

**“WORKS MADE FOR HIRE” AFTER  
COMMUNITY FOR CREATIVE NON-VIOLENCE  
V. REID: THE NEED FOR STATUTORY  
REFORM AND THE IMPORTANCE OF  
CONTRACT\***

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“*[L]egal rules should be convenient to handle. . . . The rules should be certain, readily understood, not unduly complicated, as easy as possible to apply.*”<sup>1</sup>

I. INTRODUCTION

One of the most perplexing, controversial, and misunderstood doctrines in copyright law is the “work made for hire” doctrine,<sup>2</sup> which determines copyright ownership of works prepared by employees and independent contractors. Originating in common law,<sup>3</sup> it has been codified<sup>4</sup> and recodified,<sup>5</sup> and opinions interpreting the applicable provisions of the current copyright act, the Copyright Act of 1976 (“1976 Act”), have been wildly divergent and inconsistent.<sup>6</sup> This divergence has led to uncertainty and confusion among commissioning and creative parties regarding the ownership of the various rights in a creative work prepared on special order.

At the center of the controversy is the word “employee,”

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<sup>1</sup> Chafee, *Reflections on the Law of Copyright*, 45 COLUM. L. REV. 503, 514 (1945) (emphasis in original).

<sup>2</sup> 17 U.S.C. §§ 101, 201(b) (1988).

<sup>3</sup> For a discussion of “works made for hire” under the common law, see *infra* notes 12-15 and accompanying text.

<sup>4</sup> Copyright Act of 1909, 17 U.S.C. § 26 (1947); see *infra* notes 16-45 and accompanying text.

<sup>5</sup> Copyright Act of 1976, 17 U.S.C. §§ 101, 201(b) (1988); see *infra* notes 46-68 and accompanying text.

<sup>6</sup> For a discussion of works made for hire under the 1976 Act, see *infra* notes 69-146 and accompanying text.

which is not defined in the 1976 Act.<sup>7</sup> Owing to this definitional deficiency, four judicial definitions of work made for hire developed in the federal courts. These definitions ranged from works prepared by “formal, salaried employees,”<sup>8</sup> which is the most pro-artist stance, to works commissioned by hiring parties who retained the “right to direct and supervise”<sup>9</sup> the creation of the product, which is the position least favorable to artists.

The split among the courts, which reflected the lack of a coherent and uniform interpretation of the word “employee” in the work made for hire statute of the 1976 Act, finally led the Supreme Court to resolve the conflict by determining a work made for hire case in the Spring of 1989, *Community for Creative Non-Violence v. Reid*.<sup>10</sup> The Supreme Court decided the case using the Fifth Circuit’s “agency law” standard.<sup>11</sup> Although the opinion in *Reid* provides some valuable guidance, the “agency law” approach adopted by the Court failed to completely clarify the work made for hire doctrine or resolve the underlying issues.

Part II of this Article traces the work made for hire doctrine through the common law and under the Copyright Act of 1909 (“1909 Act”). Part III examines the legislative history behind, and the cases arising under, the 1976 Act, and determines that the courts have interpreted the statute in a manner very different from that which Congress had intended. In Part IV, the Supreme Court’s opinion in *Reid* is discussed and its shortcomings presented. Finally, in Part V, some simple solutions are considered, including a recommendation for statutory change which

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<sup>7</sup> 17 U.S.C. § 101. Section 101 contains the definitions of the pertinent terms used throughout the 1976 Act.

<sup>8</sup> See *Dumas v. Gommerman*, 865 F.2d 1093 (9th Cir. 1989). For a discussion of *Dumas*, see *infra* notes 133-46 and accompanying text.

<sup>9</sup> See *Town of Clarkstown v. Reeder*, 566 F. Supp. 137 (S.D.N.Y. 1983). For a discussion of this case, see *infra* notes 82-87 and accompanying text.

<sup>10</sup> 109 S. Ct. 2166 (1989). *Certiorari* was denied in previous work made for hire cases. See *Easter Seal Soc’y for Crippled Children and Adults, Inc. v. Playboy Enters.*, 815 F.2d 323 (5th Cir. 1987), *cert. denied*, 485 U.S. 981 (1988); *Evans Newton, Inc. v. Chicago Sys. Software*, 793 F.2d 889 (7th Cir.), *cert. denied*, 479 U.S. 949 (1986); *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir.), *cert. denied*, 469 U.S. 982 (1984). By the time of *Reid*, there was already a split between the Second Circuit’s *Aldon Accessories* decision and the Seventh Circuit’s *Evans Newton* decision, both of which employed the “actual control” standard, and the Fifth Circuit’s *Easter Seal* decision which relied on the *Restatement of Agency* approach. Therefore, a significant split among circuits was already in existence before the *Dumas* and *Reid* decisions. *Dumas* never made it to the Supreme Court because of its temporal proximity to *Reid*. It took both *Dumas* and *Reid* before the Supreme Court was willing to hear the issue.

<sup>11</sup> See *Easter Seal*, 815 F.2d at 323 (an independent contractor will be considered an “employee” for purposes of the 1976 Act if he would be considered an “employee” or “servant” under agency law); RESTATEMENT (SECOND) OF AGENCY § 220 (1958). For a discussion of *Easter Seal*, see *infra* notes 119-32 and accompanying text.

would resolve the work made for hire controversy and create certainty regarding copyright ownership among parties at the time of creation of the work, rather than after years of litigation.

## II. TRACING THE WORK MADE FOR HIRE DOCTRINE

### A. *Works Made for Hire Under the Common Law*

At common law, it was well established that the employer had the right to the copyright in the creative product of a salaried employee.<sup>12</sup> In addition, a party who specifically commissioned an independent contractor or artist to create a work would receive the accompanying copyright, along with the chattel, unless the parties had expressly contracted otherwise.<sup>13</sup> The burden of including such contractual provisions was placed on the artist, who was often less sophisticated in business matters than the commissioning party. If the contract was silent as to the transfer of the rights, the creator lost the copyright in his work.

[W]hen an artist is commissioned to execute a work of art not in existence at the time the commission is given, the burden of proving that he retains a copyright in the work of art executed, sold, and delivered under the commission rests heavily upon the artist himself. If a patron gives a commission to an artist, there appears to [be] a very strong implication that the work of art commissioned is to belong unreservedly and without limitation to the patron.<sup>14</sup>

Thus, absent a contractual provision stipulating otherwise, copyright ownership passed to the party who paid for or commissioned the work. Even if the work was as common as a portrait photograph, the copyright belonged to the subject, not to the photographer.<sup>15</sup>

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<sup>12</sup> See Angel & Tannenbaum, *Works Made for Hire Under S. 22*, 22 N.Y.L. SCH. L. REV. 209, 210 n.5 (1976) (citing *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903); *Colliery Eng'r Co. v. United Correspondence Schools Co.*, 94 F. 152 (C.C.S.D.N.Y. 1899)).

<sup>13</sup> See Comment, *Commissioned Works as Works Made for Hire Under the 1976 Copyright Act: Misinterpretation and Injustice*, 135 U. PA. L. REV. 1281, 1283 (1987) [hereinafter *Commissioned Works*].

<sup>14</sup> *Dielman v. White*, 102 F. 892, 894 (C.C.D. Mass. 1900). It is important to note that under the 1976 Act, the burden has been shifted to the buyer. In addition, all transfers of copyright must be in writing. 17 U.S.C. § 204(a) (1988). For a discussion of protection by contract, see *infra* notes 222-232 and accompanying text.

<sup>15</sup> When a person has a negative taken and photographs made, for pay, in the usual course, the work is done for the person so procuring it to be done, and the negative, so far as it is a picture, or capable of producing pictures, of that person, and all photographs so made from it, belong to that person; and neither the artist nor any one else has any right to make pictures from the negative, or to copy the photographs . . . .  
*Press Publishing Co. v. Falk*, 59 F. 324, 325 (C.C.S.D.N.Y. 1894). This rule is important,

### B. *Works Made for Hire Under the 1909 Act*

The 1909 Act codified the common law principle that, absent contractual provisions to the contrary, the commissioning party would acquire the copyright in the creative end product; the rights would flow to the commissioning party along with the product.<sup>16</sup> The words “work made for hire” were used in the 1909 Act, which made the employer the “author” and copyright holder of the commissioned work.<sup>17</sup> The definition of a work made for hire, however, was left to judicial interpretation.<sup>18</sup>

After the passage of the 1909 Act, the courts initially continued to apply the common law presumption that copyright ownership in works of art belonged to the commissioning party. For example, in *Yardley v. Houghton Mifflin Co.*,<sup>19</sup> the City of New York contracted with a painter, Charles Y. Turner, for the creation of a mural on the wall of an auditorium at DeWitt Clinton High School. The contract was silent as to copyright ownership.<sup>20</sup> Nonetheless, the painter affixed a copyright notice, in his own name, on the painting itself.<sup>21</sup> The court, however, awarded the copyright to the commissioning party. In so doing, the Second Circuit held:

When an artist accepts a commission to paint a picture for another for pay, he sells not only the picture but also the right to reproduce copies thereof unless the copyright is reserved to the artist by the terms, express or implicit, of the contract . . . .

. . . .  
*. . . If he 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.*<sup>22</sup>

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for it essentially laid the foundation for ownership principles under the 1909 Act. See *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28, 29-30 (2d Cir. 1939), *cert. denied*, 309 U.S. 686 (1940).

<sup>16</sup> Copyright Act of 1909, 17 U.S.C. § 26 (1947), *amended by* 17 U.S.C. § 101 (1978).

<sup>17</sup> *Id.*

<sup>18</sup> See *Dumas v. Gommerman*, 865 F.2d 1093, 1096 (9th Cir. 1989).

Beginning from early cases holding that a commission contract would be presumed to assign the copyright to the patron unless the parties expressly or implicitly provided otherwise . . . the rule was gradually expanded into a presumption that anyone who paid an artist to create a copyrightable work was the statutory author under the work for hire doctrine.

*Id.* (citation and footnotes omitted).

<sup>19</sup> 108 F.2d 28 (2d Cir. 1939), *cert. denied*, 309 U.S. 686 (1940).

<sup>20</sup> *Id.* at 29.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at 30-31 (emphasis added). See also *Dielman v. White*, 102 F. 892, 895 (C.C.D. Mass. 1900) (“If . . . the commission to produce a work of art imports unrestricted right

The court further held that the right to the copyright “passed with the painting.”<sup>23</sup> This rule was expanded over the years in 1909 Act cases and evolved into a presumption “that anyone who paid an artist to create a copyrightable work was the statutory author under the work for hire doctrine.”<sup>24</sup>

In 1966, the Second Circuit decided another important case under the 1909 Act, *Brattleboro Publishing Co. v. Winmill Publishing Corp.*<sup>25</sup> In *Brattleboro*, the court held that a newspaper advertiser who had paid a newspaper to create an advertisement—and not the newspaper or the newspaper’s employees—was the statutory copyright owner of the prepared print advertisements.<sup>26</sup> The court determined that a work was a work made for hire “whenever an employee’s work [was] produced at the *instance* and *expense* of his employer.”<sup>27</sup> The court then took a decidedly pro-commissioner stance by stretching the work made for hire doctrine to apply under other circumstances, “see[ing] no sound reason why these same principles [were] not applicable when the parties bear the relationship of employer and independent contractor.”<sup>28</sup>

Another significant case decided under the 1909 Act was *Scherr v. Universal Match Corp.*<sup>29</sup> The *Scherr* case was a copyright infringement action brought by two ex-servicemen, Scherr and Goodman, against a commercial matchbook manufacturing company and the United States government. During their service in the Army, Scherr and Goodman were classified as illustrators and were assigned to the preparation of visual training aids at Fort Dix, New

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of reproduction in the patron, then this contract made between the complainant and the government, in and of itself, imported a denial of the complainant’s copyright.”)

<sup>23</sup> *Yardley*, 108 F.2d at 31.

<sup>24</sup> *Dumas v. Gommerman*, 865 F.2d 1093, 1096 (9th Cir. 1989).

<sup>25</sup> 369 F.2d 565 (2d Cir. 1966). In its holding, the court adopted several “buzz words” which were later used by both the Second and Seventh Circuits in deciding subsequent work made for hire cases under the 1976 Act. See *Evans Newton, Inc. v. Chicago Sys. Software*, 793 F.2d 889 (7th Cir.), *cert. denied*, 479 U.S. 949 (1986); *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir.), *cert. denied*, 469 U.S. 982 (1984); see also *Roth v. Pritikin*, 710 F.2d 934, 937 n.3 (2d Cir.), *cert. denied*, 464 U.S. 961 (1983); *Picture Music, Inc. v. Bourne, Inc.*, 457 F.2d 1213, 1216 (2d Cir.), *cert. denied*, 409 U.S. 997 (1972); *Arthur Retlaw & Assoc., Inc. v. Travenol Laboratories, Inc.*, 582 F. Supp. 1010, 1013-14 (N.D. Ill. 1984).

<sup>26</sup> *But see Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410 (4th Cir. 1987) (under the 1976 Act, the newspaper, not the advertiser, owned the copyright in advertisements created by the newspaper’s employees).

<sup>27</sup> *Brattleboro*, 369 F.2d at 567 (emphasis added). See also *Samet & Wells, Inc. v. Shalom Toy Co.*, 429 F. Supp. 895, 901-02 (E.D.N.Y. 1977) (arising under the 1909 Act), *aff’d*, 578 F.2d 1369 (2d Cir. 1978); *Bernstein v. Universal Pictures, Inc.*, 379 F. Supp. 933, 939 (S.D.N.Y. 1974) (decided under the 1909 Act), *rev’d on other grounds*, 517 F.2d 976 (2d Cir. 1975).

<sup>28</sup> *Brattleboro*, 369 F.2d at 568.

<sup>29</sup> 417 F.2d 497 (2d Cir. 1969), *cert. denied*, 397 U.S. 936 (1970).

