Superman sequel has not commenced by 2011:

9 • “If, however, by 2011, no filming has commenced on a Superman sequel, plaintiffs
10 could bring an accounting action at that time to recoup the damages then realized for
11 the Superman film agreement’s failure to contain a reversion clause.” *Id.* at 29.

12
13 **E. The August 12, 2009 Decision on “Work-For-Hire” Issues.**

14 On August 12, 2009, the Court issued an “Order Resolving Additional Issues.” In
15 its Order, the Court ruled on the work-for-hire arguments presented in the parties’
16 Additional Issues briefing, and denying Plaintiffs’ request for a jury trial on the work-for-
17 hire issue. At issue was whether the following works were “works-made-for-hire”: (i) a
18 description of “future Superman exploits” written by Siegel; Superman comic strips
19 created by Siegel and artist Russell Keaton (the “Keaton Material”); *Action Comics Nos. 2-*
20 *61*; *Superman Nos. 1-6*; and Superman newspaper strips syndicated by the McClure
21 Newspaper Syndicate. In pertinent part, the Court ruled as follows:

- 22 • The “future Superman exploits” paragraph written before the publication of *Action*
23 *Comics No. 1* could not be terminated because it was too generalized to achieve
24 copyright protection. *Siegel v. Warner Bros. Entertainment, Inc.*, 2009 U.S. Dist.
25 LEXIS 78193 at *58-*61 (C.D. Cal. Aug. 9, 2009) (“Siegel III”);
- 26 • The “Keaton Material” was unpublished and therefore could not be terminated,
27 because it did not “acquire[] statutory copyright protection under the 1909 Act, as it
28 was either never published with the requisite notice or registered as an unpublished

1 work.” *Id.* at *61;

- 2 • The Superman material “appearing in Action Comics No. 4 is based almost
- 3 verbatim on Siegel’s pre-1938 script, . . . the Superman material appearing therein
- 4 was not a work for hire and is subject to termination” and recaptured by Plaintiffs.
- 5 *Id.* at *66-*67;
- 6 • Superman No. 1, pages three through six, was not a work made for hire and was
- 7 thus subject to termination and recaptured by Plaintiffs. *Id.* at *69-*70;
- 8 • “[T]he Superman material in Action Comics Nos. 2-3 and 5-6 . . . were works made
- 9 for hire.” *Id.* at *78-*79;
- 10 • “[T]he Superman materials created by Siegel and Shuster during the term of their
- 11 employment agreement (namely, Action Comics Nos. 7-61, and to Superman Nos.
- 12 1-23) were works made for hire.” *Id.* at *86-*87;
- 13 • “[T]he two weeks’ worth of newspaper comic strip material created by Siegel and
- 14 Shuster during the spring of 1938, before the execution of the syndication agreement
- 15 were not works made for hire” and therefore were subject to termination and
- 16 recaptured by Plaintiffs. *Id.* at *129;
- 17 • The failure to list the two weeks of newspaper strips in the termination notices “was
- 18 ‘harmless error’ that does not affect the validity of termination notice” regarding
- 19 these newspaper strips; and
- 20 • “[T]he newspaper strips created by Siegel and Shuster after September 22, 1938,
- 21 were works made for hire, [and] the right to terminate does not reach the grant to
- 22 those works.” *Id.* at *119.

23 As a result of these various rulings, Plaintiffs have recaptured Jerome Siegel’s co-
 24 authorship interests in, and co-own with Defendant DC, the copyrights to the following
 25 works: the first Superman story as published in *Action Comics No. 1*, *Action Comics No.*
 26 *4*, *Superman No. 1* (pages three through six), and the first two weeks of the Superman
 27 newspaper strips. The Court declined to address the remaining Additional Issues that have
 28 been pending before the Court since the parties briefed them in July of 2008, reserving

1 decision on those issues to a later date in advance of the accounting trial. *Id.* at *165, n.
2 27. Defendants filed a motion on October 2, 2009, seeking reconsideration of the
3 Court's ruling that the omission of the first two weeks of the Superman newspaper strips
4 from the Termination Notices was "harmless error." Plaintiffs filed a motion on October
5 3, 2009, requesting reconsideration of the Court's ruling that the McClure newspaper strips
6 created by Siegel and Shuster after September 22, 1938 were works made for hire. In an
7 opinion dated October 30, 2009, the Court denied both parties' motions.

