

## **You Can't Always Get What You Want** **The Bounds of the Work for Hire Doctrine**

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The work for hire doctrine, while providing an enormous benefit to employers and parties who commission works by creating statutory “authorship” and hence copyright ownership, is not, as many believe, a simple ticket to ownership of all copyright rights. Both the House and Senate Reports have the same four paragraph summary of the intent of Congress in enacting the “new” work for hire provisions in the 1976 Act.<sup>1</sup> In pertinent part, those reports state that the work for hire provision:

“adopts one of the basic principles of the present law: that in the case of works made for hire the employer is considered the author of the work, and is regarded as the initial owner of copyright . . . [t]he work-made-for-hire provisions of this bill represent a carefully balanced compromise, and as such they do not incorporate the amendments proposed by screen writers and composers for motion pictures. Their proposal was for the recognition of something similar to the “shop right” doctrine of patent law. . . . [h]owever, while this change might theoretically improve the bargaining position screenwriters as a group, the practical benefits that individual authors would receive are highly conjectural . . . . [and] might also reopen a number of other issues. . . .”

The status of works prepared on special order or commission was a major issue in the development of the definition of ‘works made for hire’ in section 101, which has undergone extensive revision during the legislative process. The basic problem is how to draw a statutory line between those works written on special order or commission that should be considered as “works made for “hire” and those that should not. The definition now provided by the bill represents a compromise which, in effect, spells out those specific categories of commissioned works that can be consider ‘works made for hire’ under certain circumstances.”

Thus the House and Senate Reports summed it up neatly: employers own works created by employees in the course and scope, but there was to be no shop right doctrine. Apart from that, the Reports note, wryly enough, that the status of works prepared on a special order basis was a “major issue” and that the bill “spells out” those specific categories of commissioned works that can be considered works made for hire.

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<sup>1</sup> Both the House and Senate Reports are reprinted in 7 Nimmer on Copyrights

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What we are grappling with now is the interpretation of those specific categories. The importance is clear enough: if a work is not created by an employee and there is no assignment, the party who paid the bill – the commissioning party – wants to own the rights. Such a party can only do so if a work falls within the specific categories and there is a writing stating that the work is a “work for hire”. This paper will explore recent interpretations of the categories of work for hire, and will begin with a brief overview of the ownership/work for hire scheme. In closing, the paper will briefly review “joint authorship”, which though outside the scope of work for hire, should not be forgotten as an alternative basis to claim ownership.

## I. Copyright Ownership and Work for Hire Definitions.

Section 201(a) of the Copyright Act (17 U.S.C. §§101 *et seq.*) entitled “Copyright Ownership” provides that “copyright in a work . . . vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.”

Section 201(b) provides: “In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.”

The Copyright Act distinguishes between two very different types of works that may be considered “works for hire”. One is for employees, the other, much more limited, is for “specially ordered or commissioned” works by non-employees.

One must leave the “ownership” provisions of Section 201, however, and turn to the general definitions sections of Section 101 for further guidance on the scope of a “work made for hire”.

### A. Employee Work for Hire

Section 101 provides: “A ‘work for hire’ is - (1) a work prepared by an employee within the scope of his or her employment”.

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Determination of who is an "employee" was addressed and settled in Community for Creative Non-Violence v. Reid, 490 U.S. 730 (1989). The prior, common law "control theory" was rejected (cf. Aldon Accessories Ltd. v. Spiegel, Inc., 738 F.2d 548 (1984)). This is an important note because many clients (and lawyers) intuitively believe that if they paid a lot for a work, they should own it. For example, a publisher who hires a photographer to photograph a series of flowers for a floral calendar may well provide the studio, provide the set, provide the props and have at the ready one or more art directors who tell the photographer exactly how the shot should look when finished, re-direct the shot after initial takes, and so on. That "control", before Reid, was considered by some courts to create a "work for hire". After Reid, no more.

