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An Economic Understanding of Copyright Law's Work-Made-for-Hire Doctrine

by I.T. HARDY*

INTRODUCTION

Copyright law has long provided that certain works of authorship created for hire belong to the hiring, rather than the hired or creating party. First developed judicially,¹ this "work-made-for-hire" doctrine was codified in the 1909 Copyright Act.²

Application of the doctrine has been straightforward when creating authors are salaried employees hired for the purpose of writing or composing. The difficult questions have arisen when the creating author was not a salaried employee, but was hired in the capacity of a free-lance author or independent contractor.

In disputes over copyright ownership arising from this situation under the 1909 Act, courts claimed either to apply a presumption that both parties intended the hiring party to own the copyright, or to apply the common law "right-to-direct-and-control" test to find that the party with the right to direct and control was an "employer." Though the legal language varied from case to case, and though commentators such as Melville Nimmer have focused on that language, this Article's thesis is that the decisions can be better explained in economic terms. Copyright ownership should go to the party in the better position to exploit the value of the disputed work by bringing it to the public's attention. In practice, this meant that copyright ownership went to the party with the greater resources, experience or better market position—the one who could, in short, more cheaply distribute the work to the public.

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1. Supreme Court recognition of the doctrine appears in *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 244-45 (1903), but lower courts had been dealing with the concept for decades before that. See, e.g., *Roberts v. Myers*, 20 F. Cas. 898, 899 (C.C.D. Mass. 1860) (No. 11,906) (by implication).

2. Copyright Act of Mar. 4, 1909, ch. 320, § 26, 35 Stat. 1075.

Congress revised the copyright law in 1976,³ changing the work-for-hire provision. Instead of the 1909 Act's reference to "employers" as owners of works created for hire,⁴ the 1976 Act refers to two types of works for hire. The first type arises when an employee creates a work within the scope of employment, as under the 1909 Act. The second type arises when three criteria are met: first, that a work is created "on special order or commission"; second, that the work is one of several types of works listed in the Act (such as audiovisual works and translations); and third, that the parties have agreed in writing that the work will be for hire.⁵ A generous amount of evidence shows that Congress used the term "employee" in the 1976 Act narrowly, leaving the "on special order or commission" provision to take care of all other relationships involving free-lance creators or independent contractors.⁶

A few cases decided shortly after the 1976 Act became effective adhered to this newly narrowed concept of copyright "employment." Then the Second and Seventh Circuits led the way, followed by a number of other courts, in returning to the unspoken doctrine: when copyright ownership is disputed in a work-for-hire situation, expand the concept of "employment" broadly enough to give copyright ownership to the party better able to exploit the work. Courts have commonly reached this result under the 1976 Act by slighting the provision about works made "on special order or commission" and by focusing once again on the right-to-direct-and-control test.

In mid-1987, the Fourth and Fifth Circuits turned away from the stated rationale of these previous court decisions by emphasizing that Congress had intended to narrow the scope of the work-for-hire provision. The Fourth Circuit awarded a disputed copyright to the party who was plainly not the better exploiter, an outcome directly contrary to a long-standing Second Circuit precedent and to decades of

3. 17 U.S.C. §§ 101-914 (1982 & Supp. III 1985).

4. Copyright Act of Mar. 4, 1909, ch. 320, § 26, 35 Stat. 1075.

5. 17 U.S.C. § 101 (1982) (definition of "work made for hire"). The listed categories are a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a test, answer material for a test or an atlas. *Id.*

6. I conclude from a detailed examination of the legislative history of the 1976 Act that Congress intended "employee" to refer to a full-time, salaried employee. See Hardy, Copyright Law's Concept of Employment—What Congress Really Intended, 35 J. Copyright Soc'y ____ (1988) (forthcoming). Whatever one's views on that precise issue, it is hard to avoid the conclusion that Congress meant "employer" to be far narrower than simply one who hires another. See *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410 (4th Cir. 1987); *Easter Seal Soc'y v. Playboy Enters.*, 815 F.2d 323 (5th Cir. 1987). Cf. *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir. 1984).

better-exploiter cases. The Fifth Circuit answered a work-for-hire question by discussing the work-for-hire doctrine in detail, concluding, as had the Fourth Circuit, that Congress intended sharply to limit the doctrine's scope. But in the end, the court awarded a disputed copyright to the party who was the better exploiter, almost certainly the same outcome that would have been reached under the 1909 Copyright Act.

Court decisions about works for hire are now in conflict, both in their stated rationales, which are based on statutory language and Congressional intent, and their underlying themes, which often involve determining which party is the better exploiter. The result of the conflict is that the scope of the doctrine is very much in doubt. Predictions of ownership rights in for-hire situations will therefore be highly unreliable until the doctrine can be put on a consistent footing once again.

This Article first explains the economics of works made for hire as a basis for showing why courts have traditionally favored exploiters over creators. It then supports the "better-exploiter" thesis with a series of examples from work-for-hire case law. Finally, the Article analyzes the recent circuit court cases that have left the law of works made for hire unsettled and in need of resolution.

I. Economic Analysis

Understanding the work-for-hire doctrine starts with understanding the economics of the tension between copyright creators⁷ and copyright exploiters,⁸ a tension best shown in recent hearings before Congress.⁹ Free-lance artists and writers testified that it is vital to their well-being that their works not be considered "for hire," but rather that they hold the copyright themselves.¹⁰ Representatives

7. The term "creator" is used to mean the person who actually writes or composes or sculpts or programs or whatever. The term "author" is avoided because it can mean either the actual creator or the employer of a work for hire.

8. The term "exploiter" is used in a non-derogatory way to mean the hiring party who plans to bring a work directly to the public's attention. Exploiters in this Article's terminology include publishing houses, movie studios, record companies, etc.

9. Definition of Work Made for Hire in the Copyright Act of 1976: Hearings on S. 2044 Before the Comm. on the Judiciary, 97th Cong., 2d Sess. (1982) [hereinafter *Work Made for Hire Hearings*].

10. *Id.* at 5 (statement of June Roth, President, American Society of Journalists and Authors) ("We cannot survive with one-time payments for well-researched and well-written articles that have future resale potential that is denied by the work for hire coercion."); *id.* at 8 (statement of The Authors League of America) ("Because of their superior bargaining position, publishers are able to insist that individual freelance authors sign away their rights . . . thereby vesting all rights and the copyright in the publisher as 'author,' and depriving the

from industries such as publishing that exploit copyrighted works, however, testified that bargaining over the use of a copyrighted work will lead to the same result, whether the work is considered for hire or not.¹¹

That these groups see their interests in conflict is not surprising. What is surprising is that both groups are right about copyright ownership—but only because they are referring to different situations. The copyright exploiters are right about the situation in which two

true author of the rights and the privileges of terminating the assignment after thirty-five years.”).

11. *Id.* at 52 (statement of E. Gabriel Perle, Vice President, Time, Inc.)

(One of the great fallacies about work made for hire is, and as it has been talked about this morning, that there is some sort of magic by which poof, it's material specially commissioned to be work made for hire and that's the end of the contractual negotiation. The contractual negotiation also involves how much you are going to pay, in what installments, and under what circumstances. . . . Work made for hire is merely a statement of a legal consequence, not of an economic relationship.).

Id. at 53 (statement of Townsend Hoopes, President, Association of American Publishers).

(Categorizing a work as a “work made for hire” does not automatically determine the question of compensation, either of amount or of kind. First the work has to be agreed between the parties as a “work made for hire.” Second, in accordance with section 201 there may be an allocation of the various rights as between the parties by further express agreement. So, the terms of a “work-for-hire” agreement are ultimately resolved by the relative bargaining powers of the two parties.).

Oddly, the clearest statements that publishers would often end up owning copyrights even without the operation of a work-for-hire doctrine come from free-lance artists. See, e.g., *id.* at 10 (statement of Irwin Karp, Authors League of America) (Proposed modifications to the work-for-hire provisions “will not help protect authors against being compelled to transfer their rights outright . . .”).

At one point in the hearings on S. 2044, Senator Mathias asked Irwin Karp of the Authors League and June Roth of American Society of Journalists and Authors about publishers insisting on a transfer of all rights regardless of the work-for-hire rules:

Senator Mathias: Suppose we adopt S. 2044 [ending certain kinds of work-for-hire agreements]. Will that stop buyers from the current practice of buying all the rights for a single price?

Mr. Karp: No, it will not. . . . [I]t would not stop any publisher who so desired from insisting on acquiring all rights in the contribution, as publishers have done and would continue to do.

. . . .

Senator Mathias [to Ms. Roth]: Do you want to say something on that point?

Ms. Roth: Yes. While it is true that work for hire strips the writer of all opportunity for ever using his or her creative words [sic], . . . all-rights sales can be just as insidious, as Mr. Karp said. . . . [Both all-rights sales and work-for-hire arrangements] strip the author of any chance to make a decent living despite having a great deal of ingenuity and talent.

Id. at 12.

Tad Crawford, counsel to the Graphic Artists Guild, noted at one point in the Hearings, “It really will not be of great assistance to our members if work for hire is simply eliminated and all-rights contracts are immediately used by the publishing community to replace them.”

Id. at 13.

sides bargain with full knowledge of the uses of the creator's work. In that situation, an economic analysis shows that the work-for-hire doctrine is irrelevant, both to the parties and to the public. It does not matter whether the creator or the exploiter is the initial owner of the work.

Free-lance creators are right about a different situation, one in which one or the other of the parties makes an unbargained for use of the work. When arguments arise over these unbargained for or unforeseen uses, one party will gain what the other loses. An economic analysis of the situation suggests two possible outcomes: either the party who is better placed to estimate the value of unforeseen uses should lose, thereby putting the burden of contracting for all possible uses on such parties in the future, or the party who is better placed to exploit the value of the disputed work should win, thereby ensuring the maximum availability of the work to the public. As already suggested, a review of the cases shows that the courts have almost exclusively reached the latter outcome.

We will look first at the situation in which both parties, creator and exploiter, understand whatever the rule is about copyright ownership and are able to bargain over all uses of the copyrighted work. A general critique of the copyright "monopoly" will lay the foundation for an understanding of why ownership in this situation will end up in the same party with or without the work-for-hire doctrine.

A. *Copyright and Monopoly*

Copyright is sometimes disparagingly referred to as a "monopoly," tolerated only because of the off-setting benefit to the public of having the work produced.¹²

That copyright confers a monopoly, though perhaps literally true, is far from as harmful as it sounds. A monopoly does not mean that the copyright owner automatically gets to charge a premium price over what would otherwise be charged. First, there is no such thing

12. "The sole interest of the United States and the primary object in conferring the [copyright] monopoly lie in the general benefits derived by the public from the labors of authors." *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) (quoted in *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984)). See also *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (copyright is designed "to stimulate artistic creativity for the general public good"); *Mazer v. Stein*, 347 U.S. 201, 219 (1954) ("encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors"); *United States v. Bily*, 406 F. Supp. 726, 730 (E.D. Pa. 1975) ("the system of rewards is to be no more extensive than is necessary in the long run to elicit socially [optimal] amount of creative activity").

as an "otherwise price" if the copyright system of incentives is working properly. Works created because of the lure of the copyright monopoly would not have been created without it. If they would not have been created in the absence of a potential copyright monopoly, then it makes no sense to say that they would have been cheaper but for the monopoly: rather, but for the possibility of monopoly ownership, they would not have existed at all.

Second, the notion that a copyright monopoly allows a premium price even for works that would have been created without the incentive of copyright is faulty. Whether a copyright owner has a monopoly is not a relevant question. The right question is whether there are substitutes for the copyrighted work. If there are, then copyright owners must compete against each other for the public's attention. Certainly there is competition in the major markets for copyrightable material: books, movies, plays, software and the like. In these markets, prices for a copyrighted work cannot exceed a range confined by the price of substitute works, even if the work would have been created without the incentive of copyright.¹³

13. The price-limiting effect of substitute works can be readily seen by putting the monopoly discussion in a different context. One may own a run-down used car, for example, and in a very literal sense have a monopoly on that car; no one else can use it without permission. But the ownership monopoly does not mean that one can command any kind of "premium" price for selling it. If the fair market value of the car is \$250, it can be priced at whatever its owner wants, but at any price significantly over \$250 the car will simply not be sold. The availability of substitute used cars ensures that result.

At one time, the Supreme Court adhered to the notion that for purposes of an antitrust "tying" arrangement, "when the tying product is patented or copyrighted, . . . sufficiency of economic power [to suppress competition in the tied product] is presumed." *United States v. Loew's, Inc.*, 371 U.S. 38, 45 n.4 (1962). Though the Court has alluded to this same presumption recently in *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 16 (1984), at least four Justices in the same case backed away from this view and recognized the role of substitute products:

A common misconception has been that a patent or copyright, a high market share, or a unique product that competitors are not able to offer suffices to demonstrate market power. While each of these three factors might help to give market power . . . a patent holder has no market power in any relevant sense if there are close substitutes for the patented product.

Id. at 37 n.7 (O'Connor, J., concurring in the judgment, joined by Burger, C.J., Powell, J. and Rehnquist, J.).

Recent lower court opinions have decidedly rejected the notion that patents or copyrights confer market power by themselves. See *A.I. Root Co. v. Computer/Dynamics, Inc.*, 806 F.2d 673, 676 (6th Cir. 1986) ("we reject any absolute presumption of market power for copyright [sic] or patented product") (relying on an analysis in Note, *The Presumption of Economic Power for Patented and Copyright Products in Tying Arrangements*, 85 Colum. L. Rev. 1140 (1985)); 3 *P.M., Inc. v. Basic Four Corp.*, 591 F. Supp. 1350, 1359 (E.D. Mich. 1984) ("the fact that some of [the defendant's] software is copyrighted does not establish that defendants possessed economic power"); *In re Data Gen. Corp. Antitrust Litigation*, 490 F.

B. *When the Work-for-Hire Doctrine is Irrelevant*

Let us see how these observations apply to the context of works made for hire.¹⁴ Implicit in the views of creators¹⁵ is the assumption that if they could hold the copyright to their works instead of turning them over as works for hire to their employers, they would be able to command a higher price for their works. But the view of the copyright monopoly just sketched out above shows that monopoly ownership commands a premium only when few substitutes for the work exist. If the work-for-hire doctrine were abolished altogether, creators would be better off only if abolition brought a reduction in the number of substitute works available to employers.

Supp. 1089, 1112 (N.D. Cal. 1980) ("the sole fact of the existence of a copyright notice has not been held to be sufficient to prove economic power"). But see *Digidyne Corp. v. Data Gen. Corp.*, 734 F.2d 1336, 1341-44 (9th Cir. 1984), part of the *Data Gen. Corp. Antitrust Litigation*, in which the Ninth Circuit relied on the Supreme Court's *Loew's* opinion to assert that a copyright does raise a presumption of economic power, confirmed by the presence of trade secrets and investment decisions that "locked in" buyers to the seller's copyrighted software.

