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## **South by Southwest – Continuing Legal Education**

“Actions, Reactions and Class Actions: Music Business Litigation”

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### **I. Music Industry**

Download Cases:

- A. Sledge v. Warner Music Group. On January 23, 2014, U.S. District Judge Richard Seeborg granted preliminary approval to a deal struck between a group of recording artists and Warner Music Group over the treatment of monies derived from digital downloads and ringtones. The deal provides an \$11.5 million fund for pre-digital age artists to claim against for past amounts based on their download activity together with an uplift (subject to a floor and ceiling) in the royalty rate paid to artists by WMG on download activity.<sup>1</sup> The court has set a hearing for final approval in October 2014.
- B. James v. UMG Recordings, Inc. Ongoing class action litigation against UMGR over the treatment of digital licensing income brought by the estate of Rick James, Chuck D. of Public Enemy, Dave Mason, Whitesnake and others.<sup>2</sup> The court has set a hearing on plaintiffs’ motion for class certification in November 2014. (A similar case is pending in the same court against EMI/Capitol Records, now owned by UMGR, which has only just gotten underway.)
- C. Shropshire v. Sony Music Entertainment; Youngblood v. BMG Music. Plaintiffs, including The Allman Brothers, Cheap Trick, and The Youngbloods, alleged that BMG and Sony (and after a 2004 merger, Sony BMG Music Entertainment), failed to render to them and other artists accurate accounting statements and to properly account and credit royalties for digital music downloads, mobile phone ringtones, and ringback tone uses generated by Sony/BMG’s licensing of the plaintiffs’ and other class members’ master recordings to third-party licensees. In early 2012, the parties reached a settlement for Sony/BMG to pay its recording

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<sup>1</sup> <http://phillaw.com/news/index.php>

<sup>2</sup> <http://phillaw.com/casepdfs/Variety%20-%20F.B.T.pdf>

artists \$7.95 million to resolve outstanding claims together with an increase in the royalty rate.<sup>3</sup>

#### Other Cases:

- A. Flo & Eddie, Inc. v. Sirius XM Radio, Inc.<sup>4</sup> Plaintiff filed a class action complaint in the Los Angeles County Superior Court against Sirius XM Radio on behalf of itself and all other similarly situated owners of sound recordings of musical performances initially “fixed” (recorded) prior to February 15, 1972. Plaintiff alleged misappropriation, unfair competition and conversion in connection with the use of those recordings. Plaintiff alleged Sirius XM infringed older recordings from thousands of artists, dating back to 1972. Plaintiff projects damages of around \$100 million.
- B. Puckett et al. v. Sony Music Entertainment.<sup>5</sup> In March 2005, the New York State Supreme Court (DeGrasse, J.) certified a settlement class, finding that Gary Puckett (of Gary Puckett & the Union Gap) and jazz musician and composer Robert Watson were appropriate class representatives to represent a class of some 1,500 recording artists and producers who were parties to standard Sony recording or production agreements.<sup>6</sup> The complaint alleged that Sony’s policy of treating the value added tax on foreign sales of recordings improperly reduced the royalties paid or credited to the class members. Plaintiffs alleged that Sony consistently underreported foreign royalties to its recording artists and producers, and that this activity was in breach of Sony’s contracts with class members. The court granted final approval in January 2006 following notice to the class.

## II. Film/TV Industries

- A. Osmond v. SAG-AFTRA. Plaintiff filed a class action challenging the methods SAG used to collect and distribute foreign royalties to performers (a.k.a. “foreign levies”) derived from taxes on sales of blank DVDs & tapes, recording equipment, and/or cable retransmissions in foreign countries.<sup>7</sup> Beginning in the 1980s, certain European countries began to impose these kinds of royalties to compensate copyright holders (including American performers in film and TV shows) whose works were subject to home recording and other forms of reuse because such works were exhibited in those countries. Since the U.S. agreed to the terms of the Berne Convention for the Protection of Literary and Artistic

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<sup>3</sup> <http://www.hollywoodreporter.com/thr-esq/sony-digital-music-class-action-lawsuit-8-million-297761>; <http://ipandentertainmentlaw.wordpress.com/2012/03/09/allman-brothers-settle-class-action-with-sony-over-digital-downloads/>; <http://ipandentertainmentlaw.wordpress.com/2012/03/09/recording-artists-suing-for-digital-royalty-accountings/>

<sup>4</sup> *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. BC 517032 (Cal. Super. Ct. L.A. Cnty. Aug. 1, 2013).

<sup>5</sup> *Puckett v. Sony Music Entertainment*, No. 108802/98 (N.Y. Sup. Ct. N.Y. Cnty. 2002).

<sup>6</sup> [http://decisions.courts.state.ny.us/fcas/FCAS\\_docs/2005MAR/300108802199810SCIV.PDF](http://decisions.courts.state.ny.us/fcas/FCAS_docs/2005MAR/300108802199810SCIV.PDF)

<sup>7</sup> [http://www.sagaftra.org/files/sag/documents/SAG\\_Plaintiffs\\_Settlement\\_Foreign\\_Roaylties\\_Litigation.pdf](http://www.sagaftra.org/files/sag/documents/SAG_Plaintiffs_Settlement_Foreign_Roaylties_Litigation.pdf);  
[http://www.sagaftra.org/files/sag/documents/ClassActionNotice\\_and\\_ProposedSettlement.pdf](http://www.sagaftra.org/files/sag/documents/ClassActionNotice_and_ProposedSettlement.pdf)

Works in 1988, monies from that agreement for American artists began to flow. Under the Berne Convention Implementation Act of 1988, signed by Reagan and effective 1989, SAG began collecting foreign funds on behalf of its members and nonmembers who maintained rights in films and TV programs which were exhibited and subjected to reuse in foreign countries.<sup>8</sup> Following preliminary approval, SAG mailed notices of class settlement to approximately 70,000 members. Though as a condition of settlement it admitted no wrongdoing, and though its general counsel claimed it had distributed more than \$7 million of the approximately \$16 million collected in foreign royalties to performers since 2007, Defendant SAG nonetheless agreed to conduct an independent and public audit of its foreign royalties program.<sup>9</sup> Final approval of the class settlement was granted February 18, 2011. Under the approved settlement, SAG-AFTRA will (1) continue to distribute funds to performers, (2) establish a website whereby performers will be able to determine whether they are owed more than \$10 in accrued royalties and the date on which they can expect to receive disbursement, (3) make reasonable efforts to allocate and pay to performers the approximately \$8 million in foreign royalties remaining in its possession.<sup>10</sup>

- B. Donen v. Universal Pictures, et al. Four nearly identical class actions were filed against Universal City Studios, Paramount Pictures, Twentieth Century Fox, Warner Bros., and Sony Pictures on January 16, 2013 in Los Angeles Superior Court.<sup>11</sup> Plaintiffs seek royalties owed to them as profit participants in the distribution of motion pictures on home video.<sup>12</sup> Their complaints allege Defendants systematically paid less in royalties to artists than appropriate by including only 20% of overall revenue derived from the distribution of motion pictures when calculating the amount payable to the profit participants. In other words, in divvying up the backend profits owed to artists, studios only take from a pot of 20% of the total returns derived from the distribution of home video; the studios pocket the other 80%. Plaintiffs argue this model is outdated in the digital age because the original rationale behind the payment scale was configured to cover the cost of VHS manufacturing and production in an age in which VHS was the dominant platform for distributing motion pictures on home video. Today, argues Plaintiffs, DVDs, digital downloads, streaming, and VOD are both much cheaper and much more common methods for distributing content for home video

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<sup>8</sup> <http://www.jjllplaw.com/2010/09/20/sag-preliminary-settlement-okd/>

<sup>9</sup> <http://variety.com/2010/film/news/sag-reaches-settlement-in-osmond-case-1118022937/>

<sup>10</sup> <http://www.thewrap.com/movies/column-post/judge-grants-preliminary-approval-sag-foreign-royalties-settlement-21018>

<sup>11</sup> Complaints: [http://www-deadline-com.vimg.net/wp-content/uploads/2013/01/Martindale-Sony\\_130116225237.pdf](http://www-deadline-com.vimg.net/wp-content/uploads/2013/01/Martindale-Sony_130116225237.pdf); [http://www-deadline-com.vimg.net/wp-content/uploads/2013/01/Higgins-Paramount\\_130116225126.pdf](http://www-deadline-com.vimg.net/wp-content/uploads/2013/01/Higgins-Paramount_130116225126.pdf); [http://www-deadline-com.vimg.net/wp-content/uploads/2013/01/Higgins-Universal\\_130116225150.pdf](http://www-deadline-com.vimg.net/wp-content/uploads/2013/01/Higgins-Universal_130116225150.pdf); [http://www-deadline-com.vimg.net/wp-content/uploads/2013/01/Donen-Fox-lawsuit\\_130116225300.pdf](http://www-deadline-com.vimg.net/wp-content/uploads/2013/01/Donen-Fox-lawsuit_130116225300.pdf)

<sup>12</sup> According to Complaints, “Motion pictures on home video” includes, but is not limited to, “VHS, DVD, Laser disc, Video-On-Demand [VOD], digital download, streaming, and all other methods of distribution of motion pictures.”

than VHS tapes.<sup>13</sup>

### III. Sports Industry

#### A. In Re NCAA Student-Athlete Name and Likeness Litigation.

1. Publicity Claim: Former college football players filed a right of publicity claim against Electronic Arts and the National Collegiate Athletic Association for misappropriation of the student-athletes' likenesses in its NCAA Football, Basketball and March Madness video game franchise.<sup>14</sup> In November 2013, U.S. District Judge Claudia Wilken ruled that the lawsuit would go forward as a class for similarly situated former and current college student-athletes.<sup>15</sup> In the video games, the teams are comprised of virtual players who share physical attributes of student-athletes (jersey number, height, weight, home state, skin tone and hair color). Consumers can upload rosters created by third parties that contain student-athletes' names. Plaintiffs contend Defendants violated their licensing agreement with the NCAA, which prohibits commercial licensing of a student-athlete's name, picture or likeness. While in September 2013, EA and CLC agreed to settle both the publicity and antitrust claims, NCAA refused, and the publicity claim against NCAA is ongoing.<sup>16</sup> Terms of the EA/CLC settlement will remain confidential until preliminary approval papers are filed. The settlement is estimated to affect 100,000-125,000 current and former athletes and some reports list the settlement award at more than \$40 million.<sup>17</sup> Shortly after news of the EA/CLC settlement broke, EA announced it would no longer make college football games.<sup>18</sup>
2. Antitrust Claim: Most plaintiffs involved in the publicity claim also allege, as a class, conspiracy among EA, Collegiate Licensing Company (CLC) and NCAA to restrain trade in violation of the Sherman Act. In support of Plaintiffs' antitrust claim, they also allege: (1) EA is the only NCAA licensee which uses images of current or former players; (2) in the licensing agreement with CLC, EA agreed to abide by the NCAA rules prohibiting student-athlete compensation; and (3) EA also agreed not to offer compensation to former student-athletes for use of their image, likeness, or name. Plaintiffs argued this showed EA was actively

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<sup>13</sup> <http://www.deadline.com/2013/01/universal-paramount-fox-sony-slapped-with-royalties-class-action-suits/>

<sup>14</sup> *In re NCAA Student-Athlete Name and Likeness Litigation*, No. C 09-1967 CW, 2011 WL 1642256 (N.D. Cal. 2011).

<sup>15</sup> <http://www.rawstory.com/rs/2013/11/10/student-athlete-licensing-revenue-suit-against-ncaa-moves-forward/>

<sup>16</sup> <http://www.cbssports.com/collegefootball/writer/dennis-dodd/23859858/ea-sports-settles-likeness-suits-thousands-of-current-former-players-eligible-for-money>

<sup>17</sup> <http://fkks.com/news/ea-settles-major-right-of-publicity-case-with-athletes>

<sup>18</sup> <http://www.sbnation.com/college-football/2013/9/27/4775712/obannon-ncaa-ea-settlement-clc>

participating in efforts to ensure student-athletes would not receive compensation for use of their image, likeness or name. On July 28, 2011, the Court found the antitrust plaintiffs had sufficiently alleged that EA agreed to participate in the alleged antitrust conspiracy.<sup>19</sup> In September 2013, EA and CLC settled with these plaintiffs for an amount that will remain undisclosed until preliminary approval papers are filed. On February 28, 2014, in response to NCAA's continued refusal to settle, Judge Wilken ordered the parties to schedule a settlement conference to address both the antitrust and right-of-publicity claims.

- B. In Re NCAA Concussion Litigation. Eastern Illinois wide receiver Adrian Arrington and other student-athletes filed suit against NCAA in September 2011 in the Northern District of Illinois, alleging that NCAA negligently failed to protect student-athletes from concussions.<sup>20</sup> The first filed of its kind, the Arrington suit covered athletes in 18 states dating back to 2004 and sought unspecified monetary damages and changes to the NCAA's policies regarding traumatic head injuries sustained by student athletes, including the establishment of an NCAA trust fund for the long-term medical monitoring of injured athletes and new concussion guidelines for schools and coaches. In January 2014, a judicial panel on multidistrict litigation (MDL) granted the consolidation of nine nearly identical "copycat" lawsuits with the Arrington suit, finding that the actions "involve nearly completely overlapping putative classes and claims" and that the actions "share common factual questions concerning the NCAA's knowledge of the risks of concussions [...] and its policies governing the protection of players from such injuries."<sup>21</sup> Following the judicial panel's decision, the consolidated class action covers some 70+ current and former college athletes, in all states, including prior to 2004.<sup>22</sup> A proposed settlement of approximately \$750 million was announced late last year in a similar case brought against the National Football League; a motion for preliminary approval of that settlement is pending.
- C. Senne v. Office of the Commissioner of Baseball, et al. Three minor league baseball players filed suit against Major League Baseball and three teams, including the San Francisco Giants, in February 2014 in federal court in San Francisco. Plaintiffs seek class action status on behalf of thousands of current and

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<sup>19</sup> *In re NCAA Student-Athlete Name and Likeness Litigation*, No. C 09-1967CW., 2012 WL 1745593 (N.D. Cal. 2012).

<sup>20</sup> [http://espn.go.com/college-football/story/\\_/id/6978479/former-eastern-illinois-panther-adrian-arrington-suing-ncaa-concussion-rules](http://espn.go.com/college-football/story/_/id/6978479/former-eastern-illinois-panther-adrian-arrington-suing-ncaa-concussion-rules)

<sup>21</sup> Not included in the consolidated class action is another concussion case brought against the NCAA in the Southern District of Indiana by former Washington and Oregon quarterback John DuRocher, former Washington safety Darrin Harris, and former Kent State linebacker Anthony Mirando. That case involved helmet manufacturers Riddell and Schutt Sports.

See: <http://www.usatoday.com/story/sports/college/2014/01/02/concussion-lawsuits-ncaa-consolidated-adrian-arrington/4293867/>

<sup>22</sup> [http://www.al.com/sports/index.ssf/2014/02/whos\\_suing\\_the\\_ncaa\\_alcom\\_data.html](http://www.al.com/sports/index.ssf/2014/02/whos_suing_the_ncaa_alcom_data.html)

former minor leaguers. Plaintiffs allege that minor league players are paid \$3,000 to \$75,000 per season and train for weeks without pay. Plaintiffs claim this practice violated minimum wage and labor laws under the Fair Labor Standards Act and federal minimum wage because minor-leaguers allegedly work at least 50 hours per week and are not paid anything extra for spring training, offseason instructional leagues, or year-round conditioning.<sup>23</sup>

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<sup>23</sup> <http://www.sfgate.com/giants/article/Baseball-sued-over-low-minor-league-wages-5245784.php>.

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

MARK PARSONS, BRANDON BRADLEY,  
SCOTT GANDY, ROBERT HELLIN,  
JOSEPH BRUCE, and JOSEPH UTSLER,

Plaintiffs,

vs.

UNITED STATES DEPARTMENT OF JUSTICE  
and FEDERAL BUREAU OF INVESTIGATION,

Defendants.

Case No.

Hon.

**COMPLAINT**

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**COMPLAINT**

Plaintiffs Mark Parsons, Brandon Bradley, Scott Gandy, Robert Hellin, Joseph Bruce and Joseph Utsler state as follows for their Complaint against Defendants United States Department of Justice and the Federal Bureau of Investigation:

**PRELIMINARY STATEMENT**

1. Plaintiffs challenge the federal government's unwarranted and unlawful decision to designate a musical band's supporters as a criminal gang, thereby subjecting them to significant harm, including repeated police harassment and denial of employment.

2. Among the supporters of almost any group – whether it be a band, sports team, university, political organization or religion – there will be some people who violate the law. Inevitably, some will do so while sporting the group's logos or symbols. However, it is wrong to designate the entire group of supporters as a criminal gang based on the acts of a few. Unfortunately, that is exactly what happened here.

3. Plaintiffs self-identify as "Juggalos," or fans of the musical group Insane Clown Posse ("ICP") and other bands on ICP's independent record label, Psychopathic Records. Some of ICP's songs, such as "Juggalo Homies," "Juggalo Island," and "Miracles," have hopeful, life-affirming themes about the wonders of life and the support that Juggalos give to one another. Other music, called "horrorcore hip hop," uses very harsh language to tell nightmare-like stories with an underlying message that horrible things happen to people who choose evil over good.

4. Many people view Juggalos as nonconformists because of their musical tastes, their practice of painting their faces to look like clowns, and the distinctive Juggalo symbols – including the "hatchetman" logo – that they often display on their clothing, jewelry, body art and bumper stickers. Yet when Juggalos come together at concerts or their annual week-long gathering every summer, they know that they are in a community where all people are equal and where they will be accepted and respected for who they are. The unifying theme for Juggalos is that no matter what one's economic status, racial



background or past problems, Juggalos are a “family” of people who love and help one another, enjoy one another’s company, and bond over the music and a philosophy of life. Organized crime is by no means part of the Juggalo culture.

5. The Defendants, the United States Department of Justice (“DOJ”) and the Federal Bureau of Investigation (“FBI”), estimate that there are over a million Juggalos in the United States. As with any large group, a relative handful engage in criminal activity, sometimes while wearing Juggalo symbols. Yet, in 2011, Defendants seized on reports of independent crimes to brand Juggalos across the country as a “loosely-organized hybrid gang” in the DOJ’s 2011 National Gang Threat Assessment (“2011 Assessment”).

6. This gang designation has caused real harm to ordinary Juggalos from coast to coast. Defendants widely published the designation to state and local police agencies through an online law enforcement database, as well as through reports and other means. As a result, state and local police routinely stop, detain, interrogate, photograph and document people like Plaintiffs, who do not have any connections to gangs, because they have exercised their First Amendment rights to express their identity as Juggalos by displaying Juggalo symbols. Other Juggalos, including plaintiff Scott Gandy, have been denied consideration for employment because of the gang designation. The designation has a chilling effect on Juggalos’ ability to express themselves and to associate with one another.