In Reid, the Supreme Court also clarified that common-law agency principles will be applied to determine whether a person is an employee such that rights in copyrightable subject matter created by that person in the course and scope vest, under Section 201, in the employer. Factors include: 1) right to control the manner and means by which the work is created, 2) skill required; 3) source of instrumentalities and tools; 4) location of the work; 5) duration of the relationship between the parties; 6) whether the hiring party has the right to assign additional projects to the hired party; 7) the extent of the hired party's discretion over when and how long to work; 8) the method of payment; 9) hired party's role in hiring and paying assistants; 10) whether work is part of regular business of the hiring party; 11) whether the hiring party is in business; 12) the provision of employee benefits; and 13) the tax treatment of the hiring party. Cf. Restatement of Agency § 220(2).

The next question becomes, of course, was the work created "within the course and scope." Most courts, following Reid, apply common-law agency theory to determine the "course and scope" question. See, e.g. Miller v. CP Chemicals, Inc., 808 F.Supp. 1238 (D.S.C. 1992) (Restatement Agency §228 applied, a three-part test: 1) it is the kind of work which the employee was hired to perform; 2) was it done within substantially within authorized time and space limits; and 3) was the work done to further the interests of the employer?).

#### B. Non-Employee Work for Hire.

The second type of work for hire - commissioning party work for hire, what we are concerned with here - is defined in Section 101(2) "Work for hire".

"A 'work for hire' is --- (2) a work specially ordered or commissioned for use as:

- i) a contribution to a collective work,
- ii) as a part of a motion picture or other audiovisual work,
- iii) as a translation,
- iv) as a supplementary work,
- v) as a compilation,
- vi) as an instructional text,
- vii) as a test,
- viii) as answer material for a test, or
- ix) as an atlas . . . . . "

Note that the list is short and comprised of a rather odd assortment of types of works that are capable of being treated as non-employee "works for hire". There are only nine categories. They fall, roughly, into three groups whose interests are served: 1) textbook, reference work and similar publishers (contribution to a collective work, translation, supplementary work, compilation, atlas); 2) motion picture producers (part of a motion picture or other audiovisual work) and 3) secured test publishers and administrators (as a test, answer material for a test).

While it is these interest groups whose needs were served by the compromise in the legislation, note that any type of the enumerated works could be a work for hire. In other words, any contribution to a collective work, and motion picture or other audiovisual work, any translation, supplementary work, compilation, instructional text, test, answer material for a test or atlas.

Therefore what has become crucial is to fit a work into one of these enumerated categories. It is perhaps stating the obvious, but the most cursory review of the above categories readily reveals that a number of important works are not among the categories. Literary works, including computer programs, musical compositions and photographs. Thus, for example, a company that commissions an outside agency to create its Annual Report would probably find itself without an ownership interest in it, unless it had the Report assigned to it by the public relations or advertising agency. Of

most practical significance in today's economy is the fact that computer programs created by third parties are not within the categories of enumerated works. Thus in this era of down-sizing and out-sourcing, companies are scrambling to ensure that they own the software that they have commissioned.

## 1. The Writing Requirement

Note that even should a commissioned work fall within one of the categories, the statute raises a further barrier to the application of the work for hire doctrine: a writing is required specifying that the work is to be considered a work made for hire. Therefore even if the work a commissioning party wishes to claim ownership interest in falls within one of the enumerated nine categories, the party still must comply with the further portion of the definitions section and ensure that there is a writing that specifically provides that the work shall be a work for hire. The definitions section of work for hire continues to state that a work may be considered a work for hire only if it fits within the nine categories and:

". . . . IF (my emphasis) the parties expressly agreed in a written instrument signed by them that the work shall be considered a work made for hire."

Therefore there must be a signed writing by both parties specifying that the work shall be a work for hire, **and** the work must be within the nine enumerated categories, to be a "work for hire".