Jersey.<sup>30</sup> During their leisure hours, Scherr and Goodman created a clay model of an infantryman. The model caught the eye of a public relations officer who brought the sculptors and their model to the attention of the deputy post commander. The deputy post commander relieved the plaintiffs of their regular duties as illustrators and assigned them to create a life-sized version of their model, which later served as the symbol of Fort Dix. Scherr and Goodman spent nine months working on the statue. All costs of the project were borne by the Army, and plaintiffs were at all times accountable to their military superiors, to whom they regularly submitted reports.<sup>31</sup> Scherr and Goodman, in their own names, affixed a notice of copyright to the statue and registered their claim of copyright with the United States Copyright Office.<sup>32</sup>

The Universal Match Company secured consent from the Army to distribute matchbooks with the image of the statue reproduced thereon. When Scherr and Goodman sued the matchbook company, the United States government intervened as a defendant, denying the plaintiffs' copyright and alternatively counter-claiming for an assignment of the copyright if it was decided that the plaintiffs had actually acquired one.<sup>33</sup>

Even though the model for the statue was created during the creators' *free time* and Scherr and Goodman had both *affixed notice to the work and registered it*, the court nonetheless held that the government owned the copyright. In determining that the Army was the statutory owner of the work made for hire, the court emphasized that the statue itself, though not the prototype clay model, was created at the government's expense and under the government's limited supervision because the plaintiffs had been in the Army's employ while working on the statue. In reaching its conclusion, the court stated:

The essential factor in determining whether an employee created his work of art within the scope of his employment as part of his employment duties is whether the employer possessed the *right to direct and to supervise the manner in which the work was being performed*. Other pertinent, but non-essential, considerations, are those indicating at whose insistence, expense, time and facilities the work was created.<sup>34</sup>

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<sup>30</sup> *Id.* at 498-99.

<sup>31</sup> *Id.* at 499.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 498.

<sup>34</sup> *Id.* at 500-01 (citing M. NIMMER, NIMMER ON COPYRIGHT § 62.2 (1968)) (emphasis added). Note that this language sounds very similar to the language used in *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567 (2d Cir. 1966) (however

This “right to direct and supervise” doctrine was later applied to a case in which an author had specifically bargained for complete creative control over her work. In *Murray v. Gelderman*,<sup>35</sup> the author contended that she had not produced a work made for hire and that the normal “right to direct and supervise” rule did not apply because she had *specifically contracted* for complete creative control over the work.<sup>36</sup> In addition, the artist stated that she would have refused to take the job if the employer had demanded a right to control her efforts. The court, however, disagreed with the author’s position:

Allowing [the author] to [succeed on this argument] would permit an employee to circumvent the works for hire doctrine simply by demanding creative freedom as a condition of employment. We decline . . . to adopt such a rule, where, as here, an employer has no intention of supervising the work of an employee hired specifically to produce certain material.<sup>37</sup>

Because the contract was silent as to copyright ownership and the work was both initiated and paid for by the employer, the copyright passed to the commissioning party.<sup>38</sup>

Another case involving the work made for hire doctrine under the 1909 Act is *May v. Morganelli-Heumann & Associates*.<sup>39</sup> In *May*, which involved architectural drawings for a residence, the court held that the drawings belonged to the patron who commissioned the work and not the architect.<sup>40</sup> The court presumed that “the parties expected the employer to own the copyright and that the artist set his price accordingly.”<sup>41</sup>

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“instance” was changed to “insistence”). See also *Donaldson Publishing Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639 (2d Cir. 1967), *cert. denied*, 389 U.S. 1036 (1968) (no employer-employee relationship exists when a corporation does not hold or exercise the power to control or supervise an individual’s performance).

Courts frequently quoted this language and followed the “right to direct and supervise” doctrine under the 1976 Act until the 1980s. See *Peregrine v. Lauren Corp.*, 601 F. Supp. 828, 829 (D. Colo. 1985); *Town of Clarkstown v. Reeder*, 566 F. Supp. 137, 142 (S.D.N.Y. 1983). For a discussion of these cases, see *infra* notes 82-92 and accompanying text.

<sup>35</sup> 566 F.2d 1307 (5th Cir. 1978). Although decided in 1978, the 1909 Act was controlling.

<sup>36</sup> *Id.* at 1310-11. The author contended that she had complete control over “the contents, format, and production of the . . . book” and that defendants had assured her of complete design control. *Id.* at 1310.

<sup>37</sup> *Id.* at 1311.

<sup>38</sup> *Id.* at 1309-10.

<sup>39</sup> 618 F.2d 1363 (9th Cir. 1980). Because *May*, like *Murray*, involved a work created prior to the enactment of the 1976 Act, the 1909 Act was followed.

<sup>40</sup> *Id.* at 1368. Under the 1976 Act, there would be a contrary result. *Id.* at 1368 n.4. See *Dumas v. Gommerman*, 865 F.2d 1093, 1096 (9th Cir. 1989).

<sup>41</sup> *May*, 618 F.2d at 1368. Although decided by the Ninth Circuit, the *May* court used

These 1909 Act cases reaffirmed and extended many of the basic pro-commissioner common law doctrines, while also establishing much of the language of the work made for hire doctrine. Despite strong legislative intent to the contrary, the courts followed this trend and used this language after the implementation of the 1976 Act, until the late 1980s when the Fifth Circuit,<sup>42</sup> Ninth Circuit,<sup>43</sup> D.C. Circuit,<sup>44</sup> and ultimately the Supreme Court,<sup>45</sup> departed from this strong pro-commissioner stance.

### III. THE 1976 COPYRIGHT ACT

#### A. *Legislative Intent of Congress Regarding the 1976 Act*

Legislative history makes clear that the 1976 Act was intended to dramatically change the work made for hire doctrine. The former Register of Copyrights, Barbara Ringer, described the 1976 Act as follows:

[T]he New Act is not a "general revision" in the same sense that the 1909 Act was, *i.e.*, a bringing together of scattered statutory provisions with relatively few changes or innovations. The New Act is rather a completely new copyright statute, intended to deal with a whole range of problems undreamed of by the drafters of the 1909 Act. Even more important, the new statute makes a number of fundamental changes in the American copyright system, including some so profound that they may mark a shift in direction for the very philosophy of copyright itself. Properly designated, the New Act is not a "general revision," but is as radical a departure as was our first copyright statute, in 1790.<sup>46</sup>

In 1955, when Congress first decided to overhaul the 1909 Act, the applicable work made for hire provision was section 26.<sup>47</sup> This

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an analysis strikingly similar to that of the Chicago School. *See generally* A. KRONMAN & R. POSNER, *ECONOMICS OF CONTRACT LAW* 1-9 (1979) [hereinafter KRONMAN & POSNER].

<sup>42</sup> *Easter Seal Soc'y for Crippled Children and Adults, Inc. v. Playboy Enters.*, 815 F.2d 323 (5th Cir. 1987). For a discussion of this case, see *infra* notes 119-32 and accompanying text.

<sup>43</sup> *Dumas v. Gommerman*, 865 F.2d 1093 (9th Cir. 1989). For a discussion of *Dumas*, see *infra* notes 134-46 and accompanying text.

<sup>44</sup> *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485 (D.C. Cir. 1988).

<sup>45</sup> *Community for Creative Non-Violence v. Reid*, 109 S. Ct. 2166 (1989). For a discussion of *Reid*, see *infra* notes 147-79 and accompanying text.

<sup>46</sup> Ringer, *First Thoughts on the Copyright Act of 1976*, 22 N.Y.L. SCH. L. REV. 477, 479 (1977) (footnotes omitted). It is curious that courts chose to ignore this legislative history, especially when, as one commentator noted, "Unlike the porous 1909 Act, the 1976 Act is a detailed comprehensive code, chock-full of specific, heavily negotiated compromises." Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 859 (1987).

<sup>47</sup> Copyright Act of 1909, 17 U.S.C. § 26 (1947), amended by 17 U.S.C. § 101 (1978).



section provided that the word "author" should include an employer in the case of a work made for hire. The term "employer" was left for judicial definition. In the early cases, courts applied section 26 only to works made for hire by employees in the regular course of their employment.<sup>48</sup> As far as commissioned works were concerned, courts continued to apply the presumption that the rights flowed with the commissioned work to the party paying for it.

The first legislative proposal presented by the Copyright Office in 1961 retained the distinction between works created by employees and works created by independent contractors.<sup>49</sup> However, after meeting with and receiving comments from various interested parties, the Copyright Office in 1963 came out with its Preliminary Draft Bill ("Draft"). The Draft defined a work made for hire as "a work prepared by an employee within the scope of the duties of his employment, *but not including a work made on special order or commission.*"<sup>50</sup>

The language of the Draft was not well-received by commercial commissioning parties, especially book publishers and motion picture producers. In 1964, in response to industry objections, the Draft language was expanded to include commissioned works. Under the 1964 Draft, any commissioned work could become a work made for hire, "if the parties expressly agree[d] in writing."<sup>51</sup> The need to include the "work made for hire language" in writing when creating a contract provided greater protection for artists and independent contractors than the earlier presumption that the rights flowed with the work. However,

[t]his approach drew even heavier fire from the representatives of authors' organizations, who argued that an author could easily be induced to sign a form contract stating that his work is "made for hire," and that ordinary book publication contracts, signed before the author has completed the work and calling for an advance against royalties, could be con-

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This section is still valid for causes of action that arose under Title 17 before January 1, 1978.

<sup>48</sup> See *Scherr v. Universal Match Corp.*, 417 F.2d 497 (2d Cir. 1969), *cert. denied*, 397 U.S. 936 (1970); *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966). For a discussion of these cases, see *supra* notes 25-34 and accompanying text.

<sup>49</sup> See REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW, 87TH CONG., 1ST SESS., *reprinted in* COPYRIGHT L. REVISION 85-87 (Comm. Print 1961).

<sup>50</sup> DISCUSSIONS AND COMMENTS ON THE PRELIMINARY DRAFT FOR REVISED U.S. COPYRIGHT LAW, 88TH CONG., 2D SESS., *reprinted in* COPYRIGHT L. REVISION 15 n.11 (Comm. Print 1964) [hereinafter DRAFT] (emphasis added).

<sup>51</sup> 1964 REVISION BILL WITH DISCUSSIONS AND COMMENTS, 89TH CONG., 1ST SESS., *reprinted in* COPYRIGHT L. REVISION 31 (Comm. Print 1965).

verted into "employment agreements" as a matter of course.<sup>52</sup>

In 1965, the competing interest groups reached a compromise which was embodied in a joint memorandum submitted to Congress and the Copyright Office. This compromise was incorporated into the 1965 Revision bill and was ultimately enacted as section 101 of the 1976 Act in more or less the same form.<sup>53</sup> The compromise retained the language referring to "a work prepared by an employee within the scope of his or her employment" in subsection (1).<sup>54</sup> However, in exchange for concessions from publishers on provisions relating to termination rights, the authors consented to a second subsection which classified only four categories of commissioned works as works made for hire, but only if the parties expressly agreed in writing. The four categories were: works for use as contributions to a collective work; parts of a motion picture; translations; and supplementary works.<sup>55</sup>

These four specific categories of commissioned works, which are works not prepared by employees and thus not covered by the first subsection, were important to publishers because the works are of a type ordinarily prepared "at the instance, direction, and risk of a publisher or producer."<sup>56</sup> In its Supplementary Report to the 1965 Revision bill, the Register of Copyrights emphasized that *only* the four special cases of commissioned works specifically mentioned could qualify as works made for hire, and that "[o]ther works made on special order or commission would not come within the definition."<sup>57</sup> It is therefore clear that Congress, in its initial Draft, intended to severely limit the types of commissioned works which could become works made for hire.

In 1966, the House Committee on the Judiciary endorsed this compromise in its first legislative report on the revision bills.<sup>58</sup> The House Committee retained the distinction between works by em-

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<sup>52</sup> SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW, 89TH CONG., 1ST SESS., reprinted in COPYRIGHT L. REVISION 67 (Comm. Print 1965) [hereinafter SUPPLEMENTARY REPORT]. This would include relinquishing termination rights. For a discussion of termination rights, see *infra* notes 199-204 and accompanying text.

<sup>53</sup> 17 U.S.C. § 101(1) (1988). The 1976 Act includes nine categories in which a commissioned work made for hire must fall.

<sup>54</sup> *Id.*

<sup>55</sup> See SUPPLEMENTARY REPORT, *supra* note 52, at 67.

<sup>56</sup> This language is similar to the judicially created language of "instance and expense of his employer" seen in *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567 (2d Cir. 1966). For a discussion of *Brattleboro*, see *supra* notes 25-28 and accompanying text.

<sup>57</sup> SUPPLEMENTARY REPORT, *supra* note 52, at 67-68.

<sup>58</sup> See H.R. REP. NO. 2237, 89th Cong., 2d Sess. 114-16 (1966) [hereinafter H.R. REP. NO. 2237].

ployees and commissioned works, and focused on “how to draw a statutory line between those works [produced] on special order or commission that should be considered as works made for hire, and those that should not.”<sup>59</sup> The category of commissioned works which could be classified as works made for hire was expanded to include four more categories: compilations; instructional texts; tests; and atlases.<sup>60</sup> With the addition of “answer material for a test” to the previously enumerated eight categories, the 1976 Act as enacted,<sup>61</sup> contained not only the same definition of works made for hire as did the 1966 Revision bill, but also the same structure and nearly the same terms.<sup>62</sup>

The legislative history of the Act is significant for several reasons. First, when one scrutinizes the legislative intent carefully, it becomes readily apparent that Congress intended the work made for hire doctrine to be radically different under the 1976 Act as compared to the 1909 Act. Second, the enactment of the 1965 compromise as the 1976 Act, with only minor modifications, demonstrates that Congress intended to provide two mutually exclusive ways for works to acquire work made for hire status: one for employees and the other for independent contractors. The legislative history also emphasizes the statutory language, and makes clear that not all works prepared on special order or commission are able to become works made for hire. The *only* types of commissioned works which may become works made for hire under the 1976 Act are those that fall into the nine categories specifically enumerated in subsection (2) of the work made for hire provision.<sup>63</sup> All other works made on commission by independent contractors can *never* become works made for hire. The hiring party’s right to control the product is neither determinative nor dispositive.<sup>64</sup> Using a test based on a hir-

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<sup>59</sup> *Id.* at 115.