14. I will ignore the fact that whether a work is for hire or not determines whether a grant of the work can be revoked after 35 years: the author of work not for hire can reclaim a transferred copyright after 35 years; the author of a work for hire cannot do so. 17 U.S.C. § 203 (1982). The value of a given work in 35 years is highly speculative; in economic terms, "highly speculative" implies a negligible present value and hence one that can be ignored. Commentator Paul Gallay makes a similar point about the value of future derivative works from an existing work: "[T]he value of most derivative works is highly speculative at the time the first work is being negotiated for and so most artists are not paid much to part with the right to further develop their creations." Gallay, *Authorship and Copyright of Works Made for Hire: Bugs in the Statutory System*, 8 *Colum.-VLA Art & L.* 573, 578 (1984). See also *Work Made for Hire Hearings*, *supra* note 9, at 10 (statement of Irwin Karp, Authors League of America) (The right to terminate a grant after 35 years "is a small consolation in most cases because the problems that authors and artists face arise within a much shorter period after publication."); *id.* at 12 (statement of June Roth, President, American Society of Journalists and Authors) ("The only redeeming feature about an all-rights sale is that the writer retains the copyright and may regain the right to use it after 35 years *If this period could be shortened to a reasonable few years . . . this type of sale would be improved.*") (emphasis added). In other words, if it cannot be shortened, it is not of much help to authors.

Publishers who deal with dozens or hundreds of authors might be more interested than the individual authors themselves in ensuring that authors could not revoke their grants. Odds are that *some* of those works might have significant value even 35 years later. But even with that concern in mind, the difference in royalty payments to each author could not amount to a significant sum.

I will also ignore the value that some creators may put on being self-employed. To the extent that creators do value independence, they will bargain for less in wages: their independence will constitute "psychic" income, offsetting a lower dollar income. This intangible income will be a benefit, by definition, of free-lancing, and hence cannot make free-lance creators worse off. Because the point I make in the text is that the work-for-hire rules, if clear and unambiguous in their operation, cannot prejudice free-lance creators, I can comfortably ignore an aspect of the rules that benefits them.

15. See *Work Made for Hire Hearings*, *supra* note 9, at 5.

There is no reason to think that the supply of copyrightable works would decrease in the absence of the work-for-hire doctrine. Copyright ownership would still be available and transferable. Indeed, if it were true that free-lance creators would earn more money without the work-for-hire doctrine, their increased welfare would attract others to become free-lance creators too; that, in turn, would increase the supply of copyrightable works available to publishers. An increased supply would eventually result in a depressed price for the works.

Nor is there any reason apart from an increase in the supply of substitute works to think that employers would pay more for hired creations if there were no such thing as a work for hire. If they pay a certain amount now for a work for hire, including its copyright, it is naïve to think that they would pay more for a license to use a work without getting the copyright. Who would pay more for less?¹⁶ In fact, employers would insist on getting the copyright by an express transfer.¹⁷

The point can be illustrated with a simple example. Suppose a creator finds it worthwhile to create a work and part with its copyright for \$100. Creating the same work for another's use, but not parting with the copyright, is worth \$75, because the creator, let us say, can then license the work a second time for another \$25. Suppose that a

16. Charles Butts, of the Houghton Mifflin Publishing Company, has said:

We pay more to an artist for an illustration in a school textbook if that work is paid under a work for hire, which gives us all rights, than we would pay to the same artist if our order was very specific, such as one illustration to be used on one chapter in one book.

Publishers and Authors Draw Lines for Work-For-Hire Battle, *Publishers Weekly*, Mar. 30, 1984, at 16.

17. Common sense supports this conclusion, as others have recognized: "It seems likely that if the statute did not vest copyright in the employer, he would commonly insist upon an assignment of copyright to him." B. Varmer, Study No. 13, *Works Made for Hire and on Commission*, 1 *Studies on Copyright* 717, 732 (Arthur Fisher mem. ed. 1963). See also Copyright Society Ponders "Works Made for Hire" and Other Ambiguities, *Publishers Weekly*, May 15, 1978, at 39 (quoting copyright law professor Harry G. Henn as saying that "arrangements with writers by knowledgeable negotiators with sufficient bargaining power, whenever possible, will be structured to take the form of either: (1) a work made for hire; or (2) a transfer of all exclusive rights.").

If anything, employers would likely pay *less* for an express transfer than they do now for works made for hire. As mentioned *supra* note 14, works for hire cannot be reclaimed by their creator under the termination provisions of 17 U.S.C. § 203 (1982). If all authors working for hire retained the copyright, but transferred it intact to the hiring party, the hiring party would know that in 35 years the transfer of rights could be revoked. A grant that can be revoked will be worth less to a hiring party than one that cannot. If the value of a work in 35 years is too speculative to be accounted for, as in practice it is, a revocable transfer still cannot be worth *more* to the transferee than a non-revocable one.

publisher finds it worth \$150 to buy the work along with its copyright, but only worth \$50 to purchase a license granting first publication rights. An exchange will obviously take place, with the publisher paying between \$100 and \$150 for the work plus its copyright.

Will it matter that when the work is created, it will be a work for hire? No. If it is, the publisher will pay between \$100 and \$150 and own the work "automatically." If it is not, the publisher will pay between \$100 and \$150 but insist on a transfer of the copyright as a matter of contract,¹⁸ or else the exchange will not be worthwhile. These numbers can be reversed, and the result will either be an exchange or no exchange. In neither case will the presence or absence of the work-for-hire doctrine make any difference.¹⁹

The public's interest will be served whether an exchange takes place or not. If the publisher pays and the work is created, the public benefits by access to the new work. If the publisher is unwilling to pay, it must be that the publisher does not think the public is willing to pay enough money on publication of the work to justify buying it. If the public is unwilling to pay, then the public does not want the work, and it should not come into existence.²⁰ As long as all uses of a

18. Testimony on the 1965 copyright revision bill from Mr. John Schulman supports this assessment. Mr. Schulman represented neither the creators nor the users of copyrighted works, but appeared before the Congress as a general expert with 30-years experience on copyright law. He observed that when identifiable creations such as a song, are incorporated into a movie,

the contract between the author and the picture companies will establish the status, whether [the work] is a work made for hire or whether it is not. We have that all the time. . . . So many of the things that were spoken about here as being difficult are not really so because if you have a sound law, the rest is handled by contract.

Copyright Law Revision: Hearings on H.R. 4347, H.R. 5680, H.R. 6831, H.R. 6835 Before Subcomm. No. 3 of the Comm. on the Judiciary, 89th Cong., 1st Sess. 1717 (1965) (statement of John Schulman), reprinted in 7 *Omnibus Copyright Revision History 1717* (G.S. Grossman ed. 1976) [hereinafter *Copyright Law Revision Hearings*].

19. This conclusion is bolstered by a comparison with patent law. Patent law has no direct analog to the copyright law's work-for-hire doctrine. The patent statutes have been construed as requiring the actual inventor of an invention to apply for a patent. The employer of the inventor may have a right to receive an immediate assignment of the patent, but the inventor is the party who makes the application. See 5 D. Chisum, *Patents* § 22.02 (1985).

Large corporations employing many research and development employees therefore cannot rest on an acquisition of ownership through a work-for-hire clause, but typically insert a requirement in employment contracts that patents be transferred to the corporation. We would not expect employees' salaries to be less if patent law did provide a work-for-hire doctrine because both employer and employee would have the same responsibilities and benefits under either regime, in the one case achieved by statute, in the other by contract. There is, to be sure, a modest cost to incorporating an additional clause into an employment contract, but this cost, amortized over many employees, is negligible.

20. The publisher can of course be wrong in his assessment of what the public is willing to pay, but that is a problem whenever any seller puts a good or service on the market. It does

work are foreseen and bargained over in a work-for-hire situation, then, it does not matter, either to the parties or to the public, to whom the copyright is initially allocated.

C. *When the Work-for-Hire Doctrine is Relevant*

This smooth theoretical view has some wrinkles in the real world, notably that all possible uses of a copyrighted work may not be contemplated or bargained over by parties to a work-for-hire agreement. That is the nub of creators' complaints to Congress: once a work is created as a work for hire, unforeseen uses of it bring windfall profits to the hiring party.²¹ Creators argue that they sell their skills to publishers with an idea in mind of what the work they create will be used for, and what benefit it will bring to the publisher. That idea forms the basis of the bargaining session and the resulting agreed-upon price. When the publisher ends up using the work for some other purpose, the argument goes, the creator is deprived of the payment that would have been his had he known about this other use.²²

This complaint says a great deal about why free-lance creators may be unhappy with the work-for-hire doctrine. Unforeseen uses of works can mean a lot of money; naturally, both creators and publishers would want this additional earning. But copyright law should benefit the public, not just one side or the other in a bargaining session. At first analysis, the public is indifferent to the "windfall profits" argument, for if it is true that publishers reap a windfall when unforeseen uses prove valuable, it is equally true that were creators to retain

not change the conclusion that in the long run, over many thousands of transactions, publishers will supply the works that the public wants to buy.

21. Work Made for Hire Hearings, *supra* note 9, at 43 (supplemental testimony from the American Society of Magazine Photographers & The Graphic Arts Guild).

22. A member of the Graphic Artists Guild, Ms. Robin Brickman, for example, testified before Congress that she received \$75 for an illustration to go in a book. The publisher later decided to use the same illustration on the cover of the book as well, a use that would have normally brought the artist \$500 to \$800. *Id.* at 3 (statement of Robin Brickman, Graphic Artists Guild). Hearings on the 1965 revision bill also contained similar testimony.

As the law now stands [and as it was enacted] it is the employer who, although bargaining and calculating his compensation to the author on the basis for his specific and immediate need for the service, is nevertheless the one-sided beneficiary of the unforeseen business opportunity provided by supplementary or novel exploitation. There seems no justification for this rule other than that attempted in the argument that the author has been paid for the work he did and is entitled to nothing more.

Copyright Law Revision Hearings, *supra* note 18, at 267 (statement of Leonard Zissu on behalf of the composers and Lyricists Guild of America), reprinted in 5 Omnibus Copyright Revision History, at 267.

the rights to these unforeseen uses, *they* would reap the windfall. A windfall is, by definition, a benefit that neither party has bargained over.²³ The public receives no benefit from having one party acquire the windfall rather than the other; in fact, the public's indifference to the allocation of windfalls calls to mind the early economic appraisal of tort law conducted by economist Ronald Coase.²⁴ Coase looked at tort liability rules to see what difference different rules of liability made to the economically efficient distribution of goods and services in a free-enterprise economy. Remarkably, he concluded that if the costs of the transaction are negligible, potential plaintiffs and potential defendants will bargain to the economically efficient liability outcome *no matter what* the liability rule under which they operate. The public, therefore, should be indifferent to the particular rule applied.

Copyright law functions as a set of rules about liability. Copyright ownership determines who is or is not liable for exercising any of the copyright rights of reproduction, distribution, and so on. The Coase theorem suggests that if creators and publishers are faced with negligible transaction costs over ownership of a work that is yet to be created, we can safely assign the initial ownership rights to either side without worry about economic efficiency or the public's benefit. Transaction costs seem indeed to be low, because creators and publishers negotiate over publication all the time.

The rights at issue in work-for-hire disputes, however, are the rights to *unforeseen* uses. By definition, parties cannot bargain over future uses that they do not foresee. They can, of course, agree that all rights not listed or expressly contemplated in their contract will belong to one party or the other. It happens, however, in the work-for-hire cases that I examine in this Article that no such agreement was made. Presumably, parties having the foresight to make that sort of agreement do not end up litigating ownership. Bargaining over rights that are not foreseen, therefore, does have a transaction cost, an infinite one. The Coase theorem then implies that the allocation of ownership rights can make a difference in economic efficiency.

23. If a publisher *knows* about a planned use of a work and fails to disclose it, intending that the creator rely on a mistaken impression about the planned use, then perhaps the remedy for the creator lies not in changing the work-for-hire doctrine but in a suit for fraud or misrepresentation. Cf. *Rhoads v. Harvey Publications*, 131 Ariz. 267, 640 P.2d 198 (Ct. App. 1981) (a publisher misrepresenting a hired party's status as employee when he was actually an independent contractor is actionable).

24. See Coase, *The Problem of Social Cost*, 3 J.L. Econ. 1 (1960). Economists refer to money accruing to one party rather than another without any accompanying use of resources as a "transfer payment." Society has no interest in transfer payments as such because they do not consume resources. See R. Posner, *Economic Analysis of Law* 6-7 (3d ed. 1986).

In fact, the efficiency of work-for-hire cases may be affected in either of two ways. Although an unforeseen use cannot by definition have been bargained over, the allocation of ownership rights can provide an incentive for one party or the other to try to foresee all possible future uses. If one party can make this forecast more cheaply than the other, society would prefer for that party to do so. Alternatively, one party may be better able than the other, through superior resources or experience, to bring the unforeseen use of a work to the public's attention. If the work already exists, society would prefer for that party, the better exploiter, to have the rights to the work.²⁵

D. *Cheaper Estimator Versus Better Exploiter*

The first approach assumes that one of the parties to a for-hire transaction will ordinarily be in a better position to make the estimate of future uses. That is, it may be possible for one party more accurately to foresee all future beneficial uses of a work. In economic terms, that is the same as saying that one party can more cheaply make the estimate of future uses. If the parties are going to spend money (or time, which amounts to the same thing) trying to guess about possible future uses, society would be better off if the party who can make that guess more cheaply would do it.²⁶ Perhaps copyright law can effectuate that result.

This view of the situation makes the work-for-hire contract look like a classic problem in contracts law, *Sherwood v. Walker*, the case of Rose the pregnant cow.²⁷ The case arose when Rose's owner had reached agreement to sell Rose for a fixed amount. The bargain was

25. Borge Varmer's study of the work-for-hire doctrine in 1958 posed the same choices this way:

It could be argued . . . that the burden of contracting, i.e., deviating by contract from the statutory rule, should be placed on the shoulders of the party who is ordinarily in a better position to carry this burden. This party would seem to be the employer, by reason of his stronger bargaining position and more convenient recourse to expert legal advice. On the other hand, it could be argued that the burden of contracting should be so placed that the need for a contract would arise infrequently. It seems likely that if the statute did not vest copyright in the employer, he would commonly insist upon an assignment of copyright to him.

B. Varmer, *supra* note 17, at 732.

26. This formulation of the economics of the situation obviously has an analog in tort law's notion of liability being placed on the cheapest cost avoider. See G. Calabresi, *The Cost of Accidents: A Legal Economic Analysis* (1970). Infringement of common law copyright has been described as a kind of tort law. See *Porter v. United States*, 473 F.2d 1329, 1337 (5th Cir. 1973).