7. Defendants’ designation of the Juggalos as a “hybrid gang” violates the federal Administrative Procedure Act (APA) for three reasons. First, it infringes on Juggalos’ First Amendment freedoms and is unconstitutionally vague in violation of Due Process. Second, branding the group as a gang is arbitrary and capricious, since the DOJ

stigmatized an entire fan base of more than a million people even though it knows that only a small fraction of individuals have engaged in isolated criminal acts. Third, Defendants violated criminal intelligence collection procedures by gathering information on Juggalos without reasonable suspicion to believe that the group is involved in a “definable criminal activity or enterprise” and by gathering such information in a way that interferes with their protected activities.

8. As set forth below, Plaintiffs seek a declaration that designating the Juggalos as a gang or “hybrid gang” is unlawful. They also seek an order under the APA removing the Juggalos from the DOJ’s gang list and enjoining Defendants from taking action in the future that would brand Juggalos, as a group, as a criminal gang based on the actions of a relatively few people who may identify as Juggalos.

#### **JURISDICTION**

9. The Court has federal question jurisdiction under 28 U.S.C. § 1331 because this case arises under the United States Constitution and the federal Administrative Procedure Act (“APA”), 5 U.S.C. § 702 *et seq.*

#### **VENUE**

10. The Eastern District of Michigan is the proper venue for this case under 28 U.S.C. § 1391(e) because Plaintiffs Joseph Utsler and Joseph Bruce reside in this District, and the DOJ and the FBI are agencies of the United States government.

#### **PARTIES**

11. Plaintiff Mark Parsons is a Juggalo. He resides in Las Vegas, Nevada.
12. Plaintiff Brandon Bradley is a Juggalo. He resides in Citrus Heights, California.
13. Plaintiff Scott Gandy is a Juggalo. He resides in Concord, North Carolina.

14. Plaintiff Robert Hellin is a Juggalo. He resides in Garner, Iowa.

15. Plaintiff Joseph Utsler is a Juggalo and a member of the musical group ICP. He resides in Davisburg, Michigan.

16. Plaintiff Joseph Bruce is a Juggalo and a member of ICP. He resides in Farmington Hills, Michigan.

17. Defendant DOJ is a department of the United States government.

18. Defendant FBI is an agency within the DOJ.

19. The DOJ and the FBI are each “agencies” within the meaning of the APA.

20. The FBI is responsible for administering the National Gang Intelligence Center (“Center” or “NGIC”). The Center is a multi-agency operation of the United States government that is responsible for collecting, analyzing and disseminating information from and to federal, state and local prosecutors, law enforcement authorities and corrections officials about criminal street gangs, prison gangs and outlaw motorcycle gangs.

### **GENERAL ALLEGATIONS**

#### **ICP and the Juggalos**

21. ICP is a musical group formed in or about 1991 and based in Farmington Hills, Michigan. The group is known for its elaborate live performances. It has two certified platinum albums – that is, selling one million (1,000,000) or more copies in the U.S. – and five gold albums – that is, selling five hundred thousand (500,000) or more copies in the U.S. – to its credit. ICP can be controversial, rebellious and provocative. But the duo is an artistic venture and a musical group like other popular entertainers – whether they be

club-music artists, gangster rappers, death metal bands, folk singers or more traditional artists.

22. Some ICP songs deal with social, political or religious themes; others are counter-cultural; and others are simply artistic entertainment and expression. The songs often use harsh language and themes.

23. Juggalos are members of ICP's dedicated musical fan base. These music fans have been known as "Juggalos" since the early 1990s. They appreciate ICP's music and its other expressive art.

24. As an expression of their identity, Juggalos often obtain and display distinctive tattoos of ICP and Psychopathic Record art and icons. They also wear and otherwise display ICP art, symbols and insignia on their clothing and other personal belongings.

25. Juggalos gather and associate with each other to listen to ICP's music, to share ideas surrounding the music, to express their support of or interest in the ideas that ICP expresses through its music, to express their affiliation with ICP and the artists on its record label, and to express their affiliation with one another.

26. The expressive activities and purposes described above are primary reasons why Juggalos group together and associate with one another.

27. The primary purposes of the Juggalos – as a group – do not include engaging in criminal activity.

28. Many Juggalos embrace "Juggaloism" as a philosophy, an identity, and a way of life. ICP's lyrics, through their description of a "Dark Carnival," address themes of good and evil, heaven and hell, and acceptance and tolerance of others. Juggalos follow these

ethics and try to live by the moral code of the “Carnival.” Many Juggalos also see themselves as social outcasts and look to one another for acceptance and support. Based on these shared values, Juggalos strongly identify with one another and often refer to themselves as a “family.”

**Plaintiff Mark Parsons**

29. At all relevant times, Parsons was a Juggalo.

30. Parsons has never knowingly affiliated with any criminal gang.

31. Parsons owns and operates a small trucking business entitled “Juggalo Express LLC,” a limited liability corporation incorporated in the State of Utah.

32. Parsons drives a semi truck for Juggalo Express LLC.

33. Parsons decorates the side of his semi truck with a large, visible ICP “hatchetman” logo. Parsons placed this logo on his truck to express his affinity for ICP’s music, his identity as a Juggalo, and his affiliation with the Juggalo community.

34. On or about July 9, 2013, Parsons was riding with a driver-trainee in Parsons’s semi truck on an interstate freeway outside Knoxville, Tennessee. The trainee was properly driving and Parsons was instructing when they entered a weigh station operated by the Tennessee Department of Transportation.

35. In accordance with posted instructions, they drove in the “bypass” lane so that Parsons’s truck could be weighed while continuing to move at a slow speed.

36. As they drove in the bypass lane, a Tennessee State Trooper ordered Parsons and the trainee to stop the truck and park for a safety inspection. They complied.

37. Once they parked, the State Trooper approached Parsons and asked if he was a Juggalo.

38. The State Trooper indicated that he detained Parsons for an inspection because of the hatchetman logo on the truck.

39. The State Trooper indicated that he considered Juggalos to be a criminal gang because of the DOJ's designation.

40. The State Trooper asked Parsons if he had any axes, hatchets, or other similar chopping instruments in the truck. Parsons truthfully answered that he did not.

41. The State Trooper continued to search the truck and interrogate Parsons for about an hour, delaying Parsons' time-sensitive hauling work. During the search, the State Trooper did not find any weapons or contraband. The State Trooper did not issue a ticket or other citation to Parsons.

42. During the detention, the State Trooper never:

- a. identified a motor vehicle safety offense that might support a safety inspection;
- b. informed Parsons about any motor vehicle safety offense that might otherwise support the detention; or
- c. articulated any reasonable suspicion to believe that criminal activity might be afoot, aside from the State Trooper's perception of the hatchetman logo.

43. Parsons never consented to the detention for the purpose of questioning his Juggalo affiliation.

44. Parsons did not feel free to terminate the detention before the State Trooper released Parsons.

**Plaintiff Brandon Bradley**

45. At all relevant times, Bradley was a Juggalo.

46. Bradley has never knowingly affiliated with any criminal gang.

47. In or around September 2012, a Citrus Heights, California Police Officer in a patrol car flashed the car's lights and stopped Bradley when Bradley was biking home.

48. At the time, Bradley had visible Juggalo tattoos and was wearing a Twiztid Batman shirt, which is Juggalo merchandise.

49. At all relevant times, Bradley obtained and displayed his Juggalo tattoos in order to express his affinity for the music of Psychopathic Records artists, his affiliation with the Juggalos as music fans, and his pride in being a member of the Juggalo community.

50. At all relevant times, Bradley possessed and displayed his merchandise from ICP and other Psychopathic Records artists in order to express his affinity for the music, his affiliation with the Juggalos as music fans, and his pride in being a member of the Juggalo community.

51. Upon information and belief, the actual and primary reason that the officer stopped Bradley was because the officer saw Bradley's Juggalo tattoos and merchandise.

52. The officer detained Bradley for about fifteen minutes while interrogating Bradley about being a Juggalo and about his Juggalo tattoos.

53. The officer took notes about Bradley's answers.

54. Later, an ex-Citrus Heights Police Officer told Bradley that the ex-officer heard about the above encounter and that Bradley would have to get his Juggalo tattoos removed if he wanted to be a police officer because the tattoos are gang-affiliated.

55. In or around October 2012, Bradley was walking across a street in downtown Sacramento, California.

56. At the time, he was wearing a shirt bearing an ICP-related insignia, and some of his ICP-related tattoos were visible.

57. As he crossed the street, a uniformed deputy from the Sacramento Sheriff's Department approached Bradley.

58. The deputy asked if Bradley was a Juggalo.

59. The deputy demanded to see Bradley's identification, and Bradley complied.

60. The deputy took Bradley's identification and his ICP-themed wallet and held them throughout the encounter.

61. Bradley did not feel free to demand his wallet and identification back or to leave without them.

62. The deputy ran a background check on Bradley.

63. The deputy detained and questioned Bradley for a substantial amount of time, during which the deputy accused Bradley of being in a gang because he was a Juggalo. The deputy stated that to be a Juggalo is to be a gang member. The deputy also asked Bradley about his ICP-related tattoos.

64. One evening in January 2013, Bradley was walking alone in the bike lane on a stretch of road that did not have a sidewalk.

65. Bradley was wearing an ICP jacket with a large red "hatchetman" insignia on the back.

66. A black, unmarked police cruiser passed Bradley in the opposite direction.

67. The cruiser performed a U-turn, pulled up behind Bradley and stopped him.

68. Two male officers wearing bullet-proof vests – who appeared to be gang-squad officers – exited the cruiser and immediately told Bradley that they noticed his jacket with the "hatchetman" insignia.



69. The officers ordered Bradley to stand in front of a guardrail with his back to them so that they could take pictures of his jacket.

70. Bradley submitted while the officers also took photographs of his face and his tattoos.

71. For a lengthy time period, the officers interrogated Bradley about his status as a Juggalo and about whether he was a gang member. The officers took notes about the encounter and about Bradley's responses. Although Bradley denied being in any gang, the officers translated his answers into gang-related terms when they repeated them.

72. Upon information and belief, the officers entered this information into a gang information database that is part of or feeds information into the gang information database that the NGIC administers.

73. Bradley did not feel free to end the encounter until the officers released him.

74. Upon information and belief, each of the law enforcement officials above relied upon the DOJ's classification of the Juggalos as a gang when deciding whether to stop, question or otherwise detain or investigate Bradley.

75. Due to the incidents above, Bradley has decided on numerous occasions not to wear Juggalo-related clothing or other merchandise, not to publicly express his affinity for ICP music, and not to express his membership in the Juggalo community. He has taken these steps in order to avoid similar negative contacts with law enforcement in the future.

**Plaintiff Scott Gandy**

76. At all relevant times, Gandy was a Juggalo.

77. Gandy has never knowingly affiliated with any criminal gang.

78. In or around 2012, Gandy visited an Army recruiting office where he had become familiar with the recruiters.

79. Gandy had large ICP-related tattoos on his chest, which he obtained to express his affinity for ICP's music, his status as a Juggalo and his appreciation of other Psychopathic Records artists' music.

80. At the recruiting office, the Army's recruiting Sergeant asked Gandy if he had any tattoos. Gandy showed the Sergeant his Juggalo tattoos.

81. The Sergeant told Gandy that the Juggalos were on the federal government's gang list. The Sergeant said that he considered Gandy's Juggalo tattoos to be gang-related. Upon information and belief, the Sergeant's determination that the Juggalos were a prohibited criminal gang was based on the DOJ's Juggalo gang designation.

82. The Sergeant questioned Gandy about whether he was a gang member.

83. The Sergeant instructed Gandy that he must remove or permanently cover his Juggalo tattoos or the Army would immediately deny his recruitment application. The Sergeant said that it did not matter how virtuous a life Gandy had lived, the Army could not and would not accept him with the tattoos. The Sergeant said that to be considered by the Army, Gandy must remove or permanently cover the tattoos.

84. Upon information and belief, the Army has a policy prohibiting "gang" tattoos.

85. Although the Army has not publicly released the materials it uses to identify criminal "gangs" and their members, upon information and belief, the Army deems the Juggalos to be a criminal gang and bases that assessment on the DOJ's Juggalo gang designation.

86. As a result of the Sergeant's instructions and comments, Gandy spent hundreds of dollars to undergo a painful procedure in which his Juggalo tattoos were covered with other tattoos. Gandy underwent this procedure in order to receive consideration of his recruitment application. Gandy would not have undergone this procedure or obtained these new tattoos if the Sergeant had not indicated that it was necessary.

87. After undergoing the procedure, Gandy returned to the recruitment office and again showed the same Sergeant his new tattoos.

88. The Sergeant said that he approved and that Gandy's application would receive consideration. Ultimately, Gandy's application was denied.

**Plaintiff Robert Hellin**

89. At all relevant times, Hellin was a Juggalo.

90. Hellin has never knowingly affiliated with any criminal gang.

91. Hellin enlisted in the Army in 2008, before the Juggalo gang designation. He is a Corporal in the Army, where he has served honorably in Iraq, Afghanistan and Korea as a member of cavalry and special operations units.

92. Hellin has visible ICP-related tattoos, which he obtained and displays in order to express his identity as a Juggalo.

93. Upon information and belief, because of the Juggalo gang designation, Hellin's identity as a Juggalo places him in imminent danger of suffering discipline or an involuntary discharge from the Army.

**Plaintiffs Joseph Bruce and Joseph Utsler**

94. At all relevant times, Bruce and Utsler were Juggalos and members of the musical group ICP.

95. Bruce and Utsler do not knowingly affiliate with any criminal gang.

96. On August 20, 2012, ICP entered into a contract with AEG Live to perform at the Royal Oak Music Theater in Royal Oak, Michigan on October 31, 2012 for ICP's annual musical and artistic event known as "Hallowicked," with a possible second performance on October 30, 2012 if tickets to the October 31 performance sold out.

97. On or about October 8, 2012, the Royal Oak Music Theater cancelled the Hallowicked event without notice, initially indicating that it was the landlord's decision.

98. After discussions with AEG Live and Royal Oak Music Theater, ICP's record label discovered that the Royal Oak Police Department asked the Royal Oak Music Theater to cancel the event.

99. When asking the Royal Oak Music Theater to cancel the Hallowicked event, the Royal Oak Police Department cited the federal Juggalo gang designation.

**The DOJ and the National Gang Intelligence Center**

100. In Public Law 109-162, 119 Stat. 2960 (2005), Congress directed the Attorney General to "establish a National Gang Intelligence Center and gang information database to be housed at and administered by the [FBI] to collect, analyze, and disseminate gang activity information from" the FBI, the Bureau of Prisons, the Drug Enforcement Administration, other federal agencies, and state and local law enforcement, prosecutors, and correctional officers. In the same federal statute, Congress directed the Center:

- a. to make that same information available to "Federal, State, and local law enforcement agencies," to "Federal, State, and local corrections

agencies and penal institutions,” and to “Federal, State, and local prosecutorial agencies,” as well as to “any other entity as appropriate”; and

b. to “annually submit to Congress a report on gang activity.”

101. The DOJ promptly established the Center in response to Congress’s direction, and upon information and belief, the FBI has administered the Center since its inception.

102. Upon information and belief, the DOJ and/or the FBI promptly established a gang information database in response to Congress’s direction.

103. In an April 2008 report to Congress, the Attorney General described the Center as part of a coordinated set of “intelligence and enforcement mechanisms aimed at dismantling the most significant violent national and regional gangs.” The Attorney General said:

NGIC integrates the gang intelligence assets of all Department of Justice agencies and has established partnerships with other federal, state, and local agencies that possess gang-related information--serving as a centralized intelligence resource for gang information and analytical support. *This enables gang investigators and analysts . . . to further identify gangs and gang members . . . and to guide the appropriate officials in coordinating their investigations and prosecutions to disrupt and dismantle gangs.* The NGIC’s mission is to support law enforcement agencies through timely and accurate information sharing and strategic/tactical analysis of federal, state, and local law enforcement intelligence focusing on the growth, migration, criminal activity, and association of gangs that pose a significant threat to communities throughout the United States.

U.S. Dep't of Justice, Attorney General's Report to Congress on the Growth of Violent Street Gangs in Suburban Areas (2008) (emphasis added).

104. Federal statutes do not define the term “gang.”

105. According to the federally-funded “National Gang Center,” law enforcement authorities fail to agree on what a “gang” is. The National Gang Center has stated, “There is no widely or universally accepted definition of a ‘gang’ among law enforcement agencies.”

106. Federal law defines the term “criminal street gang” as a group that has at least five members; “has as one of its *primary purposes* the commission of 1 or more [specified federal felony-level] criminal offenses” involving drugs, violence, or a conspiracy to commit the same; has a membership that engaged in a continuing series of those crimes within the past five years; and engages in activities that affect interstate commerce. 18 U.S.C. § 521(a) (emphasis added).

**NGIC Online**

107. Through the Center, the DOJ and FBI publish a variety of official reports and other official materials.

108. Many of those reports and materials are made available to the general public on the Internet at <http://www.nationalgangcenter.gov>, which is funded by the DOJ. The DOJ and FBI, in turn, cite and rely upon the materials, resources and statistics that are published at <http://www.nationalgangcenter.gov>.

109. The Center created a separate online database, NGIC Online, to publish and otherwise make available its reports, findings and other information to federal, state and local prosecutors, law enforcement officials and corrections officials. The Center continues to administer and use NGIC Online for that purpose.

110. At all relevant times, the DOJ has controlled the content of what is published and/or distributed on NGIC Online.

111. Upon information and belief, NGIC Online includes the reports and materials that are published at <http://www.nationalgangcenter.gov>.

112. Upon information and belief, the DOJ has incorporated NGIC Online into the Law Enforcement Online database. According to the FBI, the Law Enforcement Online

database “is a secure, Internet-based information sharing system for agencies around the world that are involved in law enforcement, first response, criminal justice, anti-terrorism, and intelligence. With LEO, members can access or share sensitive but unclassified information anytime and anywhere. \* \* \* By using one name and password, agencies can access LEO and such resources as . . . [the] National Gang Intelligence Center . . . .”

113. The DOJ and FBI intend for federal, state and local prosecutors, law enforcement officials and corrections officials to use the information that is available on NGIC Online when they engage in governmental actions against members or affiliates of any gang that the DOJ and/or the FBI identifies.

114. The number of queries by state and local law enforcement officials to NGIC Online apparently exceeds 200,000 per year.

115. Upon information and belief, since at least 2010, federal, state and local prosecutors, law enforcement officials and corrections officials have been actively using and relying on NGIC Online when engaging in governmental actions against members or affiliates of the groups that the DOJ and/or the FBI have identified as gangs.