<sup>60</sup> *Id.* at 116.

<sup>61</sup> 17 U.S.C. § 101(1), (2) (1988).

<sup>62</sup> See, e.g., H.R. REP. NO. 1476, 94th Cong., 2d Sess. 121, reprinted in 1976 U.S. CODE CONG. & ADMIN. NEWS 5659, 5737 [hereinafter H.R. REP. NO. 1476]; S. REP. NO. 473, 94th Cong., 2d Sess. 104-05 (1975).

<sup>63</sup> Congress did not intend Subsection (2) to apply only to those commissioned works that are created without close supervision by the hiring party. To the contrary, Congress selected the nine categories in Subsection (2) because it was convinced that those particular kinds of commissioned works are typically created *with* close supervision, and therefore should be governed by the same legal principles that apply to works of “employees” under Subsection (1).

Brief for the Register of Copyrights as *Amicus Curiae* Supporting Respondent at 17-18, *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485 (D.C. Cir. 1988) (No. 88-293) [hereinafter Brief] (emphasis in original).

<sup>64</sup> See Note, *The Creative Commissioner: Commissioned Works Under the Copyright Act of 1976*, 62 N.Y.U. L. REV. 373, 389 (1987).

ing party's "right to control" or "actual control" of creation of a product would undermine the "carefully worked out compromise aimed at balancing legitimate interests on both sides."<sup>65</sup>

In addition to creating a bright line distinction between "employees" and independent contractors under the 1976 Act, with the inclusion of language in subsection (2)—"if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire"<sup>66</sup>—Congress changed the presumptive burden which originated under common law and continued under cases such as *Yardley v. Houghton Mifflin Co.*<sup>67</sup> The burden was now placed on the party commissioning one of the nine enumerated types of works included in section 101(2) to put in writing that the work was a work made for hire. The burden would no longer fall on the artist or contractor to expressly reserve his rights. Thus, even if a work falls into one of the specified categories, if there is no *writing*, there is no work made for hire. In addition, if a work is not included in one of the nine categories under section 101(2), even *with a writing* stating that it is a work made for hire, it cannot be a work made for hire if not made "by an employee within the scope of his employment."<sup>68</sup>

Because no writing exists in many transactions between commissioners and contractors, many commissioners realize that section 101(2) will not apply. Moreover, if the work in question does not fall into one of the nine enumerated categories, section 101(2) is inapplicable. Therefore, commissioning parties will attempt to make the contractors or artists "employees," so that under section 101(1) commissioners will be "authors," and will obtain all copyrights. Although this may be the intent of commissioning parties, it was not the intent of Congress.

### B. *Works Made for Hire Under the 1976 Act*

A work made for hire is defined in section 101 of the 1976 Act as:

- (1) a work prepared by an employee within the scope of his or her employment; or
- (2) a work specially ordered or commissioned for use as a con-

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<sup>65</sup> H.R. REP. NO. 2237, *supra* note 58, at 114 (quoting SUPPLEMENTARY REPORT, *supra* note 52, at 66).

<sup>66</sup> 17 U.S.C. § 101(2) (1988).

<sup>67</sup> 108 F.2d 28, 31 (2d Cir. 1939). For a discussion of *Yardley*, see *supra* notes 19-23 and accompanying text.

<sup>68</sup> 17 U.S.C. § 101(1).

tribution to a collective work,<sup>69</sup> as a part of a motion picture or other audiovisual work,<sup>70</sup> as a translation, as a supplementary work, as a compilation,<sup>71</sup> as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties *expressly agree in a written instrument signed by them* that the work shall be considered a work made for hire.<sup>72</sup>

The nine enumerated categories in subsection (2) are very important, for if a work does not fall within one of the specified categories, it can *never* be considered a work made for hire, regardless of any writing stipulating otherwise. Therefore, to receive copyright ownership in a work which does not fall within one of the nine categories specified in section 101(2), the commissioning party is forced to claim that the work was prepared within the context of an employer-employee relationship. Hence, the term "employee" was stretched by various courts to illogical extremes in an attempt to include all works not listed in section 101(2) under section 101(1). For example, buyers or the parties commissioning or paying for works by independent contractors have attempted to dramatically expand the definition of "employee" to include independent creators within the scope of section 101(1), and thus avoid the limits imposed by section 101(2). Paintings, statues, drawings, and computer software programs are not included within section 101(2) and therefore often do not qualify for protection under section 101 of the 1976 Act.<sup>73</sup>

Having a work classified as a work made for hire has significant consequences for it "determines not only the initial ownership of its copyright, but also the copyright's duration, § 302(c), and the own-

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<sup>69</sup> A "collective work" is "a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole." *Id.* § 101 (author's footnote added).

<sup>70</sup> "Audiovisual works" are,

works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

*Id.* (author's footnote added).

<sup>71</sup> A "compilation" is "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term 'compilation' includes collective works." *Id.* (author's footnote added).

<sup>72</sup> *Id.* § 101(1)-(2) (emphasis added). It is interesting to note that there is some overlap among categories. For example, "collective works" and "compilations" are included in § 101(2). Yet, as explained above, a "compilation" includes "collective works." Furthermore, there may be a question regarding whether a motion picture can be a collective work. *See infra* notes 215-21 and accompanying text.

<sup>73</sup> It should be noted that although paintings, illustrations, statues, and software programs are not specifically included within the nine categories, in certain limited situations they may be regarded as "a contribution to a collective work." If so, then under section 101(2), these types of works would then be classified as works made for hire.

ers' renewal rights, § 304(a), termination rights, § 203(a), and right to import certain goods bearing the copyright, § 601(b)(1)."<sup>74</sup> As such, the Supreme Court stated in *Reid* that "[t]he contours of the work for hire doctrine therefore carry profound significance for freelance creators—including artists, writers, photographers, designers, composers, and computer programmers—and for the publishing, advertising, music, and other industries which commission their works."<sup>75</sup> Considering the range of rights and parties affected, it is no small wonder that the work made for hire doctrine has been the center of numerous controversies and the subject of much litigation.

### *C. Judicial Interpretation of Works Made for Hire Under the 1976 Act*

Although "federal statutes are generally intended to have uniform nationwide application,"<sup>76</sup> this did not occur with the 1976 Act. Prior to the Supreme Court's partial resolution of the issue in *Reid*, the federal court system developed four distinct doctrines defining a work made for hire:

(A) the "right to direct and supervise" test;<sup>77</sup>

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<sup>74</sup> *Community for Creative Non-Violence v. Reid*, 109 S. Ct. 2166, 2171 (1989). See also 1 M. NIMMER, *NIMMER ON COPYRIGHT* § 5.03[A] at nn.6, 8-10 (1990) [hereinafter NIMMER] (describing the treatment accorded to works made for hire).

<sup>75</sup> *Reid*, 109 S. Ct. at 2171. "As of 1955, approximately 40 percent of all copyright registrations were for works for hire, according to a Copyright Office study. . . . The Copyright Office does not keep more recent statistics on the number of work for hire registrations." *Id.* at 2171 n.4 (citation omitted). Because of the implications of the outcome, *amicus* briefs were filed by numerous interested industry parties.

<sup>76</sup> *Id.* at 2173 (quoting *Mississippi Band of Choctaw Indians v. Holyfield*, 109 S. Ct. 1597, 1605 (1989)).

<sup>77</sup> See *Peregrine v. Lauren Corp.*, 601 F. Supp. 828 (D. Colo. 1985); *Town of Clarkstown v. Reeder*, 566 F. Supp. 137 (S.D.N.Y. 1983); see also *Marshall v. Miles Laboratories, Inc.*, 647 F. Supp. 1326, 1331 (N.D. Ind. 1986) ("whether the employer caused the work to be made," and "had a right to control or supervise the creation"); *Joseph L. Legat Architects v. United States Dev. Corp.*, 625 F. Supp. 293, 298 (N.D. Ill. 1985) ("whether the alleged employer has the right to direct and supervise the manner in which work is performed"); *Schmid Bros., Inc. v. W. Goebel Porzellaufabrik KG.*, 589 F. Supp. 497, 503 (E.D.N.Y. 1984) ("whether the employer has the right to direct and supervise the actual performance of the work"); *Gallery House, Inc. v. Yi*, 582 F. Supp. 1294, 1297 (N.D. Ill. 1984) ("whether the alleged employer has the right to direct and supervise the manner in which the writer performs his work") (citing 1 M. NIMMER, *NIMMER ON COPYRIGHT* § 5.03[B][1] at 5-12); *Rand McNally & Co. v. Fleet Management Sys.*, 591 F. Supp. 726, 738 (N.D. Ill. 1983) ("whether the work was prepared at the 'insistence and expense' of another person . . . and . . . the 'commissioning' party had the right to control and supervise the work's use and creation") (citations omitted). For a discussion of *Reeder* and *Peregrine*, see *infra* notes 82-92 and accompanying text. See generally, Lambrous, *Sufficiently Supervised Commissioned Workers: Mythical Beasts Sculpted From Old Law*, 14 PEPPERDINE L. REV. 381 (1987) (discussing definition of works made for hire, its recent obsolescence, and legislative attempts to redefine it).

- (B) the "actual control" test;<sup>78</sup>
- (C) the *Restatement of Agency* test;<sup>79</sup> and
- (D) the "formal, salaried employee" test.<sup>80</sup>

### 1. The "Right To Direct and Supervise" Test

Although used as a mode of analysis under the 1976 Act, the "right to direct and supervise" test had its origins under the 1909 Act.<sup>81</sup> In *Town of Clarkstown v. Reeder*,<sup>82</sup> the Town of Clarkstown ("Town") was interested in creating a Youth Court. In 1980, the Town appointed defendant Michael Reeder to serve on the Clarkstown Steering Committee and asked for his assistance in preparing the *Clarkstown Manual for the Youth Court* (the "*Manual*"). The *Manual* was written mostly by Reeder and compiled by Reeder and his staff "after receiving conceptual and practical input from many people."<sup>83</sup> During the drafting and formative stages of the *Manual*, portions and excerpts were discussed,

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<sup>78</sup> See *Evans Newton, Inc. v. Chicago Sys. Software*, 793 F.2d 889 (7th Cir.), *cert. denied*, 479 U.S. 949 (1986); *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir.), *cert. denied*, 469 U.S. 982 (1984); see also *Nadel & Sons Toy Corp. v. William Shaland Corp.*, 657 F. Supp. 133, 135 (S.D.N.Y. 1987) ("[T]he essential factor in determining whether a work is made . . . for hire is whether the employer has the right to direct and supervise the actual performance of the work, and whether he or she actually exercises that right."); *Sandwiches, Inc. v. Wendy's Int'l, Inc.*, 654 F. Supp. 1066, 1072-73 (E.D. Wis.), *appeal dismissed*, 822 F.2d 707 (7th Cir. 1987) (requiring actual control); *Syigma Photo News, Inc. v. Globe Int'l, Inc.*, 616 F. Supp. 1153, 1156 (S.D.N.Y. 1985) ("In determining whether [the artist] created the [work] 'on commission' or as an 'employee,' the extent to which [the commissioning party] controlled the creation of the works is determinative."). See generally Note, *The Work Made for Hire Doctrine Under the Copyright Act of 1976: Employees, Independent Contractors and the Actual Control Test*, 22 IND. L. REV. 619 (1989) (exploring the history and elements of the "actual control" test and concluding that it is the most favorable approach). For a discussion of *Aldon Accessories* and *Evans Newton*, see *infra* notes 95-118 and accompanying text.

<sup>79</sup> See *Easter Seal Soc'y for Crippled Children and Adults, Inc. v. Playboy Enters.*, 815 F.2d 323 (5th Cir. 1987), *cert. denied*, 485 U.S. 981 (1988). For a discussion of *Easter Seal*, see *infra* notes 119-32 and accompanying text. See also *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486, 1491 (11th Cir. 1990) ("[U]nder the general law of agency, we look to the hiring party's right to control the way in which the product . . . is made in order to determine if the hired party is an employee or an independent contractor."); *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410, 413 (4th Cir. 1987) ("The meaning of those terms ['employee' or 'scope of employment'] is to be derived from the general law of agency.>").

<sup>80</sup> See *Dumas v. Gommerman*, 865 F.2d 1093 (9th Cir. 1989). This is the position advocated by the Register of Copyrights. See *id.* at 1100. For a discussion of this case, see *infra* notes 133-46 and accompanying text.

<sup>81</sup> See *Scherr v. Universal Match Corp.*, 417 F.2d 497 (2d Cir. 1969), *cert. denied*, 397 U.S. 936 (1970); see also *Murray v. Gelderman*, 563 F.2d 773 (5th Cir. 1977), *aff'd*, 566 F.2d 1307, 1310 (5th Cir. 1978) ("Another factor is whether the employer had the right to direct and supervise the manner in which the work was being performed.") (emphasis in original); *Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640 (S.D.N.Y. 1970), *aff'd*, 457 F.2d 1213, 1216 (2d Cir.), *cert. denied*, 409 U.S. 997 (1972); 1 NIMMER, *supra* note 74, § 5.03[B][a][i]. For a discussion of *Scherr*, see *supra* notes 29-34 and accompanying text.

<sup>82</sup> 566 F. Supp. 137 (S.D.N.Y. 1983).