27. 66 Mich. 568, 33 N.W. 919 (1887) (discussed from the economic perspective in R. Posner, *supra* note 24, at 90).

concluded with the understanding of both buyer and seller that Rose was barren. The price reached was a satisfactory one for a barren cow. Rose, however, proved not to be barren, but pregnant on the date of the agreement. A pregnant Rose was worth about ten times the price of a barren Rose. Before delivery, the seller learned of the cow's pregnancy and cancelled the sale. The buyer sued for breach of contract and lost.

There seems no reason to prefer the buyer to the seller in this sort of case, just as with windfall profits in the work-for-hire case. Neither party knows the truth or has acted in bad faith. The actual outcome—the seller got the benefit of the unexpected value—seems as satisfactory as its alternative. Yet as Richard Posner put it:

[T]here is an argument for placing the risk that the cow is not what it seems on the seller [that is, that the *buyer* should have received the windfall]. In general, if not in every particular case, the owner will have access at lower cost than the buyer to information about the characteristics of his property and can therefore avoid mistakes about these characteristics more cheaply than prospective buyers can.²⁸

Under this analysis, the question in work-for-hire situations becomes: who is better situated to foresee the value of future uses of a work yet to be created? That party should be forced to contract for unforeseen uses. Unfortunately, identifying that party in a copyright transaction is not easy as a general matter. Contrasting examples show why.

For large publishers that frequently contract out the creation of copyrightable works, the publisher, i.e., the hiring party, will usually be better able to estimate future value. The frequency of the contracting experience and the long "memory" of a large organization argue for that conclusion. When a major publishing house, for example, contracts with a free-lance artist to illustrate a book, the publisher will often know better from its experience than the artist whether the illustration will also be suitable for the book's cover or for an advertisement.

If the publisher can better make this estimate, then the publisher should be the one to bear the risk that the illustrations may prove more valuable than anticipated. It follows that the free-lance artist should be the one to retain rights to unforeseeable uses, and therefore that the artist should retain any rights not expressly granted to the publisher. Any dispute over whether a work is made for hire or not should then be resolved by a finding that it is not for hire. This

28. R. Posner, *supra* note 24, at 90.

will put the burden of contracting for a different result on the publisher, who by hypothesis is better placed to estimate the unforeseen uses.²⁹

On the other hand, if a local PTA organization contracts with a large graphics design studio to have a brochure illustrated, the studio, although the hired party, would be in a better position to estimate the value of its work than the PTA. The studio is the body with the greater experience and institutional memory. The PTA as hiring party, then, should hold the rights to unforeseen uses, and in that way force the studio in the future to make the estimate of future value and the necessary contractual allowances.

If a rule about works for hire is to be based on the cheaper-estimator rationale and is to work efficiently, we would need to know which of the two examples given above is the more common. That is, are hiring parties or hired parties as a rule more likely to be better placed to make estimates of the value of unforeseen uses of a work created by the hired party? Our two examples—the publisher and the graphics design studio—suggest that either view is plausible. In the absence of better information, a useful rule would be one that handled matters on a case-by-case basis.

That seems to be exactly what courts under the 1909 Act did, because the work-for-hire doctrine was approached from two perspectives: whether in a commissioner-commissionee relationship, the parties intended that a work be for hire; or whether one party had a right to direct and control the other's efforts and could therefore be an employer. Both perspectives emphasized factual findings, and hence allowed a case-by-case determination of ownership, rather than compelling the application of a blanket rule.

As it turns out, however, the cheaper-estimator rationale for resolving disputes over unforeseen uses of works is not borne out either by analysis or by an examination of the cases. Analytically, the outcome under a rule focusing on the parties' intent or a right to direct and control will not correspond with the outcome based on a test of who is the cheaper estimator of future value. As a rule of

29. In a case in which the creator, a newspaper, was more knowledgeable and hence better placed to accept the burden of contracting than businesses advertising in the newspaper, the Second Circuit noted: "It would be unfair in these circumstances to place the burden [of contracting] on the advertiser; it is far more equitable to require the [newspaper] to provide express agreement with the advertisers that it shall own any copyright to the advertisements." *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 568 (2d Cir. 1966). Cf. *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410 (4th Cir. 1987), discussed *infra* notes 100-06 and accompanying text.

thumb, we would expect that the cheaper estimator would be the party with the greater resources and experience in an industry. Yet that party would also likely be the one to intend to own a work created by a hired creator and to be the one who would be able to direct and control the creator's efforts. A focus on the parties' intent or the right to direct and control would therefore assign the copyright to the party with the greater resources—exactly the wrong party under the cheaper-estimator rationale. The party with the greater resources is typically the right party, however, if courts use the better-exploiter rationale. And they do, though not expressly.

II. Verifying the Better-Exploiter Thesis

To verify that courts in fact rely on the better-exploiter rationale, I examined roughly thirty cases cited by copyright scholar Melville Nimmer³⁰ that exemplify the two perspectives: those in which courts acknowledged that the relationship between hiring and hired parties was either that of commissioner and commissionee or employer and independent contractor; and those in which the question before the court was whether the relation was one of employer-employee.

A. *Commissionees and Independent Contractors*

In the commissioner-commissionee or independent contractor cases under the 1909 Act, courts looked primarily to the parties' intent to determine ownership.³¹ Nimmer notes that when the inten-

30. 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 5.03[B], at 5-4-26.1 (1987) [hereinafter *Nimmer on Copyright*]. There are other work-for-hire cases besides those cited by Nimmer, of course, but by confining my analysis to his selection of cases I hope to avoid selecting just the cases that prove my point. Nimmer chose these cases presumably because they well illustrated the legal doctrines he discussed in the text. There is no reason to think that such a sample will be biased in favor of demonstrating the validity of an economic theory. If anything, a selection of cases to illustrate points of legal doctrine will be biased *against* an analysis based on something other than legal doctrine, namely economic theory. I think the sample is therefore a good one to test the merits of an economic theory.

31. *Id.* § 5.03[B][2][c], at 5-21 (citing *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966); *Frontino v. Avon Prods., Inc.*, 197 U.S.P.Q. 713 (S.D.N.Y. 1977); *Hartfield v. Herzfeld*, 60 F.2d 599 (S.D.N.Y. 1932); *Eliscu v. T.B. Harms Co.*, 151 U.S.P.Q. 603 (N.Y. Sup. Ct. 1966)).

See also, e.g., *Varon v. Santa Fe Reporter, Inc.*, 218 U.S.P.Q. 716 (D.N.M. 1982). Painter Georgia O'Keefe commissioned Varon, a photographer, to photograph her paintings. Varon licensed an art magazine to use the resulting photographs, and a newspaper copied them without authorization. Varon sued; the copying newspaper defended on the grounds that copyright presumptively belonged to O'Keefe. Varon and O'Keefe had expressly contracted, however, that Varon would own the copyrights, so the presumption was rebutted: the copyright belonged to Varon. Among other things, this case is an example of the better exploiter getting the copyright when the parties have bargained over it. A professional photographer

tion of the parties "was not expressly articulated, some decisions suggested a presumption of copyright initially vesting in the independent contractor, but most decisions indicated a contrary presumption."³² It turns out that almost all the cases Nimmer cites, whether for the proposition that the presumption resides in the independent contractor or for the contrary proposition, courts consistently awarded copyright ownership to the party in the better position to exploit the work in question.³³

For the proposition that "some decisions suggested a presumption of copyright initially vesting in the independent contractor," for example, Nimmer cites *W. H. Anderson Co. v. Baldwin Law Publishing Co.*,³⁴ *Uproar Co. v. National Broadcasting Co.*³⁵ and *Hartfield v. Herzfeld*.³⁶ I examine each of these three cases in the text. For the contrary presumption, the one Nimmer offers as the majority rule, he cites twenty-five cases.³⁷ I will look at several of those in the text,

would generally be more familiar with the market for photographs than the artist who painted the paintings.

Under the 1909 Act, the parties' intent was an appropriate test because by definition works for hire would be negotiated over before they were published. Before publication, a copyrightable work remained under state common law protection. The federal statutory copyright regime did not take effect until publication. The bargaining over copyrights was therefore a contractual bargaining over state law rights to literary property and the right to obtain federal copyright. In a contractual matter, the parties' intent is obviously paramount.

For cases in which intent was not evident, however, courts sometimes looked to industry customs. 1 Nimmer on Copyright, *supra* note 30, § 5.03[B][2][c], at 5-22 n.61. Though I do not discuss the "industry custom" cases as such in the text, courts' reliance on industry customs will have the effect of giving rights to the better exploiter. An industry custom will mirror the market's view of who is the better exploiter because resources in a free market will tend over time to shift to those who value them most. R. Posner, *supra* note 24, at 9. Those who value them most—who can pay the most for them—will tend to be those who can make the most money from them, i.e., the better exploiters.

32. 1 Nimmer on Copyright, *supra* note 30, § 5.03[B][2][c], at 5-21.

33. Obviously, one can dispute the question of who is the "better exploiter" in a given case. I do not suggest that the term carries an exact meaning, but rather that it can be determined with about the same precision that courts use in deciding cases.

34. 27 F.2d 82 (6th Cir. 1928).

35. 81 F.2d 373 (1st Cir. 1936) (cited as "See *Uproar Co.*").

36. 60 F.2d 599 (S.D.N.Y. 1932) (cited as "See *Hartfield*").

37. *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966); *Electronic Publishing Co. v. Zalytron Tube Corp.*, 151 U.S.P.Q. 613 (S.D.N.Y. 1966), *aff'd*, 376 F.2d 592 (2d Cir. 1967); *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298 (9th Cir. 1965); *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2d Cir. 1939); *Frontino v. Avon Prods., Inc.*, 197 U.S.P.Q. 713 (S.D.N.Y. 1977); *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410, 412 (4th Cir. 1987); *Otten v. Curtis Publishing Co.*, 91 U.S.P.Q. 222 (N.Y. Sup. Ct. 1951); *Crimi v. Rutgers Presbyterian Church*, 194 Misc. 570, 89 N.Y.S.2d 813 (Sup. Ct. 1949); *Morton v. Raphael*, 79 N.E.2d 522 (Ill. App. 1948); *Tumey v. Little*, 186 N.Y.S.2d 94 (Sup. Ct. 1959); *May v. Morganelli-Heumann & Assocs.*, 618 F.2d 1363 (9th Cir. 1980); *Meltzer v. Zoller*, 520 F. Supp. 847 (D.N.J. 1981); *Douglas v. Stokes*,

and summarize the remainder in the notes.³⁸

W.H. Anderson Co., the first case suggesting that commissionees should own the copyright, involved a private publisher who had contracted with the state of Ohio to print the official index to the state's legal code. A competing publisher attempted to reprint the index, and the original publisher sued. The reprinting publisher argued that the original publisher was not the copyright owner, but rather the state was the owner. The Sixth Circuit noted that in work-for-hire situations like this one,

the intent of the parties . . . is decisive. Where a contract of employment is silent, there may be an implication in favor of the employer. But in the present case plaintiff was an independent contractor, rather than an employee; moreover, it may properly be inferred that the parties did not intend plaintiff to surrender a copyright in consideration of a sum less than the bare cost of the work.³⁹

Consequently, the original publisher, not the state that had hired him, was the copyright owner. Notice that the publisher was the better exploiter: he had contracted to prepare "an index suitable for both its own and the state publications"⁴⁰ and no doubt charged a low rate to the state in anticipation of making other sales of the index. The plaintiff was therefore well situated to commercialize the disputed materials, better situated than a state government, which is not normally in the business of advertising and selling goods to the public.

In *Uproar Co.*, the Texas Company, now called "Texaco," hired comedian Ed Wynn in the early 1930s to perform weekly half-hour radio shows that the Texas Company would sponsor. Wynn was to receive a fixed sum for shows whose scripts he authored and a smaller sum for shows for which the company procured a script.

149 Ky. 506, 149 S.W. 849 (1912); *Holmes v. Underwood & Underwood, Inc.*, 233 N.Y.S. 153, 225 A.D. 360 (App. Div. 1929); *Dielman v. White*, 102 F. 892 (C.C.D. Mass. 1900); *Eliscu v. T.B. Harms Co.*, 151 U.S.P.Q. 603 (N.Y. Sup. Ct. 1966); *Geisel v. Poynter Prods., Inc.*, 295 F. Supp. 331 (S.D.N.Y. 1968); *Herbert Rosenthal Jewelry Corp. v. Grossbardt*, 428 F.2d 551 (2d Cir. 1970); *Scherr v. Universal Match Corp.*, 297 F. Supp. 107 (S.D.N.Y. 1967), *aff'd*, 417 F.2d 497 (2d Cir. 1969); *Van Cleef & Arpels, Inc. v. Schechter*, 308 F. Supp. 674 (S.D.N.Y. 1969); *Stratchborneo v. Arc Music Corp.*, 357 F. Supp. 1393 (S.D.N.Y. 1973); *Bernstein v. Universal Pictures, Inc.*, 379 F. Supp. 933 (S.D.N.Y. 1974), *rev'd*, 517 F.2d 976 (2d Cir. 1975); *National Broadcasting Co. v. Sonneborn*, 630 F. Supp. 524, 532 (D. Conn. 1985); *Ekern v. Sew/Fit Co.*, 622 F. Supp. 367, 371 (N.D. Ill. 1985); and *Ashworth v. Glover*, 433 P.2d 315 (Utah 1967). These cases are cited in 1 *Nimmer on Copyright*, *supra* note 30, § 5.03[B][2][c], at 5-22 n.60.

38. See *infra* note 46.

39. *W.H. Anderson Co.*, 27 F.2d at 88.

40. *Id.*

When the shows proved immensely popular, Wynn formed the Up-roar Company to distribute printed transcripts of the dialogs. The Texas Company objected to this use of the transcripts, and litigation followed.

The district court found that for purposes of copyright ownership Wynn had been an employee of the company.⁴¹ On appeal, the First Circuit disagreed. The right to the scripts "originally belonged to Wynn, and he did not lose it unless the contract carried an implied assignment of it to the Texas Company. We do not think that any such assignment is implied from the language of the contracts or the relations of the parties."⁴²

Once again, the court protected the rights of the party who had already demonstrated an ability to commercialize a work and bring it to the public's attention in a new and useful way. Wynn would certainly have been more familiar with the entertainment business and the possibilities for exploiting humorous material than an oil company; entertainment and humor were his business, not the Texas Company's. Wynn, in other words, was the better exploiter and obtained the rights to the disputed work.

Finally, Nimmer's third example of the minority rule is the *Hartfield* case. In 1905, the plaintiff Hartfield prepared a series of useful abbreviations of phrases frequently used for stock market transactions. Most communications about stock transactions at that time were evidently made by telegraph in Morse code; a standard set of abbreviations could save a great deal of transmission time. In addition to preparing a general book of abbreviations, Hartfield prepared on order a set of customized abbreviations for specific investment houses, among them the defendant. The defendant used these abbreviations for several years. Then, unbeknownst to Hartfield, it hired another party to update the list. This party copied substantially from the list prepared by Hartfield, who sued when he learned of the copying. The defendant argued that it had a right freely to copy the work.