### **2009 National Gang Threat Assessment**

116. In 2009, the Center published its 2009 National Gang Threat Assessment, in which the Center summarized and reported about the information it had collected and analyzed to that point in relation to street gangs, prison gangs, and outlaw motorcycle gangs.

117. From in or around 2009 until the filing of this Complaint, the 2009 Assessment was available to the general public at <http://www.nationalgangcenter.gov>.

Upon information and belief, the 2009 Assessment has also been available on NGIC Online throughout roughly the same time period.

118. The 2009 Assessment does not mention the Juggalos or identify them as any kind of “gang.” Instead, it focuses on known prison gangs, outlaw motorcycle gangs, and criminal street gangs such as the Mexican Mafia, Bloods, Crips, Hells Angels, Mara Salvatrucha 13, Vice Lords, and Gangster Disciples, each of which is purportedly linked to interstate drug trafficking or distribution, and some of which are purportedly also linked to interstate human and weapons trafficking.

#### **2011 National Gang Threat Assessment**

119. In or about October 2011, the Center published the 2011 Assessment, which was its third National Gang Threat Assessment.

120. According to the Center, the 2011 Assessment “enhances and builds on the gang-related trends and criminal threats identified in the 2009 assessment.”

121. According to the Center, the 2011 Assessment “supports US Department of Justice strategic objectives 2.2 (to reduce the threat, incidence, and prevalence of violent crime) and 2.4 (to reduce the threat, trafficking, use, and related violence of illegal drugs).”

122. According to the Center, the 2011 Assessment “is based on federal, state, local, and tribal law enforcement and corrections agency intelligence, including information and data provided by the National Drug Intelligence Center (NDIC) and the National Gang Center. Additionally, this assessment is supplemented by information retrieved from open source documents and data collected through April 2011.”

123. From on or about its 2011 publication through the time of the filing of this Complaint, the 2011 Assessment has been available to the general public at



<http://www.nationalgangcenter.gov>.

124. Upon information and belief, the 2011 Assessment has also been accessible through NGIC Online since its original publication.

125. Upon information and belief, the DOJ intended and still intends for federal, state and local prosecutors, law enforcement officials and corrections officials to use the 2011 Assessment when they engage in governmental actions targeting and/or against members or affiliates of any “gang” that the DOJ identifies.

126. Upon information and belief, federal, state and local prosecutors, law enforcement officials and corrections officials have been actively using or relying on the 2011 Assessment when engaging in governmental actions targeting and/or against members or affiliates of any “gang” that the DOJ identifies, including Juggalos.

### **Hybrid Gangs**

127. The 2011 Assessment contains a section about “hybrid gangs.”

128. Federal statutes do not define the term “hybrid gang.”

129. The 2011 Assessment does not specifically define the term “hybrid gang.”

130. The 2011 Assessment suggests that hybrid gangs are groups composed of people who affiliate with other known criminal street gangs.

131. The 2011 Assessment states:

- a. “The expansion of hybrid gangs—non-traditional gangs with multiple affiliations—is a continued phenomenon in many jurisdictions nationwide. Because of their multiple affiliations, ethnicities, migratory nature, and nebulous structure, hybrid gangs are difficult to track, identify, and target as they are transient and continuously evolving.”
- b. Hybrid gangs “are adopting national symbols and gang members often crossover from gang to gang.”

- c. “Hybrid Gangs . . . are fluid in size and structure, yet tend to adopt similar characteristics of larger urban gangs, including their own identifiers, rules, and recruiting methods.”

**Juggalos as a “Hybrid Gang”**

132. In the 2011 Assessment, the Center designated the “Juggalos” as “a loosely-organized hybrid gang.”

133. The nationwide Juggalo membership, believed to be over one million fans, vehemently reject the gang label they have received in recent years.

134. The 2011 Assessment does not define what a “Juggalo” is, but it states: “Juggalos are traditionally fans of the musical group the Insane Clown Posse.”

135. In fact, the vast majority of Juggalos are music fans who are not involved in any criminal gang or any gang-related activity. They liken themselves to a family.

136. There is little to no structure within the Juggalos as a group, and there is no formalized leadership.

137. In the 2011 Assessment, the DOJ’s Juggalo gang designation identifies Juggalos – simply as Juggalos – as being members of a “hybrid gang.”

138. The Juggalo gang designation refers to Juggalos as an entire group or association.

139. The Juggalo gang designation does not contain any meaningful distinction between law-abiding Juggalos and individual criminal Juggalos or criminal “subsets” of Juggalos.

140. The 2011 Assessment states:

- a. “[M]any Juggalo subsets exhibit gang-like behavior and engage in criminal activity and violence.”
- b. “Most crimes committed by Juggalos are sporadic, disorganized,

individualistic, and often involve simple assault, personal drug use and possession, petty theft, and vandalism.”

- c. “[A] small number of Juggalos are forming more organized subsets and engaging in more gang-like criminal activity, such as felony assaults, thefts, robberies, and drug sales.”
- d. “Juggalos’ disorganization and lack of structure within their groups, coupled with their transient nature, makes it difficult to classify them and identify their members and migration patterns.”

141. The DOJ, FBI and the Center use and encourage other governmental agencies to use an individual’s Juggalo tattoos to indicate that the individual is a Juggalo.

142. The DOJ, FBI and the Center use and encourage other governmental agencies to use an individual’s act of wearing, possessing or displaying ICP clothing, symbols or other merchandise to indicate that the individual is a Juggalo.

143. The DOJ, FBI and the Center use and encourage other governmental agencies to use an individual’s act of wearing, possessing or displaying the clothing, symbols or other merchandise of other Psychopathic Records artists to indicate that the individual is a Juggalo.

144. In order to avoid being subject to police scrutiny as a gang member, individual law-abiding Juggalos must:

- a. forsake their status as Juggalos (whether as music fans or as part of the “family” that shares the same philosophy);
- b. refrain from identifying themselves as Juggalos;
- c. refrain from affiliating or associating with other Juggalos;
- d. refrain from affiliating or associating with ICP and other Psychopathic Records artists;
- e. refrain from attending concerts and events of Psychopathic Records artists;
- f. refrain from obtaining or displaying Juggalo tattoos;

- g. remove Juggalo tattoos that they already have; and/or
- h. refrain from buying, possessing, wearing, donning or displaying the clothing, symbols or other merchandise of ICP or other Psychopathic Records artists.

145. Insofar as federal officials reasonably believe that individual Juggalos affiliate with other known criminal gangs – such as the Bloods or Crips – the DOJ, FBI and the Center can identify, locate and target those individuals’ criminal-gang-related activity by focusing either on their relationships with known criminal gangs or on their personal conduct.

146. In response to a request under the federal Freedom of Information Act for all information upon which the DOJ relied in making its Juggalo gang designation, the DOJ produced 102 pages of the total 156 pages that were purportedly responsive.

147. The DOJ, FBI and the Center have not provided, and upon information and belief do not have, sufficient evidence to support a reasonable basis for concluding that the Juggalos:

- a. are a nationally affiliated criminal street gang;
- b. affiliate on any significant group-wide basis with known criminal gangs;
- c. have as a primary purpose a shared criminal purpose as a group;
- d. engage in an ongoing scheme of criminal activity;
- e. commit crimes as part of any coherent, overarching criminal-gang plan;
- f. are involved as a group in interstate drug, human or weapons trafficking; or
- g. present a significant threat, as a group, to communities throughout the United States, or to public safety in those communities.

148. In the 2011 Assessment and the FOIA Production, the DOJ, FBI and the Center have not provided – and upon information and belief they do not have – sufficient evidence of a causal link between the classification of the Juggalos as a hybrid gang and the governmental interests in:

- a. reducing the threat, trafficking, use, and “related violence” of illegal drugs; and/or
- b. reducing the threat, incidence, and prevalence of violent crime.

149. As a result of Defendants’ classification of the Juggalos as a gang, Plaintiffs and other Juggalos have suffered a variety of harms at the hands of government officials. These harms not only include harms to Plaintiffs’ good names, reputations, honor and integrity, but also improper stops, detentions, interrogations, searches, denials of consideration for federal employment, and interference with existing federal employment, as well as other distinct harms. Defendants’ classification of the Juggalos as a gang also has a chilling effect on the expressive and associational activity of Plaintiffs and other Juggalos.

**COUNT 1: Administrative Procedure Act**  
**(Agency Action Contrary to the First Amendment’s Freedom of Association)**

150. Plaintiffs reallege and incorporate the allegations set forth in the preceding paragraphs of this Complaint.

151. Plaintiffs assert this claim under the federal Administrative Procedure Act, 5 U.S.C. § 551 *et seq.* (“APA”) and U.S. Const. amend. I.

152. The DOJ’s Juggalo gang designations are interpretive rules under the APA.

153. The DOJ and FBI engaged in “final agency action” under § 704 of the APA when the Center issued the 2011 Assessment and its Juggalo gang designations.

154. As Juggalos, Plaintiffs were within the zone of interests regulated by these final agency actions.

155. These final agency actions do not provide any relevant, meaningful way to differentiate between law-abiding Juggalos and individual criminal Juggalos.

156. Under § 702 of the APA, Plaintiffs suffered legal wrongs or were adversely affected or aggrieved because of the Center's classification of the Juggalos as a gang. These wrongs, adverse effects and/or aggrievements not only include harms to Plaintiffs' good names, reputations, honor and integrity, but also improper stops, detentions, interrogations, searches, improper denials of consideration for federal employment, compelled expression (in the form of a forced tattoo), and interference with existing federal employment, as well as other distinct harms.

157. Under § 706(2)(B) of the APA, this Court has authority to "hold unlawful and set aside agency action, findings, and conclusions found to be . . . contrary to constitutional right, power, privilege, or immunity."

158. The First Amendment protects individuals' right to associate for purposes of engaging in the forms of expression that the Amendment protects.

159. Juggalos associate together for the primary purposes of listening to and appreciating the music of ICP and other Psychopathic Records artists; sharing ideas about that music and expressing their support of or interest in the ideas that ICP expresses through its music; expressing their affiliation with ICP and the artists on its record label; and expressing their affiliation with other Juggalos and their identification with Juggaloism as a philosophy, a set of values, a moral code, and a way of life.

160. Plaintiffs Parsons, Hellin, Gandy and Bradley associate with other individuals as “Juggalos” in order to engage in protected expression. Plaintiffs’ protected expression includes listening to the music of Psychopathic Records artists, attending “gatherings,” concerts and other musical events by these artists, expressing Plaintiffs’ identity and affiliation as Juggalos, bearing Juggalo tattoos and other Juggalo art, and discussing political and/or moral issues with other Juggalos.

161. The group known as the “Juggalos” does not have a primary purpose of committing criminal offenses. The vast majority of individual Juggalos do not associate together to commit crimes.

162. Plaintiffs do not associate with other Juggalos in order to commit crimes.

163. By classifying the entire group of Juggalos – which is overwhelmingly composed of law-abiding music fans – as some form of criminal gang, the DOJ and FBI have directly burdened Plaintiffs’ and other Juggalos’ First Amendment freedom of association. That classification burdens the Juggalos, including Plaintiffs, *because* they are Juggalos.

164. Due to the Center’s particular role in serving as a central clearinghouse and authority about criminal street gangs, the DOJ’s use of the Center’s reports to designate the Juggalos as a gang has actually and proximately caused state and local law enforcement and correctional officers to wrongfully treat Plaintiffs and other Juggalos as if they were criminal street gang members.

165. The law enforcement and correctional actions discussed above directly burden Plaintiffs’ freedom of association.

166. The federal, state and local actions discussed above chill the freedom of association of substantial numbers of Juggalos who are not members of any criminal street gang.

167. The DOJ's classification of the Juggalos as a hybrid gang reaches a substantial amount of protected associational conduct and is unconstitutionally overbroad.

168. The Center's classification of the Juggalos as a hybrid gang is not a narrowly tailored means, the least restrictive alternative, a necessary means, or a directly and palpably connected means to further any sufficient, substantial or compelling governmental interest.

WHEREFORE, Plaintiffs request that this Court enter an order under the APA holding unlawful and setting aside the 2011 Assessment and any other classification by the DOJ, FBI or the Center of the Juggalos, as a whole, as any kind of "gang," because these governmental actions violate the First Amendment right to freedom of association. For the same reason, Plaintiffs further request that the Court enjoin Defendants from taking action in the future that would brand Juggalos, as a group, as a criminal gang based on the actions of a relatively few people who may identify as Juggalos.

**COUNT 2: Administrative Procedure Act**  
**(Agency Action Contrary to the First Amendment's Freedom of Expression)**

169. Plaintiffs reallege and incorporate the allegations set forth in the preceding paragraphs of this Complaint.

170. Plaintiffs assert this separate, additional claim of a constitutional violation under § 706(2)(B) of the APA.

171. The First Amendment to the United States Constitution provides that "Congress shall make no law . . . abridging the freedom of speech." U.S. Const. amend. I.



172. The First Amendment protects the right of individuals to speak, write, make music, make art, and otherwise engage in expressive conduct. This right to freedom of expression also protects individuals' rights to attend musical events and concerts, to create and bear tattoo art, to express their association or affiliation with other individuals or groups, and to listen to speech about artistic, political and socio-economic matters.

173. Plaintiffs intended their Juggalo tattoos, clothing, symbols and merchandise to express their identities as Juggalos and their affiliations with other Juggalos.

174. Others objectively interpret and understand Juggalo tattoos, clothing, symbols and merchandise as expressions of the bearers' identification as Juggalos and their affiliations with other Juggalos. For example, the DOJ, FBI and the Center specifically rely on and interpret these Juggalo symbols to identify individual people as Juggalos and/or as people who affiliate with other Juggalos. The DOJ, FBI and the Center actively encourage state and local authorities to do the same, which those state and local authorities do as a result of such encouragement.

175. By bearing Juggalo art, tattoos, clothing, symbols and merchandise, Plaintiffs engaged in protected expression.

176. As part of the federal classification of the Juggalos as a gang, the DOJ, FBI and the Center identify Juggalos on the basis of their Juggalo tattoos, clothing, symbols and other merchandise and other protected expression.

177. By identifying the Juggalos on the basis of their protected expression as targets for law enforcement action, the DOJ, FBI and/or the Center have engaged – and continue to engage – in content-based regulation.

178. By targeting and/or taking action against the Juggalos due to their protected expression, the DOJ, FBI and the Center directly burden the Juggalos' (including the Plaintiffs') freedom of expression under the First Amendment.

179. When identifying, targeting and/or taking action against the Juggalos due to their protected expression - including through the 2011 Assessment - the DOJ, FBI and the Center have actually and proximately caused other state and local law enforcement authorities to take actions that directly burden the Juggalos', including the Plaintiffs', freedom of expression under the First Amendment.

180. The federal, state and local actions mentioned in this Count chill the freedom of expression of substantial numbers of Juggalos who are not members of any criminal street gang. Individual Juggalos, including Plaintiffs, have refrained from engaging in constitutionally protected expression for fear that it would result in his or her classification by federal law enforcement as a criminal gang member.

181. By identifying Juggalos as criminal gang members through reference to their protected expression, the DOJ, FBI and the Center have reached a substantial amount of protected conduct. The classification is unconstitutionally overbroad.

WHEREFORE, Plaintiffs request that this Court enter an order under the APA holding unlawful and setting aside the 2011 Assessment and any other classification by the DOJ, FBI or the Center of the Juggalos, as a whole, as any kind of "gang," because these governmental actions violate the First Amendment right to freedom of expression. For the same reason, Plaintiffs further request that the Court enjoin Defendants from taking action in the future that would use Juggalo group-based symbols and expression to identify

individuals as members of a criminal gang, based on the actions of a relatively few people who may identify as Juggalos.

**COUNT 3: Administrative Procedure Act**  
**(Agency Action that Violates Due Process Under the Fifth Amendment)**

182. Plaintiffs reallege and incorporate the allegations set forth in the preceding paragraphs of this Complaint.

183. Plaintiffs assert this separate, additional claim of a constitutional violation under § 706(2)(B) of the APA.

184. The Fifth Amendment to the United States Constitution provides that “No person shall . . . be deprived of life, liberty, or property, without due process of law.” U.S. Const. amend. V.

185. Under the Due Process Clause of the Fifth Amendment, federal laws, rules, regulations, and other similar legislative and administrative measures are unconstitutionally vague if they fail to give fair notice of the conduct that is forbidden or required by either (a) failing to inform the regulated parties what is required of them so that they may act accordingly; or (b) failing to provide enough precision and guidance to limit the discretion of those enforcing the law in order to avoid arbitrary or discriminatory law enforcement.

186. Where, as here, a federal criminal law-enforcement measure concerns protected First Amendment rights, the above anti-vagueness requirements of the Due Process Clause apply with particular strictness.

187. As used by the DOJ, the FBI and the Center, the terms “gang”, “hybrid gang”, and “Juggalo” are not fairly or clearly defined.

188. The terms “gang” and “hybrid gang” do not have any settled or determined meaning, and they are strongly susceptible to subjective interpretation.

189. The term “Juggalo” is strongly susceptible to subjective interpretation.

190. The DOJ, FBI and Center’s classification of the Juggalos as a gang:

- a. has regulated Plaintiffs and other Juggalos on the basis of the Juggalos’ status as Juggalos;
- b. has failed to provide an affirmative, reasonably ascertainable standard of conduct; and
- c. has failed to identify any particular prohibited actions that an individual Juggalo can avoid in order to avoid being considered a “hybrid gang” member, aside from renouncing or concealing their identity as a Juggalo.

191. When classifying the Juggalos as a hybrid gang, the DOJ, FBI and the Center:

- a. have not provided law enforcement officers with adequate guidance about how to distinguish the vast majority of law-abiding Juggalos from the small percentage of criminal individuals or subsets;
- b. failed to meaningfully limit the discretion of law enforcement officers in deciding whether and how to take law enforcement action targeting criminal individuals or subsets of Juggalos; and
- c. granted government officials so much discretion that individual officials’ decisions to limit protected speech can rest on ambiguous and subjective reasons rather than being constrained by objective criteria.

192. The DOJ, FBI and Center’s classification of the Juggalos as a hybrid gang:

- a. is vague and ambiguous; and
- b. has a substantial chilling effect upon the exercise by Plaintiffs and other Juggalos of their rights to freedom of expression and association.

WHEREFORE, Plaintiffs request that this Court enter an order under the APA holding unlawful and setting aside the 2011 Assessment and any other classification by the DOJ, FBI or the Center of the Juggalos, as a whole, as a “gang” or “hybrid gang” because

these governmental actions violate their right to Due Process. For the same reason, Plaintiffs further request that the Court enjoin Defendants from taking action in the future that would brand Juggalos, as a group, as a “gang” or “hybrid gang.”