<sup>83</sup> *Id.* at 139.

changed, and approved by the Steering Committee. At that time, Reeder did not assert any interest in copyright ownership of the *Manual*.<sup>84</sup>

In 1982, however, the Town was informed that Reeder now claimed the copyright in the *Manual*, and had contracted with another town, Ramapo, to assist it in forming a Youth Center. Reeder also told Clarkstown that it could use the *Manual* only with his permission.<sup>85</sup> The Town responded that it, not Reeder, was the rightful copyright owner of the *Manual* and brought an action to enjoin Reeder from using any of the materials incorporated in the *Manual*.

The Southern District of New York held that Clarkstown was the rightful copyright owner and stated that even though Reeder volunteered his time, he could still be considered an "employee" under the statute.<sup>86</sup> In holding that Clarkstown, and not Reeder, was the owner of the copyright in the *Manual*'s material, the court said that "[t]he crucial factor to be considered . . . 'is whether the alleged employer has the *right to direct and supervise* the manner in which the writer performs his work.'" <sup>87</sup> Since the Town possessed this authority, the court found Reeder to be an employee, thereby granting the copyright to the Town. The *Clarkstown* court, therefore, chose to ignore the changes embodied in the 1976 Act, and continued to apply old law.

In *Peregrine v. Lauren Corp.*,<sup>88</sup> an advertising agency commissioned the plaintiff, a professional photographer, to take photographs to be used in a promotional brochure. In determining that the photographs were works made for hire and therefore, that the agency and not the photographer owned the copyright, the court again used the language of the cases decided under the 1909 Act. "There is no question . . . that Mr. Peregrine's work was undertaken at the insistence of the employer and that the employer had the right to supervise Mr. Peregrine's work."<sup>89</sup>

<sup>84</sup> *Id.*

<sup>85</sup> *Id.* at 139-40.

<sup>86</sup> *Id.* at 141 (citing 1 M. NIMMER, NIMMER ON COPYRIGHT § 5.03[B][a] (1982)). "[A] volunteer worker may be considered an employee for purposes of the copyright laws." *Id.* This is an important factor. In *Community for Creative Non-Violence v. Reid*, the sculptor who created the statue in question volunteered his time. For a discussion of *Reid*, see *infra* notes 147-79 and accompanying text.

<sup>87</sup> *Town of Clarkstown*, 566 F. Supp. at 141 (quoting 1 M. NIMMER, NIMMER ON COPYRIGHT § 5.03[B][a] (1982)) (emphasis added). See also *Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737, 744 (2d Cir. 1975), *cert. denied*, 424 U.S. 955 (1976).

<sup>88</sup> 601 F. Supp. 828 (D. Colo. 1985).

<sup>89</sup> *Id.* at 829. Note that the "instance" language from *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567 (2d Cir. 1966), has been changed to "insistence." See *supra* note 34.



The court in *Peregrine* used standards applied in cases decided under the 1909 Act, and relied heavily on those cases in reaching its decision.<sup>90</sup> Therefore, even though deliberate changes were incorporated in the language of the 1976 Act regarding works created by independent contractors, as evidenced by its legislative history,<sup>91</sup> the court chose to ignore these modifications and applied the outmoded “right to direct and supervise” test.<sup>92</sup>

The “right to direct and supervise” doctrine utilized by these courts is severely flawed. Theoretically, almost every time a party commissions an artist to create a work, the commissioning party will have the right to exercise some degree of supervision or direction over the work. Under this test, even if the patron *does not* exercise any direction, supervision, or control, the patron could simply say that it was understood by the artist that he had the right to supervise, but simply did not do so. Therefore, under the “right to direct and supervise” standard, every commissioned work created by an independent contractor could be classified as a work made for hire.

## 2. The “Actual Control” Test

Recognizing that the “right to direct and supervise” test was too broad, the Second Circuit,<sup>93</sup> and later the Seventh Circuit,<sup>94</sup> adopted the slightly more rigid “actual control” test. Under this standard, the commissioning party could no longer passively assert the right to control or direct the work, but rather had to actively exercise that right.

In *Aldon Accessories Ltd. v. Spiegel, Inc.*,<sup>95</sup> Aldon Accessories (“Aldon”) designed and marketed figurines and other decorative pieces. Arthur Ginsberg, a principal of Aldon, decided to produce a line of statuettes depicting well-known mythological creatures and figures.<sup>96</sup> Ginsberg contacted Wado International

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<sup>90</sup> *Peregrine*, 601 F. Supp. at 829 (citing *Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737, 744 (2d Cir. 1975), *cert. denied*, 424 U.S. 955 (1976); *Murray v. Gelderman*, 566 F.2d 1307 (5th Cir. 1978)) (both applying the 1909 Act).

<sup>91</sup> See *supra* notes 46-68 and accompanying text.

<sup>92</sup> *Peregrine*, 601 F. Supp. at 829.

<sup>93</sup> *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir.), *cert. denied*, 469 U.S. 982 (1984). For a discussion of this case, see *infra* notes 95-106 and accompanying text.

<sup>94</sup> *Evans Newton, Inc. v. Chicago Sys. Software*, 793 F.2d 889 (7th Cir.), *cert. denied*, 479 U.S. 949 (1986). For a discussion of *Evans Newton*, see *infra* notes 107-18 and accompanying text.

<sup>95</sup> 738 F.2d 548 (2d Cir.), *cert. denied*, 469 U.S. 982 (1984).

<sup>96</sup> *Id.* at 549.

Corporation (“Wado”), a Japanese firm, to aid in the design and production of these figurines.

After some initial exchanges of descriptions and sketches, Ginsberg traveled to Japan to work with artists hired by Wado to develop the models. Ginsberg worked in conjunction with the artists throughout the process, giving minute-by-minute instructions and judging their product at each step.<sup>97</sup> Ginsberg testified that “the model was prepared in front of me, and we spent hours and hours changing shapes, adjusting attitudes and proportions until finally I thought there was a model that I liked.”<sup>98</sup>

In August 1979, Ginsberg contacted a Taiwanese firm, Unibright, to have it cast solid brass versions of the porcelain figures produced in Japan by Wado. Ginsberg arrived in Taiwan and worked closely and extensively with the Taiwanese company’s employees “in essentially the same manner as he had worked with the Wado artists in developing the porcelain statuettes.”<sup>99</sup> In 1980, Ginsberg filed a certificate of copyright registration and listed Aldon as the author of the work made for hire.<sup>100</sup>

Aldon eventually marketed both the porcelain and brass versions of the models in different sizes, with slight variations in design. Spiegel, Inc. (“Spiegel”), after requesting samples from Aldon at a trade show, began selling similar brass figurines. Aldon sued Spiegel for copyright infringement and won a jury verdict at the district court level.<sup>101</sup> On appeal, the judgment in favor of Aldon was affirmed. Although the Second Circuit claimed to have examined the legislative history of the 1976 Act, the language of the opinion indicates that the court misinterpreted or ignored the previous proposed bills and legislative compromises.

Nothing in the 1976 Act or its legislative history indicates that Congress intended to dispense with this prior law . . . . Had Congress intended . . . to narrow the type of employment relationships within the work for hire doctrine to include only “regular” employees, it is unlikely that there would have been no discussion of this change . . . .

. . . [T]here is no indication in the legislative history or elsewhere that Congress was focusing on contractors who

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<sup>97</sup> See *id.* at 549-50.

<sup>98</sup> *Id.* at 550.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> *Id.* at 550-51.

were actually sufficiently supervised and directed by the hiring party . . . .<sup>102</sup>

In *Aldon Accessories*, the Second Circuit set forth the following test for determining who is an “employee” for purposes of the work made for hire provision: “[I]s the contractor ‘independent’ or is the contractor *so controlled and supervised* in the creation of the particular work by the employing party that an employer-employee relationship exists. The latter is covered by [section 101] subdivision (1).”<sup>103</sup>

In reaching its decision in favor of Aldon, the court held that Ginsberg, as a representative of Aldon, so directed and supervised the Taiwanese firm that the created figurines were works made for hire and that Aldon was therefore the rightful copyright holder. The court found that:

There was evidence that Ginsberg actively supervised and directed the creation of both the porcelain and brass statuettes. While he did not physically wield the sketching pen and sculpting tools, he stood over the artists and artisans at critical stages of the process, telling them exactly what to do. He was, in a very real sense, the artistic creator.<sup>104</sup>

Because Ginsberg was “the artistic creator” and the agent or representative of Aldon,<sup>105</sup> Aldon was considered the owner. Therefore, even though porcelain and brass figures are not contained in the nine categories of section 101(2), the *Aldon Accessories* court found that the requisite employer-employee relationship existed between Aldon and the foreign firms, and therefore qualified the works as works made for hire under section 101(1). The *Aldon Accessories* court thus misinterpreted the legislative history and failed to acknowledge Congress’ intended change that work made for hire status not be conferred on commissioned works merely because they happened to be created under the supervision of the hiring party.<sup>106</sup>

The court’s misguided interpretation of section 101(1) of the

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<sup>102</sup> *Id.* at 552 (citations omitted). See also *Commissioned Works*, *supra* note 13, at 1300 (discussing *Aldon* and the legislative history of the 1976 Act). As the earlier discussion of the legislative history shows, Congress clearly considered the “supervision and direction” problem, for the nine categories of subsection (2) were adopted precisely because in those cases the artists usually *would be* supervised and directed by the commissioning party.

<sup>103</sup> *Aldon Accessories*, 738 F.2d at 552-53 (emphasis added).

<sup>104</sup> *Id.* at 553.

<sup>105</sup> Ginsberg acted on behalf of Aldon in his dealings with foreign firms. See *id.* at 549-50.

<sup>106</sup> For a discussion of the legislative history of the 1976 Act, see *supra* notes 46-68 and accompanying text.

1976 Act in *Aldon Accessories* was later followed and expanded upon by the Seventh Circuit in *Evans Newton, Inc. v. Chicago System Software*.<sup>107</sup> In *Evans Newton*, the Evans Newton Corporation ("ENI"), decided to develop a computer program which would be compatible with a new model of rapid low-cost programmable microcomputers. ENI wrote the system bid guidelines with programming specifications, including flow diagrams, and prepared numbering and coding systems.

ENI contacted defendant Chicago Systems Software ("CSS") to have the program developed and produced in a useable form. ENI and CSS entered into an agreement in which ENI would produce the actual software, and "CSS would provide the necessary programming, including complete documentation of how the system operated."<sup>108</sup> CSS received a letter from a representative of ENI specifying the "terms of this commitment."<sup>109</sup> One of the terms was that "[t]he ENI Copyright of this program is fully recognized by Chicago Software Systems [sic]."<sup>110</sup> Shortly after completing the final program, CSS began to market its own program and user's manual entitled *Computerized Classroom Management*. The new CSS program directly competed with the ENI *Project Basic* program. Furthermore, CSS demonstrated and distributed its program to various potential ENI users and customers. Material portions of the CSS program were similar both in form and function to material portions of ENI's *Project Basic* program.<sup>111</sup> ENI was of the position that the "similarities [between the two programs] violated both the agreement between ENI and CSS and ENI's copyright."<sup>112</sup> ENI, therefore, sued CSS for copyright infringement.

In deciding *Evans Newton*, the Seventh Circuit followed the reasoning of the Second Circuit in *Aldon Accessories* and held in favor of ENI. The court said that the key issue "was not . . . whether the defendant was an employee or an independent contractor, but rather '[was] the contractor 'independent' or [was] the contractor so controlled and supervised in the creation of the particular work by the employing party that an employer-employee relationship exist[ed].'"<sup>113</sup> The court found that ENI had sufficiently controlled

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<sup>107</sup> 793 F.2d 889 (7th Cir.), *cert. denied*, 479 U.S. 949 (1986).

<sup>108</sup> *Id.* at 891. The agreement stipulated a fee "to compensate CSS for an estimated 200 to 300 hours of programming work." *Id.*

<sup>109</sup> *Id.* at 891-92.

<sup>110</sup> *Id.* at 892.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.* at 894 (quoting *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548, 552 (2d Cir. 1984)).

and supervised the creation of the programs. Although the court in *Evans Newton* claimed to use the “actual control” test, in essence it went further than *Aldon Accessories* and returned to the earlier “right to direct and supervise” test, stretching the work made for hire doctrine beyond its intended limits. The Seventh Circuit followed *Aldon Accessories* because it erroneously believed that the Second Circuit had “carefully considered the legislative history of [the 1976 Act].”<sup>114</sup> As noted later in *Easter Seal Society for Crippled Children and Adults, Inc. v. Playboy Enterprises*,<sup>115</sup> *Dumas v. Gommerman*,<sup>116</sup> and *Community for Creative Non-Violence v. Reid*,<sup>117</sup> a careful examination and consideration of the legislative history of the 1976 Act leads to a very different result.<sup>118</sup>

The *Evans Newton* interpretation of the “actual control” test is very troublesome because it causes the artist to forever forfeit all rights and enables patrons or commissioners who make suggestions, set forth specifications, or exercise minimal direction over a work, to transform a commissioned work into a work made for hire. Although the “actual control” test differs semantically from the “right to direct and supervise” test, as *Evans Newton* shows, in practical application, the differences are minimal. Both the “right to direct and supervise” test and the “actual control” test totally ignore the fact that with the enactment of the 1976 Act, Congress intended “employee” to mean formal, salaried employee.

### 3. The Restatement of Agency Test

The first case to deviate from the “right to direct and supervise” test and more correctly interpret the changes in the work made for hire provision of the 1976 Act was *Easter Seal Society for Crippled Children and Adults, Inc. v. Playboy Enterprises*.<sup>119</sup> In *Easter Seal*, a representative of the Easter Seal Society contracted for the videotaping of a staged “Mardi Gras-style” parade and a “Dixie-land” musical jam session with WYES, the New Orleans public television station.<sup>120</sup> The entire footage was edited and appeared as a segment on the National Easter Seal Telethon. There was no mention of copyright ownership in any of the communications

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<sup>114</sup> *Id.* See also *Commissioned Works*, *supra* note 13, at 1304.