The opinion is not clear as to whether the defendant claimed to be a copyright owner, or merely claimed to have a license to make copies. The work-for-hire doctrine is not specifically mentioned, but the court did say that the answer to the defendant's claim

would depend entirely upon what was the mutual intention of the parties at the time of the contract. . . . But the undisputed facts and cir-

41. Up-roar Co., 81 F.2d at 376.

42. *Id.*

cumstances make it clear to me that there was no mutual intention to give the defendants the right to copy. . . . [P]laintiff's basic work, the Wall Street Code, was the result of years of labor, and was intended to have a general sale among stockbrokers at \$10 a copy.⁴³

The case does not mention anything about presumptions in work-for-hire situations, perhaps because it was decided under the 1870 Act, which did not expressly refer to a work-for-hire doctrine. It is therefore weak support for any argument about the presumptions applied by courts in work-for-hire situations under the 1909 Act. Yet the case does illustrate the tendency of courts to award rights to the party better able to exploit the disputed work. Note that the court drew special attention to the fact that Hartfield had already been and planned to continue exploiting the work by selling it to brokerage houses. The defendant's actions prevented his making an additional sale to them of an updated copy, something he was in a good position to do. The defendant was not in the business of selling telegraph codes; the plaintiff was.

All three cases, *W.H. Anderson*, *Uproar Co.* and *Hartfield*, may suggest a presumption of ownership in independent contractors. But regardless of these presumptions, all three gave ownership to the party who was the better exploiter.

The remaining cases cited by Nimmer are offered to support the point that when copyrightable works are commissioned, a presumption arises that copyright belongs to the commissioning party, not the author. Again, far from standing for a proposition contrary to the previous three cases, these cases are consistent in their focus on giving copyright ownership to the better exploiter.

Four of the cases deal with original works of art.⁴⁴ Those who desire to exploit an original work, typically by photographing it, can obtain permission efficiently by going to one source—the work's owner. It would be inefficient first to find the artist and then to go to the owner. Hence it is not surprising that courts would uniformly find a presumption of copyright ownership in the owner of the work itself.⁴⁵

As I demonstrate thoroughly in the notes,⁴⁶ most of the other cases

43. *Hartfield*, 60 F.2d at 600.

44. *Dielman v. White*, 102 F. 892 (C.C.D. Mass. 1900); *Scherr v. Universal Match Corp.*, 297 F. Supp. 107 (S.D.N.Y. 1967), *aff'd*, 417 F.2d 497 (2d Cir. 1969); *Yardley v. Houghton Mifflin Co.*, 25 F. Supp. 361 (S.D.N.Y. 1938); *Morton v. Raphael*, 70 N.E.2d 522 (Ill. App. 1948).

45. All four cases found that the owner of the original work owned the copyright.

46. Below is a summary of the cases used by Nimmer. I refer for convenience to one

support the same point: what courts do when they confront a ques-

party or the other as owning the "copyright" to a work. In fact, most of the cases deal with common law literary property rights, which are not always referred to by the courts as "copyright" rights. After a thumbnail summary of the facts and holding of each case, I explain why I think the winning party was the better exploiter.

Frontino v. Avon Prods., Inc., 197 U.S.P.Q. 713 (S.D.N.Y. 1977). Avon Products hires a design studio to create package designs for it. The studio hires a free-lance designer who creates the designs. The designer later asserts a claim against Avon. Held: Avon is the owner of copyright. Avon can make use of the design directly, by making and selling the packages to the public. The free-lance designer would first have to find another company to do that, thereby incurring additional costs. Furthermore, a package design would almost certainly have trademark significance and could not be used by other companies without public deception; Avon could therefore make use of the design though the artist could not.

Bernstein v. Universal Pictures, Inc., 379 F. Supp. 933 (S.D.N.Y. 1974), rev'd on other grounds, 517 F.2d 976 (2d Cir. 1975). Composers and lyricists sue movie studios, charging antitrust and other violations because the studios insist on contracts with them that give the copyrights to the studios. Central to the case are questions of antitrust and labor law, but in dictum the trial court finds that the studios won the copyright to compositions as works made for hire. The movie studios would be likely to have greater resources and contacts in the entertainment industry than the composers, and would therefore be better able to appreciate and capitalize on the value of the composers' compositions.

Brattleboro Publishing Co. v. Winmill Publishing Corp., 369 F.2d 565 (2d Cir. 1966). Businesses hire newspaper to create advertisements that the businesses want to use in other newspapers. The business then runs the advertisements in another newspaper and the first newspaper sues. Held: the businesses own the copyright. The businesses can run the advertisements in a variety of media; the newspaper would not.

Herbert Rosenthal Jewelry Corp. v. Grossbardt, 428 F.2d 551 (2d Cir. 1970). Jeweler hires artist to create jeweled pin. A third party copies the design and the jeweler sues. The third party argues that the plaintiff is not the copyright owner because the work is not for hire. Held: the jeweler is the copyright owner. The jeweler was actively promoting the pin; there was no evidence that the designer could have exploited the pin design to a greater extent than the jeweler. The jeweler can sell directly to the public, whereas the designer would have to find another jeweler or set up a distribution system from scratch, incurring greater costs.

Yardley v. Houghton Mifflin Co., 25 F. Supp. 361 (S.D.N.Y. 1938). City school board hires artist to create an original mural for a school building. A publisher, with authority from the city, reproduces the mural in a textbook. The artist's heirs assert a claim against the publisher. Held: the city is the copyright owner. This case is one of four cases that Nimmer cites dealing with original works of art. In each case, the owner of the original, not the artist, seems better placed than the artist to control or permit others to photograph and exploit the work through reproductions because the owner is in actual possession of the work.

Morton v. Raphael, 79 N.E.2d 522 (Ill. App. 1948). Hotel hires an artist to paint a mural on the wall of the hotel. Later an interior decorating firm photographs the interior including the artist's mural. The artist sues. Held: the hotel owns the copyright, and result would be the same if the decorator hired the artist instead of the hotel. See *supra* comments concerning *Yardley*.

Dielman v. White, 102 F. 892 (C.C.D. Mass. 1900). Library of Congress hires artist to create a mosaic on the wall of the Library. Later, third parties photograph the mosaic and the artist sues. Held: the Library owns the copyright. See *supra* comments concerning *Yardley*.

Scherr v. Universal Match Corp., 297 F. Supp. 107 (S.D.N.Y. 1967), aff'd, 417 F.2d 497 (2d Cir. 1969). The army authorizes two soldiers to produce a sculpture for an army post. Later, a third party takes and distributes photographs of the sculpture. The soldiers sue the

tion of disputed ownership in a work-for-hire situation is award own-

third party. Held: the army is the copyright owner. See *supra* comments concerning *Yardley*.

Ashworth v. Glover, 20 Utah 2d 85, 433 P.2d 315 (1967). Client hires architect to design a drive-in restaurant building. Third party obtains the plans and opens competing drive-in. Architect sues the third party. Held: the architect retains common law proprietary rights in plans when he filed them with the city. See *infra* discussion concerning *Tumey*.

Tumey v. Little, 186 N.Y.S.2d 94 (Sup. Ct. 1959). Client hires architect to create plans. Later, another party uses the plans and the architect sues. Held: the client owns the copyright. The similarity of the names between the client and the third party—both bear the last name “Little”—suggests the possibility of their being related.

In *Tumey*, the design was for a three-bedroom house, with no suggestion in the opinion that the house was unusual or especially distinctive. If the client did not object, as apparently he did not, others could and did make use of the same plans. That suggests that the client was in fact “exploiting” the design, and is at least some evidence, though not a great deal, that he was the better exploiter.

In *Ashworth*, the building design—presumably like the package design in *Avon Products*—was very distinctive and carried substantial trademark significance. Allowing others to reproduce it would have led to public deception. I may be accused of rationalizing the results to match my theory, but it does seem an architect’s client cannot be a “better exploiter” in the sense of benefitting the public if he exploits a work to further the public’s deception.

Four of the cases that Nimmer cites were not decided as work-for-hire cases. One of them, *Stratchborneo v. Arc Music Corp.*, 357 F. Supp. 1393 (S.D.N.Y. 1973), appears to be listed by mistake: the opinion says nothing at all about works for hire nor do the facts reveal any work-for-hire issue such as questions of employment or commissioned works.

Another case, *Crimi v. Rutgers Presbyterian Church*, 89 N.Y.S.2d 813 (Sup. Ct. 1949), concerns an artist hired by a church to paint a fresco on the church wall. The artist agreed in a written contract that the copyright would belong to the church, so that no question of copyright ownership was raised. Rather, the case concerns the artist’s effort to establish a moral right not to have the mural hidden (a disgruntled church membership had had the whole wall painted over) or to compel the church to take down the fresco as incorporated in the wall and return it to the artist.

The third case not decided as a work-for-hire case is *Geisel v. Poynter Prods., Inc.*, 295 F. Supp. 331 (S.D.N.Y. 1968). Geisel is Theodore Seuss Geisel, the well-known “Dr. Seuss” of children’s and other illustrated works. In 1932, Geisel agreed with a magazine publisher that the publisher could reproduce certain of his cartoon drawings. Years later, the magazine’s successor made the cartoon figures into three-dimensional dolls for sale. Geisel’s suit against the doll maker was primarily concerned with Lanham Act issues: whether he could stop the defendant from identifying the dolls as emanating from Dr. Seuss.

A part of the suit was based on copyright theory, however. As to that part, the court expressed its view that the original cartoons were works for hire, but that it would not decide the case on that basis. *Id.* at 344. Instead, the court assumed for purposes of decision that the cartoons were already in existence at the time of the contract with the magazine. Ownership still belonged to the magazine under that assumption because the custom of the industry at the time was that a sale of publication rights, without express reservation of copyright ownership, resulted in a transfer of copyright to the buyer. *Id.* at 336-37. In any event, the publisher was at least as good as, if not the better, exploiter of the works as Geisel: it likely had more resources and a better knowledge of the market.

Finally, in *Van Cleef & Arpels, Inc. v. Schechter*, 308 F. Supp. 674 (S.D.N.Y. 1969), a jeweler negotiated with a jewelry designer to sell the designer’s “Leo the Lion” pin. A competing jeweler began selling the same pin and the first jeweler sued. The court found that the design had already been created at the time the plaintiff obtained a license to use it; thus, it could not have been a work for hire under any definition or test.

ership to the party better able to exploit the work for the benefit of the public. For example, in *Lin-Brook Builders Hardware v. Gertler*,⁴⁷ a hardware store hired a commercial artist to make drawings for a catalog. Another hardware store copied the drawings, and the first hardware store sued. The second store claimed that the drawings were not works for hire and that the first store was therefore not the copyright owner. The court held, however, that the work was for hire and hence that the first store owned the copyright.

As between the individual artist and the employing hardware store, the store is likely to be better able to use the drawings of hardware than the artist. Certainly the store provided the motivation to make use of them. In any event, the artist did not contest ownership, suggesting that he did not think he was particularly able to exploit the work himself.

Another case making the same point is *Otten v. Curtis Publishing Co.*⁴⁸ The Curtis Publishing Company hired an artist to create an artistic "idea" for imprinting on the bottom of ashtrays. Later Curtis used the design on the cover of a magazine, and the artist sued. The court concluded that Curtis was the owner of copyright under the work-for-hire doctrine. Note here that Curtis was already using its resources to bring the design to the public; it was unlikely that the individual artist could do the same or do it as well.

Finally, a third example is a Second Circuit case, *Electronic Publishing Co. v. Zalytron Tube Corporation*.⁴⁹ An electronic parts distributor hired a technical printer to create a parts catalog. The contents of the catalog were to come from text and photographs supplied partly

Another of Nimmer's cited cases, *Eliscu v. T.B. Harms Co.*, 151 U.S.P.Q. 603 (N.Y. Sup. Ct. 1966), presents a work-for-hire situation, but offers in dictum only tangential support for the presumption of ownership. The plaintiff, Eliscu, worked for a movie studio as a movie director. His employer asked him to write some lyrics to songs, something outside the usual duties of a director. A contract was drawn up for the purpose, granting the studio "motion picture rights," but reserving to the plaintiff "mechanical and composition" rights. Other parts of the contract specifically gave the plaintiff the right to assign "publication and small performing rights" to anyone. The contract, in short, was quite clear in giving ownership of most of the copyright to the plaintiff.

In a dispute between the studio and the plaintiff, the court sided with the plaintiff. The court noted the usual presumptions of ownership in the hiring party and cited *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298 (9th Cir. 1965), but found in fact that plaintiff was neither an employee nor "truly an independent contractor. Moreover, the written contract . . . contained an express reservation . . ." 151 U.S.P.Q. at 604. This case is therefore based on the interpretation of an express contract, overriding any legal presumptions or tests that are designed to cope with a situation in which there is no contractual agreement.

47. 352 F.2d 298 (9th Cir. 1965).

48. 91 U.S.P.Q. 222 (N.Y. Sup. Ct. 1951).

49. 376 F.2d 592 (2d Cir. 1967), aff'g 151 U.S.P.Q. 613 (S.D.N.Y. 1966).

by the distributor and partly by the manufacturers whose equipment was sold by the distributor. A second distributor copied parts of the catalog, and the technical printer sued this second distributor.

The Second Circuit concluded that either the first distributor or the parts manufacturers owned the copyright, not the printer. My analysis of the case is that parts manufacturers want to disseminate their product descriptions as widely as possible and the public benefits from that dissemination.⁵⁰ By giving the copyright to the manufacturers or distributor, the court ensured an appropriately wide distribution. The technical printer was not in a position to do as much because it would not know as well as the other parties where or how to distribute catalogs.

Two of Nimmer's commissioner-commissionee cases cannot as readily be explained on the grounds that the better exploiter obtained the copyright. The first, *Douglas v. Stokes*,⁵¹ involved a couple who had given birth to Siamese twins. The twins died, and the couple hired a photographer to photograph their bodies. Their agreement called for the production of twelve prints and no more. The photographer breached the agreement by producing additional prints and registering them with the copyright office. The couple sued him, apparently for a simple breach of contract. The photographer may have been contemplating the sale of the photographs, which would have brought them to the public's attention. The parents, however, evidently had no such intent.

The photographer defended by arguing that photographers were allowed to copyright their works, but the court wasted little time with the argument, referring instead to the photographer's "exceed[ing] his authority" and to the mental "suffering and humiliation" of the parents.⁵² The case undercuts the better-exploiter theory because the parents were presumably not as able to "exploit" the photographs as the photographer, and so should have lost the case.

A closer look, however, suggests that *Douglas* does not in fact refute the better-exploiter theory. First, judicial presumptions and tests—and hence my theory—are appropriate when the parties have not agreed on ownership contractually; here the parties had a contract. Second, the better-exploiter theory contemplates exploitation for the benefit of the public. It is at least arguable that photographs

50. The district court itself had observed that "it is obvious that the manufacturers, as a matter of sheer business necessity, must make their information readily available to distributors, retailers and ultimate consumers." 151 U.S.P.Q. at 616.