**COUNT 4: Administrative Procedure Act**  
**(Arbitrary and Capricious Agency Action)**

193. Plaintiffs reallege and incorporate the allegations set forth in the preceding paragraphs of this Complaint.

194. Plaintiffs assert this claim to challenge arbitrary and capricious agency action under § 706(2)(A) of the APA, which authorizes this Court to “hold unlawful and set aside agency action, findings, and conclusions found to be . . . arbitrary, capricious, [or] an abuse of discretion . . . .”

195. The DOJ, FBI and the Center have not provided – and upon information and belief they do not have – a proper basis to explain their decision to depart from, add to, and/or amend the 2009 Assessment (which did not include the Juggalos as any kind of gang) and instead to identify the Juggalos as a “gang” in the 2011 Assessment.

196. The DOJ, FBI and the Center have not provided – and upon information and belief they do not have – a proper basis to believe that the Juggalos, as a group, are a criminal street gang.

197. The DOJ, FBI and the Center are in possession of information that the vast majority of Juggalos do not constitute and are not members of a criminal street gang.

198. Insofar as the DOJ, FBI and Center have classified the Juggalos as a “criminal street gang” under federal law:

- a. that classification is – as alleged and described above – an interpretive rule and a final agency action, which has adversely affected and aggrieved the Plaintiffs within the meaning of the APA;

- b. that classification lacks a proper factual basis, is implausible, and cannot be ascribed to a difference in view or the product of agency expertise;
- c. that classification is based on a failure to adequately develop the administrative record and to gather the evidence necessary to evaluate whether a criminal street gang exists in these circumstances;
- d. the DOJ, FBI and Center failed to reasonably consider and address the alternative of identifying criminal street gang members through their affiliations with known, established criminal street gangs rather than through their status as Juggalos.

199. Insofar as the DOJ, FBI and Center have classified the Juggalos as a “criminal street gang” under federal law, that classification is arbitrary and capricious under the APA.

WHEREFORE, Plaintiffs request that this Court enter an order under the APA holding unlawful and setting aside the 2011 Assessment and any other classification by the DOJ, FBI or the Center designating the Juggalos as a criminal street gang because these governmental actions are arbitrary and capricious. For the same reason, Plaintiffs further request that the Court enjoin Defendants from taking action in the future that would brand Juggalos, as a group, as a criminal street gang based on the actions of a relatively few people who may identify as Juggalos.

**COUNT 5: Administrative Procedure Act**  
**(Agency Action that Fails to Observe Procedures Required by Law)**

200. Plaintiffs reallege and incorporate the allegations set forth in the preceding paragraphs of this Complaint.

201. Plaintiffs assert this claim under § 706(2)(D) of the APA, which authorizes this Court to “hold unlawful and set aside agency action, findings, and conclusions found to be . . . without observance of procedure required by law.”

202. The DOJ, FBI and Center must comply with the provisions in the Code of Federal Regulations that provide “operating principles” for “Criminal Intelligence Systems Operating Policies.” 28 C.F.R. § 23.20.

203. The purpose of the “operating principles” is to “assure that all criminal intelligence systems operating through support under the Omnibus Crime Control and Safe Streets Act of 1968 ... are utilized in conformance with the privacy and constitutional rights of individuals.” 28 C.F.R. § 23.1. The “operating principles” are intended to confer important procedural benefits upon individuals.

204. Under 28 C.F.R. § 23.20(b): “A project shall not collect or maintain criminal intelligence information about the political, religious, or social views, associations, or activities of any individual or any group, association, corporation, business, partnership, or other organization unless such information directly relates to criminal conduct or activity and there is reasonable suspicion that the subject of the information is or may be involved in criminal conduct or activity.”

205. Pursuant to 28 C.F.R. § 23.20(c), “Reasonable Suspicion or Criminal Predicate is established when information exists which establishes sufficient facts to give a trained law enforcement or criminal investigative agency officer, investigator, or employee a basis to believe that there is a reasonable possibility that an individual or organization is involved in a definable criminal activity or enterprise. In an interjurisdictional intelligence system, the project is responsible for establishing the existence of reasonable suspicion of criminal activity either through examination of supporting information submitted by a participating agency or by delegation of this responsibility to a properly trained

participating agency which is subject to routine inspection and audit procedures established by the project.”

206. Under 28 C.F.R. § 23.20(l): “A project shall make assurances that there will be no harassment or interference with any lawful political activities as part of the intelligence operation.”

207. The Juggalos are a “group” or “association” within the meaning of 28 C.F.R. § 23.20(b).

208. The Plaintiffs are “individuals” within the meaning of 28 C.F.R. § 23.20(b).

209. The DOJ, FBI and Center have collected and/or maintained “criminal intelligence information” about the Juggalos’ “political, religious, or social views, associations, or activities,” within the meaning of 28 C.F.R. § 23.20(b).

210. Upon information and belief, the DOJ, FBI and Center have collected and/or maintained “criminal intelligence information” about some or all of the Plaintiffs’ “political, religious, or social views, associations, or activities,” within the meaning of 28 C.F.R. § 23.20(b), because the Plaintiffs are Juggalos.

211. Upon information and belief, the DOJ, FBI and Center have collected purported “criminal intelligence information” about the Juggalos and/or the Plaintiffs that fails to properly relate to definable criminal conduct or activity.

212. The DOJ, FBI and Center have failed to provide – and upon information and belief they do not have – sufficient information to support a “reasonable suspicion” or a “reasonable possibility” that the Juggalos as a group “[are] involved in a definable criminal activity or enterprise,” within the meaning of 28 C.F.R. § 23.20(c).



213. The DOJ, FBI and Center have failed to provide – and upon information and belief they do not have – sufficient information to support a “reasonable suspicion” or a “reasonable possibility” that the Plaintiffs:

- a. “[are] involved in a definable criminal activity or enterprise,” within the meaning of 28 C.F.R. § 23.20(c); or
- b. “[are] or may be involved in criminal conduct or activity,” within the meaning of 28 C.F.R. § 23.20(b).

214. The DOJ, FBI and Center have failed to provide – and upon information and belief they do not have – sufficient information to show that they have made “assurances that there will be no harassment or interference with any lawful political activities as part of the intelligence operation,” within the meaning of 28 C.F.R. § 23.20(l).

WHEREFORE, Plaintiffs request that this Court enter an order under the APA:

(a) requiring the DOJ to expunge and eliminate purported “criminal intelligence information” concerning the Juggalos from NGIC Online, Law Enforcement Online, and any other gang intelligence database under its control;

(b) prohibiting and enjoining the DOJ, FBI or the Center from gathering purported “criminal intelligence information” about the Juggalos, as a whole group, unless and until the DOJ has sufficient facts to give a trained law enforcement or criminal investigative agency officer, investigator, or employee a basis to believe that the Juggalos, as a whole group, are involved in a definable criminal activity or enterprise; and

(c) prohibiting and enjoining the DOJ, FBI or the Center from including within its collection of criminal intelligence information any information about an individual’s status as a Juggalo, in general, unless and until the DOJ has sufficient facts to give a trained law enforcement or criminal investigative agency officer, investigator, or employee a basis to believe that the Juggalos, as a whole group, are involved in a definable criminal activity or enterprise.

**COUNT 6: Declaratory Judgment Act**

215. Plaintiffs reallege and incorporate the allegations set forth in the preceding paragraphs of this Complaint.

216. Plaintiffs assert this claim for declaratory relief under the Declaratory Judgment Act, 28 U.S.C. § 2201, which authorizes the Court to “declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.”

217. Upon information and belief, the DOJ and FBI currently have collected the most complete repositories within the United States of information from international, federal, state and local governmental authorities on the subject of whether Juggalos are involved in any activity related to criminal street gangs.

218. For the reasons set forth above, the information referenced in the immediately preceding paragraph is not sufficient

- a. to overcome the First Amendment’s prohibition here on classifying the Juggalos as any kind of criminal “gang.”
- b. to overcome the Due Process Clause’s prohibition here on the vague and otherwise constitutionally deficient classification of the Juggalos as any kind of criminal “gang.”

WHEREFORE, Plaintiffs request that this Court enter a declaratory judgment holding that federal designations of the Juggalos, as a whole, as any kind of criminal “gang” are unlawful because they violate the First and Fifth Amendments.

**PRAYER FOR RELIEF**

For the reasons set forth above, Plaintiffs respectfully request that this Court:

(1) Enter an order under the APA:

- (a) holding unlawful and setting aside the 2011 Assessment and any other classification by the DOJ, FBI or the Center of the Juggalos, as a whole, as a

“gang” or a “hybrid gang” because those governmental actions are unconstitutional;

(b) holding unlawful any classifications by the DOJ, FBI or the Center of the Juggalos, as a whole, as a “criminal street gang” because those governmental actions are arbitrary and capricious;

(c) requiring the DOJ to expunge and eliminate purported “criminal intelligence information” concerning the Juggalos from NGIC Online, Law Enforcement Online, and any other gang intelligence database under its control, because such information was collected and maintained in violation of the legally required procedures;

(d) prohibiting and enjoining the DOJ, FBI and the Center from gathering purported “criminal intelligence information” about the Juggalos, as a whole, unless and until the DOJ has sufficient facts to give a trained law enforcement or criminal investigative agency officer, investigator, or employee a basis to believe that the Juggalos, as a whole, are involved in a definable criminal activity or enterprise; and

(e) prohibiting and enjoining the DOJ, FBI and the Center from including within its collection and/or database of criminal intelligence information any information about an individual’s status as a Juggalo, in general, unless and until the requirements of subparagraph (d) above are met.

(2) Declare, pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201, that the governmental designation of “Juggalos,” as a whole, as a “gang” or a “hybrid gang” is unconstitutional under the First and Fifth Amendments to the United States Constitution.

(3) Award costs and reasonable attorneys’ fees.

(4) Grant such other and further relief as the Court deems just and proper.

Respectfully submitted,

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Dated: January 8, 2014

21394489

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

<b>JOSHUA WOODARD, NEIL WESTFALL,</b>	)	
<b>ALEX SHELNUTT, JEREMY McKINNON,</b>	)	
<b>all professionally known as A DAY TO</b>	)	
<b>REMEMBER,</b>	)	<b>Case No. 11-cv-7594</b>
	)	
<b>Plaintiffs,</b>	)	<b>Honorable John Z. Lee</b>
	)	
<b>v.</b>	)	
	)	
<b>VICTORY RECORDS, INC. and ANOTHER</b>	)	
<b>VICTORY, INC.,</b>	)	
	)	
<b>Defendants.</b>	)	

**MEMORANDUM OPINION AND ORDER**

Defendants Victory Records, Inc. and Another Victory, Inc. (“Victory”) seek to preclude Plaintiffs Joshua Woodard, Neil Westfall, Alex Shelnett, and Jeremy McKinnon, members of the rock band, A Day to Remember (collectively “ADTR”), from releasing a new album on Tuesday, October 8, 2013. Victory contends that ADTR is precluded from releasing the album because it has not yet satisfied its obligations under a recording contract that requires ADTR to release five albums under the Victory label. In response, ADTR argues that it has delivered more than the five required albums to Victory and should not be precluded from releasing its new album independently. Although the ultimate issue of whether ADTR has satisfied its obligations to Victory under the recording contract is yet to be determined, Victory asks the Court to impose the extraordinary remedy of injunctive relief to preclude ADTR from releasing the album during the pendency of this case. For the reasons set forth herein, the Court concludes that such an extreme remedy is not appropriate based upon the record before it, and Victory’s motion is denied.

### **Factual Background**

On July 17, 2006, ADTR entered into a recording contract (the “Deal Memo”) with Victory. Pursuant to the terms of the Deal Memo, ADTR was to deliver five “Albums” to Victory for release. ADTR now seeks to extricate itself from its business relationship with Victory, contending that it has delivered “at least thirteen (13) Albums, as that term is defined in the Deal Memo” to Victory, thereby fulfilling its obligations under the terms of the contract. (2d Am. Compl. ¶¶ 8-9.) ADTR further alleges that Victory has engaged in certain unacceptable conduct, including, *inter alia*, attempting to copyright ADTR compositions to which Victory has no rights, failing to pay ADTR certain royalties, and improperly holding certain funds in reserve. (*Id.* ¶¶ 20-21.) Victory denies ADTR’s assertions, denies that ADTR has satisfied its end of the bargain, and asserts counterclaims against ADTR for breaching the terms of the agreement.

ADTR has now informed Victory and the Court that it intends to independently release an album of new music entitled *Common Courtesy* on Tuesday, October 8, 2013. (Opp. Mot. Prelim. Inj. 1.) Victory objects and asks the Court to issue a preliminary injunction prohibiting ADTR from self-releasing the new album until the case can be resolved. (Defs.’ Mem. Supp. Mot. Prelim. Inj. 1; Defs.’ Reply Supp. Mot. Prelim. Inj. 2.)

### **Discussion**

#### **A. Standard of Review**

A preliminary injunction is an extraordinary remedy that is “never to be indulged in except in a case clearly demanding it.” *Girl Scouts of Manitou Council, Inc. v. Girl Scouts of the USA, Inc.*, 549 F.3d 1079, 1085 (7th Cir. 2008) (internal citations and quotations omitted). The party seeking a preliminary injunction must clearly demonstrate that it is entitled to the relief it seeks. *Goodman v. Ill. Dep’t of Fin. & Prof’l Regulation*, 430 F.3d 432, 437 (7th Cir. 2005).

In order to make this showing, the movant must demonstrate as a threshold matter that (a) it will suffer irreparable harm without the injunction; (b) traditional legal remedies would be inadequate to remedy the harm; and (c) its claim has some likelihood of success on the merits. *Girl Scouts*, 549 F.3d at 1086. If the movant fails to establish these requirements, “a court’s inquiry is over and the injunction must be denied.” *E. St. Louis Laborers’ Local 100 v. Bellon Wrecking & Salvage Co.*, 414 F.3d 700, 703 (7th Cir. 2005) (internal citations and quotations omitted). On the other hand, if all three requirements are satisfied, the movant also must demonstrate that its harm in the absence of such relief outweighs any harm that may be suffered by the non-moving party if the injunction is granted. *Girl Scouts*, 549 F.3d at 1086.

In conducting this balancing of interests, the Court will use a sliding scale approach: “[t]he more likely the plaintiff is to win, the less heavily need the balance of harms weigh in his favor, the less likely he is to win, the more need it weigh in his favor.” *Id.* (quoting *Roland Mach. Co. v. Dresser Indus., Inc.*, 749 F.2d 380, 389 (7th Cir. 1984)). Additionally, where appropriate, this balancing process “should . . . encompass any effects that granting or denying the preliminary injunction would have on nonparties (something courts have termed the “public interest”).” *Id.* (quoting *Ty, Inc. v. Jones Grp., Inc.*, 237 F.3d 891, 895 (7th Cir. 2001)).

Once it takes into account all of these considerations, the Court exercises its discretion “to arrive at a decision based on a subjective evaluation of the import of the various factors and a personal, intuitive sense about the nature of the case.” *Id.* (internal citations and quotations omitted).

**B. Likelihood of Success on the Merits**

In order to obtain a preliminary injunction, Victory must establish that it has some likelihood of succeeding on the merits of its claims. *See Girl Scouts*, 549 F.3d at 1096. This is not a high burden. Generally a movant satisfies this element so long as it demonstrates a “‘better than negligible’ chance of succeeding on the merits.” *Boucher v. Sch. Bd. of Sch. Dist. of Greenfield*, 134 F.3d 821, 824 (7th Cir. 1998) (internal citations omitted). Based on the current record in the case, the Court concludes that Victory has a “better than negligible” chance of prevailing on the merits.

Here, the core dispute between the parties hinges on the definition of “Album” under the terms of the Deal Memo. The Deal Memo provides that “[a]n Album is a [sic] of reproduction, transmission or communication of Recordings, now or hereafter known, manufactured, distributed, transmitted or communicated in any format.” (2d Am. Compl. at Ex. A, p. 1.) According to ADTR, this definition of “Album” is “unambiguous and should be enforced as written.” (Pl.’ Mem. Supp. Mot. Summ. J. 21.) Using this definition, ADTR argues that all thirteen of its recordings released by Victory were “Albums,” including re-releases of previously released collections of songs with certain “bonus tracks” and a recording of a single song in two versions. (*Id.*)

For its part, Victory argues that Album “could only mean new studio or ‘commitment’ albums that are delivered in accordance with” the eighteen and twenty-four month cycle “that is the recognized custom and practice of the music recording industry.” (Defs.’ Opp. Mot. Summ. J. 24.) Accordingly, by Victory’s count, ADTR has delivered only three of the five Albums required under the Deal Memo and is obligated to provide two more.



When denying ADTR's motion for summary judgment, the Court found that the term "Album" is internally ambiguous for a number of reasons. This has not changed. First, the definition in the Deal Memo itself is vague and may have more than one reasonable construction. Indeed, taking the definition literally, ADTR could fulfill its obligations under the Deal Memo by delivering to Victory five copies of the exact same collection of songs. This could hardly be what the parties intended when entering into the Deal Memo. Moreover, the broad definition urged by ADTR is inconsistent with other provisions in the Deal Memo, including but not limited to the provisions outlining the schedule of royalty payments, publishing advances, and recording advances by Victory to ADTR.

This is not to say that the narrow definition offered by Victory will ultimately prevail. A number of factual issues remain. For example, whether the two live recordings made by the band and released by Victory constitute separate "Albums" as that term appears in the Deal Memo remains an open question. That said, for the purpose of deciding this motion, it is sufficient for the Court to find that, as between the overly broad definition offered by ADTR and the narrow one offered by Victory, the record currently before the Court supports Victory's construction at least as equally, if not more so, than that offered by ADTR. Accordingly, the Court finds that Victory has a "better than negligible" chance of prevailing in this litigation.

**C. Irreparable Harm and Adequacy of Remedy At Law**

The Court's inquiry, however, does not end there. Victory also must demonstrate that it will suffer irreparable harm without the relief it seeks. *Girl Scouts*, 549 F.3d at 1087. To establish irreparable harm, Victory must show "that irreparable injury is *likely* in the absence of an injunction." *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 22 (2008) (emphasis in original). The threat of irreparable injury necessary to justify the extraordinary remedy of

preliminary injunctive relief must be “real and “immediate,” not “conjectural or hypothetical.” *City of Los Angeles v. Lyons*, 461 U.S. 95, 102 (1983). In addition, Victory must demonstrate that traditional legal remedies, such as monetary damages, would be inadequate to remedy the harm it would suffer absent an injunction. *Girl Scouts*, 549 F.3d at 1095. See *Kreg Therapeutics, Inc. v. VitalGo, Inc.*, No. 11 CV 6771, 2011 WL 5325545, at \* 5 (N.D. Ill. Nov. 3, 2011) (“An injury is ‘irreparable’ when it is of such a nature that the injured party cannot be adequately compensated in damages or when damages cannot be measured by any pecuniary standard.”). The inquiries into the existence of irreparable harm and the availability of an adequate remedy at law often raise similar issues and are frequently conducted in combination with one another. See *Graham v. Med. Mut. of Ohio*, 130 F.3d 293, 295 (7th Cir. 1997).