<sup>115</sup> 815 F.2d 323, *reh'g denied*, 820 F.2d 1223 (5th Cir. 1987).

<sup>116</sup> 865 F.2d 1093 (9th Cir. 1989).

<sup>117</sup> 109 S. Ct. 2166 (1989).

<sup>118</sup> For a discussion of the legislative history of the 1976 Act, see *supra* notes 46-68 and accompanying text.

<sup>119</sup> 815 F.2d 323, *reh'g denied*, 820 F.2d 1223 (5th Cir. 1987).

<sup>120</sup> *Id.* at 324. “WYES charged less than market rates as an indirect charitable contribution to the Society.” *Id.*

between the Easter Seal Society and WYES, nor was there any mention of copyright ownership in the contract.<sup>121</sup>

During the staging and production of the video, the Easter Seal Society's representative gave a number of suggestions to the WYES director. These suggestions included camera locations and specific scenes to shoot. The Easter Seal Society representative "had *no voice* in deciding technical questions such as lighting, color balance, sound recording, and the like."<sup>122</sup> The WYES director "fully supervised all unit employees, making the final aesthetic and technical decisions about the deployment of six video cameras and sound equipment."<sup>123</sup>

The WYES video crew and staff performed all of the post-production work to create the final sixteen minute segment (the "master" tape) from the raw video footage (the "field" tape). After the segment aired nationally, WYES did not keep a copy of the master, but kept the field tape on file, and subsequently used portions of the field tape in several WYES-produced shows including a "Dixieland Jazz" series which was broadcast locally in New Orleans and later distributed nationally. There is no evidence that the Easter Seal Society objected to the use of the footage in "Dixieland Jazz," at or about the time of that broadcast.

WYES later received a request from a Canadian television producer for parade footage. Some of the requested portions of the tape were then used in an "adult" film, *Candy, the Stripper* ("Candy"). *Candy* was broadcast nationally on cable television four times. Several viewers in New Orleans recognized themselves in the field tape, now part of *Candy*.<sup>124</sup>

After the Easter Seal Society found out about the broadcast of *Candy*, it claimed to be the rightful owner of the footage on the ground that it was a work made for hire and sued Playboy Enterprises ("Playboy"), alleging copyright infringement. The district court correctly "determined that [the members of the film crew were] not 'employee[s]' of the Society within the meaning of the 'work made for hire' doctrine of the [1976 Act], and that WYES held the copyright in the field tapes under the same doctrine."<sup>125</sup>

On appeal, the Fifth Circuit held in favor of Playboy and expressly rejected the "actual control" standard set by *Aldon Accessories*.

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<sup>121</sup> *See id.*

<sup>122</sup> *Id.* (emphasis added).

<sup>123</sup> *Id.*

<sup>124</sup> *Id.* at 325.

<sup>125</sup> *Id.*

[T]here are four problems with the “actual control” test of *Aldon Accessories*: (1) the rule is unnecessary in cases where “work for hire” is raised by the defendant to question the validity of the plaintiff’s copyright since any plaintiff who actually controls an independent contractor will be a co-author of the work; (2) it makes the outcome of “work for hire” analysis too fact-specific for each work and therefore less predictable by buyers and sellers; (3) it does not eliminate the need for a determination of employee versus independent contractor since the “actual control” test applies only to independent contractors [sic]; (4) it slides too easily into the vague and expansive “right to control” test, as the decision in *Evans Newton* may portend.<sup>126</sup>

The Fifth Circuit stressed that “on top of these problems there is one insurmountable problem with the *Aldon Accessories* rule[:] . . . [t]here is simply no way to milk the “actual control” test of *Aldon Accessories* from the language of the statute.”<sup>127</sup>

The court considered the legislative history of the 1976 Act, and chose to apply a more “literal” interpretation of the statute.<sup>128</sup> In determining who would be considered an “employee,” and acknowledging that there would be situations where non-salaried, non-full-time parties could still be considered “employees,” the court decided to consider the factors enumerated in the *Restatement of Agency*.<sup>129</sup>

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<sup>126</sup> *Id.* at 334.

<sup>127</sup> *Id.*

<sup>128</sup> “More literal” is almost an oxymoron. Although the Fifth Circuit claimed to apply a “literal” interpretation, the true “literal” interpretation is that applied by the Ninth Circuit, namely, the “formal-salaried-employee” test. *Dumas v. Gommerman*, 865 F.2d 1093, 1102 (9th Cir. 1989). For a discussion of *Dumas*, see *infra* notes 133-46 and accompanying text.

<sup>129</sup> *Easter Seal*, 815 F.2d at 335-36 n.20.

The *Restatement of Agency* provides a comprehensive list of factors to be taken into consideration in order to determine whether one is an “employee.” “Servant” in this case is synonymous with “employee.”

§ 220. Definition of a Servant

(1) A servant is a person employed to perform services in the affairs of another and who with respect to the physical conduct in the performance of the services is subject to the other’s control or right to control.

(2) In determining whether one acting for another is a servant or an independent contractor, the following matters of fact, among others, are considered:

- (a) the extent of control which, by the agreement, the master may exercise over the details of the work;
- (b) whether or not the one employed is engaged in a distinct occupation or business;
- (c) the kind of occupation, with reference to whether, in the locality, the work is usually done under the direction of the employer or by a specialist without supervision;
- (d) the skill required in the particular occupation;

We hold that a work is “made for hire” within the meaning of the [1976 Act] if and only if the seller is an employee within the meaning of agency law, or the buyer and seller comply with the requirements of § 101(2). We recognize that this interpretation is a radical break from “work for hire” doctrine under the 1909 Act, but there are good reasons for this break. The necessary and sufficient reason, of course, is that it is the best interpretation of the actual language of the “work for hire” definition in the 1976 Act.<sup>130</sup>

Because the film crew did not have the requisite nexus with the Easter Seal Society to be considered its “servants” or “employees” under the law of agency, the court determined that the film footage was not a work made for hire, and that the Easter Seal Society had no rights to the footage used in *Candy*.<sup>131</sup>

*Easter Seal* is a pivotal case because of its break with the pre-1976 Act decisions, and its recognition that Congress intended the 1976 Act to be a radical change from the 1909 Act. The *Restatement of Agency* approach, although not ideal, is better than the previous approaches, for it helps to create some definitional consistency. Parties should not be considered “employees” under copyright law when they are not so considered under tort law.<sup>132</sup>

#### 4. The “Formal, Salaried Employee” Test

The best test for defining a work made for hire, however, is the one endorsed by the Register of Copyrights<sup>133</sup> and is the true “literal interpretation” of the work made for hire provision of the 1976 Act—the “formal, salaried employee” approach as set forth in *Dumas v. Gommerman*.<sup>134</sup> In *Dumas*, the Ninth Circuit followed the lead established by *Easter Seal*, carefully reading the legislative

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- (e) whether the employer or the workman supplies the instrumentalities, tools, and the place of work for the person doing the work;
  - (f) the length of time for which the person is employed;
  - (g) the method of payment, whether by the time or by the job;
  - (h) whether or not the work is a part of the regular business of the employer;
  - (i) whether or not the parties believe they are creating the relation of master and servant; and
  - (j) whether the principal is or is not in business.

RESTATEMENT (SECOND) OF AGENCY § 220 (1958).

<sup>130</sup> *Easter Seal*, 815 F.2d at 334-35.

<sup>131</sup> *Id.* at 337.

<sup>132</sup> An interesting question immediately arises. If one of the commissioned parties, through an act of negligence, accidentally injured someone during the creation of a work made for hire, it is probable that the commissioning party would not idly accept being held liable under the doctrine of “*respondeat superior*.”

<sup>133</sup> *Dumas v. Gommerman*, 865 F.2d 1093, 1100 (9th Cir. 1989).

<sup>134</sup> 865 F.2d 1093 (9th Cir. 1989).



history of the 1976 Act and rejecting *Aldon Accessories* and *Evans Newton*, and further narrowed the definition of "employee."

*Dumas* involved the ownership of prints made by the graphic artist Patrick Nagel.<sup>135</sup> The advertising agency of D'Arcy, MacManus & Masius, Inc. ("D'Arcy"), on behalf of its client, ITT Cannon, commissioned Nagel to create four art works that ITT Cannon would give away to its distributors as part of a promotional campaign. The advertising agency provided Nagel with sketches, which allegedly dictated the content of the works and certain aspects of the design.<sup>136</sup> The contract with Nagel did not specify that the works were works made for hire, nor did it transfer the copyright in the art works to ITT Cannon.<sup>137</sup>

ITT Cannon accepted and paid for the paintings. Because the promotion was less successful than expected, ITT Cannon was left with extra sets of Nagel prints, which it kept although it discarded the four original paintings. Some time later, Stefan Gommerman, an art dealer, learned of the existence of these lithographs, and purchased the remaining sets from ITT Cannon.<sup>138</sup> At the same time, he also purchased from ITT Cannon any copyrights in the works which ITT Cannon held and registered each of the works in his own name.<sup>139</sup>

Dumas learned of the purported copyright transfer and gave notice to both Gommerman and ITT Cannon of her copyright ownership claim. Despite this notice from Nagel's estate, Gommerman proceeded to make poster reproductions of one of the works and accepted orders throughout the country. Dumas filed a conflicting copyright registration and sued Gommerman for copyright infringement.<sup>140</sup>

The Ninth Circuit, in deciding in favor of Dumas, looked extensively at the legislative history of the 1976 Act, and correctly determined that the 1976 Act was meant to be substantially different from the 1909 Act.<sup>141</sup> The court stated that "[i]n light of

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<sup>135</sup> The action was brought by Jennifer Dumas, Nagel's widow and the representative of his estate. *Id.* at 1094.

<sup>136</sup> *Id.* Because the advertising agency provided Nagel with the sketches, conceivably Nagel's printed works would have been "derivative works" of the underlying sketches, since Nagel's work would have been an adoption, modification, or recasting of the original work. See 17 U.S.C. § 101 (1988) (definition of a "derivative work").

<sup>137</sup> *Dumas*, 865 F.2d at 1094.

<sup>138</sup> *Id.*

<sup>139</sup> *Id.* Nagel had died, and the value of his work had greatly appreciated. *Id.* at n.2. This explains Gommerman's desire to purchase the works from ITT Cannon, and subsequently sell them.

<sup>140</sup> *Id.* at 1095.

<sup>141</sup> *Id.* at 1102.

the extensive negotiating history, it is wrong to assume that Congress intended to bring along all of the baggage attached to the 1909 Act wherever it failed explicitly to say otherwise."<sup>142</sup>

The *Dumas* court agreed in principle with the *Easter Seal* court's rejection of *Aldon Accessories* and *Evans Newton*, but thought that the agency law approach was inadequate. The court feared that the uncertainty among the parties remaining under the agency law approach would still require post-creation judicial determination of ownership.<sup>143</sup>

Thus, even under *Easter Seal*, a work-by-work analysis may be required to determine ownership disputes, and some independent contractors could be deemed "employees" where the purchaser includes provisions in the contract granting it substantial rights of control. This was not intended by the drafters. . . . [T]he drafters wanted a bright line between employees and independent contractors, so that the parties would not be mistaken in their appraisal of the contracted work's status, and purchasers would have little ability to change the artist's presumed status without the artist being fully aware of the change.<sup>144</sup>

To establish the desired certainty of business relations at the time of creation of the work, the Ninth Circuit determined that "only works produced by formal, salaried employees are covered by 17 U.S.C. § 101(1)."<sup>145</sup> Because Nagel was not a formal, salaried employee of either D'Arcy or ITT Cannon, the court correctly held that the prints were not works made for hire.<sup>146</sup>

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<sup>142</sup> *Id.*

<sup>143</sup> A copyright's duration is the life of the author plus 50 years. 17 U.S.C. § 302(a) (1988). In the case of a work made for hire, "the copyright endures for a term of seventy-five years from the year of its first publication, or a term of one hundred years from the year of its creation, whichever expires first." *Id.* § 302(c). Owing to the longevity of protection, litigation could ensue generations after the creation of the work. The Ninth Circuit's concern was therefore well founded.

<sup>144</sup> *Dumas*, 865 F.2d at 1104.

<sup>145</sup> *Id.* at 1105. The *Dumas* court also acknowledged that in certain ambiguous situations, a variety of factors may be considered when deciding a party's status:

(1) whether the artist worked in his or her own studio or on the premises of the buyer; (2) whether the buyer is in the regular business of creating works of the type purchased; (3) whether the artist works for several buyers at a time, or exclusively for one; (4) whether the buyer retains authority to assign additional projects to the artist; (5) the tax treatment of the relationship by the parties; (6) whether the artist is hired through the channels the buyer customarily uses for hiring new employees; (7) whether the artist is paid a salary or wages, or is paid a flat fee; and (8) whether the artist obtains from the buyer all benefits customarily extended to its regular employees.

*Id.* (footnotes omitted).