It has been thought that such a writing must be completed before the work is completed, and securing a writing before the "work for hire" is created is certainly prudent. However a recent Second Circuit case has held that agreement on the work for hire status before creation of the work is all that is necessary; the actual writing can be executed later. See Playboy Enterprises, Inc. v. Dumas, 53 F.3d 549 (2d Cir. 1995) (endorsements on checks paying for works satisfies the writing requirement). If this trend is followed, the writing requirement will be considerably eased.

## 2. Interpretation of the Nine Enumerated Categories

In two recent cases, the parties sought a broad interpretation of the meaning of two of the categories, the "motion picture or other audiovisual work" category and the "compilation" category. In both cases, the courts declined to give a broad reading to the definitions.

a. Lullirama Ltd. v. Access Broadcast Services, Inc.

In November, 1997 the Fifth Circuit interpreted narrowly the meaning of the term “audiovisual work” and found no ownership of a jingle created for advertisements, finding that there was no “visual” component to the jingles as created, hence no “audiovisual” work.. Lulirama Ltd., Inc. v. Axcass Broadcast Services, Inc., 128 F. 3d 872 (5<sup>th</sup> Cir. 1997).

The facts of the case are somewhat complicated by the contractual relationship between Axcass Broadcast Services, which contracted with Lulirama for the creation of jingles for use in advertising. Axcass was in the business of creating advertising for independent businesses and used third parties to help create its materials, which it would then distribute. A Mr. Michlin, an advertising creative principal, formed the company Lulirama and wrote jingles in the course and scope of his employment for his own company. There was no question that Lulirama was the owner of Mr. Michlin’s jingles under the “employee” prong of work for hire. However, the contractual agreement with Axcass Broadcasting was first in writing and then extended orally ,which created questions about, among other things, whether the contract sufficed to create valid work for hire in the jingles created under the oral contract and as to both the oral and written contracts, whether the jingles fit within one of the nine enumerated categories.

The Copyright Act defines “motion pictures” as “audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.” 17 U.S. C. Section 101. Because the jingles were created for advertisements that could possibly be not only radio, but also t.v. advertisements with a visual as well as audio component, the commissioning party, Axcass Broadcasting, argued that the jingles were “audiovisual works” and thus works for hire. The Fifth Circuit reversed the District Court in holding that the statute says “motion picture or other audiovisual work” and not “sound recordings” or “parts of audiovisual works”. Since the jingles were sound recordings, and sound recordings are defined distinct from audiovisual works and motion pictures, and sound recordings are not in the nine categories, the Fifth Circuit reasoned that “sound recordings” are not synonymous with “audiovisual works” and are therefore not within the categories of works protected by commissioned work for hire. The core of the statutory definition of

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“audiovisual works” clearly relates to a “series of related images”; the sound component is optional.

As in so many cases, the baby was split by the Fifth Circuit holding. The Fifth Circuit concluded that Lulirama, not Axxess was the copyright owner; that there was no work for hire. However, the Court concluded that although the commissioning party was not the copyright owner, it did have a non-exclusive license to use the jingles. (See a similar holding in Effects Assocs. v. Cohen, 908 F. 2d, 555, 558 (9th Cir. 1990), where the court found an implied license to use special effects footage in a motion picture even though there was no assignment and no work for hire agreement.)

Thus the copyright author did not lose his ownership under the doctrine of “work for hire”, but also could not stop the alleged “commissioning party” from using the jingles. The question was left then as to the payment for the use, which apparently was settled out of court, as it was not decided in the Fifth Circuit opinion. A companion state court case on some of the issues was equally inconclusive on this point.

b. Itar-Tass Russian News Agency v. Russian Kurier, Inc.

In Itar-Tass Russian News Agency v. Russian Kurier, Inc., 153 F. 3d 82 (2d Cir 1998), the Second Circuit decided a complicated choice of law issue and interpreted the Russian work for hire statute (Russia is one of the few jurisdictions besides the U.S. to have a work for hire statute, incidentally).