As an initial matter, Victory claims that “irreparable harm is presumed in instances such as this where Victory alleges that the threatened release by ADTR will result in copyright infringement.” (Mem. Supp. Mot. Prelim. Inj. 6 (citing *Atari Inc. v. N. Am. Philips Consumer Elec. Corp.*, 672 F.2d 607, 620 (7th Cir. 1982))); Reply Supp. Mot. Prelim. Inj. 15 (same)). This is a bald misstatement of the governing law. The Seventh Circuit has repudiated the notion that irreparable harm is to be presumed in a copyright infringement case. *Flava Works, Inc. v. Gunter*, 689 F.3d 754, 755 (7th Cir. 2012).

In *Flava Works*, a video producer brought a copyright infringement action against an online bookmarking service that allowed users to find and bookmark videos online to share with other users. The video producer moved to enjoin the defendant from providing this service, alleging that it constituted a form of contributory infringement of its copyrights. Relying on *Atari*, the district court granted the motion for injunctive relief, finding that Flava Works had a likelihood of success on the merits and that “irreparable injury may normally be presumed from

a showing of copyright infringement.” *Id.* But on appeal the Seventh Circuit emphasized that the Supreme Court has done away with the presumption of irreparable harm for patent cases and found the reasoning equally applicable to copyright infringement actions. *Id.* (citing *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392-93 (2006)). Thus, *Atari* is no longer governing law as to this point and should not have been relied upon (twice) by Victory.

That being said, assuming, *arguendo*, that ADTR owes Victory two more Albums under the Deal Memo, Victory also contends that it would suffer irreparable harm absent injunctive relief because any lost profit resulting from the release of *Common Courtesy* would be too difficult to ascertain, thereby precluding a satisfactory remedy at law. But this argument is unpersuasive for a number of reasons. First, this is not a case involving a new, unknown entity or novel business venture. ADTR is an established band with a track record of financially successful albums. To the extent that *Common Courtesy* generates profits and results in increased revenue to the band, those amounts will be readily ascertainable by Victory through discovery in this case.

Victory nevertheless contends that money damages will not be calculable because a record label, like Victory, typically contributes much to the creation, marketing and distribution of a new record to ensure its commercial success -- opportunities that it did not have here. The gist of Victory’s argument is that relying solely upon the actual financial performance of *Common Courtesy* after its release by ADTR will not provide a reasonable estimation of damages to Victory, because the profits would have been much higher if Victory had been able to participate in the record’s creation, marketing and distribution. But this then leads us to the second point.

Regardless of how “Album” is defined in the Deal Memo, it is undisputed that ADTR has released, at a minimum, three Albums (*For Those Who Have Heart*, *Homesick*, and *What Separates Me From You*) through Victory, all of which have been financially successful. Not only does Victory have the information regarding the financial performance of these Albums in its possession, but it presumably was involved in the creation, marketing, and distribution of those Albums. Accordingly, the sales and profit information from those records provide additional data from which Victory can estimate the profits that it would have made had it been given the opportunity to oversee the release of *Common Courtesy*. In this way, the facts of this case are distinguishable from the decisions upon which Victory relies. *See Mintel Int’l Grp., Ltd. v. Neergheen*, No. 08-cv-3939, 2008 WL 2782818, at \*5 (N.D. Ill. Jul. 16, 2008) (finding no adequate remedy at law where salesperson improperly took client account files including budgets and costs data, clients lists, vendor lists, and marketing strategies and that it was difficult to ascertain how the confidential information would be used and what harm would result from such use); *Gordy Co. v. Mary Jane Girls, Inc.*, Nos. 86 CIV 6814, 87 CIV 3438, 1989 WL 149290, at \*23 (S.D.N.Y. Dec. 6, 1989) (lost profits unavailable where they were based solely on “conclusory allegations about the prospects of the artists’ work”).

Victory also claims that it will suffer irreparable harm because the product is a unique piece of intellectual property, citing *Lower Cook County Mobil Dealers’ Ass’n v. Exxon Mobil Corp*, No. 06 C 3652, 2006 WL 3590080, at \*2 (N.D. Ill. Dec. 8, 2006). But the decision in that case rested on the well-worn adage that “real property is always considered unique” and hence is distinguishable. *Id.* at \*2. Furthermore, although it is true that some courts have issued negative preliminary injunctions in cases involving unique products or services, the exclusivity agreement in those cases typically contained a set term or expiration period, which circumscribes the burden

of the restriction upon the enjoined party. *See, e.g., Madison Square Garden Boxing, Inc. v. Shavers*, 434 F. Supp. 449, 452 (S.D.N.Y. 1977) (granting negative injunction preventing a boxer from fighting in competing match where contract was for a fixed duration and contained an enforceable restrictive covenant); *Am. Broad. Co., Inc. v. Wolf*, 420 N.E.2d 363, 367-68 (N.Y. 1981) (explaining that “cases permitted injunctive relief where the circumstances justified implication of a negative covenant . . . because the employee either expressly or by clear implication agreed not to work elsewhere *for the period of his contract*”) (citations omitted and emphasis added); *Zomba Recording LLC v. Williams*, 839 N.Y.S. 2d 438 (N.Y. App. Div. 2007) (temporary injunctive relief appropriate where agreement was for definite period of time and contained an enforceable restrictive covenant). Such a measured approach is consistent with Illinois’ policy to enforce restrictive covenants only where they are reasonable in scope and duration. *See, e.g., Mohanty v. St. John Heart Clinic, S.C.*, 866 N.E.2d 85, 98 (Ill. 2006) (“[T]his court has a long tradition of upholding covenants not to compete in employment contracts involving the performance of professional services when the limitations as to time and territory are not unreasonable.”). The Deal Memo contains no such limitation. *See, e.g., Curb Records, Inc. v. McGraw*, No. M2011-02762, 2012 WL 4377817, at \*6 (Tenn. Ct. App. Feb. 12, 2013) (denying injunctive relief where singer Tim McGraw’s recording contract with plaintiff did not contain a “specific durational limit”).

Finally, Victory argues that if ADTR is allowed to self-release its album, Victory may suffer irreparable harm to its reputation because the record may “be of substandard quality or even of lesser quality than the prior Victory releases.” (Mem. Supp. Mot. Prelim. Inj. 10.) But Victory offers no evidence to support this proposition, and the cases upon which Victory relies all involve products that were demonstrably inferior in quality. *See, e.g., Firma Melodiya v. ZYX*

*Music GmbH*, 882 F. Supp. 1306, 1315 (S.D.N.Y. 1995) (substandard quality compact discs); *Saban Entertainment, Inc. v. 222 World Corp.*, 865 F. Supp. 1047, 1056-57 (S.D.N.Y. 1994) (trademarks infringed by knock-off toys); *RCA Records v. All-Fast Systems, Inc.*, 594 F. Supp. 335, 338 (S.D.N.Y. 1984) (copyrights infringed by poorly-mastered tape recordings).

Furthermore, the Court notes that ADTR is an established band with numerous recordings under its belt, an experienced management team, and a substantial fan base. It is difficult to believe, in the absence of contrary evidence, that ADTR would release an album that is materially inferior in recording quality to its prior records, even if it is “self-released.” Indeed, in this age of digital music distribution through internet channels such as YouTube or iTunes, it can hardly be presumed that a “self-released” recording by a music artist would be “inferior” in terms of recording quality to one overseen by an established record company. Finally, ADTR has made it explicitly clear that it is releasing the record on its own, without the assistance or participation of Victory. As such, even assuming that *Common Courtesy* will be substandard in recording quality, any blame would likely fall upon ADTR, rather than Victory, and the value of Victory’s contributions to its artists may become manifest and even enhanced. Therefore, Victory’s “reputational” arguments fall short of establishing irreparable harm.

**D. Balancing of harms**

Although the Court need not undertake a balancing analysis in light of Victory’s failure to satisfy all three threshold requirements, *see E. St. Louis Laborers’ Local*, 414 F.3d at 703, the Court does so for the sake of completeness and concludes that, on balance, the harm to ADTR in the event that a preliminary injunction were to issue is greater than the harm that Victory would suffer in the absence of such injunctive relief. As noted above, Victory has an adequate remedy at law if ADTR is permitted to release its new record. Victory will be able to seek the lost

profits from the sale of *Common Courtesy* based upon information gained from the sales of ADTR's prior three Albums and the sales of *Common Courtesy* itself. Furthermore, in the event that Victory prevails in this action, it will undoubtedly seek to hold ADTR to its obligation to deliver two additional Albums to Victory pursuant to the terms of the Deal Memo. (*See* Defs.' Countercls. ¶ 49.)

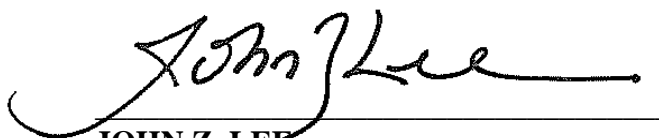
In contrast, ADTR has not released a collection of new songs in quite some time. (Mem. Opp. Mot. Prelim. Inj. 7; Mercado Decl. ¶ 25.) As a pop band in a very competitive and fickle marketplace, it is likely that ADTR will experience a material erosion in popularity and fan support if it is prohibited from releasing a new record until the resolution of this case, which is likely many months away. (Mercado Decl. ¶¶ 26, 27; Childress Decl. ¶ 9.) *See also Curb*, 2012 WL 4377817 at \*4 ("an injunction would likely have an adverse and disproportionate effect on the body of musical recording work Mr. McGraw would be permitted to produce during this important period in Mr. McGraw's musical career."). This will not only harm ADTR, but also would detrimentally impact Victory's ability to benefit from ADTR's continued popularity in the event that it prevails in this action. Accordingly, the Court concludes that the balancing of harms favors ADTR, particularly in light of the very slight margin by which Victory is likely to succeed on the merits of its claims.

**Conclusion**

For the reasons set forth above, Defendants/Counter-Plaintiffs Victory Records, Inc. and Another Victory, Inc.'s Motion for Preliminary Injunction (dkt. 192) is denied.

**SO ORDERED**

**ENTER:**

A handwritten signature in black ink, appearing to read "John Z. Lee", written over a horizontal line.

**JOHN Z. LEE**  
**U.S. District Judge**

October 4, 2013



**MARVEL CHARACTERS, INCORPORATED, MARVEL WORLDWIDE, INCORPORATED,  
MVL RIGHTS, LLC, Plaintiffs-Counter-Defendants-Appellees,  
WALT DISNEY COMPANY, MARVEL ENTERTAINMENT, INCORPORATED, Counter-  
Defendants-Appellees,**

**v.**

**LISA R. KIRBY, NEAL L. KIRBY, SUSAN N. KIRBY,  
BARBARA J. KIRBY, Defendants-Counter-Claimants-Appellants.**

**Docket No. 11-3333-cv**

**UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT**

**August Term, 2012**

**Argued: October 24, 2012**

**Decided: August 8, 2013**

**Summaries:**

**Source: Justia**

Defendants, the children of the late Jack Kirby, one of the most influential comic book artists of all time, appealed the district court's grant of summary judgment to Marvel. This case concerned the property rights in 262 works published by Marvel between 1958-1963. After defendants served various Marvel entities with Termination Notices purporting to exercise statutory termination rights under section 304(c)(2) of the Copyright Act of 1976, 17 U.S.C. 304, Marvel filed suit seeking a declaration that defendants have no termination rights under section 304(c)(2). The court concluded that the district court lacked personal jurisdiction over Lisa and Neal Kirby and, therefore, vacated the district court's judgment against them; Lisa and Neal are not indispensable parties and it was appropriate for the action against Barbara and Susan Kirby to have proceeded on its merits; the district court did not err in determining as a matter of law that the works at issue were "made for hire," made at Marvel's instance and expense, and that the parties had no agreement to the contrary; and the district court properly granted Marvel's motion for summary judgment as to Susan and Barbara, who were without termination rights under section 304(c).

Before: CABRANES, SACK, and CARNEY,  
Circuit Judges.

Appeal by the defendants-counter-claimants from a judgment of the United States District Court for the Southern District of New York (Colleen McMahon, Judge) granting summary judgment in favor of the plaintiffs-counter-defendants on their claim for declaratory relief and denying the defendants-counter-claimants' cross-motion for summary judgment. Plaintiffs-counter-defendants commenced

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this lawsuit in response to notices sent by the defendants-counter-claimants, the children of comic book artist Jack Kirby, purporting to terminate alleged assignments in certain of their father's works pursuant to section 304(c)(2) of the Copyright Act of 1976. We conclude that: (1) the district court incorrectly determined that it had personal jurisdiction over Lisa and Neal Kirby; (2) Lisa and Neal Kirby were not indispensable parties to the action under Rule 19(b) of the Federal Rules of Civil Procedure; and (3) the district court correctly determined that the works at issue were "made for hire" under section 304(c), and that Marvel was therefore entitled to summary judgment.

Affirmed in part; vacated in part.

R. BRUCE RICH (James W. Quinn, Randi W. Singer, Gregory Silbert, on the brief), Weil, Gotshal & Manges LLP, New York, New York; David Fleischer, Haynes and Boone, LLP, New York, New York for Plaintiffs-Counter-

Defendants-Appellees and Counter-Defendants-Appellees.

MARC TOBEROFF, Toberoff & Associates, P.C., Malibu, California, for Defendants-Counter-Claimants-Appellants.

SACK, Circuit Judge:

This appeal requires us to revisit our case law applying the work-for-hire doctrine in the context of section 304 of the Copyright Act of 1976 (or, the "1976

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Act"), 17 U.S.C. § 304. Defendants-counter-claimants-appellants Lisa, Neal, Susan, and Barbara Kirby (collectively, the "Kirbys") are the children of the late Jack Kirby. Kirby is considered one of the most influential comic book artists of all time. At various times throughout his career, he produced drawings for Marvel Comics, a comic book publisher that has since grown into the multifaceted enterprise reflected in the case caption: Marvel Characters, Inc., Marvel Worldwide, Inc., MVL Rights, LLC, and Marvel Entertainment, Inc. (collectively, "Marvel"). At issue here are the rights to drawings Kirby allegedly created between 1958 and 1963.

The Kirbys appeal from the district court's grant of summary judgment to Marvel, which was based on the conclusion that all of the works at issue are "works made for hire" within the meaning of section 304(c), and that the Kirbys therefore have no rights to the works. Two of the Kirbys, Lisa and Neal, also challenge the district court's conclusion that it had personal jurisdiction over them under New York's long-arm statute. They further argue that they are indispensable parties under Rule 19(b) of the Federal Rules of Civil Procedure, such that their absence from this lawsuit (by virtue of the district court's lack of personal

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jurisdiction over them) requires that the suit be dismissed in its entirety.

We conclude that the district court was without personal jurisdiction over Lisa and Neal. We therefore vacate the judgment as against them. We also find, however, that Lisa and Neal are not indispensable parties to this lawsuit, and that the district court was correct in concluding that the works at issue are "works made for hire" under section 304(c). We therefore affirm the judgment as to defendants Barbara and Susan.

**BACKGROUND**

In this appeal from the grant of summary judgment, we view the evidence in the light most favorable to the nonmovants, the Kirbys for present purposes, and draw all reasonable inferences in their favor. See, e.g., Singer v. Ferro, 711 F.3d 334, 339 (2d Cir. 2013).

Jack Kirby

Jack Kirby, born Jacob Kurtzberg in New York City's Lower East Side in 1917, began his career in the comic book business in the late 1930s. In the summer of 1940, a young woman named Rosalind moved into the apartment above his with her family. The day they met, Kirby asked Rosalind if she "[w]ould like to see [his] etchings[.]" She thought he wanted "to fool around"; he only wanted to show

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her his drawings for a new comic book series called Captain America. John Morrow, "Would You Like to See My Etchings?": Rosalind Kirby Interviewed (conducted Dec. 12, 1995), THE JACK KIRBY COLLECTOR, April 1996, at 6. Kirby and "Roz" were married in 1942. After Kirby's military service in World War II, the couple had four children: Susan, Neal, Barbara, and Lisa.

Kirby's career in comic book illustration spanned more than half a century. His influence was substantial. An obituary marking his death in 1994 quoted Joe Simon, Kirby's creative partner for fifteen years: "He brought the action drawing to a new level. His style was imitated all over and still is today to a certain extent."

Jack Kirby, 76: Created Comic Book Superheroes, N.Y. TIMES, Feb. 8, 1994, at D22.

Kirby was prolific, too. In 1951 alone, 308 pages of Kirby's work appeared in published comic books. This output was typical for him in the years between 1940 and 1978.

#### Marvel Comics and Stan Lee

Marvel was founded as Timely Comics in 1939 by one Martin Goodman. In 1940, Marvel purchased the first ten issues of Captain America from Kirby and Joe Simon. But

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Kirby and Simon would soon move on to a competitor, DC Comics. To replace them, Goodman hired one Stanley Lieber.

Lieber would come to be known by his pen name, Stan Lee. Lee is in his own right a towering figure in the comic book world, and a central one in this case. He in effect directed Marvel from the early 1940s until sometime in the 1970s, serving, in his words, as "Editor," "Art Director" and "a staff writer." Deposition of Stan Lee ("Lee Dep."), May 13, 2010, at 17, Joint App'x at 2437. He continued to work for Marvel in one capacity or another at least to the day of his deposition testimony in this litigation.

But in the 1940s and 50s, Marvel, hobbled by poor business decisions, was hardly a success story.<sup>1</sup> In 1958, Kirby began producing drawings for Marvel once again. And by 1961, its fortunes began to change. That year, Marvel released the first issues of The Fantastic Four. On its heels were releases of the first issues of some of Marvel's

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most enduring and profitable titles, including The Incredible Hulk, The X-Men, and Spider-Man.

Kirby's Relationship with Marvel from 1958-1963

This litigation concerns the property rights in 262 works published by Marvel between 1958 and 1963. Who owns these rights depends upon the nature of Kirby's arrangement with Marvel during that period.

It is undisputed that Kirby was a freelancer, i.e., he was not a formal employee of Marvel, and not paid a fixed wage or salary. He did not receive benefits, and was not reimbursed for expenses or overhead in creating his drawings. He set his own hours and worked from his home. Marvel, usually in the person of Stan Lee, was free to reject Kirby's drawings or ask him to redraft them. When Marvel accepted drawings, it would pay Kirby by check at a per-page rate.