8 **F. Discovery Matters Impacting the Accounting Trial.**

9 The discovery cut-off in these actions was November 16, 2006. After that discovery
10 cutoff, the Court decided several discovery motions, and ordered on August 13, 2007 an
11 audit of Defendants. In addition, the parties entered into a stipulation on June 9, 2008 in
12 which they agreed to supplement production in advance of trial, and Defendants agreed to
13 supplement their financial production at the end of each financial quarter. Defendants last
14 supplemented their financial information on June 1, 2009.

15 On October 1, 2009, the Court adopted a stipulation by the parties which granted
16 Plaintiffs leave to replace their former expert Mark Halloran. The stipulation also granted
17 Defendants leave to appoint a new rebuttal expert and if necessary provide limited
18 supplemental rebuttal reports from previously designated experts.

19 The parties' accounting experts will also need to prepare supplemental reports
20 updating their prior analysis of DC's profits as of June 30, 2007, based on the most recent
21 financial data available.

22 **G. Current Status of the Superman Action.**

23 The Court will need to schedule the trial and corresponding pretrial deadlines for the
24 accounting action. As established in the alter-ego trial, the accounting action will concern
25 Defendant DC's profits from the exploitation of those Superman copyrights that the Court
26 has held were recaptured by Plaintiffs' Terminations and are co-owned by DC and
27 Plaintiffs (namely, the first Superman story published in *Action Comics No. 1*, *Action*
28 *Comics No. 4*, *Superman No. 1* (pages three through six), and the first two weeks of the

1 Superman newspaper strips).

2 Both parties respectfully request, however, that the Court determine the remaining
3 undecided Additional Issues which the parties briefed in 2008. Because such Additional
4 Issues define the contours of the pending accounting trial, the parties cannot properly
5 prepare for trial prior to a determination of the Additional Issues. The Additional Issues
6 are not *in limine* motions and have far too large an impact on the trial to be decided like *in*
7 *limine* motions, only days before trial. These remaining Additional Issues include:

- 8 • The impact, if any, that Defendants' pre-*Action Comics No. 1* "promotional
9 announcements" have on the scope of Plaintiffs' recaptured copyrights;
- 10 • Whether principles of apportionment should be applied to the calculation of
11 Plaintiffs' share of the profits from the recaptured copyrights;
- 12 • Whether the apportionment analysis, if applicable, should be on a work-by-work
13 basis or pursuant to a general "template," or whether there should be an alternative
14 method of apportionment;
- 15 • Who bears the burden of proof on what issues;
- 16 • How broad or narrow is the scope of the mixed use – copyright/trademark –
17 products and merchandise as to which an accounting is required (*e.g.*, t-shirts with
18 both Superman trademarks and copyrightable imagery);
- 19 • How much or how little is needed to transform the post-termination sale of a pre-
20 termination "derivative work" into a post-termination "derivative work" so as to
21 require an accounting (*e.g.*, DVD boxed sets of pre-1999 Superman films); and
- 22 • Whether the Court's background statements in its March 26, 2008 Partial Summary
23 Judgment Order concerning the literary elements in *Action Comics No. 1* are *dicta*.

24
25 The Court's decision on these remaining Additional Issues will materially impact
26 the parties' pretrial preparations and the accounting trial itself. Without guidance from the
27 Court on these Additional Issues, well in advance of the deadlines set by the Court for the
28 parties' pretrial submissions, the parties' pretrial submissions will likely be unnecessarily

1 duplicative and not conform to the standards the Court ultimately adopts to govern the
2 trial.

3 **II. The Superboy Action (Case No. CV 04-8776).**

4 On November 2, 2002, Plaintiffs served a separate notice of termination under 17
5 U.S.C. § 304(c), as of November 17, 2004, regarding Siegel's copyright grants of the
6 Superboy character to DC's predecessors.

7 Plaintiffs filed their initial Complaint in the Superboy Action on October 22, 2004.
8 The Complaint contained the following causes of action:

- 9 • Plaintiffs' First Cause of Action sought declaratory relief confirming the validity of
10 Plaintiffs' Superboy Termination Notice pursuant to 17 U.S.C. § 304(c). Unlike the
11 Superman Action, where Plaintiffs acknowledged that Siegel co-authored Superman
12 and that Plaintiffs therefore co-own recaptured Superman copyrights, Plaintiffs
13 alleged that Siegel solely authored the first Superboy story and that therefore
14 Plaintiffs solely own recaptured Superboy copyrights.
- 15 • Plaintiffs' Second Cause of Action alleged that Defendants violated the Lanham Act
16 by falsely representing that they are the exclusive owners of Superboy.
- 17 • Plaintiffs' Third Cause of Action alleged that Defendants violated California
18 Business and Professions Code §§ 17200 *et seq.* by omitting mention of the
19 Superboy Termination from Time-Warner's public financial disclosures.
- 20 • Plaintiffs' Fourth Cause of Action sought injunctive relief preventing Defendants
21 from exploiting derivative post-termination Superboy works.