<sup>146</sup> *Id.*

#### IV. DETERMINING THE DEFINITION OF EMPLOYEE UNDER THE WORK MADE FOR HIRE DOCTRINE

##### A. Community for Creative Non-Violence v. Reid

In order to resolve the inter-circuit confusion over the work made for hire provision of the 1976 Act, the Supreme Court granted *certiorari* to *Community for Creative Non-Violence v. Reid*,<sup>147</sup> in the spring of 1989. Although the case involved a non-profit organization and a sculptor, it attracted great attention because of the decision's potential impact on major industrial and commercial entities. The corporate community was concerned because the scope of the Supreme Court's decision would be extremely broad, applying to photographs, illustrations, music, film, and even computer software.<sup>148</sup> In addition, classification of a work as a work made for hire has profound implications, affecting not only the initial ownership rights, but also the renewal rights and the termination rights. If a work becomes a work made for hire, the commissioned party loses *all* copyright rights.<sup>149</sup> If the work is not a work made for hire, then the commissioned creator may retain, or possibly recapture, important substantive rights.<sup>150</sup>

The dispute in *Reid* involved the Community for Creative Non-Violence ("CCNV"), a non-profit unincorporated association dedicated to the welfare of the homeless. In 1985, CCNV decided to have a statue created to dramatize the plight of the homeless for the annual Christmastime Pageant of Peace in Washington, D.C. Mitch Snyder,<sup>151</sup> a member and trustee of CCNV, and fellow CCNV members conceived the idea for the display—a sculpture of the traditional Holy Family, with the two adult figures and the infant appearing as contemporary homeless people<sup>152</sup> huddled on a street-side steam grate.

[T]he figures were to be life-sized, and the steam grate would be positioned atop a platform "pedestal," or base, within which special-effects equipment would be enclosed to emit simulated "steam" through the grid to swirl about the figures. [CCNV] also settled upon a title for the work—"Third World America"—and a legend for the pedestal: "and still there is

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<sup>147</sup> 109 S. Ct. 2166 (1989).

<sup>148</sup> *Id.* at 2171.

<sup>149</sup> *Id.*

<sup>150</sup> For a discussion of termination rights, see *infra* notes 199-204 and accompanying text.

<sup>151</sup> Mitch Snyder passed away several months ago. The world mourns the loss of a committed and dedicated humanitarian who helped make America aware of those less fortunate.

<sup>152</sup> The family was to be black because most of the homeless in Washington are black.

no room at the inn."<sup>153</sup>

Snyder contacted respondent artist, James Earl Reid,<sup>154</sup> to create the figures. Reid and Snyder spoke by telephone twice. Reid agreed to sculpt the figures for *Third World America* and a shopping cart for their belongings.<sup>155</sup> Reid initially proposed that the statue be cast in bronze, but later suggested that the work be made from a less costly and more manageable material known as "Design Cast 62."<sup>156</sup> The parties agreed that the project would cost no more than \$15,000, and Reid agreed to donate his artistic services.<sup>157</sup> There was no written agreement and neither party, at any time before the creation of the work, mentioned copyright.<sup>158</sup>

After receiving an advance of \$3,000, Reid presented Snyder with several sketches of the proposed design of the statue.<sup>159</sup> Throughout November and December of 1985, Reid worked exclusively on the statue, assisted at various times by people who were paid by CCNV. On several occasions, members of CCNV "visited Reid to check on his progress and to coordinate CCNV's construction of the base."<sup>160</sup> In addition, "CCNV rejected Reid's proposal to use suitcases or shopping bags to hold the family's personal belongings, insisting instead on a shopping cart."<sup>161</sup> There was no discussion of ownership of the copyright at anytime during the visits of CCNV members or during creation of the statue.<sup>162</sup>

On December 24, 1985 the statue was delivered to Washington D.C. where the figures were joined to the base. The completed work was placed on display near the site of the pageant. Snyder then paid Reid the balance of the \$15,000 price.

In late January of 1986, the statue was returned to Reid for minor repairs. Shortly thereafter, Reid learned of Snyder's plan to

<sup>153</sup> *Reid*, 109 S. Ct. at 2169. (quoting *Community for Creative Non-Violence v. Reid*, 652 F. Supp. 1453, 1454 (D.D.C. 1987)).

<sup>154</sup> Reid was a Baltimore sculptor whom Snyder had never met, and to whom he was referred. *Id.*

<sup>155</sup> *Id.*

<sup>156</sup> This synthetic substance would meet both CCNV's budgetary and time constraints. *Id.*

<sup>157</sup> *Id.* The fact that Reid volunteered is of no consequence in the determination of who is an "employee" for the purpose of the 1976 Act. See *Town of Clarkstown v. Reeder*, 566 F. Supp. 137, 141 (S.D.N.Y. 1983).

<sup>158</sup> *Reid*, 109 S. Ct. at 2169-70.

<sup>159</sup> Reid testified that Snyder used the sketches to raise funds for the work. Snyder testified that he also requested the drawings to approve the design. *Id.* at 2169. Snyder's testimony was an attempt to place the situation under the "actual control" situation.

<sup>160</sup> *Id.* Reid did not sculpt the base and steam grate; he sculpted only the figures and the cart.

<sup>161</sup> *Id.*

<sup>162</sup> *Id.* at 2169-70.

take the statue on tour of several American cities in a fund-raising crusade.<sup>163</sup> Reid did not believe that the "Design Cast 62" was strong enough to withstand the trip and therefore, requested that CCNV cast the work in bronze or create a master mold. CCNV refused to spend any additional funds.

In March 1986, Snyder asked Reid to return the statue. Reid refused to do so and filed a copyright registration for the work in his name. Snyder, as CCNV's trustee, immediately filed a competing registration.<sup>164</sup> Snyder and CCNV filed suit against Reid seeking the return of the sculpture and determination of copyright ownership.

After a two-day bench trial, the district court in Washington, D.C. determined that the statue was a work made for hire and that Snyder, as trustee for CCNV, was the exclusive owner of the copyright.<sup>165</sup> The district court adopted an "actual control" standard and reasoned that Reid was a statutory "employee" under the work made for hire provision of the 1976 Act because Snyder and CCNV "conceived the idea of a contemporary Nativity scene to contrast with the national celebration of the season,"<sup>166</sup> and "directed enough of [Reid's] effort to assure that, in the end, he had produced what they, not he, wanted."<sup>167</sup>

The Court of Appeals for the District of Columbia Circuit correctly reversed and remanded<sup>168</sup> the case and held that *Third World America* was not a work made for hire.<sup>169</sup> Applying the factors specified under *Easter Seal's* agency test, the court determined that Reid was not an "employee" under section 101(1) of the work made for hire provision, but rather an independent contractor.<sup>170</sup> Regarding section 101(2) of the work made for hire definition, the court of ap-

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<sup>163</sup> At some point in time, Christmas or greeting cards were also made with drawings of the statue.

<sup>164</sup> *Reid*, 109 S. Ct. at 2170.

<sup>165</sup> *Community for Creative Non-Violence v. Reid*, 652 F. Supp. 1453, 1457 (D.D.C. 1987).

<sup>166</sup> *Id.* at 1456.

<sup>167</sup> *Id.*

<sup>168</sup> The case was remanded to determine whether Snyder and Reid should be considered "joint authors." For a discussion of joint authors, see *infra* notes 188-98 and accompanying text.

<sup>169</sup> *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485, 1494 (D.C. Cir. 1988). The appellate court followed the "literal" interpretation of the 1976 Act as set forth by the Fifth Circuit in *Easter Seal Soc'y for Crippled Children and Adults, Inc. v. Playboy Enters.*, 815 F.2d 323 (5th Cir. 1987), *cert. denied*, 485 U.S. 981 (1988). Although both the D.C. Circuit in *Reid* and the Fifth Circuit in *Easter Seal* termed their agency approval as "literal," the true "literal" approach is that expressed in *Dumas*, in which "employee" was defined as a "formal, salaried employee." For a discussion of *Dumas*, see *supra* notes 133-46 and accompanying text.

<sup>170</sup> For a discussion of the *Restatement of Agency* test, see *supra* notes 119-32 and accompanying text.

peals reasoned that since a statue did not fall within one of the enumerated categories, and since there was no written instrument signed by the parties, the statue could not be classified as a work made for hire under that subsection.<sup>171</sup> However, the court of appeals remanded the case to determine the factual issue of whether there was sufficient creative collaboration by both parties for the work to be classified as a joint work.<sup>172</sup>

The Supreme Court affirmed the decision of the court of appeals. It analyzed and rejected both the “right to direct and supervise” test and the “actual control” test, and instead followed the analytical lead established by *Easter Seal* and continued by *Dumas* and the court of appeals.

The Court examined the 1976 Act’s legislative history at length and concluded that:

The Act, which almost completely revised existing copyright law, was the product of two decades of negotiation by representatives of creators and copyright-using industries, supervised by the Copyright Office and, to a lesser extent, by Congress. Despite the lengthy history of negotiation and compromise which ultimately produced the Act, two things remained constant. First, interested parties and Congress at all times viewed works by employees and commissioned works by independent contractors as separate entities. Second, in using the term “employee,” the parties and Congress meant to refer to a hired party in a conventional employment relationship.<sup>173</sup>

The Court also noted that “Congress’ paramount goal in revising the 1976 Act [was to enhance] predictability and certainty of copyright ownership.”<sup>174</sup> Consistent with that goal, the Court reasoned that “[i]n a ‘copyright marketplace,’ the parties negotiate with an expectation that one of them will own the copyright in the completed work. . . . With that expectation, the parties at the outset can settle on relevant contractual terms, such as the price for the work and the ownership of reproduction rights.”<sup>175</sup> The Court then set forth standards for determining what is a work made for hire, using the rationale articulated in *Easter Seal*.

Under this approach, in determining a work made for hire, the threshold test is whether the work was prepared by an “employee”

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<sup>171</sup> *Reid*, 846 F.2d at 1494.

<sup>172</sup> *Id.* at 1498-99.

<sup>173</sup> *Community for Creative Non-Violence v. Reid*, 109 S. Ct. 2166, 2174 (1989) (citations omitted).

<sup>174</sup> *Id.* at 2177 (citing H.R. REP. NO. 1476, *supra* note 62, at 129).

<sup>175</sup> *Id.* at 2177-78. *See Dumas v. Gommerman*, 865 F.2d 1093, 1104 n.18 (9th Cir. 1989).

or an independent contractor. This threshold determination of the status of the hired party or artist is to be analyzed under the principles of agency law.<sup>176</sup> If the hired party is an “employee” under the law of agency, then section 101(1) of the work made for hire provision applies, and the analysis is complete—the work is a work made for hire. If the hired party is an independent contractor, then section 101(2) applies—the work must fall into one of the nine enumerated categories *and* there must be a signed written instrument stating that the work is a work made for hire.

The Supreme Court determined that Reid was an independent contractor and not an “employee” under the agency law standard.<sup>177</sup> Therefore, the Court then applied section 101(2) and determined that since a statue does not fall into one of the nine categories *and* since there was no written instrument between Snyder and Reid, the sculpture was not a work made for hire under the 1976 Act. The Court, however, considered, as did the D.C. Court of Appeals, the possibility that CCNV and Reid prepared the work jointly “with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.”<sup>178</sup>

The agency law approach enunciated in *Reid* does provide more certainty between hiring and hired parties than the “actual control” test. However, determining employment status under agency law will still require post-creation litigation to determine ownership rights and thus fails to establish a sufficient degree of certainty of copyright ownership. Parties must know, exactly and specifically, at or before the creation of a work, who owns which specific rights. The Supreme Court, therefore, did not go far enough. Increased certainty would be achieved if the agency law standard were replaced by the “formal, salaried employee” standard adopted in *Dumas v. Gommerman*,<sup>179</sup> an approach advocated by the Copyright Office itself.

### B. *Legislative Reform Advocated by the Register of Copyrights*

In *Reid*, the Register of Copyrights filed an *amicus curiae* brief

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<sup>176</sup> See *id.* at 2170. See also *Easter Seal Soc’y for Crippled Children and Adults, Inc. v. Playboy Enters.*, 815 F.2d 323 (5th Cir. 1987), *cert. denied*, 485 U.S. 981 (1988); RESTATEMENT (SECOND) OF AGENCY § 220(2) (1958).

<sup>177</sup> In reaching its conclusion, the Court considered “the hiring party’s right to control the manner and means by which the product is accomplished.” *Reid*, 109 S. Ct. at 2178.

<sup>178</sup> 17 U.S.C. § 101 (1988) (definition of a “joint work”). For a discussion of joint authorship, see *infra* notes 188-98.

<sup>179</sup> 865 F.2d 1093 (9th Cir. 1989).

in support of Reid.<sup>180</sup> In analyzing the factual situation, the Register of Copyrights correctly argued that *Third World America* was a statue and, therefore, did not fall within the nine categories of section 101(2) of the work made for hire provision, that the lack of a writing was further reason for the inapplicability of this section,<sup>181</sup> and that the pivotal question was whether Reid was an "employee" under section 101(1).

The Register of Copyrights adopted the reasoning of *Dumas v. Gommerman*<sup>182</sup> as its official position regarding the definition of a work made for hire.

We agree with the Ninth Circuit. The language, history, and purposes to the work-made-for-hire provisions make clear that Subsection (1) applies only to works produced by regular, salaried employees, while Subsection (2) applies to *all* commissioned works, regardless of whether the hiring party has exercised control over the creative process. . . .

. . . This result is compelled by the text of the Copyright Act. Subsection (2) applies to any "specially ordered or commissioned" work, not just to those works prepared without close supervision. By contrast, Subsection (1) applies to business relationships that have a "scope"—*ongoing* relationships, in other words, as opposed to contracts to create a particular work.<sup>183</sup>

The Copyright Office also expressed concern over the need for certainty among the business parties. The Office criticized the supervision and control tests on the grounds that determination of ownership would occur "long after the parties had negotiated for the creation of a particular work."<sup>184</sup>

Since the *Reid* opinion, the Copyright Office has reasserted its position. On September 20, 1989, Ralph Oman, the Register of Copyrights, recommended legislation to the Senate Judiciary Subcommittee on Patents, Copyrights & Trademarks that would alter the Supreme Court's interpretation under *Reid*.<sup>185</sup> The legislation, a bill introduced by Senator Thad Cochran, specified that "employee" under section 101(1) should be a formal, salaried employee.<sup>186</sup> Oman supported the change by reiterating the position advocated by the Copyright Office in *Reid* and criticizing the

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<sup>180</sup> Brief, *supra* note 63.

<sup>181</sup> *Id.* at 6.