Despite the absence of a formal employment agreement, however, the record suggests that Kirby and Marvel were closely affiliated during the relevant time period. Lee assigned Kirby, whom he considered his best artist, a steady stream of work during that period. See Lee Dep. at 36, Joint App'x at 2456 ("I wanted to use Jack for everything, but I couldn't because he was just one guy.");

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id. at 37, Joint App'x at 2457 ("So I said: All right, forget it, Jack. I will give [the Spider-Man strip] to somebody else. Jack didn't care. He had so much to do."); id. at 30, Joint App'x 2450 ("He got the highest [rate] because I considered him our best artist.").

And Kirby seems to have done most of his work with Marvel projects in mind. Although the Kirby children assert that their father could and did produce and sell his work to other publishers during those years, lists of Kirby's works cited by both parties establish that the vast majority of his published work in that time frame was published by Marvel (or Atlas Comics, as part of Marvel Comics Group).

The specifics of Kirby and Marvel's creative relationship during this time period are less clear.

According to Lee, at the relevant time, artists worked using what the parties call the "Marvel Method." It was developed as a way to "keep a lot of artists busy" when Lee or another writer could not provide the artist with a completed script. Lee Dep. at 21, Joint App'x at 2441. The first step was for Lee to meet with an artist at a "plotting conference." Id. at 39-40, Joint App'x at 2459-60. Lee would provide the artist with a "brief outline" or "synopsis" of an issue; sometimes he would "just talk . . .

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with the artist" about ideas. Id. at 35, Joint App'x at 2455. The artist would then "draw it any way they wanted to." Id. at 21, Joint App'x at 2441. Then a writer, such as Lee, would "put in all the dialogue and the captions." Id. According to Lee, he "maintain[ed] the ability to edit and make changes or reject what the other writers or artists had created." Id. at 22, Joint App'x at 2442.

Lee testified that he worked this way with Kirby "for years":

And Jack Kirby and I would, let's say when we did the Fantastic Four, I first wrote a synopsis of what I thought the Fantastic Four should be, who the characters should be, what their personalities were. And I gave it to Jack, and then I told him what I thought the first story should be, how to open it, who the villain should be, and how we would end it. And that was all. Jack went home and drew the whole thing. I put the dialogue in.

Id. at 118, Joint App'x at 2538.

Other evidence in the record, including some of Lee's own deposition testimony, indicates, however, that Kirby had a freer hand within this framework than did comparable artists. For example, Lee explained that "instead

of telling [Kirby] page by page" what to draw, Lee might simply tell him to "[d]evote five pages to this, five pages to that, and three pages to that." Id. at 70, Joint

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App'x at 2490. Sometimes during plotting sessions, Kirby might "contribute something or he might say, 'Stan, let's also do this or do that.'" Id. at 41, Joint App'x at 2461.

It is beyond dispute, moreover, that Kirby made many of the creative contributions, often thinking up and drawing characters on his own, influencing plotting, or pitching fresh ideas.

#### The Termination Notices

The dispute before us began in September 2009, when the Kirbys served various Marvel entities with documents entitled "Notice of Termination of Transfer Covering Extended Renewal Term" (the "Termination Notices"). The Termination Notices purport to exercise statutory termination rights under section 304(c)(2) of the Copyright Act of 1976, 17 U.S.C. § 304, with respect to 262 works in all.

Each notice states an effective date sometime in the future, presumably between 2014 and 2019. The effective dates are calculated according to section 304(c)'s timing provision, which states in relevant part that "[t]ermination . . . may be effected at any time during a period of five years beginning at the end of fifty-six years

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from the date copyright was originally secured . . ." 17 U.S.C. § 304(c)(3).

#### Procedural History

Marvel filed this lawsuit on January 8, 2010. It sought a declaration that the Kirbys have no termination rights under section 304(c)(2), and that the Termination Notices are therefore ineffective. Marvel's claim was premised on its contention that all of the works

were "made for hire" by Jack Kirby for Marvel within the definition of section 304(c).

On March 9, 2010, the Kirbys filed a motion to dismiss the complaint. Lisa and Neal Kirby, residents of California, sought dismissal on the ground that they were not subject to personal jurisdiction in New York State. (The other Kirby siblings, Susan and Barbara, are residents of New York and do not contest personal jurisdiction.) The Kirbys also argued that Lisa and Neal are indispensable to the action under Fed. R. Civ. P. 19, and that Marvel's entire suit must therefore be dismissed as against all parties.

The district court denied the motion on April 14, 2010. Marvel Worldwide, Inc. v. Kirby, No. 10 Civ. 141, 2010 WL 1655253, 2010 U.S. Dist. LEXIS 38701 (S.D.N.Y. Apr.

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14, 2010). It concluded that it had personal jurisdiction over Lisa and Neal under New York's long-arm statute, and that the exercise of this jurisdiction was consistent with constitutional due process. Id. at \*3-\*9; 2010 U.S. Dist. LEXIS 38701, at \*7-\*25. It therefore did not reach the question of whether Lisa and Neal were indispensable parties.

The Kirbys answered Marvel's complaint and asserted several counterclaims of their own. Marvel moved to dismiss each of them. On November 22, 2010, the district court granted the motion as to all but the Kirbys' counterclaim seeking a declaration that the Termination Notices were valid. Marvel Worldwide, Inc. v. Kirby, 756 F. Supp. 2d 461 (S.D.N.Y. 2010).

In early 2011, after discovery was complete, the parties cross-moved for summary judgment. Marvel also moved to exclude some of the Kirbys' evidence, most notably the reports of the Kirbys' putative expert witnesses, John Morrow and Mark Evanier.

On July 28, 2011, the district court granted Marvel's motions to exclude Morrow and Evanier's testimony, and granted Marvel's

motion for summary judgment. Marvel Worldwide, Inc. v. Kirby, 777 F. Supp. 2d 720 (S.D.N.Y.

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2011). It relied upon case law in this Circuit applying the so-called "instance and expense test" to determine whether a work is "made for hire" under section 304(c). Id. at 738-43. The court concluded that undisputed facts in the record establish as a matter of law that the works at issue were made at Marvel's instance and expense, and were therefore works made for hire. Id. This being so, the Kirbys had no termination rights, and their Termination Notices were ineffective. The district court entered judgment accordingly on August 8, 2011.

The Kirbys appeal.

## DISCUSSION

### I. Personal Jurisdiction over Lisa and Neal Kirby

We turn first to the issue of personal jurisdiction over Lisa and Neal Kirby. Lisa and Neal are California residents. They contend that the district court erred when it determined that New York State's long-arm statute provided a basis for jurisdiction over them in the Southern District of New York. We review a district court's legal conclusions concerning its exercise of personal jurisdiction de novo, and its underlying factual findings for clear error. D.H. Blair & Co., Inc. v. Gottdiener, 462 F.3d 95, 103 (2d Cir. 2006).

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A district court must have a statutory basis for exercising personal jurisdiction. See Grand River Enterprises Six Nations, Ltd. v. Pryor, 425 F.3d 158, 165 (2d Cir. 2005). Because this is "a federal question case where a defendant resides outside the forum state, . . . [and the relevant] federal statute does not specifically provide for national service of process," PDK Labs, Inc. v. Friedlander, 103 F.3d 1105, 1108 (2d Cir. 1997)

(internal quotation marks omitted), we apply "the forum state's personal jurisdiction rules," *id.* We therefore look to New York State law.

We focus our attention on section 302(a)(1) of New York State's long-arm statute, N.Y. C.P.L.R. § 302(a)(1), upon which the district court rested its jurisdiction, and which Marvel invokes here. Section 302(a)(1) provides that "a court may exercise personal jurisdiction over any non-domiciliary . . . who in person or through an agent . . . transacts any business within the state . . ." *Id.* We have recognized that for section 302(a)(1) to apply, "it is essential . . . that there be some act by which the defendant purposefully avails [herself] of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws." *Beacon*

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*Enterprises, Inc. v. Menzies*, 715 F.2d 757, 766 (2d Cir. 1983) (alteration in original) (quoting *George Reiner and Co. v. Schwartz*, 41 N.Y.2d 648, 650, 363 N.E.2d 551, 553, 394 N.Y.S.2d 844, 846 (1977)).

Under the facts of this case, the only acts that could potentially give rise to section 302(a)(1) jurisdiction over Lisa and Neal are the sending of the Termination Notices to Marvel in New York. We conclude that this is an insufficient basis for personal jurisdiction.

In *Beacon Enterprises*, *supra*, we applied section 302(a)(1) in a declaratory judgment suit very similar to this one. The defendant there, Mary Menzies, thought that the plaintiff, Beacon, was infringing her trademarks and copyrights in a line of weight-loss garments designed to emulate the effects of a sauna. *Beacon Enterprises*, 715 F.2d at 760. Menzies sent a cease-and-desist letter to Beacon at its New York City headquarters, threatening litigation. *Id.* Upon receiving it, Beacon filed a suit in the United States District Court for the Southern District of New York, seeking a judgment declaring that its products did not infringe Menzies' intellectual property rights. *Id.*

We concluded that Menzies' mailing of the cease-and-desist letter into New York was insufficient to give

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rise to personal jurisdiction over her under section 302(a)(1). *Id.* at 762, 766. We pointed out that "New York courts have consistently refused to sustain section 302(a)(1) jurisdiction solely on the basis of defendant's communication from another locale with a party in New York." *Id.* at 766 (collecting cases). And we thought it "difficult to characterize Menzies' letter alleging infringement in an unspecified locale and threatening litigation in an unspecified forum as an activity invoking the 'benefits and protections' of New York law." *Id.*

In *Ehrenfeld v. Bin Mahfouz*, 9 N.Y.3d 501, 881 N.E.2d 830, 851 N.Y.S.2d 381 (2007), the New York Court of Appeals, responding to a certified question from us, confronted a somewhat analogous fact pattern. There, the defendant had obtained a default judgment against the plaintiff in English courts for the plaintiff's allegedly libelous statements. *Id.* at 505, 881 N.E.2d at 832, 851 N.Y.S.2d at 383. The plaintiff brought suit in federal court in the Southern District of New York seeking a declaration that she could not be held liable for defamation under the circumstances of that case, and that the defendant's default judgment was therefore not enforceable against her in New York. She argued that the "defendant

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ha[d] transacted business in New York because he purposefully projected himself into the state to further a 'foreign litigation scheme'" -- the libel suit in England -- "designed to chill her speech." *Id.* at 508, 881 N.E.2d at 834, 851 N.Y.S.2d at 385.

When the case came before us on appeal, we certified to the New York Court of Appeals the question whether section 302(a)(1) conferred jurisdiction in the circumstances presented. *Id.* at 504, 881 N.E.2d at 831, 851 N.Y.S.2d at 382;

see Ehrenfeld v. Bin Mahfouz, 489 F.3d 542, 551 (2d Cir. 2007). The Court of Appeals answered in the negative, reasoning:

Here, none of defendant's relevant New York contacts have invoked the privileges or protections of our State's laws. Quite to the contrary, his communications in this state were intended to further his assertion of rights under the laws of England. As defendant points out -- and plaintiff does not dispute -- his pre-filing demand letter and his service of documents were required under English procedural rules governing the prosecution of defamation actions. And in none of his letters to plaintiff did defendant seek to consummate a New York transaction or to invoke our State's laws.

Ehrenfeld, 9 N.Y.3d at 509, 881 N.E.2d at 835, 851 N.Y.S.2d at 386.

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Beacon Enterprises and Ehrenfeld point to the result of the jurisdictional inquiry here.

Like the defendants in those cases, Lisa and Neal were not "present" in New York -- whether physically or through some other continuous contact<sup>2</sup> -- in connection with the underlying dispute in this case. This factor is not alone dispositive, of course. Cf. Deutsche Bank Sec., Inc. v. Montana Bd. of Invs., 7 N.Y.3d 65, 71, 850 N.E.2d 1140, 1142, 818 N.Y.S.2d 164, 166-67 (2006) ("[P]roof of one transaction in New York is sufficient to invoke jurisdiction, even though the defendant never enters New York." (internal quotation marks omitted)). It does, however, set this action apart from those the New York Court of Appeals has described as "the clearest sort of case[s] in which [New York] courts would have 302 jurisdiction," George Reiner & Co., Inc. v. Schwartz, 41 N.Y.2d 648,

652 (1977), a notion plainly grounded in constitutional principles of due

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process developed by the federal courts in and since International Shoe Co. v. Washington, 326 U.S. 310 (1945).

Neither were Lisa and Neal's communications part, or in contemplation, of a course of business dealings with Marvel. This distinguishes them from the sort of communications we found sufficient to confer section 302(a)(1) jurisdiction in PDK Labs, a case relied upon by the district court, but distinguished in Ehrenfeld, 9 N.Y.3d at 510, 881 N.E.2d at 836, 851 N.Y.S.2d at 387. In PDK Labs, we concluded that the defendant had "purposefully availed himself of the New York forum by using [his agent] in New York and apparently elsewhere for many years to advance his interest in his unique 'product' through soliciting funds and negotiating royalty agreements." PDK Labs, 103 F.3d at 1111; see also Hoffritz for Cutlery, Inc. v. Amajac, Ltd., 763 F.2d 55, 57 (2d Cir. 1985) (concluding that contract negotiated in part in New York, signed in Georgia and New York, and containing a New York forum selection clause constituted "transaction of business" in New York under section 302(a)(1)). Here, by contrast, the Termination Notices bear no indication that the Kirbys were negotiating or cared to negotiate for or solicit Marvel's business.

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Finally, and perhaps most importantly, the Termination Notices, like the letter in Beacon Enterprises and the communications in Ehrenfeld, asserted legal rights under a body of law other than New York's. What the Kirby siblings seek to vindicate are purported termination rights under section 304(c) of the federal copyright laws; they seek no privilege or benefit conferred by New York State law. Section 304(c)(4), moreover, states that termination rights "shall be effected by serving an advance notice in writing upon the grantee

[of the initial assignment] or the grantee's successor in title." The Termination Notices thus not only seek to vindicate rights under federal law, they also are a compulsory feature of that body of law.

We think these factors foreclose the exercise of section 302(a)(1) jurisdiction in the circumstances of this case. We conclude that a communication from out-of-state, required for the exercise of rights conferred under a federal statute, cannot alone constitute a purposeful availment of "the benefits and protections of [New York's] laws," at least where the only connection to New York is that the recipient's business headquarters has a New York address.

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Marvel's principal argument to the contrary rests on the premise that the Termination Notices are self-executing, legally effective communications. They are therefore different from the cease-and-desist letter at issue in Beacon Enterprises, Marvel contends, because there the notice did no more than advise the recipient of alleged infringement and threaten future litigation.

To begin with, we doubt Marvel's is an entirely accurate characterization of the Termination Notices: They are necessary to the exercise of the termination rights, but only the additional act of filing the notices with the Copyright Office consummates the legal act of termination. See 17 U.S.C. § 304(c)(4)(A). In any event, Marvel does not explain why the notices' legal effect under federal copyright law renders the act of mailing them any more a "transaction of business" or a purposeful invocation of the benefits and protections of New York law than would be other communications.

Marvel also points to the notices' effects on Marvel in New York, characterizing them as "target[ing] the center of gravity of Marvel's publishing business," and of having been "designed to disrupt and divert license fees from

Marvel's New York-based business," leaving Marvel with

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"no option but to protect its rights and those of its licensees." Appellees' Br. at 47-48 & n.17. These statements may well be essentially true, if perhaps a bit hyperbolic. But the Court in Ehrenfeld rejected virtually identical arguments based on the alleged in-state effects of the English default judgment that the defendant had obtained in the defamation case against the plaintiff, and the in-state action that that judgment would compel. See Ehrenfeld, 9 N.Y.3d at 511, 881 N.E.2d 830, 837, 851 N.Y.S.2d 381, 388. Cf. Whitaker v. Am. Telecasting, Inc., 261 F.3d 196, 209 (2d Cir. 2001) (finding that "financial consequences in New York due to the fortuitous location of plaintiffs" are insufficient to confer jurisdiction under section 302(a)(3)). We read Ehrenfeld strongly to suggest that we reject Marvel's arguments in this regard here.

Finally, we are unpersuaded by Marvel's attempts to connect Lisa and Neal with New York through their relationship with other family members. Appellees' Br. at 51; see also Marvel Worldwide, Inc., 2010 WL 1655253, at \*4-\*5, 2010 U.S. Dist. LEXIS 38701, at \*10-\*12. The problem with these arguments -- whether they seek to endow Lisa and Neal with their father's jurisdictional status, or to analyze their contacts with New York "collectively" with

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their other siblings -- is that they identify no legal mechanism by which Jack's, Barbara's, or Susan's actions become those of Lisa or Neal. Absent a bona fide agency relationship -- the existence of which no one has asserted -- there is no basis for imputing to Lisa and Neal actions by their father half a century ago, or coincident actions by their siblings who now live in New York and for that reason are subject to personal jurisdiction here. Doing so would stretch the text of section 302 beyond the breaking point, see



N.Y. C.P.L.R. § 302(a) (referring to transaction of business "in person or through an agent").

We conclude that the district court lacked personal jurisdiction over Lisa and Neal Kirby. We therefore vacate the district court's judgment as against those two Kirbys.

## **II. Compulsory Joinder**

The Kirbys next argue that the absence of personal jurisdiction over Lisa and Neal requires vacatur of the judgment as against Barbara and Susan too. They rely on Federal Rule of Civil Procedure 19: "Required Joinder of Parties."

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### **A. Federal Rule of Civil Procedure 19**

Rule 19 recognizes exceptional circumstances in which the plaintiff's choice of parties or forum must give way because of an absent party's interest in the outcome of the action or involvement in the underlying dispute. See generally 7 CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 1602 (3d ed. 2008). The Rule's principal provisions are divided into two subsections. Subsection (a) protects certain parties by deeming them "required"; a party who is "required" according to the factors enumerated in subsection (a) is one whose participation is so desirable or important that the party must be joined so long as she or he is "subject to service of process" and joinder "will not deprive the court of subject-matter jurisdiction." Fed. R. Civ. P. 19(a)(1).

Subsection (b) addresses situations in which a party otherwise "required" under subsection (a) cannot be joined for some reason, for example (as in this case), want of personal jurisdiction. In such circumstances, Rule 19(b) requires courts to consider whether, "in equity and good conscience," the party is one without whom the action between the remaining parties cannot proceed -- or, in the traditional terminology, whether the absent party is

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"indispensable." Fed. R. Civ. P. 19(b); see also CP Solutions PTE, Ltd. v. General Electric Co., 553 F.3d 156, 159 n.2 (2d Cir. 2009) (per curiam).

We assume, for present purposes, that Lisa and Neal are "required" parties under Rule 19(a). They are also parties whose joinder is not feasible, inasmuch as we conclude that they are not amenable to personal jurisdiction in the Southern District of New York, and they are unwilling to consent to suit within the jurisdiction. The remainder of this discussion, then, centers on the effects of Rule 19(b) on these proceedings.