22 Defendants filed their initial Answer and Counterclaims on November 22, 2004.
23 The Counterclaims asserted therein mirrored those included in Defendants' Counterclaims
24 filed in the Superman case. *See* Section I, *supra*.

25 Plaintiffs filed their First Supplemental Complaint on April 19, 2005. The principal
26 change from their initial Complaint was the inclusion of a First Cause of Action for
27 Defendants' alleged copyright infringement after November 17, 2004, the effective date of
28 the Superboy Termination. Plaintiffs alleged that any Superboy works (*e.g.*, the *Smallville*

1 television series) released by Defendants after the effective Termination date would
2 infringe Plaintiffs' recaptured original Superboy copyright. Defendants filed their Answer
3 to Plaintiffs' First Supplemental Complaint on September 7, 2005.

4 On October 18, 2005, the Court adopted the parties' stipulation permitting Plaintiffs
5 to file their First Amended Supplemental Complaint, and Defendants to file their First
6 Amended Counterclaims. Defendants filed their Answer to the First Amended
7 Supplemental Complaint on November 1, 2005, and Plaintiffs filed their Reply to
8 Defendants' First Amended Counterclaims on November 4, 2005.

9 **A. February 15, 2006 Cross-Motions for Summary Judgment.**

10 On February 15, 2006, the parties filed cross-motions for summary judgment.
11 Plaintiffs moved for partial summary judgment, requesting a ruling that their statutory
12 Termination was valid and effective under 17 U.S.C. §304(c), arguing:

- 13 • That Jerry Siegel alone created Superboy as embodied in a November 30, 1938
14 "pitch" letter from Mr. Siegel to DC's predecessor, Detective, and a thirteen-page
15 typed "Superboy" script Mr. Siegel submitted to Detective in December, 1940 (the
16 "Siegel Superboy Materials").
- 17 • That the judicial findings in a prior 1947 action between the parties' predecessors in
18 the Supreme Court of the State of New York are binding on Defendants under the
19 doctrines of *res judicata* and collateral estoppel.
- 20 • That the 1947 action held that "Siegel is the originator and sole owner of the comic
21 strip feature Superboy."
- 22 • That the preclusive effect of the findings and conclusions in the 1947 action was
23 explicitly confirmed by the Second Circuit Court of Appeals in *Jerome Siegel, et al.*
24 *v. National Periodical Publications, et al.*, 509 F.2d 909, 912-913 (2nd Cir. 1974).
- 25 • That Plaintiffs' Superboy Notices of Termination complied with the requirements
26 set forth in 17 U.S.C. § 304(c).
- 27 • That Plaintiffs' Superboy Notices of Termination were not required to list the 1948
28 Consent Judgment from the 1947 action, as the Consent Judgment was not a grant

1 and as Plaintiffs listed the duplicative 1948 Stipulation between the parties; and

2 • That the Superboy materials created by Siegel were not “works-for-hire.”

3
4 Defendants cross-moved for summary judgment, arguing:

5 • That because Superboy is derivative of Superman, Plaintiffs should not be permitted
6 to proceed in a separate Superboy action;

7 • That because the Siegel Superboy Materials were never published or registered as an
8 unpublished work, there was no “copyright subsisting in either its first or renewal
9 term on January 1, 1978,” and the “Superboy works” were therefore not eligible for
10 termination under 17 U.S.C. § 304(c);

11 • That the Siegel Superboy Materials were not eligible for termination because they
12 were “works for hire;”

13 • That the Siegel Superboy Materials were joint works of Siegel and Shuster, so that if
14 otherwise terminable, Plaintiffs could only recapture a one-half share to the
15 copyrights in such works;

16 • That Plaintiffs failed to terminate the grant in the May 21, 1948 Final Consent
17 Agreement; and

18 • Plaintiffs’ claim that the *Smallville* television series infringes the copyright in the
19 Siegel Superboy Materials should be dismissed because Plaintiffs cannot meet the
20 test for establishing infringement.

21
22 Judge Lew, who presided over the Superboy Action at that time, issued a decision
23 on the parties’ cross-motions on March 24, 2006, granting Plaintiffs’ motion for partial
24 summary judgment and denying Defendants’ motion for summary judgment.