In that case, a New York Russian language newspaper, the Kurier, created its own news articles in the Russian language, but also published articles that originally were published in Russian newspapers. As to those articles, Kurier did not dispute that they literally copied: “articles from the plaintiffs’ publications, sometimes containing headlines, pictures, bylines and graphics, in addition to text, were cut out, pasted on layout sheets, and sent to Kurier’s printer for photographic reproduction and printing in the pages of Kurier.”

It was undisputed also that the full text of certain articles was unlawfully copied. The rights in the articles themselves were found under Russian law to be held by their individual journalist authors. Thus the plaintiff newspapers could not state a claim to infringement of the individual articles which admittedly individual journalists, not the newspapers, wrote. Of interest to this discussion is the Second Circuit’s consideration of

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whether the newspapers could assert on their own behalf, apart from the rights held in the articles by the journalists, rights in the “compilation” created by the newspapers. While again decided under the Russian Copyright Act definition of “compilation,” the analysis applied by the Second Circuit would be equally applicable under the U.S. definition. See footnote 15 and discussion at 153 F. 3d 93-94.

A “compilation” is one of the enumerated nine categories of works capable of being owned as a commissioned work for hire. The Copyright Act defines a “compilation” as “a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term “complication” includes collective works.”<sup>2</sup> 17 U.S.C. Section 101. The argument was raised that the selection and creative arrangement of the articles in the newspaper created separately protectable copyrightable subject matter as a compilation.

As noted above, Kurier photocopied and had printed the exact pages of plaintiff’s newspapers: the layout, the by-lines, the photographs, the headlines. The Second Circuit deplored the blatant copying of the newspapers’ content and noted near the end of its opinion: “In view of the reckless conduct of the defendants in the flagrant copyright that infringed the rights of Itar-Tass, the rights of the authors, and *very likely some aspects of the limited protectable rights of the newspapers*, we will leave the injunction in force. . . .” (Emphasis added).

It was never decided what the scope of those rights held by the newspapers would be, but presumably the protectable elements of a newspaper’s claim would be similar to the “selection, order and arrangement” cited by the Supreme Court in the Feist case. In Feist Publications, Inc. v. Rural Telephone Service Company, Inc., 499 U.S. 340 (1991), the Supreme Court held that the requirement that works be original to be protected was satisfied by compilations only through the originality in their selection, order and arrangement. Thus under Feist, garden-variety alphabetical order used to “select order and arrange” the while pages listings was insufficient to meet the originality standard. The argument that the newspapers would have made, presumably, is that the selection and coordination of the articles, their layout and so forth were protectable rights. Apparently after the rebuke from the Second Circuit to avoid this argument, Kurier

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<sup>2</sup> Section 101 defines a “collective work” as “a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.”

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simply downloaded the text of the articles and left out anything that the newspapers could claim was protected by a their compilation copyright. Itar-Tass, however, still provides guidance in future cases.

The reason why it is worthwhile to consider the scope of both “audiovisual works” and “compilations” is that many types of commercial products, not the least of which is software, are not on the protected list. Therefore to own rights in software whose components may all have been created by outside programmers, musicians, special effects people and so forth, it can be necessary to make the “work for hire” argument. The “audiovisual work” provision will probably only apply to works that are truly “audio” and “visual”. The scope of the compilation protection is still unresolved.

### c. Dolman v. Agee

A third recent Circuit court case should be mentioned, although it did not deal with the issue of the categories of works capable of being considered works for hire. Dolman v. Agee, 157 F. 3d 708 (9<sup>th</sup> Cir. 1998) considered whether under the 1909 Act the defendants had proven that songs written in the 1930’s for Laurel and Hardy movies were works for hire. The Ninth Circuit found insufficient evidence to prove that the employer-commissioning party was the owner under 1909 work for hire. While the 1909 Act only applies to works created and published before January 1, 1978, the reasoning of the case is important because it further indicates a trend to interpret work for hire narrowly.