### **B. Indispensability**

Because of the "flexible nature of Rule 19(b) analysis," we review a district court's decision under that rule for abuse of discretion.<sup>3</sup> Universal Reinsurance Co., Ltd. v. St. Paul Fire & Marine Ins. Co., 312 F.3d 82, 87 (2d

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Cir. 2002). Here, however, the district court decided -- mistakenly, as we have explained -- that it had personal jurisdiction over Lisa and Neal. The court therefore had no occasion to apply Rule 19(b).

It is ordinarily appropriate for us to vacate the judgment of a district court and remand the cause to it when matters committed to that court's discretion arise for the first time on appeal. See CP Solutions, 553 F.3d at 161. But where a record is fully developed and it discloses that, in our judgment, only one possible resolution of such an issue would fall "within the permissible range of choices" -- in other words, where only one determination by the district court would be within its discretion -- there is no reason to remand. Id. If we did and the court decided to the contrary, we would be duty bound to reverse in any event on the grounds of abuse of discretion.

In this case, the parties have fully briefed the Rule 19(b) issue on appeal, and the facts are straightforward and undisputed. Only one result,

we think, is permissible. We therefore resolve the issue in the first instance.<sup>4</sup>

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Rule 19(b) sets forth four considerations that will ordinarily be among those relevant to the analysis of whether a party is "indispensable." We have restated them as: "(1) whether a judgment rendered in a person's absence might prejudice that person or parties to the action, (2) the extent to which any prejudice could be alleviated, (3) whether a judgment in the person's absence would be adequate, and (4) whether the plaintiff would have an adequate remedy if the court dismissed the suit." CP Solutions, 553 F.3d at 159.

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Applying these factors requires an understanding of the legal interests at stake, here the Kirbys' termination rights under section 304(c). Central to the current discussion is paragraph (1) of section 304(c), and in particular the following provision: "In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, . . . if such author is dead, by the person or persons who . . . own and are entitled to exercise a total of more than one-half of that author's termination interest." 17 U.S.C. § 304(c)(1) (emphasis added); see also id. § 304(c)(6)(C).

The parties interpret this to mean that at least three of the four Kirbys -- "more than one-half" -- must "effect" termination of their father's assignment in order for any of them to realize their termination rights. Appellants' Br. at 21; Appellees' Br. at 55. So, all seem to acknowledge, if Barbara and Susan Kirby are disabled by an adverse judgment in this suit from effecting termination, all four Kirbys lose.

Under this interpretation of section 304(c)(1), which we assume without deciding is correct, several of the possible Rule 19(b) considerations are irrelevant. Marvel cannot, and does not, complain that a judgment rendered in

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Lisa and Neal's absence prejudices it in any way, because it should be satisfied by a judgment against Barbara and Susan that forecloses Lisa and Neal's rights too. Nor can Barbara and Susan claim prejudice. Any judgment here stands to reflect the full and fair adjudication of their rights under section 304(c). And whatever the result, there is no risk that Barbara and Susan will somehow bear in full a legal obligation that is properly shared by their absent siblings. There is thus no prejudice to Marvel, Barbara, or Susan as "existing parties." Fed. R. Civ. P. 19(b)(1).

We also do not see how a judgment in this case could be crafted to alleviate any prejudice that may exist to absent parties Lisa and Neal. See Fed. R. Civ. P. 19(b)(2). The judgment here will declare the existence vel non of Barbara and Susan's termination rights, and whatever the practical effect of this declaration, it can do no more or less.

Finally, although we can hardly be confident that the absent parties in this case will accept a judgment as the last word in this dispute, we think that any judgment would be "adequate," Fed. R. Civ. P. 19(b)(3), in the sense of honoring the "public stake in settling disputes by wholes, whenever possible." CP Solutions, 553 F.3d at 160

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(internal quotation marks omitted). If Marvel wins against Barbara and Susan, the parties' interpretation of section 304(c)(1) implies that the issue is resolved as to all Kirbys; if Barbara and Susan prevail, principles of issue preclusion would likely bar Marvel from relitigating the issue against Lisa and Neal. See RESTATEMENT (SECOND) OF JUDGMENTS § 29 (1982).

This leaves us with two factors to consider. The first is potential prejudice to Lisa and Neal arising from their absence. Fed. R. Civ. P. 19(b)(1). They complain that by operation of section 304(c)(1)'s "more than one-half" requirement, they stand to have their legal rights finally determined in their absence. Appellants'

Br. at 21-22. This argument appeals to our "deep-rooted historic tradition that everyone should have his own day in court." See Richards v. Jefferson County, 517 U.S. 793, 798 (1996) (quoting 18 CHARLES ALAN WRIGHT, ARTHUR R. MILLER, EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 4449 (3d ed. 2008)).

But the law in this context and elsewhere "recognize[s] an exception to the general rule when, in certain limited circumstances, a person, although not a party, has his interests adequately represented by someone with the same interests who is a party." Id. (quoting

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Martin v. Wilks, 490 U.S. 755, 762 n.2 (1989)). As we recognized in CP Solutions, the potential prejudice to an absent party under Rule 19(b) is mitigated where a remaining party "could champion [his or her] interest." 553 F.3d at 160. And prejudice to absent parties approaches the vanishing point when the remaining parties are represented by the same counsel, and when the absent and remaining parties' interests are aligned in all respects. Id.; Prescription Plan Serv. Corp. v. Franco, 552 F.2d 493, 497 (2d Cir. 1977).

This lawsuit concerns a single legal issue in which Lisa's and Neal's interests are identical to Barbara's and Susan's. The Kirbys have the same lawyer -- who we are sure was "no less vigorous in [his] advocacy," Prescription Plan Serv., 552 F.2d at 497, because he represented two Kirbys instead of four. And we have been given no reason whatever to think that the proofs advanced by Barbara and Susan are materially different from those Lisa and Neal would have proffered. We therefore see no practical prejudice to Lisa and Neal as a result of adjudicating this case in their absence.

The other remaining consideration is whether Marvel "would have an adequate remedy if the action were

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dismissed for non-joinder." Fed. R. Civ. P. 19(b)(4). As Marvel points out, because Lisa and Neal are not amenable to personal jurisdiction in New York, and because Barbara and Susan -- New York residents -- are, as far as the record reveals, not amenable to personal jurisdiction in California, the Kirbys might well be able to thwart a declaratory judgment suit brought by Marvel in a forum in either state. Appellees' Br. at 56-57. In light of the nearly non-existent showing of prejudice to any of the parties involved here, we see no reason to permit the Kirbys to withhold consent to any suit in which the forum or litigation posture are not to their liking. See Provident Tradesmens Bank & Trust Co. v. Patterson, 390 U.S. 102, 109 (1968) (recognizing a plaintiff's "interest in having a forum").

We conclude, therefore, that the only determination that falls within the range of permissible decisions in the circumstances of this case is that Lisa and Neal are not indispensable parties, and that it was appropriate for the action against Barbara and Susan to have proceeded on its merits.<sup>5</sup>

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### **III. Summary Judgment**

The remaining Kirbys -- Barbara and Susan -- challenge the district court's grant of summary judgment in favor of Marvel. "We review a district court's grant of summary judgment de novo. In reviewing a summary judgment decision, we apply the same standards applied by the district court. Under this standard, summary judgment may be granted only if 'there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.' [Fed. R. Civ. P. 56(a)]. In determining whether there is a genuine dispute as to a material fact, we must resolve all ambiguities and draw all inferences against the moving party." Garcia v. Hartford Police Dep't, 706

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F.3d 120, 126-27 (2d Cir. 2013) (per curiam) (alteration, some citations, and internal quotation marks omitted).

#### **A. Exclusion of Expert Testimony**

We address first the admissibility of the reports and testimony of Barbara and Susan's putative experts, John Morrow and Mark Evanier, who purported to offer historical perspective concerning the relationship between Marvel and Jack Kirby. The district court ruled that the reports and testimony were inadmissible. Marvel Worldwide, Inc., 777 F. Supp. 2d at 729-30. We review this decision for abuse of discretion. Wills v. Amerada Hess Corp., 379 F.3d 32, 41 (2d Cir. 2004).

Federal Rule of Evidence 702 governs the admissibility of expert testimony. It requires for admissibility, among other things, that "the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue." Fed. R. Evid. 702(a). In other words, "[e]xpert testimony must be helpful to the [trier of fact] in comprehending and deciding issues beyond the understanding of a layperson." DiBella v. Hopkins, 403 F.3d 102, 121 (2d Cir. 2005).

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We have no doubt that a historian's "specialized knowledge" could potentially aid a trier of fact in some cases. A historian could, for example, help to identify, gauge the reliability of, and interpret evidence that would otherwise elude, mislead, or remain opaque to a layperson. See generally Maxine D. Goodman, Slipping Through the Gate, 60 BAYLOR L. REV. 824, 857 (2008) (commenting that a historian's task is "to choose reliable sources, to read them reliably, and to put them together in ways that provide reliable narratives about the past" (quoting MARTHA C. HOWELL & WALTER PREVENIER, FROM RELIABLE SOURCES: AN INTRODUCTION TO HISTORICAL METHODS 2 (2001))). He or she might helpfully synthesize dense or voluminous

historical texts. Id. Or such a witness might offer background knowledge or context that illuminates or places in perspective past events. See, e.g., Int'l Soc. for Krishna Consciousness, Inc. v. Barber, 650 F.2d 430, 440 (2d Cir. 1981) ("In fact, one religious expert at trial remarked that the American movement is 'one of the most unusual examples of transfer of a cultural tradition across broad national and cultural barriers.' This evidence of historical longevity and theological consistency should not be ignored.").

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But Morrow and Evanier do not bring their expertise to bear in any such way. As the district court recognized, their reports are by and large undergirded by hearsay statements, made by freelance artists in both formal and informal settings, concerning Marvel's general practices towards its artists during the relevant time period. See, e.g., Deposition of Mark Evanier, Dec. 6, 2010, at 18-21, Joint App'x at 957-59. Drawing from these statements, they then speculate as to the motivations and intentions of certain parties, see, e.g., Expert Report of John Morrow at 9, Joint App'x at 1152 ("I do not believe that Goodman, Lee, Marvel or the freelance artists, like Jack Kirby, . . . thought that the material they created was 'work made for hire' . . . ."), or opine on the credibility of other witnesses' accounts, see, e.g., Expert Report of Mark Evanier at 14, Joint App'x at 1105 ("I have great respect and personal affection for Stan Lee, but I disagree with the accounts he has sometimes given . . . .").

Although the Rules permit experts some leeway with respect to hearsay evidence, Fed. R. Evid. 703, "a party cannot call an expert simply as a conduit for introducing hearsay under the guise that the testifying expert used the hearsay as the basis of his testimony." Malletier v. Dooney

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& Bourke, Inc., 525 F. Supp. 2d 558, 666 (S.D.N.Y. 2007). The appropriate way to adduce

factual details of specific past events is, where possible, through persons who witnessed those events. And the jobs of judging these witnesses' credibility and drawing inferences from their testimony belong to the factfinder. See Nimely v. City of New York, 414 F.3d 381, 397-98 (2d Cir. 2005). We therefore think the district court clearly did not abuse its discretion in declining to admit this evidence.

### **B. Termination Rights and Work Made for Hire**

We thus, at last, arrive at the merits of Marvel's summary judgment motion. At issue is section 304(c) of the Copyright Act of 1976, which, insofar as bears on this litigation, provides:

Termination of Transfers and Licenses Covering Extended Renewal Term. -- In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978 . . . is subject to termination . . .

17 U.S.C. § 304(c).<sup>6</sup>

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If the author is no longer alive, section 304(c)(2) grants his or her termination rights to specified heirs. See id. § 304(c)(2)(B). The provision "protect[s] the property rights of widows and children in copyrights" by granting them the power to undo earlier transfers and to enjoy the remainder of the copyright term.<sup>7</sup> Larry Spier, Inc. v. Bourne Co., 953 F.2d 774, 778 (2d Cir. 1992).

But section 304(c) provides that termination rights under that section do not exist with respect to "work[s] made for hire." 17

U.S.C. § 304(c). Where a work is "made for hire," copyright law deems the employer to be the "author" for purposes of copyright ownership. Copyright Act of 1909 § 62 (formerly codified at 17 U.S.C. § 26) ("[T]he word 'author' shall include an employer in the case

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of works made for hire."); see also Copyright Act of 1976 § 201(b), 17 U.S.C. § 201(b) ("In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title . . ."). The hired party, although "the 'author' in the colloquial sense," Shapiro, Bernstein & Co. v. Bryan, 123 F.2d 697, 699 (2d Cir. 1941), therefore never owned the copyrights to assign. It stands to reason, then, that there are no rights the assignment of which his or her heirs may now terminate.

Marvel argues that all of the works at issue in this case fall into the category of "work made for hire."

**1. The Instance and Expense Test.** To determine whether a work is "work made for hire" within the meaning of section 304(c), we apply case law interpreting that term as used in the 1909 Act, the law in effect when the works were created. See Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc., 342 F.3d 149, 156-63 (2d Cir. 2003). This requires us to apply what is known as the "instance and expense test."

#### **a. Origins.**

The origins of the instance and expense test were described at some length by Judge Newman's opinions in

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Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc., supra, and Martha Graham School and Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc., 380 F.3d 624, 633-36 (2d Cir. 2004).

The test was developed from two lines of cases. one was our court-made work-for-hire jurisprudence. "Because the 1909 Act did not define 'employer' or 'works made for hire,' the task of shaping these terms fell to the courts." Community for Creative Non-Violence v. Reid, 490 U.S. 730, 744 (1989). Using Bleistein v. Donaldson Lithographing Co., 188 U.S. 239, 248 (1903) -- the Supreme Court's first encounter with the work-for-hire phenomenon - as a guidepost, our early cases focused principally on whether the work at issue was created within the scope of a traditional employment relationship. See, e.g., Tobani v. Carl Fischer, Inc., 98 F.2d 57, 59 (2d Cir. 1938); Shapiro, Bernstein & Co., Inc. v. Bryan, 123 F.2d 697, 698-700 (2d Cir. 1941). Work-for-hire doctrine thus served to identify which party within the traditional employment relationship was the statutory "author," and hence owned the copyright in the work from the time of creation.

The second doctrine developed to address what was initially considered a separate issue under the 1909 Act:

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rights in commissioned works created by independent contractors. The issue in this situation, at least in the early cases, was not who the statutory author was -- the author was the independent contractor. The issue was whether the hiring party nevertheless owned copyrights by way of the author's implied assignment of those rights; and, if so, whether the assignment applied to only the "original" copyright term, or to both the "original" term and an "expectancy" in the so-called "renewal" term.

We addressed the first half of this issue in Yardley v. Houghton Mifflin Co., 108 F.2d 28 (2d Cir. 1939). There we concluded that if a party "is solicited by a patron to execute a commission for pay, the presumption should be indulged that the patron desires to control the publication of copies and that the artist consents that he may, unless by the terms of the contract, express or implicit, the artist has reserved the copyright to himself." Id. at 31. And in later

cases, we seemed to answer the second half, limiting Yardley's presumption in favor of implied assignment to the original term. See Estate of Burne Hogarth, 342 F.3d at 159; Shapiro, Bernstein & Co. v. Jerry Vogel Music Co., 221 F.2d 569, 570 (1955).

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The two doctrines first converged in Brattleboro Publishing Co. v. Winmill Publishing Corp., 369 F.2d 565, 567 (2d Cir. 1966). That case concerned rights in the original term in an independent contractor setting -- like in Yardley -- but we nevertheless began our analysis by discussing traditional work-for-hire doctrine. Id. at 567. We relied on Professor Melville Nimmer's copyright treatise, which we described as recognizing "a presumption in the absence of an express contractual reservation to the contrary, that the copyright shall be in the person at whose instance and expense the work is done." Id. (emphasis added) (citing NIMMER ON COPYRIGHT 238 (1964)). And we could "see no sound reason why these same principles are not applicable when the parties bear the relationship of employer and independent contractor." Id. at 568.

This discussion does not appear to have been necessary to the result inasmuch as the Court went on to resolve the case on the grounds of Yardley's presumption. Id. Just as curious was the Brattleboro Court's attribution of the phrase "instance and expense" to Professor Nimmer. The phrase is apparently not to be found in the cited passage on work-for-hire doctrine. See MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.03 n.171b (Matthew Bender,

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Rev. Ed. 2013). It seems instead to be drawn from a Ninth Circuit opinion in an independent contractor case published the year before. See Lin-Brook Builders Hardware v. Gertler, 352 F.2d 298, 300 (9th Cir. 1965); see generally Martha Graham, 380 F.3d at 634 n.17.

But we effectively adopted the union of these two approaches in Picture Music, Inc. v. Bourne, Inc., 457 F.2d 1213, 1216 (2d Cir. 1972), relying on both work-for-hire and implied assignment cases to conclude that an independent contractor's works were "made for hire," and therefore that the hiring party owned both the original and renewal term. Id. at 1216. And when we next confronted the issue, in Playboy Enterprises, Inc. v. Dumas, 53 F.3d 549, 554 (2d Cir. 1995), we explained that "an independent contractor is an 'employee' and a hiring party an 'employer' for purposes of the [1909 Act] if the work is made at the hiring party's 'instance and expense.'"<sup>8</sup>

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### **b. General Principles**

We have stated as a general rule that "[a] work is 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." Martha Graham, 380 F.3d at 635. Our case law is, however, not so tidy. To the extent we can distill from our prior cases a set of principles applicable here, they are these:

"Instance" refers to the extent to which the hiring party provided the impetus for, participated in, or had the power to supervise the creation of the work. Actual creative contributions or direction strongly suggest that the work is made at the hiring party's instance. See, e.g., Playboy Enterprises, Inc., 53 F.3d at 556 (evidence that independent contractor "was given specific instructions for his early submissions to Playboy" suggested work for hire); Yardley, 108 F.2d at 30-31 ("[W]here a photographer takes photographs of a person who goes or is sent to him in the usual course, and is paid for the photographs and for his services in taking them, the right of copyright is in the sitter or in the person sending the sitter to be photographed, and not in the photographer . . .").

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The "right to direct and supervise the manner in which the work is carried out," Martha Graham, 380 F.3d at 635, moreover, even if not exercised, is in some circumstances enough to satisfy the "instance" requirement. It may be sufficient, for example, where the hiring party makes a particularly strong showing that the work was made at its expense, Scherr v. Universal Match Corp., 417 F.2d 497, 501 (2d Cir. 1969) (noting "the overwhelming appropriation of [the hiring party's] funds, time and facilities to the project"), or where prior dealings between the parties on similar assignments, as part of an ongoing arrangement, have rendered fine-grained supervision unnecessary, Playboy Enterprises, Inc., 53 F.3d at 556 ("right to control" and exercise of control with respect to "certain characteristics" sufficient in light of earlier "specific assignments").