25 One of the principal disputes briefed by the parties and addressed in Judge Lew’s
26 ruling was whether the 1948 findings of fact and conclusions of law issued in support of an
27 interlocutory ruling in the 1947 state court action had preclusive effect in the Superboy
28 litigation. Judge Lew concluded that the 1948 findings of fact and conclusions of law have

1 preclusive effect:

2 “Having relied on [the 1947 action’s] findings for previous favorable determinations
3 regarding Superman, Defendants now take the inconsistent position that this Court is
4 not bound by the state court findings, as they relate to Superboy... Contrary to
5 Defendants’ assertions now, both the Southern District of New York and Second
6 Circuit looked directly to, even citing to, Judge Young’s findings of fact. This Court
7 holds that it is consistent to continue this position and will look to Judge Young’s as
8 binding where relevant.”

9 See March 24, 2006 Order at 7:4-7; 7:14-19.

10 Judge Lew also held that “no genuine issue of material fact exists regarding the
11 effectiveness of [Plaintiffs’] termination of the Superboy copyrights.” *Id.* at 12:8-11.

12 Judge Lew also denied Defendants’ motion that Defendants’ *Smallville* television series
13 does not infringe Plaintiffs’ recaptured copyrights in the Siegel Superboy Material,
14 preserving this issue for trial. *Id.* at 15:8-16:26.

15 Defendants filed a certification motion pursuant to 28 U.S.C. § 1292(b) on April 17,
16 2006, requesting that Judge Lew certify the matter for appeal. Judge Lew denied the
17 certification request in an order dated May 22, 2006.

18 Judge Lew thereafter took senior status and these actions were reassigned to Judge
19 Larson on October 26, 2006. On January 12, 2007, Defendants filed a motion for
20 reconsideration, requesting that Judge Larson reconsider Judge Lew’s holding that “Judge
21 Young’s findings of fact [in the 1948 Westchester Action between the parties’
22 predecessors] have preclusive res judicata and collateral estoppel effect on this Court.”
23 Defendants requested in the alternative that Judge Larson reconsider Judge Lew’s denial of
24 Defendants’ April 17, 2006 certification motion.

25 Judge Larson granted Defendants’ reconsideration motion in an order dated July 27,
26 2007. In that ruling, Judge Larson concluded that the referee’s findings in the Westchester
27 Action should have preclusive effect, but as a matter of collateral estoppel, not judicial
28 estoppel. However, Judge Larson ruled that “contrary to the March 24, 2006 Order, those
findings are not necessarily determinative of all the issues.” *Siegel v. Time Warner Inc.*,
496 F. Supp. 2d 1111, 1131 (C.D. Cal. 2007) (“*Siegel I*”). Judge Larson summarized his
rulings as follows:

1 Based on the referee's findings, the Court has determined that Siegel's Superboy
2 submissions were not a work made for hire, but the Court is unable to conclude
3 whether the requisite 'publication' of the Superboy submissions occurred due to
4 the unresolved matter regarding the submissions' derivative nature. Similarly, the
Court was unable to conclude whether the Superboy submissions were part of a
joint work, but only because the issue of whether the submissions are a derivative
work remains unresolved (and a subject of further court-ordered briefing).

5 *Id.* at 1155.

6 Judge Larson therefore requested supplemental briefing by the parties on the issue
7 of "the derivative nature, if any, of Siegel's Superboy submissions, bearing in mind the
8 legal principles set forth in *Nichols* [*v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir.
9 1930)] as expounded in [*Detective Comics, Inc. v. Bruns Publications, Inc.*, 111 F.2d 432
10 (2d Cir. 1940)], *Warner Bros. [v. Am. Broad. Cos.]*, 720 F.2d 231 (2d Cir. 1983)], and
11 *Sapon [v. DC Comics]*, 62 U.S.P.Q.2d 1691 (S.D.N.Y. 2002)." *Id.* The parties submitted
12 their supplemental briefing on September 10, 2007, but Judge Larson did not issue a ruling
13 on the matter.