51. 149 Ky. 506, 149 S.W. 849 (1912).

52. *Id.* at 509, 149 S.W. at 850.

of dead children do not benefit the public and should not be exploited.⁵³

The second example from Nimmer's list of a better exploiter not obtaining the copyright is *Holmes v. Underwood & Underwood, Inc.*,⁵⁴ a case also bound up with implicit notions of rights of privacy. A Mrs. Holmes' mother-in-law hired a photographer to take pictures at her daughter-in-law's social function. He did and then sold some of the pictures to a newspaper which printed them along with an allegedly defamatory story about the Holmes family. The daughter-in-law sued the photographer and won a ruling that her complaint stated a cause of action.

Although perfectly consistent with the usually stated presumptions about the hiring party owning the copyright in such situations, under my theory, the case is an exception. By selling the photographs to a newspaper, the photographer showed himself to be the better exploiter of the work and should therefore have been found to be the copyright owner.⁵⁵ Here again, the court may simply have determined that these particular photographs did not benefit the public and so should not be exploited.

B. "Right-to-Direct-and-Control" Cases

We have seen that in commissioner-commissionee cases under the 1909 Act, courts gave copyright to the party who was the better exploiter, though nominally relying on legal presumptions. About 1965, courts began two parallel developments in copyright doctrine. The first was a frank acknowledgement that the statutory work-for-hire provision could apply to independent contractors, not just to salaried employees.⁵⁶ The result was no different from that reached under the old presumption that the parties in a commission relationship intended the commissioner to own the copyright, but the reasoning shifted from the common law of contracts to an interpretation of the federal copyright statute.⁵⁷ The 1976 Act's changes to the provision for commissioned works ended this line of thinking.

53. It is even a better argument that the case is one of mental anguish from an invasion of privacy and has little to do with literary property rights in the first place. I mention the case because Nimmer mentioned it.

54. 233 N.Y.S. 153, 225 A.D. 360 (App. Div. 1929).

55. Significantly, a sharply worded dissent argued that the case was a distortion of existing New York law on misappropriation.

56. See *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966). Cf. *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298 (9th Cir. 1965).

57. Nimmer asserts the existence of a line of cases under the 1909 Act that equated

The second development is more significant because it has survived the passage of the 1976 Act. Courts began to determine who was an employer by relying on the common law test of whether a hiring party had the right to direct and control the hired party's work, an approach only rarely used before.⁵⁸

works made on commission with works made by an employee. 1 Nimmer on Copyright, supra note 30, § 5.03[B][1][a], at 5-14. For support of this assertion, Nimmer cites *Murray v. Gelderman*, 566 F.2d 1307 (5th Cir. 1978), discussed infra text accompanying notes 69-79, and *Samet & Wells v. Shalom Toy Co.*, 185 U.S.P.Q. 36 (E.D.N.Y. 1975), discussed infra. He missed the significance of *Aldon* as a case starting a new line of cases under the 1976 Act that does exactly the same thing—despite Congress' attempt to separate the two types of cases. A close look at *Samet & Wells* shows that whatever the court was doing in the way of confusing commission relationships with employment relationships, it did not fail to give the copyright to the better exploiter.

The plaintiff in *Samet & Wells* was a manufacturer of novelty items including stuffed animals. Wells arranged with a free-lance designer, Dean, to design some stuffed animals, in particular, a stuffed turtle. Dean did so, acknowledging to Wells that Wells could take out the copyright on the animal design. Dean also delivered sample turtles to Wells for the latter to use in copyrighting the designs. A competing novelty company produced stuffed animals with substantially similar designs, and Wells sued. The case was assigned to a magistrate, who found that Wells was the owner of copyright under the work-for-hire doctrine.

Held: the evidence supports each of the magistrate's findings. The court commented on a number of work-for-hire factors, including that one party or the other has "the right to direct how the work is done," id. at 40; that the work-for-hire doctrine still applies when the parties are in the relationship of employer and independent contractor, id.; and that an employment relationship can exist despite the absence of a fixed salary. Id. The court made no express conclusion on the basis of these factors but simply listed them.

Whatever the basis of the court's upholding of the magistrate's findings—and no doubt that basis had something to do with the list of work-for-hire factors—the effect of the decision was to give the party better able to exploit the work the copyright. *Samet & Wells* is a typical case of one company in the business of exploiting designs being allowed by the court to continue to do so. The designer himself was apparently not involved in the retail or wholesale distribution of toy designs and therefore could not nearly as readily as Wells have brought the design to the public's attention.

58. Oddly, courts rarely saw cases as raising a question of employment, and consequently, rarely resorted to the right-to-direct-and-control test until the mid-1960s. Previous cases were seen as involving a commission relationship, or they were not seen as work-for-hire cases at all. This curious chronology first occurred to me as I was reading cases more or less at random; to verify it, I conducted two Lexis searches, one of cases before 1965, the other after that date.

The searches were in the PATCOP library, COURTS file, run on April 9, 1987. At that time, the COURTS file contained United States Supreme Court opinions back to 1850, circuit court opinions to 1938, and district court opinions to 1948. I make no argument that the searches were optimally constructed to find the relevant cases. I merely wanted to demonstrate to my own satisfaction that there is a difference in the frequency of judicial reliance on some variation of the right-to-direct-and-control theme over time. Here are the searches I ran:

COPYRIGHT AND OWN! AND (EMPLOY! W/8 RIGHT W/8 (DIRECT! OR SUPERVIS! OR CONTROL!)) AND DATE BEF 1965

COPYRIGHT AND OWN! AND (EMPLOY! W/8 RIGHT W/8 (DIRECT! OR SUPERVIS! OR CONTROL!)) AND DATE AFT 1964

The right-to-direct-and-control test, like the presumption rationale in commissioned works cases, is a means for awarding copyright ownership to the party better able to exploit the value of the disputed work. Again, we can test this assertion by examining the cases that Nimmer puts forward to support the right-to-direct-and-control proposition, and again, I will describe a few of these cases in the text and the remainder in the notes.⁵⁹

The before-1965 search turned up six cases, of which three were on point. The after-1964 search turned up 29 citations representing 27 different cases, of which 17 were on point. Why the direct-and-control test began to be used relatively late in the history of the 1909 Act is still a mystery to me. I wanted to consult Nimmer's treatise for that period of copyright history, but could not locate a library that has kept all the editions going back that far. I did discover that he mentioned the direct-and-control test at least as early as 1964, but could find no earlier references. See *Donaldson Publishing Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639, 643 (2d Cir. 1967) (quoting the 1964 edition). If that is in fact the earliest reference to the test by Nimmer, that alone might account for its later appearance in court opinions: Nimmer was (and his treatise remains) extraordinarily influential on courts' thinking in copyright cases. It would not explain, unfortunately, why the test appeared in Nimmer's treatise at that particular time.

The almost sudden appearance of the direct-and-control test in the mid-1960s also confirms my view of the legislative history of the work-for-hire provision: that in speaking of "employees" in both the 1909 Act and the draft versions of the current Act done in the early 1960s, Congress must have been referring solely to salaried, full-time employees. Almost all relationships involving non-salaried creators such as independent contractors were spoken of by the courts as commission relationships.

59. For the proposition that the primary test of employment is the employer's right to direct and control the employee's work, Nimmer cites the following ten cases. 1 Nimmer on Copyright, *supra* note 30, § 5.03[B][1][a], at 5-13 n.18. Several of them were decided under the 1976 Act; some of these will be discussed later in the text. For each case, I give my own summary of the facts and holding, followed by a statement of whether or not I think the case exemplifies the better-exploiter theory. Because the right to direct and control has continuing importance under the 1976 Act, I go into more detail with these cases than I did for the commissioning cases.

Aitken, Hazen, Hoffman, Miller, P.C. v. Empire Constr. Co., 542 F. Supp. 252 (D. Neb. 1982) (1976 Act). An architectural firm devised plans for an apartment building at the request of a client. The client built the building, then later built a second building to the same plans. A dispute arose over the copyright to the plans after the client built the second building. The court emphasized the professional standards to which architects are held, concluding that the client "had the right to direct the result to be accomplished . . . [but not] the right to control and direct the detail and means by which that result was accomplished." *Id.* at 258. Held: the architectural firm was not an employee of the client and hence owned the copyright.

The facts of *Aitken* do not lead to an unambiguous conclusion about which of the two parties was the better exploiter. In addition to emphasizing the professional status of architects, however, the court did observe that "[t]he [architects were] not continuously or exclusively engaged by Belmont, but [were] engaged simultaneously by many clients and scheduled work on projects for these clients according to time priorities." *Id.*

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I read the reliance on professionalism, coupled with the fact that the firm was evidently of some size (its name lists several principals) and was able to work for many different clients, as suggesting that the architects were in fact in a better position to exploit their design than the contractor. I confess that that reading is not forced by the facts of the opinion, but I think it is a reasonable one.

Aldon Accessories Ltd. v. Spiegel, Inc., 738 F.2d 548 (2d Cir. 1984) (1976 Act). This is the case with which I started my research and first suggested that courts were actually concerned about the ability of the parties to exploit a work. Aldon was an importer that hired a Japanese firm to design and construct porcelain statuettes. Spiegel saw them and copied them. Aldon sued Spiegel; the latter claimed that Aldon could not be the author. Held: Aldon not only had the right to direct and control the Japanese firm, but actually had done so. Hence Aldon was the employer in a work-for-hire relationship.

Plainly the importer was in a far better position to exploit the statuettes than a Japanese ceramics firm. *Aldon* is discussed *infra* text accompanying notes 86-87.

Donaldson Publishing Co. v. Bergman, Vocco & Conn, Inc., 375 F.2d 639 (2d Cir. 1967). Donaldson and two others formed a shell corporation to market Donaldson's songwriting talents. Donaldson personally negotiated contracts to write a variety of songs. After his death, a contest over renewal rights resulted in one party claiming that the corporation owned the copyright to the songs, not Donaldson personally. Held: the corporation had "[n]o power to control or supervise Donaldson's performance" *Id.* at 643. Therefore, Donaldson was not an employee for hire.

Note that this was a three-person corporation with Donaldson as the president and the chief source of talent. It is hard to imagine how the corporation as such *could* have exercised control over him. In any event, it is plain, I think, that the corporation could not have exploited Donaldson's songs better than Donaldson himself—if indeed that concept has any meaning in the context of these facts.

Epoch Producing Corp. v. Killiam Shows, Inc., 522 F.2d 737 (2d Cir. 1975). Film-maker D.W. Griffith assigned his interest in the film "The Birth of a Nation" to Epoch Corporation after completion of the film. Later a dispute arose over renewal of the film's copyright, with Epoch claiming to be the initial owner as an employer for hire. There was evidence that Epoch may have contributed to the production of the film, but no other evidence about Griffith's relation to Epoch. Held: in the absence of any evidence of a right to control or other indications of an employment agreement, Griffith was the initial owner of copyright.

I read this case as holding that the film was first made and then assigned to Epoch, a sequence of events that precludes the work being for hire in the copyright sense at all. To the extent that the facts suggest some traces of a for-hire relationship, I am unable to say—as I doubt the court was able to say—that in 1915 either Griffith or Epoch was in the better position to exploit the film.

French v. Glander, 146 Ohio 225, 65 N.E.2d 61 (1946). This is a tax case in which an author's widow made the argument that her husband had been an employee of his publisher in order to avoid personal property taxes on his royalty income. Royalties were taxed as personalty; money paid under an employment contract was not. Held: the contract between the author and publisher failed to show any right of the latter to control the former; the work was not for hire.

Though the time sequence is not made clear in the opinion, it appears that the author wrote the texts on his own initiative first, then reached agreement with the publisher to publish them. If true, then *French* is another case that tells us nothing about work-for-hire law. If not true, then the case is an exception to the better-exploiter theory, because one would expect that the publisher was better able to exploit the work than an individual author. For me, the presence of the tax issue colors the case so strongly that it is of little

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relevance to work-for-hire law in any event, but readers can reach their own conclusions on the matter.

Gallery House, Inc. v. Yi, 582 F. Supp. 1294 (N.D. Ill. 1984) (1976 Act). Gallery House was in the business of contracting for the manufacture of brass statues and selling them. It created designs for the statues by hiring full-time and free-lance designers. Another firm copied one of the Gallery House designs, and Gallery House sued. The competing firm argued both that the free-lance designers were the actual copyright owners and that a Korean metal-casting firm that produced the three-dimensional statues was the owner. Held: the designers were employees; the Korean firm contributed too little originality in converting the two-dimensional designs into three dimensions to be any kind of "author."

Here is a classic case of the hiring firm being better able, because it is in the business of doing just that, to exploit a work than the free-lance designers it hired. To bring the designs to the public's attention themselves, the designers would have had to locate firms to make and distribute the statues, or to go into the manufacturing and distribution business. Both avenues would result in delays and additional costs over what Gallery House would incur.

Murray v. Gelderman, 566 F.2d 1307 (5th Cir. 1978). A corporation formed to develop and sell a cookbook assigns the writing and editing to one of its principals. Held: the corporation, not the writer-editor, owns the copyright. This case is discussed fully *infra* text accompanying notes 69-79.

Olympia Press v. Lancer Books, Inc., 267 F. Supp. 920 (S.D.N.Y. 1967). Here is yet another case that shows the diversity of contexts in which a work-for-hire issue can arise. A French book publisher worked with an American citizen living in France. The American translated French works into English, which were then published in France. Another publisher copied the translations and published them in the United States. At issue was copyright protection for the works in the United States, which turned on the citizenship of the "author" of the translations. The French publisher argued that it was the author of works made for hire; the copying publisher argued that the American translator worked independently and hence was the author. Complicating the picture was the fact that the French publisher had apparently deliberately hidden the facts about the translator's citizenship in order to mislead the United States Copyright Office.

Held: the publisher exerted no control over the translator, so the works' copyrights belonged to the translator, which meant, in turn, that the publisher lost copyright protection in the United States.

My theory would clearly give the copyright to the French publisher; ordinarily a publisher is in the better position to exploit a work than an individual scholar-translator. Yet the court held that the translator had worked independently, so that the work was not made for hire.

The decision seems to run counter to the Second Circuit's *Brattleboro* opinion, which declared that as between an employer and an independent contractor, the employer should own the copyright. See *Battleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966), discussed *infra* text accompanying note 101. The decision therefore departs from both the better-exploiter theory and Second Circuit precedent. A closer look suggests that the case is not so anomalous, however: the court mentions that for most of the translations, the American initiated the discussion by suggesting that he translate some particular work, to which suggestion the publisher agreed. If that is literally true, then it means that the publisher was not the motivating force behind creation of the work, and hence the work was not for hire in any sense of the term. In that case, discussion of a right-to-direct-and-control or other test of employment was no more than dicta.