In Dolman the Ninth Circuit found that the successor in interest to the songwriter had introduced sufficient evidence that the songwriter had retained the copyright in the works created as an employee and under contract. Indeed, the Court found that the very fact of an assignment of the rights indicated that both parties thought that the songwriter himself owned the rights and that there was not a work for hire.

The results in this case speak for very careful consideration of documents that create work for hire ownership. It is common for contracts to have both work for hire and assignment language in them. Dolman cautions that lawyers should more narrowly craft ownership provisions in contracts. Furthermore, state regulatory action may counsel against drafting broad work for hire ownership provisions. Under certain provisions of California’s Unemployment and Disability Compensation code, work for

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hire ownership provisions can result in employee status and attendant liability for unemployment and other taxes. See California Labor Code 686.

## II. Joint Works

Lawyers need to remember that if the commissioning party is not the natural author, and ownership cannot vest under the work for hire doctrine, ownership may vest if the work is a "joint work". If the commissioning party is a "joint author" it is therefore a "joint owner" of the copyright. Section 101 defines a "joint work" as follows: "A 'joint work' is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."

"Joint authorship" creates coownership status, like a tenant in common. Each author has an undivided interest in the whole of the work. Section 201. The joint contributions must create a "unitary whole" with "inseparable or interdependent parts". The classic example is music and lyrics, Rogers & Hammerstein.

There is some difference of opinion, but in the Ninth and other Circuits, the contribution of each joint author must constitute separate, independently copyrightable subject matter for joint authorship status to arise. See, e.g. Ashton-Tate v. Ross, 916 F.2d 516 (9th Cir. 1990) (ideas for commands for user interface not copyrightable subject matter; no joint authorship). This creates a great hurdle to overcome because frequently the entity obtaining the work has not itself created "copyrightable subject matter".

In a recent case regarding rights in a computer program, an Illinois District Court held that rights in the design of a graphic user interface could create joint authorship in the work as a whole, together with the rights in the computer code itself. See Napoli v. Sears, Roebuck and Co., 874 F.Supp. 206 (N.D. Ill. 1995). The case is all too typical, in that it involved the retailing giant Sears and a single individual programmer creating a single program for them. However, the working relationship broke down and the programmer claimed all ownership. Sears was lucky, and held off a finding of no joint authorship at the summary judgement stage. Settlement no doubt followed. This decision may or not be followed, and the copyright status of screen displays is a thin thread, in any event, upon which to hang "joint authorship".

Although Sears offers a ray of hope in the "joint authorship" line of cases, it has been and will continue to be difficult to prove "joint authorship" and thus "joint ownership" for

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two reasons: 1) the requirement that each contribution be separately copyrightable and 2) the "intent" requirement.

Recall that the statute expressly requires that for a "joint work" the parties must prepare the work "with the **intention** that their contributions be merged into inseparable or interdependent parts of a unitary whole". Needless to say, no self-respecting independent consultant would readily verify that he or she intended to create a joint work with the commissioning party with whom they now have a dispute. See Childress v. Taylor, 945 F. 2d 500 (2d Cir 1991) (no co-authorship in idea for a work about a certain subject).

### III. Acquisition of Rights by Contract

The best way for a commissioning party to ensure ownership of rights in most cases is to require an assignment of rights by all employees and independent contractors. This will avoid the "authorship-ownership" issues. When in doubt, get an assignment. For reasons of enforcement outside the U.S., it is advisable always to get an assignment, even from employees.

### IV. Conclusion

The work for hire doctrine provides a powerful statutory scheme which allows rights in certain types of works to vest in the party who asks that they be created, instead of in the author, which is the general rule under the Copyright Act. Never assume, however, that the work for hire doctrine will automatically apply and counsel clients and review contracts carefully with the above considerations in mind.