14 **B. The Parties' April 30, 2007 Partial Summary Judgment Motions**

15 Between the time Defendants moved for reconsideration of Judge Lew's March 24,
16 2006 Order and the time Judge Larson issued his July 27, 2007 decision granting
17 reconsideration, the parties filed partial summary judgment motions in both cases on April
18 30, 2007. Defendants sought partial summary judgment in the Superboy Action (some of
19 which overlaps with their motions in the Superman Action) on the follow grounds:

- 20 • That Plaintiffs have no right under the Copyright Act to share in Defendants' profits
21 derived (a) from the foreign exploitation of any Superboy work, including
22 "Superboy" or any other juvenile version of Superman, (b) from the exploitation of
23 the Superman family of trademarks, or (c) from the continued exploitation of any
24 Superman "derivative work," including "Superboy," or any other juvenile version of
25 Superman, created prior to the effective dates of Plaintiffs' Terminations;
26 • That as a result of Plaintiffs' alleged failure to terminate certain copyrighted works
27 as prescribed by the Copyright Act, Defendants remain free to use such
28 unterminated works and the elements contained therein without accounting to

1 Plaintiffs and without liability for copyright infringement; and

2 • That the episodes of the television series *Smallville* prepared on or after November
3 17, 2004 are not “substantially similar” to, and therefore do not infringe upon, any
4 of the Superboy copyrights recaptured by Plaintiffs pursuant to their Termination
5 Notices.

6 Plaintiffs cross-moved for partial summary judgment on the following grounds:

7 • That Plaintiffs are entitled to an accounting of all profits earned from Plaintiffs’
8 recaptured Superboy copyrights, both in the United States and in foreign territories,
9 to the extent that such foreign profits flow from Defendants’ exploitation of such
10 copyrights within the United States.

11
12 As discussed in detail in Section I(A) above, the Court issued its ruling on the
13 parties’ Superman partial summary judgment motions on March 26, 2008. In addition, the
14 Court issued a separate order related to the Superboy Action on March 31, 2008, in which
15 the Court denied the parties’ motions for partial summary judgment in the Superboy
16 Action as moot:

17 As the Court stated during the September 17, 2007 hearing on the parties’ cross
18 motions for partial summary judgment in these cases, the issues raised by the parties
19 in the Superboy action . . . , in light of the Court’s earlier ruling on July 27, 2007,
and with a forthcoming ruling in the companion Superman action . . . , would be
rendered moot.

20 Order at 1.

21 The Court further stated:

22 “[T]he Court reserves issuing an order on the remaining issues brought up in the
23 Court’s July 27, 2007 Order in the Superboy case (and to which the parties have
24 provided both supplemental briefing and oral argument), and setting the pre-trial and
trial-dates in the Superboy matter, if needed, until after the conclusion of the trial in
the Superman case.”

25 Order at 2.

26 **C. Current Status of the Superboy Action.**

27 Plaintiffs’ position is that the Court never issued a final ruling that the Siegel
28 Superboy Materials were a “joint work.” Defendants’ position is that the Court ruled that

1 the Siegel Superboy Materials were a “joint work” if and to the extent that they were
2 copyrightable at all. In addition, given the Court’s July 27, 2007 ruling along with its
3 March 31, 2008 ruling, the parties agree that the Court still needs to make determinations
4 on: (1) the extent of the original copyrightable material in Siegel’s Superboy Materials, if
5 any; and (2) whether the original material, if any, from the Superboy Materials was
6 published in a work allegedly subject to recapture pursuant to the Superboy Termination
7 Notices.

8 Although Judge Larson suggested in his March 31, 2008 Order that he would wait to
9 resolve these issues until after the conclusion of the accounting trial in the Superman
10 action, the parties submit that they should properly be decided in advance of the Superman
11 accounting trial so that the parties can also account in the Superman Action for Siegel’s
12 Superboy Materials, if such is held to be appropriate.

13 **III. The Parties’ Mediation Efforts.**

14 The parties have engaged in two settlement mediations before the Hon. Daniel
15 Weinstein (Ret.), the first in May-June 2008, and the second in September 2009. On
16 November 11, 2009, the parties each submitted a status report to the mediator pursuant to
17 the mediator’s directive. Despite the parties’ mediation efforts, to date they have not
18 settled these cases.

1 Respectfully submitted,

2
3 DATED: December 21, 2009

WEISSMANN WOLFF BERGMAN
COLEMAN GRODIN & EVALL LLP

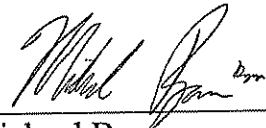
4 -and-

5 FROSS ZELNICK LEHRMAN & ZISSU, P.C.

6 -and-

7 PERKINS LAW OFFICE, P.C.

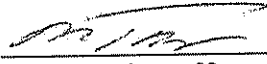
8
9
10

11 By: 
12 Michael Bergman
13 Attorneys for Defendants and counterclaimant

14 DATED: December 21, 2009

TOBEROFF & ASSOCIATES, P.C.

15
16
17

18 By: 
19 Marc Toberoff
20 Attorneys for Plaintiffs/Counterclaim-Defendants

21
22
23
24
25
26
27
28