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Peregrine v. Lauren Corp., 601 F. Supp. 828 (D. Colo. 1985) (1976 Act). An advertising agency hired a photographer to take pictures for some advertisements the agency was preparing. He did, and then billed the agency an amount the agency thought excessive. The agency refused to pay. The photographer then sued for copyright infringement, claiming that he was the copyright owner. Held: the agency had the right to supervise the photographer and hence owned the copyright to the pictures.

The agency certainly seems to be the party in the better position to make use of the photographs; indeed, it was in the process of doing so. The agency's business is making use of photographs in advertisements; the photographer's business is presumably selling photographs to agencies to use in advertisements. The agency is a step closer to public distribution of the photographs than the photographer and hence can accomplish that distribution more efficiently. This is exactly the sort of case that made me think that a right to direct and control was a surrogate for some other test. The court observed that the photographer was actually an independent contractor, even going so far as to say that he had been "commissioned" to take the photographs. Under § 101 of the 1976 Act, a "commissioned" work can only belong to the hiring party if certain formalities are met—none of which were met here. Yet the court ignored the words of the statute and said instead that

it is clear that the section 201(b) statement of this presumption [of ownership in the employer] expresses the legislative intent not to overturn the line of cases which, in favor of more rational decisions in the copyright area, eschew the more traditional distinctions between an employee and an independent contractor found in other applications of agency law

Id. at 829.

Actually, nothing of the sort is clear. Indeed, Congress intended just the opposite of the broad test of agency law in favor of a more detailed division of the hiring relationship into salaried employees and commissioned independent contractors. See Hardy, *supra* note 6. For me, the court's confusion on the point is not the result of misreading the relevant copyright materials, but rather of ignoring those materials because of an instinctive reliance on awarding copyright to the better exploiter. *Peregrine* is discussed *infra* text accompanying notes 91-94.

Tobani v. Carl Fischer, Inc., 36 U.S.P.Q. 97 (S.D.N.Y. 1937), *aff'd*, 98 F.2d 57 (2d Cir. 1938). Tobani was hired by Fischer's predecessor as an arranger: he would take music arranged for certain instruments or orchestras and arrange it for a different set of instruments. After his death, his heirs contested Fischer's right to renew the copyright on some of Tobani's arrangements. The issues had to do with an interpretation of "author" and "proprietor" and the different wording of several provisions of the 1909 Act. Held: "It is idle . . . to try and spell out of the relation anything more than an ordinary hiring for pay," i.e., a salaried employment relationship. Id. at 98.

In support of its conclusion, the court had mentioned that Tobani

was at first paid a fixed weekly salary, but later his compensation was on a piece price basis. He also received at various times substantial bonuses as additional compensation. . . . He also in some instances composed an original work of his own [rather than just arranging existing music], in accordance to specific directions given to him by his employer. In every case, however, his work was pursuant to particular assignment and direction; it was in no sense original or spontaneous but was merely what he was instructed to do by Fischer.

Id. at 97.

On appeal: affirmed.

This case deals with a salaried employee and adds little to the notion of the right to direct and control. Even if Tobani's status were not so clear, it is still clear that a music publisher will generally be better able to exploit musical arrangements than an individual.

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In fact, in a salaried employment relationship, it will almost always be the employer who can better exploit the works of the employee; otherwise the employee would exploit his own works without bothering with the employment arrangement.

Nimmer also mentions a number of other work-for-hire cases in the general discussion of who is an "employee." Though these cases are not cited for the proposition that the right to direct and control is the significant test of employment, they are listed as work-for-hire cases and some are worth discussion. Here are the cases that Nimmer cites that have not already been discussed above or in note 46. 1 Nimmer on Copyright, *supra* note 30, § 5.05[B][1][a], at 5-12 to -13 nn.15-17.1.

Brown v. Select Theatres Corp., 56 F. Supp. 438 (D. Mass. 1944). This case has very little to say about work-for-hire law. An English theater producer hired several others to translate a German play into English. Years later a dispute arose about the rights to the translation in the United States. Among other issues of registration, deposit and renewal rights, one party argued that the translation never belonged to the producer, but rather to the German translators. Held: under English law, the rights belonged to the producer. There is no discussion of American law at all.

Clarkstown v. Reeder, 566 F. Supp. 137 (S.D.N.Y. 1983). A town formed a committee to set up a juvenile justice program. The committee's primary task was the writing of an appropriate manual. An outside organization volunteered its principal to be the committee's "reporter." The consultant wrote much of the manual and eventually began to sell it to other cities, and the town sued him. Held: the town had a right to direct and control the creation of the manual and owned the copyright to it.

As between the town and the consultant on juvenile justice issues, the consultant would seem better able to exploit the work. Cf. *W.H. Anderson v. Baldwin Lee Publishing Co.*, 27 F.2d 82 (6th Cir. 1928) (a legal publisher is better able to exploit a legal index than a state government) (discussed *supra* text accompanying notes 34-40). At least the possibility of earning money from it would be a major motivation for the consultant. Yet the court undoubtedly thought that the town would have "exploited" the work by giving it away for free to other towns and cities, in which case the public would have been better off. The court notes how troublesome it would be if "[t]owns that were told at one point that all materials were available free of charge from Clarkstown" would suddenly have to pay a fee to the consultant. *Clarkstown*, 566 F. Supp. at 140. In that sense, one who plans to exploit a work by giving it away for free is a "better exploiter" than one who plans to charge a fee for the same work because the public will have easier and cheaper access to the free work.

Edwin K. Williams & Co. v. Edwin K. Williams & Co.—East, 377 F. Supp. 418 (C.D. Cal. 1974), *aff'd*, 542 F.2d 1053 (9th Cir. 1976). Once again, here is a case that has little to do with works for hire. Williams ran a business in the western part of the country selling forms and record-keeping devices to service stations. He had a partner in the east, with whom he bickered fairly constantly. Williams had developed his forms with the help of his "own employees and other persons who contributed without expectation of compensation" *Id.* at 428. At one point, the partner in the east copied the form books and sold them. Williams' successor sued him. One of the partner's defenses was that Williams never owned the copyright because he had not authored the works himself. Held (implicitly): Williams owned the copyright.

Nimmer cites the case for the proposition that one can be an "employee" without getting paid for it, though the court hardly considered the matter in any more than the most tangential fashion. The court mentions nothing about a right to direct and control or gives any other reasons for its conclusion. From what one can gather from the opinion, however, the active businessman and entrepreneur Williams was in a better position than a group of "employees and others" to exploit the record books. Exploitation of the record-keeping

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forms was his business; he had the contacts and knew the opportunities in a way that his employees would not.

Fred Fisher Music Co. v. Leo Feist, Inc., 55 F. Supp. 359 (S.D.N.Y. 1944). Fred Fisher entered an agreement with Leo Feist that provided Fisher with a weekly salary in exchange for Fisher writing as many songs as he could within a month-and-a-half period. Held: Fisher was an employee for hire and the copyright to his songs belonged to his employer, Feist.

This case features a salaried employment agreement, which is plainly within the intent of Congress as a work-for-hire situation. Otherwise, the opinion does not indicate which of the parties was the better exploiter. Fred Fisher had entered into similar songwriting agreements with other parties. Leo Feist first accepted his employment in Feist's capacity as an individual who only later incorporated. These facts suggest that Fisher was actually the driving force behind the agreement and was probably the better exploiter. The case does not fit comfortably within the better-exploiter rationale and leaves me puzzled.

Lawrence v. Dana, 15 F. Cas. 26 (C.C. Mass. 1869) (No. 8136). Henry Wheaton prepared a treatise on international law. After his death, his widow asked a family friend, Lawrence, to prepare an updated edition for sale. Lawrence agreed to do it at no charge, but on the understanding that he would have the right to make whatever use of his notes he wanted in the future, and that Mrs. Wheaton would acquire rights only in the edition contemplated. Another publisher copied the edition and Lawrence sued him. The copying publisher defended partly on the ground that the copyright was void because the right to take out a copyright belonged to Lawrence, but in fact Mrs. Wheaton, a mere licensee, had taken it out instead. Held: Mrs. Wheaton was the copyright proprietor and the proper party to take out the copyright, but she held it in trust for Lawrence.

From the facts, it appears that Lawrence was the better exploiter. Mrs. Wheaton was evidently not a lawyer and was described by the court as "left in moderate circumstances" after her husband's death. *Id.* at 50. Lawrence bargained explicitly for the right to make further use of his efforts, suggesting his ability to market additional works. He did not market the treatise itself only because he donated his time and the profits from the treatise to Mrs. Wheaton as a courtesy. In that respect, the court accorded the copyright to the party who was not the better exploiter. Yet the decision was necessary to allow Lawrence to have the copyright eventually. If Mrs. Wheaton had not been found to be the initial owner, her taking out of the copyright would have been void as the defendant argued. In that event, Lawrence as the better exploiter would have achieved a hollow victory.

Scherr v. Universal Match Corp., 297 F. Supp. 107 (S.D.N.Y. 1967), *aff'd*, 417 F.2d 497 (2d Cir. 1969). Soldiers in the Army came up with a clay model of a sculpture of a soldier that they showed to higher ranking Army personnel. Eventually, their idea for a sculpture received such a favorable response that they were directed to work essentially full time on creating a statue to be displayed as a symbol of Fort Dix. They worked on the project for some time; it was completed and displayed as planned.

A match company asked for permission from the Army to reproduce a picture of the statue on its match book covers. The Army approved, but the soldiers objected and sued the match company. Held: the Army owned the copyright as an employer for hire (one of several alternative holdings).

On appeal, the Second Circuit affirmed on the work-for-hire grounds. The court noted that the essential factor in a work-for-hire case like the one before it was the Army's right to direct and control the soldiers. "The Army's power to supervise; its exercise, though a limited one, of that power; and the overwhelming appropriation of government funds, time and facilities to the project, are all undisputed." 417 F.2d at 501.

An often cited right-to-direct-and-control case is *Picture Music, Inc. v. Bourne, Inc.*⁶⁰ A music publisher⁶¹ hired an independent contractor to adapt a Walt Disney song, "Who's Afraid of the Big Bad Wolf," for popular audiences. The contractor added some lyrics and lengthened the melody. The publisher then received approval from the Disney organization to exploit the song and negotiated a royalty arrangement. The arrangement included a twenty-five percent royalty to the independent contractor.

After years of accepting the twenty-five percent royalty, and on the eve of the song's copyright renewal, the independent contractor asserted that she was the co-author of the song and deserved a fifty percent royalty. The district court acknowledged the possibility that the independent contractor was in fact a joint author but spent much of its opinion discussing the conditions under which someone like the contractor would be considered an "employee" and would therefore not be a co-author. The district court held, on a basis not made clear in the opinion, that the parties intended that Disney would own the rights to the modified song. On appeal, the Second Circuit noted the lack of precision in the lower court's opinion but affirmed on the ground that the independent contractor's work was done for hire.

Even the appellate opinion shows a lack of precision in following the work-for-hire doctrine, however. The appellate court noted that the music publisher made some revisions to the independent contractor's work, and was able to reject it if it saw fit. Then it observed that "since Disney had control of the original song on which [the indepen-

In *Scherr*, as in most of the cases of original works of art, the party in the better position to exploit the work is the party in possession of the original work itself. It makes sense that the court awarded that party—here, the United States Government—the copyright ownership. In a broader sense, the decision also promotes the public's welfare because the United States would not have held copyright in works like this sculpture; rather, such works are "dedicated" to the public. See Copyright Act of Mar. 4, 1909, ch. 320, § 8, 35 Stat 1075; 17 U.S.C. § 205 (1982) (the 1976 Act). Had copyright been awarded to the soldiers as individuals, they would presumably have charged something for reproduction rights and thereby made distribution of copies of the work more costly.

Charging something for reproduction rights is not, of course, antithetical to the notion of having a copyright system. But the usual incentives for authors are just not relevant to soldiers in the Army. *Scherr* seems a clear case, in other words, in which the public would benefit from free access to a work, and free access would not have a measurable effect on incentives to create. *Scherr* is also discussed supra note 48 with the commissioner-commissionee cases.

60. 314 F. Supp. 640 (S.D.N.Y. 1970), aff'd, 457 F.2d 1213 (2d Cir.), cert. denied, 409 U.S. 997 (1972).

61. For clarity, I refer in the discussion following to the parties as they stood originally, though in fact each of the parties had assigned its interests to others by the time the litigation arose.

dent contractor's] work was based, Disney (and [the music publisher], with Disney's permission), at all times had the right to "direct and supervise" [the independent contractor's] work."⁶²

The court thus found that both organizations had the right to direct and control the independent contractor's work. If one takes the right-to-direct-and-control doctrine at face value, this conclusion is surprising in relation to Disney, because according to the district court's chronology, the song was modified by the independent contractor before Disney was ever asked for its approval. The Second Circuit asserted, in other words, that Disney had a right to direct and control the work of a contractor of whose existence it was unaware at the time the work was being done! However little sense this conclusion makes as a matter of logic, as an example of the better-exploiter theory, it makes a great deal of sense: either the Disney organization or the music publisher, with greater resources and market position, was better able to exploit a song than an individual songwriter.

A less frequently cited, but interesting case for illustrating the right-to-direct-and-control rationale is *Roy Export Co. Establishment v. Columbia Broadcasting System*.⁶³ The Academy of Motion Picture Arts and Sciences ("AMPAS") asked the owners of the copyright to Charlie Chaplin's films to produce a film compilation of excerpts from Chaplin's films for telecast at an Academy Awards ceremony. The opinion does not say much about the copyright owners, but they were apparently a group of individual film distributors and promoters. A representative of this group in turn arranged for the well-known director Peter Bogdanovitch to direct the compilation of film excerpts. After it was produced, AMPAS showed the compilation on the Academy Awards show as had been agreed to by the group of distributors.

In the early 1970s, some of the distributors began to prepare a film retrospective of Chaplin's life using parts of the compilation; at about the same time, CBS decided to prepare a similar retrospective. The distributors completed theirs. CBS sought to license use of the Chaplin films, but the distributors refused. CBS then prepared a "rough cut" of such a film itself, composed mostly of excerpts from Chaplin films that were in the public domain.

Shortly before Chaplin died in 1977, the distributors twice offered CBS a license to use their compilation of copyrighted excerpts, but CBS refused. Just after Chaplin's death, CBS put together its own

62. 457 F.2d at 1216.

63. 503 F. Supp. 1137 (S.D.N.Y. 1980), aff'd, 672 F.2d 1095 (2d Cir. 1982).

retrospective, this time using without authority much of the distributors' compilation that it had already refused to purchase. CBS broadcast the retrospective, and the distributors sued CBS. Most of the case at trial, and all of it on appeal, dealt with fair use and other matters, but the district court did address in a single paragraph CBS' contention that AMPAS—not the distributors—owned the rights to the compilation and hence that the distributors had no ownership interest on which to bring suit.