But "inducement" or "control" alone can be incidental enough not to vest copyright ownership in the hiring party. For example, in Siegel v. National Periodical Publications, Inc., 508 F.2d 909, 914 (2d Cir. 1974), we concluded that it was insufficient that the independent contractor "revise[d] and expand[ed] the Superman material at the request of the [hiring party]," because "Superman had

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been spawned by the [independent contractor] four years before the relationship [with the hiring party] existed." Indeed, even in cases arising under traditional employment law, a work created "as a special job assignment" may not be a "work made for hire." Shapiro, Bernstein & Co., 221 F.2d at 570.

The "expense" component refers to the resources the hiring party invests in the creation of the work. We have, at least in some cases, continued the tradition of treating the incidents of a traditional employment relationship as relevant to the analysis. See, e.g., Martha Graham, 380 F.3d at 637-41. We have, moreover, suggested that the hiring party's provision of tools, resources, or overhead may

be controlling. Id. at 638 ("It may well be that the resources of the Center -- notably, its rehearsal space and the dancers enrolled at the School -- significantly aided Graham in her choreography, thereby arguably satisfying the 'expense' component . . ."). But cf. Playboy Enterprises, Inc., 53 F.3d at 555 (finding that factors relevant to work for hire analysis under the 1976 Act, like setting hours or providing tools, have "no bearing on whether the work was made at the hiring party's expense").

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In other cases, however, we seem to have focused mostly on the nature of payment: payment of a "sum certain" suggests a work-for-hire arrangement; but "where the creator of a work receives royalties as payment, that method of payment generally weighs against finding a work-for-hire relationship." Playboy Enterprises, Inc., 53 F.3d at 555. We note, though, that this distinction appears to be a rather inexact method of properly rewarding with ownership the party that bears the risk with respect to the work's success. See Twentieth Century Fox Film Corp. v. Entertainment Distributing, 429 F.3d 869, 881 (9th Cir. 2005) (noting that publisher took on "all the financial risk of the book's success"); see also Donaldson Publishing Co. v. Bregman, Vocco & Conn, Inc., 375 F.2d 639, 643 (2d Cir. 1967) (finding relevant employee's "freedom to engage in profitable outside activities without sharing the proceeds with [the hiring party]").

Our case law counsels against rigid application of these principles. Whether the instance and expense test is satisfied turns on the parties' creative and financial arrangement as revealed by the record in each case.

If the hiring party is able to satisfy the instance and expense test, it "is presumed to be the author

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of the work," and the independent contractor can overcome the presumption only "by evidence of

an agreement to the contrary."<sup>9</sup> Playboy Enterprises, Inc., 53 F.3d at 556.

**2. Application of the Instance and Expense Test in the Present Case.** Applying these principles to the facts in the record before us -- a challenging endeavor in some respects<sup>10</sup> - - we conclude that the works were created at Marvel's instance and expense, and that Barbara and Susan have not adduced evidence of an agreement to the contrary

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contemporaneous with the creation of the works. We therefore conclude that the district court was correct to award summary judgment in favor of Marvel.

**a. Instance.**

The evidence, construed in favor of the Kirbys, establishes beyond dispute that the works in question were made at Marvel's instance.

Although Jack Kirby was a freelancer, his working relationship with Marvel between the years of 1958 and 1963 was close and continuous. Stan Lee considered Kirby to be Marvel's best artist, Lee Dep. at 30, Joint App'x at 2450, an assessment reinforced by the admiration of Kirby by his contemporaries, see Deposition of Lawrence Lieber ("L. Lieber Dep."), Jan. 7, 2011, at 104-05, Joint App'x at 1530-31; Deposition of John Romita ("Romita Dep."), Oct. 21, 2010, at 75-76, Joint App'x at 360-61. Lee "wanted to use Jack for everything," Lee Dep. at 36, Joint App'x at 2456, and Kirby appears to have been kept busy with assignments from Marvel, id. at 37, Joint App'x at 2457.

Marvel published the great majority of Kirby's work during these years -- 1958 through 1963. There are indications in the record that artists did customarily work with more than one publisher during the relevant time

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period, see, e.g., L. Lieber Dep. at 74-75, Joint App'x at 1521-22, and a handful of Kirby's works between 1958 and 1963 were not published by Marvel, see Excerpt of JACK KIRBY CHECKLIST (Two Morrows Gold ed. 2008), Joint App'x at 1751-62. But it is beyond dispute that most of Kirby's work during this period was published by Marvel and for established Marvel titles. Id.

Understood as products of this overarching relationship, Kirby's works during this period were hardly self-directed projects in which he hoped Marvel, as one of several potential publishers, might have an interest; rather, he created the relevant works pursuant to Marvel's assignment or with Marvel specifically in mind. Kirby's ongoing partnership with Marvel, however unbalanced and under-remunerative to the artist, is therefore what induced Kirby's creation of the works.

Marvel also played at least some creative role with respect to the works. Kirby undoubtedly enjoyed more creative discretion than most artists did under the "Marvel Method," a fact Lee readily admits. Lee Dep. at 70, Joint App'x at 2490. But the only evidence on the issue indicates that he did not work on "spec" (speculation) -- that is, he worked within the scope of Marvel's assignments and titles.

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Id. at 48, Joint App'x at 2468; Deposition of Neal Kirby, June 30, 2010, at 167-68, Joint App'x at 1592-93. There is no disputing, moreover, that Marvel had the power to reject Kirby's pages and require him to redo them, or to alter them, a power it exercised from time to time. Id. at 234-35, Joint App'x at 1599-1600; Deposition of Susan Kirby, oct. 25, 2010, at 37, Joint App'x at 1607. And there is evidence that Kirby collaborated with Lee with respect to many of the works. Lee Dep. at 118, Joint App'x at 2538.

Marvel's inducement, right to supervise, exercise of that right, and creative contribution with respect to Kirby's work during the relevant

time period is more than enough to establish that the works were created at Marvel's instance.

The Kirbys' attempts to avoid this conclusion are unsuccessful. Their argument is that the "right to supervise" referred to in our case law requires a legal, presumably contractual, right. Appellants' Br. at 42-45. We find no hint of this requirement in our case law applying the instance and expense test. Nor do the Kirbys provide a principled reason why Marvel's active involvement in the creative process, coupled with its power to reject pages and request that they be redone, should not suffice.

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The Kirbys also point to factual disputes over who actually created the characters, plots, and other concepts in Marvel's comic books during the relevant time period, mostly in an attempt to discredit Lee and find fault in the district court's reading of the record. Appellants' Br. at 33-35. Questions of who created the characters are mostly beside the point. That Marvel owes many of its triumphs to Kirby is beyond question. But the hired party's ingenuity and acumen are a substantial reason for the hiring party to have enlisted him. It makes little sense to foreclose a finding that work is made for hire because the hired artist indeed put his exceptional gifts to work for the party that contracted for their benefit.

#### **b. Expense.**

Whether the Works were created at Marvel's expense presents a more difficult question. We ultimately find ourselves in agreement with the district court and in favor of Marvel here too.

The facts underlying the expense component are not in dispute. Marvel paid Kirby a flat rate per page for those pages it accepted, and no royalties. It did not pay for Kirby's supplies or provide him with office space. It was free to reject Kirby's pages and pay him nothing for

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them. The record contains anecdotal evidence that Marvel did in fact reject Kirby's work or require him to redo it on occasion, if less often than it did the work of other artists, but with what frequency is unclear.

Marvel argues that its payment of a flat rate for Kirby's pages is all that matters. It relies on our suggestion in Playboy Enterprises, 53 F.3d at 555, that "the 'expense' requirement [is] met where a hiring party simply pays an independent contractor a sum certain for his or her work." Because, Marvel argues, it paid Kirby a sum certain when it accepted his pages -- irrespective of whether the pages required edits or additions, were ultimately published, or were part of a comic book that was a commercial success -- it took on the risk of financial loss.

The Kirbys urge us to focus not on the risk Marvel took at the time it purchased the pages, but on the risk Kirby took when he set out to create them. Until Marvel purchased Kirby's pages, they point out, Kirby had undertaken all of the costs of producing the drawings -- time, tools, overhead -- and shouldered the risk that Marvel would reject them, leaving him in the lurch. Marvel's purely contingent payment, they argue, thus acted more like a royalty than a sum certain. Appellants' Br. at 36-42.

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This argument might give us pause if Kirby's relationship with Marvel comprised discrete engagements with materially uncertain prospects for payment, or, indeed, if he undertook to create the works independent of Marvel. But there is no evidence of which we are aware to either effect. The evidence suggests instead that Marvel and Kirby had a standing engagement whereby Kirby would produce drawings designed to fit within specific Marvel universes that his previously purchased pages had helped to define. When Kirby sat down to draw, then, it was not in the hope that Marvel or some other publisher might one day be interested enough in them to buy, but with the

expectation, established through their ongoing, mutually beneficial relationship, that Marvel would pay him. And the record makes clear that in the run of assignments, this expectation proved warranted.

Kirby's completed pencil drawings, moreover, were generally not free-standing creative works, marketable to any publisher as a finished or nearly finished product. They built on preexisting titles and themes that Marvel had expended resources to establish -- and in which Marvel held rights -- and they required both creative contributions and production work that Marvel supplied. That the works are

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now valuable is therefore in substantial part a function of Marvel's expenditures over and above the flat rate it paid Kirby for his drawings.

In the final analysis, then, the record suggests that both parties took on risks with respect to the works' success -- Kirby that he might occasionally not be paid for the labor and materials for certain pages, and Marvel that the pages it did pay for might not result in a successful comic book. But we think that Marvel's payment of a flat rate and its contribution of both creative and production value, in light of the parties' relationship as a whole, is enough to satisfy the expense requirement.

**c. Agreement to the Contrary.**

Because Marvel has satisfied the instance and expense test, a presumption arises that the works in question were "works made for hire" under section 304(c). This presumption can be overcome only by evidence of an agreement to the contrary contemporaneous with the creation of the works.

The Kirbys' showing in this regard consists mostly of negative or elliptical inferences concerning the parties' agreement at the time. For example, they point to a 1975 assignment executed by Jack Kirby that purported to transfer

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interests in certain works to Marvel (but also averred that all of his work was for hire), which they say suggests the parties' understanding that Marvel did not already own the rights. Appellants' Br. at 48. They also call to our attention evidence that indicates that Marvel paid Kirby during the relevant time periods with checks that contained a legend with assignment, instead of work-for-hire, language. *Id.* at 47.

This evidence is not enough to enable the Kirbys to survive the motion for summary judgment. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986) ("The mere existence of a scintilla of evidence in support of the [non-movant's] position will be insufficient; there must be evidence on which the jury could reasonably find for the [non-movant]."); *Bickerstaff v. Vassar Coll.*, 196 F.3d 435, 448 (2d Cir. 1999) ("[A]n inference is not a suspicion or a guess." (internal quotation marks omitted)). It is all too likely that, if the parties thought about it at all, Kirby's assignments at the time he was paid or later were redundancies insisted upon by Marvel to protect its rights; we decline to infer from Marvel's suspenders that it had agreed to give Kirby its belt.

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In sum, the district court made no error, in our view, in determining as a matter of law that the works were made at Marvel's instance and expense, and that the parties had no agreement to the contrary. The remaining Kirbys, Barbara and Susan, are therefore without termination rights under section 304(c), and the district court properly granted Marvel's motion for summary judgment as to them.

## CONCLUSION

For the foregoing reasons, we vacate the district court's judgment as against Lisa and Neal Kirby and remand with instructions to the district court to dismiss the action against them for want of personal jurisdiction. We affirm the judgment in favor of Marvel as against Barbara

and Susan Kirby. Each party shall bear his, her, or its own costs.

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Notes:

<sup>1</sup> Certainly not helping matters was a mid-1950s investigation by the United States Senate into comics' alleged corrupting influence on America's youth. On April 21, 1954, a subcommittee of the Senate Judiciary Committee held a televised hearing on the topic. Louis Menand, *The Horror: Congress investigates the comics*, *THE NEW YORKER*, Mar. 31, 2008, at 124. The venue was the United States Courthouse at 40 Foley Square in New York City -- named in 2001 the "Thurgood Marshall United States Courthouse" -- in which this opinion was prepared. *Id.*

<sup>2</sup> The New York Court of Appeals has recognized that an individual, although not physically present in the state, may still be present in the relevant sense through some "direct and personal involvement" in "sustained and substantial transaction of business." *Parke-Bernet Galleries v. Franklyn*, 26 N.Y.2d 13, 18, 256 N.E.2d 506, 508, 308 N.Y.S.2d 337, 340 (1970). Participation in an auction by phone is one example. *Id.* Marvel does not allege such a connection in this case, and we do not perceive one in the record.

<sup>3</sup> The standard of review applicable to Rule 19(b) is apparently the subject of a circuit split. See *National Union Fire Ins. Co. v. Rite Aid of South Carolina, Inc.*, 210 F.3d 246, 250 n.7 (4th Cir. 2000) (recognizing the split and collecting cases); compare *Universal Reinsurance Co.*, 312 F.3d at 87 (abuse of discretion), with *Keweenaw Bay Indian Community v. Michigan*, 11 F.3d 1341, 1346 (6th Cir. 1993) (abuse of discretion for Rule 19(a), but *de novo* for Rule 19(b)). In *Republic of Philippines v. Pimentel*, 553 U.S. 851 (2008), the Supreme Court passed on an opportunity to resolve the question, although it did suggest that the Rule's "in equity and good

conscience" language "implies some degree of deference to the district court," *id.* at 864.

<sup>4</sup> There is some authority, albeit none from this Circuit, suggesting that a court of appeals may apply Rule 19 in the first instance when the issue arises for the first time on appeal. *See, e.g., Fidelity & Casualty Co. v. Reserve Ins. Co.*, 596 F.2d 914, 918 (9th Cir. 1979) (considering indispensability in the first instance on appeal in deciding applicability of Fed. R. Civ. P. 21, which permits courts to add or drop parties to avoid dismissing an action); *Anrig v. Ringsby United*, 591 F.2d 485, 489-92 (9th Cir. 1978) (faulting the district court for failing to consider the dispensability of parties prior to dismissing the entire case, and proceeding to address the question in the first instance); *see also Walsh v. Centeio*, 692 F.2d 1239, 1241-42 (9th Cir. 1982) (discussing case law in analysis of applicable standard of review of dismissals under Rule 19(b)); *Cloverleaf Standardbred Owners Ass'n, Inc. v. National Bank of Washington*, 699 F.2d 1274, 1277 n.5 (D.C. Cir. 1983) (suggesting, in dicta, that a court of appeals may apply Rule 19 itself in "cases in which Rule 19 does not figure in a district court's decision but becomes an issue on appeal in conjunction with a jurisdiction or venue challenge pursued by one or more of several defendants").

That we may (or ought to) do so is perhaps born of the notion that we have an independent equitable obligation to protect the interests of absentee parties. *See MasterCard Int'l Inc. v. Visa Int'l Service Ass'n, Inc.*, 471 F.3d 377, 382-83 (2d Cir. 2006). Inasmuch as we conclude that there is indeed only one permissible outcome here, however, we need not rest our decision on this basis.

<sup>5</sup> There is an abstract question lurking in the background: Should a court apply the Rule to present circumstances, or instead to the circumstances as they were at the time the party initially made its motion for dismissal under Rule 19(b)? *Compare Universal Reinsurance Co.*, 312 F.3d at 89 (noting, in a case in which Rule 19(b) issue did not arise until after first appeal and remand, that "[o]nce the district court

has proceeded to final judgment, considerations of finality, efficiency, and economy become overwhelming, and federal courts are directed to salvage jurisdiction where possible" (internal quotation marks and citations omitted)), *with Young v. Powell*, 179 F.2d 147, 152 (5th Cir. 1950) (reviewing district court's Rule 19(b) analysis based on the "relief asked for" rather than the "relief granted" on the merits in order to prevent prejudice to the defendant). *See generally* 7 CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 1609 (3d ed. 2008). We need not address it, though, because we conclude that under either approach, the result would be the same: Lisa and Neal are not indispensable parties.

<sup>6</sup> The termination right in section 304(c) applies only to transfers executed by the author prior to January 1, 1978. Section 203 governs termination of transfers of the rights to works executed on or after January 1, 1978. *See* 17 U.S.C. § 203(a). We have cautioned that "Section 203 and Section 304 are different provisions involving different rights." *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 779 (2d Cir. 1992).

<sup>7</sup> Thirty-nine years, to be precise. Termination rights may be effected "during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later." 17 U.S.C. § 304(c)(3). Under section 304, as amended by the Sonny Bono Copyright Term Extension Act, the full copyright term of the works at issue -- consisting of a 28-year initial term plus a 67-year renewal term -- is 95 years. *See* 17 U.S.C. § 304(a), (b). At stake here, then, is the 39 years that will be remaining on each of the works' copyright terms at the time they turn 56.

<sup>8</sup> Our approach has been criticized. *See* NIMMER ON COPYRIGHT § 9.03[D]. It was also called into question by language in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 744 (1989), which discussed some of our cases as background to interpreting the

1976 Act's somewhat different "work made for hire" provisions, 17 U.S.C. § 101. We nonetheless reaffirmed our adherence to the instance and expense test in cases turning on the interpretation of the 1909 Act's work-for-hire provisions in Estate of Burne Hogarth, *supra*.

<sup>9</sup> Marvel sees this as a formal "burden shifting framework." Under that framework, as Marvel conceives of it, the hiring party must "come forward with 'some credible evidence' that the Works were created at its instance and expense," from which showing "arises an 'almost irrebuttable presumption' that the Works were works made for hire." Appellees' Br. at 22 (citations omitted). Neither the "some credible evidence" statement -- a cherry-picked comment from a Ninth Circuit opinion, *see Twentieth Century*, 429 F.3d at 877 -- nor the "almost irrebuttable presumption" language -- a Fifth Circuit opinion's description of our approach, noted in our opinion in Estate of Burne Hogarth, 342 F.3d at 158 (quoting Easter Seal Society for

Crippled Children & Adults of Louisiana, Inc. v. Playboy Enterprises, 815 F.2d 323, 327 (5th Cir. 1987)) -- is an accurate statement of our case law.

<sup>10</sup> The facts underlying this dispute took place decades ago, and Jack Kirby is, of course, no longer alive to provide an account of his working relationship with Marvel during the relevant time period. This leaves us to reconstruct the arrangement through (1) the deposition testimony of Stan Lee, whose credibility the Kirbys contest; (2) the depositions and declarations of other comic book artists who worked for Marvel at various times, but likely under different arrangements from Kirby's; (3) the depositions of the Kirby children, who have little direct knowledge; and (4) some documentary evidence concerning Kirby's contributions to or creation of some of the works.

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