<sup>182</sup> 865 F.2d 1093 (9th Cir. 1989).

<sup>183</sup> Brief, *supra* note 63, at 7-8 (emphasis in original).

<sup>184</sup> *Id.* at 9.

<sup>185</sup> 138 Copyright L. Rep. (CCH) 3 (Sept. 29, 1989).

<sup>186</sup> S. 1253, 101st Cong., 1st Sess., 135 CONG. REC. 7341 (1989).



Supreme Court's reliance on agency law as still leaving too much "uncertainty in business relations."<sup>187</sup>

## V. IMPORTANT PROVISIONS OF THE COPYRIGHT ACT IN THE POST-*REID* ERA AND PROPOSED REVISIONS

### A. *Joint Authorship*

Copyright law does not protect "ideas,"<sup>188</sup> it only protects the "expression"<sup>189</sup> of ideas. Therefore, if the purchaser conceives the idea, but cannot fix the idea in a "tangible medium of expression," the copyright rightfully belongs to the artist. In those cases where there has been genuine creative input from the purchaser, or where the purchaser and creator are truly involved in a creative collaboration, then a "joint work" approach may be the ideal solution.

Section 101 of the 1976 Act defines a "joint work" as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."<sup>190</sup> As one author recently noted, "[t]he main elements of joint ownership of copyright include the intent to create a joint work, the nature of the contribution by each creator, and the proprietary interests shared among joint authors."<sup>191</sup>

"Intent" is not necessarily an intent between or among parties to register the work as a joint work with the Copyright Office. The requisite "intent" may exist "if the authors collaborated with each other, or if each of the authors prepared his or her contribution with the knowledge and intention that it would be merged with the contributions of other authors as "inseparable or interdependent parts of a unitary whole."'<sup>192</sup> In order for a work to be a joint work, the desire to make contributions to a "unitary whole" must be evidenced at the time of creation.<sup>193</sup>

Where there is a significant temporal difference between the creation of the different parts of a work, and no intent to combine these parts into a unitary whole, the work will probably not

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<sup>187</sup> 138 Copyright L. Rep. (CCH) 3 (Sept. 29, 1989).

<sup>188</sup> 17 U.S.C. § 102(b) (1988).

<sup>189</sup> *Id.* § 102(a).

<sup>190</sup> *Id.* § 101.

<sup>191</sup> Comment, *Joint Ownership of Computer Software Copyright: A Solution to the Work for Hire Dilemma*, 137 U. PA. L. REV. 1251, 1269 (1989) [hereinafter *Joint Ownership*].

<sup>192</sup> *Id.* at 1269 (quoting H.R. REP. No. 1476, *supra* note 62, at 120).

<sup>193</sup> *Id.* at 1269-70.

be considered a joint work. For example, according to the House Report:

[A]lthough a novelist, playwright, or songwriter may write a work with the hope or expectation that it will be used in a motion picture, this is clearly a case of separate or independent authorship rather than one where the basic intention behind the writing of the work was for motion picture use.<sup>194</sup>

Section 201(a) of the 1976 Act provides that “[t]he authors of a joint work are coowners of copyright in the work.”<sup>195</sup> Although joint authorship provides its own collection of potential problems between or among the parties (including transfers, terminations, licensing, and royalty accounting),<sup>196</sup> it is probably a better solution than the work made for hire approach, which would give *all* rights either to the commissioner or to the creator.

In the case of the statue in *Reid*, Snyder gave creative direction both before and during the time of creation.<sup>197</sup> The CCNV employees were to make the base and steam grate; Reid was to make the figures and the shopping cart. It could be strongly argued that the intent of the parties was to have the segments connected into a unitary whole and displayed at the Christmas pageant in Washington. Although both the court of appeals and the Supreme Court found that Reid’s work was not a work made for hire, the case was, nonetheless, remanded to the federal district court for determination of joint authorship. A determination of joint authorship would not be surprising, for it appears as though all of the joint authorship statutory requirements may be satisfied.

Again, the importance of certainty among the parties and the need for the prevention of post-creation judicial determinations regarding copyright ownership should be stressed. If the parties are truly creating interdependent parts of a unitary whole, and are collaborating on a work, it should be incumbent upon them to include appropriate provisions in their contract. Certainty can be achieved by revising section 101, making only those works created by “formal, salaried employees” works made for hire.<sup>198</sup> This revision would allow parties to include in their initial agreement language that both parties are providing creative input toward the production of inseparable and interdependent parts of a unitary whole and that

<sup>194</sup> H.R. REP. No. 1476, *supra* note 62, at 120.

<sup>195</sup> 17 U.S.C. § 201(a) (1988).

<sup>196</sup> See *Joint Ownership*, *supra* note 191, at 1271-73.

<sup>197</sup> *Community for Creative Non-Violence v. Reid*, 109 S. Ct. 2166, 2169 (1989).

<sup>198</sup> For a discussion of a proposed work made for hire statute, see *infra* notes 233-35 and accompanying text.

the work is to be registered as a joint work, with the parties being "co-authors." This is a much better solution than giving all of the rights to one party and depriving the other of rightfully deserved copyright protection.

### B. *Termination Rights*

Another important provision of the 1976 Act which affects creative works other than works made for hire is section 203, which covers termination rights.<sup>199</sup> Under section 203(a)(3), the author (creator) has the statutory legal right to terminate any grant or transfer during a five-year period beginning thirty-five years after the initial transfer.<sup>200</sup> This is true despite a prior written agreement to the contrary.<sup>201</sup>

All independent contractors should be aware of this provision. Under section 203(a), artists who sell their works early in their careers have the opportunity later in life to recapture the copyright and take advantage of, and exploit the commercial value of, their works. Although thirty-five years is a long time, it is not an eternity. If an artist's work appreciates wildly during his lifetime, he may reap substantial rewards for many years to come.<sup>202</sup> When changing the Copyright Act, Congress intended that artists in general receive termination rights as an extra measure of protection.<sup>203</sup> If a work, however, is classified as a work made for hire, the purchaser is the "author" and the creator does not have the termination rights. Thus, the lack of termination rights constitutes another compelling reason for not including works created by independent contractors as works made for hire. All commissioned works should be treated in the same manner as non-commissioned works that are not created in the scope of one's employment. All of the respective rights should be determined by contract.<sup>204</sup>

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<sup>199</sup> 17 U.S.C. § 203 (1988).

<sup>200</sup> This applies to all works transferred on or after January 1, 1978. *Id.* § 203(a). Termination of transfers effected prior to January 1, 1978 are covered by 17 U.S.C. § 304(c) (1988).

<sup>201</sup> *Id.* § 304(c)(5).

<sup>202</sup> Copyright duration is the life of the artist plus 50 years. *Id.* § 302(a). For the durational provisions relating to works made for hire, see *supra* note 143. Companies have expressed concern over this provision regarding the possible termination of copyrights in computer software programs that are not works made for hire. While this concern is understandable, one should not be overly sympathetic. If the programs were protected by a patent, the protection would only last for 17 years, total. 35 U.S.C. § 154 (1988).

<sup>203</sup> See *Stewart v. Abend*, 110 S. Ct. 1750, 1758 (1990).

<sup>204</sup> One commentator has proposed that certain additional safeguards be enacted if section 101(2) of the work made for hire definition is abolished. *Commissioned Works*,

C. *Suggested Elimination of the Nine Categories in the Work Made for Hire Definition*

The central issues to the Copyright Office in advocating the "formal, salaried employee" approach are certainty among contracting parties and the elimination of statutory ambiguities. Owing to ambiguities in the Act, and the "all or nothing at all" result of the work made for hire provisions, misunderstandings may still exist that will lead to future litigation.<sup>205</sup>

As previously stated, if a work is considered to be a work made for hire, then, pursuant to section 201(b) of the Copyright Act, "[T]he employer or other person for whom the work was prepared is considered the author . . . ."<sup>206</sup> If a work is not a work for hire, then the original creator is the author.<sup>207</sup> The statutory author is the beneficiary of the exclusive rights enumerated in section 106<sup>208</sup> and also of the termination provisions expressed in section 203.<sup>209</sup> Considering the rights attached to legal ownership, there is great incentive for one to become the author.

Commissioning parties will therefore attempt to "squeeze" as many commercial works as possible into one of the nine categories of section 101, for the rewards are great. For example, if a photograph is taken independently, and is subsequently licensed solely for inclusion in a book that is a collection of photographs, *i.e.*, a "collective work," its use is limited solely to that use. Any subsequent reproduction of the photograph as a postcard or a

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*supra* note 13, at 1318. Specifically, artists who have created commissioned works for specific uses should be able to enforce early termination rights after five years. There are problems with this analysis, for it gives preferential treatment to the party who creates something on commission, as opposed to one who creates a work independently and then subsequently sells it or licenses it to another, purportedly for a specified use. The first artist would be the beneficiary of the proposed early five year reversion provisions, while the second artist would be bound to the terms of the contract, and thus only be able to terminate in accordance with the contract's terms, or after the 35 year period prescribed by section 203. This disparate treatment puts independent artists who create at their own initiative at a disadvantage. All copyrightable works not created by employees should be treated equally.

<sup>205</sup> There is also, conceivably, some overlap among categories. Although "collective works" and "motion pictures" have different statutory definitions, the combination of a motion picture's component parts could be considered a collective work. See *Appel Barrel Prods. Inc. v. R.D. Beard*, 738 F.2d 384 (5th Cir. 1984) (separate elements of a play together formed a protected compilation).

<sup>206</sup> 17 U.S.C. § 201(b) (1988).

<sup>207</sup> *Id.* § 201(a).

<sup>208</sup> Such rights include reproduction rights, preparation of derivative rights, distribution of copies, performance of the copyrighted work, and display of the copyrighted work. *Id.* § 106.

<sup>209</sup> *Id.* § 203. For a discussion of termination rights, see *supra* notes 199-204 and accompanying text.

poster would constitute copyright infringement, for pursuant to section 103,<sup>210</sup> the copyright in a "compilation," which includes "collective works,"<sup>211</sup> "extends only to the material contributed by the author."<sup>212</sup> The author's contribution is generally considered to be the "selection, coordination, and arrangement" of the preexisting material. The protection does not extend to the preexisting material itself.<sup>213</sup>

On the other hand, if the photograph is specially commissioned for inclusion in the book of photographs, if an agreement is signed, it becomes a work made for hire, and the commissioning party is the statutory author. As the statutory author, the commissioning party is free to further exploit the work in different formats or media as he so chooses. The original photographer would not have any control over these subsequent uses, unless the work made for hire agreement contains limiting language.<sup>214</sup> This creates severely disparate treatment of independent artists and those who create works made for hire.

In the following discussion, one of the categories of section 101, "part of a motion picture," will be used for illustrative purposes.<sup>215</sup>

The statute defines "motion pictures" as "audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any."<sup>216</sup>

'Audiovisual works' are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.<sup>217</sup>

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<sup>210</sup> 17 U.S.C. § 103 (1988).

<sup>211</sup> *Id.* § 101.

<sup>212</sup> *Id.* § 103(b).

<sup>213</sup> *Id.* § 103. *See, e.g.,* Schroeder v. William Morrow & Co., 566 F.2d 3 (7th Cir. 1977) (holding that while defendant was entitled to make his own compilation of the same names and addresses as used in plaintiff's directory—from information found in the public domain—he was not entitled, however, to merely copy plaintiff's copyrighted list).

<sup>214</sup> *See* 17 U.S.C. § 201(b) (1988). Parties may "expressly agree[] otherwise" in a "work made for hire agreement." *Id.*

<sup>215</sup> *Id.* § 101. Similar problems could possibly be encountered with the category "contributions to a collective work." *Id.*

<sup>216</sup> *Id.*

<sup>217</sup> *Id.* It should be noted, however, that in the 1976 Act the statutory definitions of "motion picture" or "audiovisual work" do not refer to the underlying script or screenplay, both of which could have, and should have, been included when the statute was drafted.

A problem arises, however, if the motion picture itself is never produced. What then would happen to the work which is commissioned as "part of a motion picture"? Does it, or should it, revert back to the original author, or should the statutory author, the commissioning party, retain all of the copyrights in that work? Consider the following hypothetical:

Movie producer ("P") signs work made for hire contracts with screenwriter ("S"), and composer ("C"). The agreements with S and C include language to the effect that their respective contributions will be "part of a motion picture." Pursuant to the contracts, S writes his script and C composes music that is suitable for a motion picture score. It is unclear what the result would be if *P never makes the movie*. P likes S's script, so he decides to produce a Broadway play using S's dialogue verbatim. P also likes C's music and decides to release a compact disc recording of C's music on a major record label. P makes a great deal of money on both commercial endeavors. S and C commence litigation against P to determine whether or not their respective works are really works made for hire. A court must decide who owns which rights.

S would argue that if the motion picture has not been made, then the screenplay cannot be "part of a motion picture." S could then argue that the ownership rights to his screenplay should revert back to S. P, however, could then counter with the argument that when he entered into the contract with S, he had intended to produce a motion picture, and still intends to, but at present he simply has not *yet* done so.<sup>218</sup>

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<sup>218</sup> S could actually have two arguments for ownership. S could attempt to construe the statute in an extremely literal manner and argue that since the statute does not mention "screenplay" in the definition of "motion picture," a screenplay is *not* "part of a motion picture," and therefore the screenplay cannot be a work made for hire. This argument would be plausible, though probably not meritorious.

Although to many the argument that a screenplay is not "part of a motion picture" may seem preposterous and counterintuitive, courts have, in past intellectual property cases, been hyperliteral in their statutory interpretation, and have arrived at some curious opinions. For example, in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), *rev'g* 443 F.2d 928 (5th Cir. 1971), the Supreme Court held that the word "makes" in § 271(a) of the Patent Act, 35 U.S.C. § 271(a), did not extend to the manufacture of *all* of the component parts of a patented invention because the parts themselves were not put together in a final "operable" assembly. *Id.* at 528. The Court admitted that "Deepsouth in all respects save final assembly of the parts 'makes' the invention . . . . Deepsouth sells these components as though they were the machines themselves; the act of assembly is regarded, indeed advertised, as of no importance." *Id.* at 524. The Court, however, did not find infringement.