On that issue, the court held that "despite the fact that AMPAS asked [the representative of the distributors] to prepare excerpts for use on the Academy Awards broadcast and that the editing and other costs were borne by AMPAS, there was insufficient evidence in this case from which to find a commission relationship."⁶⁴

The court went on to show that AMPAS had no right of control over the distributors because it had made a suggestion to Bogdanovitch that Bogdanovitch rejected. Therefore, the court concluded, AMPAS lacked the "crucial" element of artistic control.⁶⁵ The court overlooked the fact that control is only necessary to a finding that the distributors acted as employees of AMPAS, not to a finding that they acted on a commission from or as an independent contractor of AMPAS. If the relationship were in fact one of employer and independent contractor, then according to the case law at the time, AMPAS should have been the copyright owner of the compilation.⁶⁶

Though the decision is inconsistent with contemporaneous case law, it is entirely consistent with the better-exploiter theory. The distributors were actively in the business of marketing their film compilation, and were therefore at least as able to exploit their work as AMPAS. Because they were film distributors who had, over several years, bought the copyrights to Chaplin's films, presumably in order to exploit them, they were likely in a much better position than AMPAS to accomplish that exploitation. The court appropriately gave the copyright to them, rather than AMPAS. The court's conclusion is bolstered by its reliance on the one-time-only license from the distributors to AMPAS to allow the latter to telecast the compilation on the Academy Awards show.⁶⁷ If the parties' intent had in fact

64. *Id.* at 1149.

65. *Id.*

66. See *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966), discussed *infra* text accompanying note 101. See also 1 Nimmer on Copyright, *supra* note 30, § 5.03[C], at 5-26.1 n.91.1.

67. See 503 F. Supp. at 1150.

been that AMPAS would own the copyright, a one-time license would have been superfluous.

The court also discussed very briefly the possibility that the director, Bogdanovitch, and his colleagues who actually worked on the compilation, were the copyright owners, rather than either AMPAS or the group of distributors. Here is the telling point in the court's analysis: it rejected this argument out of hand, relying on the parties' "belief" that the distributors, not Bogdanovitch, would own the copyright to the compilation.⁶⁸

What makes this point telling is that the court used Bogdanovitch's refusal to accede to AMPAS' artistic suggestion as a reason to show that AMPAS had no control over him. Yet, when the argument turned to the distributors' control over Bogdanovitch, the court never considered the possibility that Bogdanovitch was independent of them as well, and would in fact be the copyright owner under the court's earlier allusion to the essential element of artistic control as an indicator of ownership. Instead, the court ignored the element of artistic control altogether and relied on the parties' intent that the distributors own the copyright. Artistic control, in other words, was essential in construing the relationship of AMPAS to Bogdanovitch, but irrelevant in construing the relationship of the distributors to Bogdanovitch. Once again, the distributors were apparently better situated to exploit films than either AMPAS or Bogdanovitch; it makes sense, then, that the court reached the conclusions it did, despite what appears to be an inconsistency on the face of its analysis.

The case that shows the better exploiter theory in operation most persuasively is a Fifth Circuit case, *Murray v. Gelderman*.⁶⁹ In *Murray*, several principals, including the plaintiff, formed a corporation for the purpose of producing a cookbook of recipes from New Orleans restaurants. The plaintiff took charge of producing the cookbook itself. She "selected the restaurants to be featured, secured permission from their proprietors to reproduce their menus, chose an artist to paint a cover picture, and supervised his work, dealt with the printer, and engaged in promotional and public relations activities."⁷⁰ Not only do these facts alone suggest that the plaintiff was under no one's direction and control, but also the plaintiff expressly sought and received assurances that she would have an unfettered right to control

68. *Id.*

69. 566 F.2d 1307 (5th Cir. 1978).

70. *Id.* at 1309 n.2.

the book's design and creation.⁷¹ She made certain, in short, that her corporate employer did not even have the right to direct and control her work, let alone exercise control over the entire project.

Lacking even the right to direct and control her work, her employer ought not to have been able to assert copyright ownership in her creative efforts. But the court concluded that the employer did own the copyright to the cookbook. The court first noted that the "crucial" test is whether the work was created at the employer's insistence and expense.⁷² Most courts, and *Nimmer*, now assert that the right to direct and control is the crucial test, not the instance-and-expense test.⁷³ The latter test seems, according to *Nimmer*, to be a threshold test of whether a work was created pursuant to an agreement of any kind.⁷⁴ The court, in short, minimized the most important test of employment in a case in which the test would have given ownership to the party not better positioned to exploit the work.

More remarkably, the court did address the question of the right to direct and control, but came to a curious conclusion. In response to the plaintiff's argument that she, not her employers, maintained control, the court said:

Allowing [the plaintiff] to offer this "control" agreement—upon which she insisted—to demonstrate that the corporation lacked the requisite supervisory powers over her work would permit an employee to circumvent the works for hire doctrine simply by demanding creative freedom as a condition of employment. We decline [the] invitation 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. The corporation, choosing not to exercise its right of supervision, delegated it to [the plaintiff] in accordance with her demands.⁷⁵

As was true in *Picture Music, Inc. v. Bourne, Inc.*,⁷⁶ the conclusion here is illogical. If the right to direct and control can be "delegated" to the creator, then it must have been in the employer initially. If it lies initially with the employer, who has the option of delegating it or not, then the hiring party always has the right to direct and control

71. *Id.* at 1310-11.

72. *Id.* at 1310.

73. The right to direct and control is the "crucial question in determining an employment relationship" 1 *Nimmer on Copyright*, *supra* note 30, § 5.03[B][1][a], at 5-12 to -13. *Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737, 744 (2d Cir. 1975), cert. denied, 424 U.S. 955 (1976).

74. 1 *Nimmer on Copyright*, *supra* note 30, § 5.03[B][1][a], at 5-13. See also *id.* at 5-26.1.

75. *Murray*, 566 F.2d at 1311.

76. See *supra* text accompanying notes 60-62.

and will always be the owner of the copyright. The court's bootstrapping argument on the direct-and-control test must therefore be meaningless if an express agreement about transferring the right to direct and control has no effect.

Second, if the court's comments are to be taken at face value, then it simply has no idea of how people bargain over contractual agreements. The court asserts that employees could "circumvent" the usual application of the work-for-hire rules merely by "demanding creative freedom." But creators and employers would, if fully informed about copyright law, presumably bargain to their mutual advantage. Well-known creators with proven track records can demand more from the bargain: more money, more freedom, or both.⁷⁷ Less well-known creators cannot bargain for so much.⁷⁸ The terms of the bargain are settled by negotiation; neither side can unilaterally "demand" anything from the other and expect to get it.

Logic is distorted here, but the right-to-direct-and-control test continues to function to vest copyright control in the better exploiter. *Murray* shows a corporation already successfully selling the cookbook, i.e., already exploiting it capably. The public would get no extra benefit from the author's taking ownership.⁷⁹ As an individual, she would not be in as good a position as a corporation formed for the purpose of selling the cookbook.

A nearly identical case is *Roth v. Pritikin*.⁸⁰ In *Roth*, the defendants were entrepreneurs who decided to produce a book discussing a diet program. They hired Ms. Roth, a professional writer about food topics and author of cookbooks, to prepare a number of recipes to be included in the book. A payment of \$3,000 was agreed on, according to the court's findings (disputed by Ms. Roth). When the book, "The Pritikin Program for Diet and Exercise," proved immensely successful, Ms. Roth sued for a share of the royalties.

The district court found that the recipes were works for hire in which Ms. Roth held no copyright rights. The Second Circuit agreed,

77. Sister Hummel, who created the Hummel figurines, was able to bargain for a more favorable arrangement with a porcelain manufacturer after her earlier figurines proved extraordinarily successful. She made two contracts with the manufacturer, separated by several years. In the second one, she obtained more royalties and more control over what figures were produced and how. See *Schmid Bros., Inc. v. Goebel Porzellanfabrik KG.*, 589 F. Supp. 497 (E.D.N.Y. 1985).

78. *Work Made for Hire Hearings*, supra note 9, at 50 (statement of E. Gabriel Perle, Vice President, Time, Inc.).

79. The author evidently had no plans for further exploitation, but simply sought greater royalties for her past efforts.

80. 710 F.2d 934 (2d Cir. 1983).

relegating the work-for-hire discussion to a footnote in which it observed that the defendants "retained the right to supervise her work and reject the meal plans at their discretion."⁸¹ As in *Murray*, the entrepreneurs were actively promoting the book, which was reaching the public satisfactorily. Ms. Roth showed no evidence that she would provide any extra talent or resources for further exploitation.

III. Current Work-For-Hire Doctrine

So far I have discussed 1909 Act cases. I conclude that courts consistently awarded the copyright to the better exploiter when a disputed work-for-hire case arose. The 1976 Act changed the allocation of copyright ownership in commission, though not in employment, relationships. Before 1976, courts presumptively awarded copyright to a commissioning party; the 1976 Act awards copyright to a commissioning party only under certain very limited circumstances.⁸² The change did not directly promote exploitation for the public's benefit—the theme of previous court decisions—but appeared to favor creators with greater opportunities for copyright ownership.

In spite of this change, most courts have continued to decide cases in a way that accords with the better-exploiter theory, frequently continuing to rely on manipulation of the right-to-direct-and-control test. A few others, perhaps less certain what the legislative changes signified, have followed a different course. The result has been the beginnings of fragmentation in a previously uniform doctrine.

A few examples will illustrate the problem. In *Mister B Textiles, Inc. v. Woodcrest Fabrics, Inc.*,⁸³ a 1981 case, a fabric converter—one who buys plain cloth to imprint a design on it for sale to the clothing, drapery and other industries—hired a free-lance designer to create fabric designs. The fabric converter printed the designs on cloth and sold it. Later, a rival firm copied the designs and the original firm sued. The rival argued that the free-lance designer was the copyright owner, not the original firm, because the designer was an independent contractor and there was no written agreement providing for the original firm to own the rights.

The court agreed that the designer was an independent contractor,

81. *Id.* at 937 n.3.

82. The circumstances are first, that the work fall into one of several listed categories (a contribution to a collective work, a part of a motion picture, etc.; see *supra* note 5, and second, that the parties agree beforehand in a writing that the work is to be considered by both as a work for hire.

83. 523 F. Supp. 21 (S.D.N.Y. 1981).

and therefore not properly considered an employee. The court also agreed that the lack of a writing meant that the original fabric converter could not be the copyright owner under the "on special order or commission" provision of the work-for-hire rules. The court found, in short, that both avenues of work-for-hire ownership were closed under the 1976 Act.

Yet, as between the original fabric converter and the free-lance designer, the converter seems better placed to bring the work to public use. At least it is closer in the chain of distribution to ultimate public consumption. The better-exploiter theory of work-for-hire cases would therefore award the copyright to the fabric converter. And in fact, the court simply side-stepped the work-for-hire doctrine altogether and found that the converter had been sufficiently involved in the design work that it was a joint author and could therefore sue on its own behalf.⁸⁴

A second 1981 case, *BPI Systems, Inc. v. Leith*,⁸⁵ followed a different rationale. A developer of computer software contracted with an independent programmer to write a series of computer programs. The contracting programmer wrote the programs and delivered them, but later began selling similar programs on his own. The hiring developer sued for copyright infringement and lost.

The court concluded that the programmer was not an employee, and that the programs were developed on special order or commission. Without a writing and without computer programs being among the listed works that can be created for hire when done on special order or commission, however, the programmer owned the copyright.

If software "developer" means a party in the business not only of writing but also of actively marketing software, then *BPI Systems* is possibly the first judicial departure from the better-exploiter theory under the 1976 Act. Between a company in the business of writing programs and marketing software, and another in the business just of writing programs, the former appears better placed to exploit the program. The facts are sketchy on this point, and the programmer's going into the business of selling the program argues to the contrary, but I think that the better-exploiter rationale suffers a set-back here.

Three years after *BPI Systems*, however, the Second Circuit firmly

84. Under the 1909 Act, the usual "presumption" would have ensured a different rationale, namely that the fabric converter, as commissioning party, would have owned the copyright. On either rationale, the better exploiter wins.

85. 532 F. Supp. 208 (W.D. Tex. 1981).

tracked the better-exploiter rationale in *Aldon Accessories Ltd. v. Spiegel, Inc.*⁸⁶ Aldon, an American company, had contracted with a Japanese firm to produce ceramic figurines for sale. The works created therefore appeared to be on special order or commission, but they did not fall into the copyright act's listed categories, nor was there a written agreement that they be works for hire. Another American company copied the figurines, and Aldon sued.

The Second Circuit paid scant attention to the "on special order or commission" provision. Rather, relying on the right-to-direct-and-control test, the court found that the Japanese firm was an employee of the American company that had contracted with it.⁸⁷ Thus, the work was one made for hire and belonged to Aldon, the American importer.

Aldon is a classic better-exploiter case. As between a Japanese ceramics firm and an American importer and wholesaler, the importer was in the better position to exploit the figurines commercially.

The Seventh Circuit followed *Aldon*—and the better-exploiter rationale—in *Evans Newton Inc. v. Chicago Systems Software*,⁸⁸ decided in May 1986. Evans Newton was a seller of record-keeping systems to educational institutions. It developed the specifications for a computerized system and contracted with an organization of programmers to have the latter write the programs and a users' manual. A dispute over the copyright to the manual arose when the programming organization used the manual to compete with Evans Newton.

The Seventh Circuit affirmed the district court's finding that the organization of programmers was an "employee" because Evans Newton "supervised and directed the work, and . . . [the programmers] merely used their programming skills to produce the work according to [the seller's] specifications."⁸⁹ Again, as with *BPI Systems*, the facts are sketchy, but it seems likely here that Evans Newton was the better exploiter of the educational software at issue. It was the company already in the business of selling educational record-keeping systems and already had an established nationwide clientele. The programmers evidently did whatever sort of programming they were hired to do and had no established contacts or familiarity with the educational market.⁹⁰

86. 738 F.2d 548 (2d Cir. 1984).

87. *Id.* at 553.

88. 793 F.2d 889 (7th Cir. 1986).

89. *Id.* at 894.

90. I base this conclusion on the court's statement that the programming organization "designs and sells computer software and provides custom programming services for

Many other courts have focused on the right-to-direct-and-control test, using it to award copyright to the better exploiter. This judicial focus on the right to direct and control in recent years, as under the 1909 Act, shows persuasively how the better-exploiter result is achieved. An especially obvious manipulation of the test is the use of a hiring party's right to reject work—what I call, following one judge's terminology, the “veto power”—as an indication of a right to control the hired party's work. Three recent photography cases, *Paul Peregrine v. Lauren Corp.*,⁹¹ *Syigma Photo News, Inc. v. Globe International, Inc.*⁹² and *Childers v. High Society Magazine, Inc.*⁹³ illustrate the point.

In *Paul Peregrine*, the plaintiff was a professional photographer who evidently worked on a free-lance basis. He was hired by the defendant, an advertising agency, to take pictures for an advertising brochure. In a dispute over payment of the photographer's fee, the photographer sought to register a copyright in his own name. The advertising agency argued that it was the owner of the copyright in the photographs as works made for hire.

With little to support the conclusion, the district court noted off-handedly, “There is no question . . . that the [advertising agency] had the right to supervise [the plaintiff's] work. . . . [I]t is clear that at any point the employer could have vetoed any of [the plaintiff's] ideas or otherwise radically changed the course, scope or fact of [the plaintiff's] photographic exertions on the project.”⁹⁴

Two other cases dealing with photographers have reached the opposite conclusion. In both of them, the party hiring a professional photographer was not found to have the right to direct and control the photographer's work; the photographs therefore belonged to the photographer. In *Syigma Photo News, Inc. v. Globe International Inc.*,⁹⁵ the hiring party was the British royal family. The hired photographer was to take pictures of the family. Unless Buckingham Palace is even more powerless than one might previously have imagined, it would surely have had the option to “veto[] any of [the plaintiff's] ideas or otherwise radically change[d] the course, scope or fact of [the plaintiff's] photographic exertions on the project,” to quote from *Paul*

microcomputers.” *Id.* at 891. In contrast, Evans Newton is described as “a corporation which provides recordkeeping systems to educational institutions throughout the country.” *Id.*

91. 601 F. Supp. 828 (D. Colo. 1985).

92. 616 F. Supp. 1153 (S.D.N.Y. 1985).

93. 557 F. Supp. 978 (S.D.N.Y. 1983).

94. *Paul Peregrine*, 601 F. Supp. at 829.

95. 616 F. Supp. 1153 (S.D.N.Y. 1985).

Peregrine.⁹⁶ Yet the court found that the relationship was not one of employment, so that the photographer held the copyright to his photographs.

What makes *Sigma Photo* inconsistent with *Paul Peregrine*, however, is not the conflicting right-to-direct-and-control findings. Rather, the inconsistency arises from the fact that the advertising agency in *Paul Peregrine* was better able to exploit the photographs than the photographer—or at least as well able to exploit them. The British royal family in *Sigma Photo* was not nearly as likely to involve itself in commercial photography sales as a private photographer.

The third photography case, *Childers v. High Society Magazine, Inc.*,⁹⁷ also found no employment relationship between a photographer and his subject. In *Childers*, the plaintiff photographer was asked by actress Ali McGraw to take publicity photos of her. The photographer made certain agreements with McGraw about how the photographs would be used. The photographs were taken and then placed with an agency whose purpose it was to license their use.

A pornographic magazine, "High Society," using a different name, obtained a license to use the photographs in what it claimed was an innocuous publication. Instead, it used them on the cover of "High Society." The photographer sued the magazine, which defended partly on the grounds that McGraw was the copyright owner of the photographs as works made for hire. That McGraw had been able to set some limits on the use of the photographs indicates that she did possess some measure of control over the photographer, a control roughly comparable to the veto power exercised by the advertiser in *Paul Peregrine*. Yet the court barely considered that possibility, stating briefly, "Defendants cannot possibly assert that plaintiff is an 'employee' of . . . Ms. McGraw."⁹⁸

No doubt the defendant's improper conduct was a factor in the court's decision, but nevertheless, between Ms. McGraw and the photographer, the photographer was the one who was in the business of exploiting photographs by licensing them to others through an agency. Giving him the copyright makes the case perfectly consistent with the better-exploiter theory.

As all these cases show, the notion that the hiring party can reject the work of the hired party is not helpful as an indication of anything: in few hiring situations will the hiring party obligate himself to

96. 601 F. Supp. at 829.

97. 557 F. Supp. 978 (S.D.N.Y. 1983).

98. Id. at 984.

accept whatever the hired party delivers. Certainly officials at Buckingham Palace could have rejected any of the photographer's photographs in the *Syigma Photo* case, as could have Ms. McGraw in the *Childers* case. Yet the courts in both cases found that the copyright belonged to the creator, the party who was better able to exploit the value of the photographs. When the hiring party was the better exploiter, however, as in *Paul Peregrine*, the presence of the veto power was dispositive.⁹⁹

A. *The Fourth Circuit's Brunswick Beacon Case*

Because so many cases decided under the 1976 Act continued the earlier practice of awarding copyright to the better exploiter, typically through selective emphasis on the right-to-direct-and-control test, the recent Fourth Circuit case, *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*,¹⁰⁰ comes as a surprise. *Brunswick Beacon* is nearly identical on its facts with the well-known 1965 Second Circuit case, *Brattleboro Publishing*.¹⁰¹ Both cases featured one or more busi-

99. Cf. *BPI Systems* discussed supra text accompanying note 85. Notable in these cases is also the fact that *Syigma Photo* and *Childers* featured third parties raising the work-for-hire question as a defense to litigation against them. *Paul Peregrine* involved only a dispute between employer and employee. Another example of the tendency to ignore the veto power is *Joseph J. Legat Architects v. United States Development Corporation*, 625 F. Supp. 293 (N.D. Ill. 1985). Legat, an architect, was hired by the defendant contractor to develop architectural plans. He did. The defendant then modified and copied the plans and filed them with the county under the defendant's name. Legat sued for copyright infringement and a host of other claims.

The court found that Legat owned the copyright because the plans were not made for hire. The court brushed over the veto power argument by noting that the defendants "claim that Legat's plans were subject to [their] approval, but neither one claims that they directly supervised or controlled Legat's work." *Id.* at 298 (footnote omitted). *Legat* does not fit neatly into the better-exploiter theory because the facts do not suggest that either the architect or the contractor were better positioned to exploit the plans. Legat himself was an architect of 20-years standing, and hence an on-going entity of some duration, but the contractor may have been around equally long for all that appears in the opinion.

Perhaps one reason the case fits awkwardly into the theory is that it fits only awkwardly at best into the law of copyright. The court itself noted that "[t]he essence of [Legat's] copyright, Lanham Act, and unfair competition claims, as we see it, is that defendants . . . have created the impression that [their employee] is the sole author of the Plans." *Id.* at 301. Had the plans been filed with the county under Legat's name instead of the defendant's, one senses that Legat would have made no objection. If the difference between a copyright infringement case being undertaken and one being overlooked is the presence of the wrong name, then the basis for the action is only unfair competition or trademark infringement, not copyright. In any event, the case does illustrate the ease with which courts can vary their emphasis on the veto power as other considerations dictate.

100. 810 F.2d 410 (4th Cir. 1987).

101. *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565 (2d Cir. 1966).

nesses contracting with a newspaper to create and run advertisements for the businesses. In both cases, a dispute about the copyright ownership arose because the businesses sought to run the same advertisements in other newspapers.

In *Brattleboro Publishing*, the Second Circuit applied the 1909 Act to find that the advertisements were works made for hire belonging to the businesses. The Second Circuit did not distort the right-to-direct-and-control test to reach that result, but instead frankly determined that the work-for-hire doctrine should apply to independent contractors as well as salaried employees. The case is unremarkable in terms of the better-exploiter theory because the businesses were better able to exploit the value of the ads: they could run them in a variety of advertising media, though the newspaper would only run them in one medium, the paper itself.

Yet, in *Brunswick Beacon*, the Fourth Circuit held that the copyright belonged to the newspaper because the provision for works created on special order or commission was inapplicable (there was no written agreement), and the newspaper was not an employee of the advertising business.¹⁰² *Brattleboro* was distinguished as a decision made under the 1909 Act, at a time when "the 'work made for hire' doctrine flourished,"¹⁰³ and there was no separate provision in the Act for commissioned works as there is under the 1976 Act. The influential *Aldon* decision was distinguished on its facts as a case in which *Aldon's* employee was on sight with the Japanese ceramics firm giving actual direction and control.¹⁰⁴

It is true that *Brattleboro* explicitly endorsed a rule for independent contractors when the 1909 Act made no provision for them, and Congress in the 1976 Act has made an express provision for "commissioned" works that would cover independent contractors. That change in the statute alone could account for the shift from *Brattleboro* to *Brunswick Beacon*. But *Brunswick Beacon* is a far more radical case than it seems because it is the first appellate opinion under the 1976 Act that flatly contradicts the idea of giving copyright to the

102. 810 F.2d at 413.

103. *Id.* at 412.

104. *Aldon* was indeed a case in which the court could find actual on-site control. Yet other cases following *Aldon*, such as *Evans Newton* (see text accompanying notes 88-90) and *Paul Pelegrine* (see text accompanying notes 91-94) have not bothered with such nice distinctions. See also *Sigwart v. Ringling Bros. & Barnum & Bailey Circus World, Inc.*, 1984 Copyright L. Dec. ¶25,717 (C.D. Cal. 1984), a pre-*Aldon* case in which a district court in California found that a free-lance artist who created artwork for a circus advertisement was an employee for hire—without the court's offering any particular reasoning why that should be so, other than citing *Lin-Brook Builders* and a few other cases.

better exploiter, departing markedly from other factually similar cases that have also applied the 1976 Act. In *Excel Promotions Corp. v. Babylon Beacon, Inc.*,¹⁰⁵ for example, a New York district court held in 1979 that when businesses hired a newspaper to create advertisements, the businesses owned the advertisements as works for hire. In 1981, another district court held in *Central Telephone Co. of Virginia v. Johnson Publishing Co., Inc.*,¹⁰⁶ that a business hiring a telephone company to create "yellow pages" advertisements owned the copyright to the advertisements.

B. *The Fifth Circuit's Easter Seal Case*

The most recent appellate decision under the 1976 Act, however, is not *Brunswick Beacon* but the Fifth Circuit's *Easter Seal Society v. Playboy Enterprises*,¹⁰⁷ also decided in 1987. *Easter Seal* featured a charitable organization that asked a television station to produce a film for it. The station did so, and the film, which included a mock Mardi-Gras parade, was used as the parties had contemplated for fund raising. Later, a third party contacted the station, seeking footage of a parade. The station released some of the charity film's footage that the third party used to make a pornographic film. Members of the charitable organization saw the film, recognized themselves in it and objected. The charity sought to enjoin further showings on the ground that it was the owner of the film as a work made for hire.

The Fifth Circuit discussed the work-for-hire doctrine at some length, concluding that Congress had meant in the 1976 Act to cut back sharply on the doctrine. No longer should courts, according to the Fifth Circuit, routinely and inflexibly grant copyright to the hiring party by the "unprincipled tendency" to distort the concept of "employee" for copyright purposes.¹⁰⁸ The television station was found to be the film's author, not the charity, because the film was a commissioned work, but no written agreement had said it would be a work for hire.¹⁰⁹

What makes *Easter Seal* so intriguing is that though it rejected much of the reasoning of other courts like *Aldon*, *Evans Newton* and

105. 207 U.S.P.Q. 616 (E.D.N.Y. 1979).

106. 526 F. Supp. 838 (D.C. Colo. 1981). See also *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298 (9th Cir. 1965) (1909 Act: hardware store hiring artist-illustrator to create drawings of hardware items for a catalog owned the copyright to the drawings).

107. 815 F.2d 323 (5th Cir. 1987).

108. *Id.* at 336.

109. *Id.*

Sygma Photo News, Inc., and though it focused on Congress' attempt to change the work-for-hire doctrine in the 1976 Act, it nevertheless gave the copyright to the better exploiter. The television station was the party in the business of using film footage and licensing film use to others. It was plainly better positioned to exploit the footage than a charitable organization.

On the one hand, then, *Easter Seal* quite clearly rejects much of the surface reasoning of other courts that have manipulated the right-to-direct-and-control test to award copyright to the better exploiter; but on the other hand, the opinion fits the better-exploiter theory to a tee.

CONCLUSION

Congress provided in the 1909 Copyright Act that employers would own the copyright to works made for hire. For decades, courts applied that statutory provision to situations of salaried, full-time employment. But during the same period, courts handled independent contractors and free-lance creators by applying a common law presumption that the parties to an independent contractor agreement intended ownership to reside in the hiring party. The presumption in fact meant that copyright ownership in a disputed for-hire situation would go to the party who was the better exploiter of the work for the benefit of the public.

Around 1965, courts began to apply two new work-for-hire rationales: first, that the statutory work-for-hire provisions—not just the common law of contracts—should apply to independent contractors without regard to presumptions about the parties' intent; and second, that the common law tort test of "employment" should be applied outside the situation of salaried employment to allow a finding that some free-lance creators were in fact "employees." Once again, these new rationales seemed designed to allow the award of copyright to the party better able to exploit the work in question.

In 1976, Congress enacted a new copyright act, substantially changing the work-for-hire doctrine. Congress intended that the work-for-hire rule apply as usual to salaried employees, but that all other hiring relationships be governed by a specific provision for works created on special order or commission. Many courts, including the Second and Seventh Circuits, continued under this new statute to award copyright to the better exploiter despite the shift in Congressional emphasis. Typically, results were reached through manipulation of the right-to-direct-and-control test.

In 1987, the Fourth Circuit implicitly rejected the Second Circuit's use of the better-exploiter approach by emphasizing that Congress had intended greatly to reduce the scope of the work-for-hire doctrine. Later in 1987, the Fifth Circuit expressly adverted to Congress' attempt to limit the work-for-hire doctrine, but in a case in which this new "limitation" allowed the court to give the copyright to the better exploiter anyway.

Work-for-hire doctrine is now being pulled in two directions, between the implicit judicial goal of maximizing public access to a work by awarding copyright ownership to the better exploiter and the goal of adhering to a more limited Congressional intent even when it favors the creator over the exploiter of a work. The resolution ought to be that courts follow Congress' intent, because that is the way our system of law-making works; but seventy-five or more years of judicial precedent pulling in the opposite direction will be hard to resist.

Given the proliferation and decreasing costs of communications technologies such as cable television, VCRs, computerized data bases, satellites, compact disks and the like, the market for copyrightable works appears to be expanding. This expansion could translate into an increasingly important role for the creators of copyrightable works relative to publishers, distributors and other users. A greater role for creators could mean that, in turn, Congress will be receptive in the future to legislative changes favoring creators. Several bills have been introduced along these lines,¹¹⁰ but Congress has so far shown no inclination to enact them.

Predictions about what courts or Congress will do in the future are obviously risky, but I would expect that a changing market for copyrightable works will eventually force Congress more affirmatively to favor creators with a narrowed work-for-hire doctrine. Courts, however, will continue to favor the better exploiter to the extent they can do so because in individual cases, the work already exists and the need is for efficient exploitation through marketing and distribution.

110. Sen. Thad Cochran has several times introduced bills to modify the work-for-hire doctrine. His recent bills propose to define "employee" as a formal employee. See S. 2033, 97th Cong., 2d Sess. (1982); S. 2138, 98th Cong., 1st Sess. (1983); S. 2330, 99th Cong., 2d Sess. (1986); and S. 1223, 100th Cong., 1 Sess. (1987).