In *Deepsouth*, the Supreme Court disagreed with the holding of the Fifth Circuit "that the word 'makes' should be accorded 'a construction in keeping with the ordinary meaning of that term' . . . 'makes' 'means what it ordinarily connotes—the substantial manufacture of the constituent parts of the machine.'" *Id.* at 527 (quoting *Deepsouth*, 443 F.2d at 938-39). In overruling the circuit court, the Supreme Court was hyperliteral in its interpretation of "makes," and put the responsibility on Congress to be more

*C* could assert an argument similar to *S*'s claim, since the motion picture had not been made and the music was not released as "part of a motion picture." *P* would counter with the same argument used against *S*, stating that he had every intention of producing the motion picture in the future.<sup>219</sup>

The problems are obvious. In addition, there would be, if there is not already, a tendency for commissioning parties to attempt to "squeeze" as many types of works as possible into the nine categories of section 101(2) of the work made for hire definition. Producers with no intention whatsoever of making motion pictures could include language in purported work made for hire contracts, stating that the relative contributions would be "part of a motion picture,"

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precise in its drafting. "The direction of Art. I [of the Constitution] is that *Congress* shall have the power to promote the progress of science and the useful arts. When, as here, the Constitution is permissive, the sign of how far Congress has chosen to go can come only from Congress." *Id.* at 530 (emphasis in original). In response to that opinion, Congress promulgated and enacted § 271(f)(1) and 271(f)(2) to effectively overrule *Deepsouth* and make the act of manufacturing substantially all of the components for export an infringing activity. See 35 U.S.C. § 271(f)(1), (2) (1988).

In *RCA v. Andrea*, 79 F.2d 626 (2d Cir. 1935), the Second Circuit held that radios manufactured and sold completely assembled, except for the fact that the vacuum tubes were not installed, similarly were not "made," and therefore did not infringe because the devices were not in a state of "operable assembly."

In *Eli Lilly and Co. v. Medtronic, Inc.*, 110 S.Ct. 2683 (1990), the Supreme Court considered the question of whether § 271(e)(1) applied to medical devices. Section 271(e)(1) provides: "It shall not be an act of infringement to make, use, or sell a *patented invention* . . . solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of *drugs* . . ." 35 U.S.C. § 271(e)(1) (emphasis added). In *Eli Lilly*, the defendant, a subsequent manufacturer, submitted a medical device—a ventricular defibrillation device—not a drug, to the Food and Drug Administration ("FDA") for approval before the expiration of the patent that claimed the invention. The district court was hyperliteral in its interpretation, and held that "§ 271(e)(1) does not apply to medical devices," and that thus the defendant infringed. See *Eli Lilly*, 110 S. Ct. at 2685.

The Federal Circuit reversed, looking at the legislative intent of giving manufacturers time to get the approvals, and not, in essence, extending the 17 year patent monopoly. *Eli Lilly*, 872 F.2d 402, 405-06 (Fed. Cir. 1989). In the opinion denying rehearing, *Eli Lilly*, 879 F.2d 849 (Fed. Cir. 1989), Judge Newman's dissent was quite critical of the Federal Circuit's addition of "medical devices" into a statute that she believed pertained only to drugs. *Id.* The Supreme Court affirmed the Federal Circuit's less literal stance, and essentially concluded that the word "drugs" should apply to all inventions that require FDA approval. *Eli Lilly*, 110 S.Ct. at 2688. Justices Kennedy and White in their dissent stated,

The Court asserts that Congress could have specified this result in a clearer manner. That is all too true. But we do not tell Congress how to express its intent. Instead, we discern its intent by assuming that Congress employs words and phrases in accordance with their ordinary usage . . . [T]he section refers only to the actual regulation of drugs, and does not exempt the testing of a medical device from patent infringement. Congress did not act in an irrational manner when it drew a distinction between drugs and medical devices.

*Id.* at 2694-95 (Kennedy, J., dissenting).

<sup>219</sup> 17 U.S.C. § 101 (1988). The musical score probably was intended to be included in the definition of "part of a motion picture," for the definition does include "accompanying sounds."

thereby attempting to make the commissioning party the statutory author by contract. The same could be done by commissioning parties in cases of collective works.

Once the commissioning party becomes the statutory author, he would then be the beneficiary of all the exclusive rights under section 106<sup>220</sup> and could then license uses of the underlying work. In addition, the creator would not be able to exercise his termination rights as governed by section 203.<sup>221</sup> This is not an equitable result and could not have been the intent of Congress. For this reason subsection (2) of the definition of work made for hire should be completely eliminated. All commissioned works, regardless of type or purpose of the use, should be excluded from the ambit of works made for hire.

#### D. *The Contract Solution*

Even at common law, the "presumption" of copyright ownership could be overcome by a contract. Every individual "commission to produce a work of art is essentially just another contract."<sup>222</sup> At common law, the artist had the burden of reserving his rights under the contract, and under the 1909 Act, the copyright ownership flowed with the ownership of the chattel.<sup>223</sup> Under section 202 of the 1976 Act a major change occurred. Copyright ownership is now distinct from ownership of the material object.<sup>224</sup> In addition, the 1976 Act shifted the burden of placing language asserting copyright ownership in the contract to the purchaser. Under section 204 of the 1976 Act, "[a] transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent."<sup>225</sup> Therefore, all transfers must be in writing. If an independent artist creates a work, and at the time the painting, sculpture, or photograph is sold there is no writing evidencing the transfer of the copyright, the creator still owns the copyright in the work.

Another change under the 1976 Act is that under section 106, the different copyright rights are severable.<sup>226</sup> The artist

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<sup>220</sup> See *id.* § 106.

<sup>221</sup> *Id.* § 203. For a discussion of termination rights, see *supra* notes 199-204 and accompanying text.

<sup>222</sup> *Dumas v. Gommerman*, 865 F.2d 1093, 1101 (9th Cir. 1989).

<sup>223</sup> Except, of course, if expressly reserved in a contract by the artist.

<sup>224</sup> 17 U.S.C. § 202 (1988).

<sup>225</sup> *Id.* § 204(a).

<sup>226</sup> Section 106 of the 1976 Act provides as follows:



may transfer or license as many or as few of the different rights as he desires. Therefore, at the time of the commissioning of the work, the parties should execute a contract which entails—along with the obvious provisions covering price, type of creative work to be produced, and delivery date—provisions regarding the intended uses of the work as well as the specific rights which are to be conveyed.

For example, an artist may contract to transfer or license the display rights, but not the reproduction rights or the rights to make derivative works.<sup>227</sup> The artist could reserve these rights for himself, or transfer or license them to a different buyer or licensee. In addition, an artist may license certain rights for a limited time and a limited use to third parties. The rights may also be licensed on an exclusive or non-exclusive basis. Conversely, a commissioning party may limit the rights that he wishes to purchase or license. Any unlicensed use or use of a right not conveyed would be copyright infringement and the contractor or artist would be entitled to injunctive relief under section 502 and/or be able to collect damages under section 504.<sup>228</sup>

Such a specific contractual approach would also facilitate the granting of remedies to a transferee or licensee should the artist or contractor put the subject intellectual property to uses covered by rights already transferred or licensed. This would help to prevent unauthorized uses by all parties.

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§ 106. EXCLUSIVE RIGHTS IN COPYRIGHTED WORKS

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and

- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

*Id.* § 106.

<sup>227</sup> A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work."

*Id.* § 101.

<sup>228</sup> *Id.* §§ 502, 504. Additionally, in cases of willful infringement, court costs and attorney's fees may be awarded. *Id.* § 505.

Under this approach it can be assumed that the price paid for the work of an artist would better reflect the value of the transferred or licensed rights, intended uses, and expectations regarding future value if these rights are specifically enumerated in the contract and their respective worths negotiated.<sup>229</sup> The most practical, pragmatic, and prudent approach therefore, is to specify in the contract which rights are to be transferred and which are to be reserved.

Besides (1) imposing costs on people who try to exploit the other party to the contract by refusing to abide by its terms and (2) providing a stock of standard contractual provisions, the law of contracts (3) imposes costs on, and thereby discourages, *careless* behavior in the contracting process—behavior that unnecessarily increases the costs of the process itself.<sup>230</sup>

It has been argued that the artists or contractors, relative to the commissioning parties, are at an unfair bargaining disadvantage. This is not always true. Not all creative works or creative people are fungible. If an artist has a work that is truly unique or deemed valuable by the purchasing party, the artist will enjoy some economic power over the buyer.<sup>231</sup> If the artist believes that his work has future value, he may license it only for a limited time or use, and then relicense it later at a different rate. In addition, as previously stated, if a creator's work appreciates in value, the contractor who assigned away his rights earlier, may recapture the rights to his work pursuant to section 203(a).<sup>232</sup>

#### E. *Proposed Amendments to the 1976 Act*

As Congress has amended and clarified the 1976 Act in the past,<sup>233</sup> this article proposes that Congress once again make much needed revisions by following the recommendations of the

<sup>229</sup> See Landau, *Colourization, Copyright and Moral Rights: A U.S. Perspective*, 5 INTELL. PROP. J. 215, 254 (1990).

<sup>230</sup> KRONMAN & POSNER, *supra* note 41, at 4 (emphasis in original).

<sup>231</sup> The "unfair bargaining power" situation is not unique to artists. Economic bargaining power is often a function of time and reputation. After their reputations have been established, artists may command better employment terms. As reputation grows, so does bargaining power.

<sup>232</sup> For a discussion of termination rights, see *supra* notes 199-204 and accompanying text.

<sup>233</sup> Specifically section 109(b) (rental of phonograph records) and section 117 (sale of computer software). 17 U.S.C. §§ 109(b), 117 (1988). In addition, on November 15, 1990, President Bush signed into law Public Law 101-553 (H.R. 3045), the "Copyright Remedy Clarification Act," adding 17 U.S.C. § 511 to effectively include states, state officials, and state employees within the definition of "anyone" in 17 U.S.C. section 501. This new law eliminates a state's eleventh amendment "sovereign immunity" defense to copyright infringement lawsuits. See, e.g., *BV Engineering v. UCLA*, 853 F.2d 1394 (9th

Register of Copyrights<sup>234</sup> and adopt the formal, salaried employee standard for purposes of the work made for hire doctrine. In addition, for the reasons stressed earlier in this Article, subsection (2) of the work made for hire definition should be abolished so that commissioned works do not fall under the scope of the statute. The applicable provision in section 101 should be amended to provide as follows:

A work made for hire is a work prepared by a formal, salaried employee within the scope of his employment; works made for hire exclude all works prepared on special order or commission.

No commissioned work should ever be classified as a work made for hire. For all commissioned works, the respective rights of the parties should be determined in advance by contract. The artist and buyer should determine which rights and uses are to be sold and licensed. The price paid for the work would then better reflect the bargained for rights as well as the parties' efforts and expectations. Any violation of the agreement would be a breach of contract and/or copyright infringement. This proposal would end all uncertainty between and among the parties regarding future and possible unanticipated uses of a work.

## VI. CONCLUSION

Although the Supreme Court in *Reid* resolved some of the ambiguities and problems associated with the work made for hire doctrine, the Court did not go far enough. A careful reading of both the legislative history of the 1976 Act and of *Dumas v. Gommerman* reveals that the definition of "employee" for purposes of a work made for hire under section 101 of the 1976 Act should be limited to "formal, salaried employees."<sup>235</sup> In addition, all commissioned works, regardless of the type, should be excluded from the definition of works made for hire. These two changes would allow for greater certainty among the parties and thus help to prevent future litigation.

For commissioned works, all factors relating to the artist's creation, including intended use and scope of copyright transfer, should be included in the contract. The burden is presently on the buyer to include these terms in the contract. Absent a con-

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Cir. 1988). See also Landau, *The Colorization of Black-and-White Motion Pictures: A Grey Area in the Law*, 22 LOY. L.A.L. REV. 1161, 1185 (1989).

<sup>234</sup> See Brief, *supra* note 63, at 7.

<sup>235</sup> *Dumas v. Gommerman*, 865 F.2d 1093, 1102 (9th Cir. 1989).

tract, the copyright will still vest with the artist, even though the material object has been transferred. In making a contract, the parties should be aware that under section 204(a) all transfers must be in writing.<sup>236</sup> Under section 106, the artist may transfer only those rights that he decides to transfer,<sup>237</sup> and under section 203(a), an author may terminate his transfer and recapture his rights after thirty-five years.<sup>238</sup>

In those cases where there is true creative input from the commissioning party, and/or the intent of the parties is to create a unitary and inseparable or interdependent work, then joint authorship may be the best solution. Joint ownership may also be provided for by contract.

The respective rights and uses transferred in the contract will affect the price paid for the work, enabling both parties to reap the appropriate reward for their efforts and future expectations. Although there may be minor administrative problems among or between co-authors in cases of joint authorship, such an arrangement may provide the most equitable solution, particularly in those situations in which the commissioning and commissioned parties made substantial contributions to the whole.

All intended uses, transfers, assignments, or licenses should be expressly spelled out in the contract to prevent both uncertainty and the need for post-creation litigation to determine ownership.<sup>239</sup> A creator's contract may one day become as important as his paintbrush, camera, chisel, or keyboard.

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<sup>236</sup> 17 U.S.C. § 204(a) (1988).

<sup>237</sup> *Id.* § 106.

<sup>238</sup> *Id.* § 203(a).

<sup>239</sup> This is especially important since, owing to the life of a copyright, litigation may ensue 20, 30, or even 50 years after creation of the work.