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PROMOTING THE COPYRIGHT ACT'S CREATOR-
FAVORING PRESUMPTION: "WORKS MADE FOR
HIRE" UNDER *AYMES V. BONELLI & AVTEC
SYSTEMS, INC. V. PEIFFER*

PROFESSOR ALAN HYDE & CHRISTOPHER W. HAGER*

INTRODUCTION

In the abstract, it is virtually irrefutable that what one creates should rightfully belong to the creator; however, this assumption rests on a delicate foundation under U.S. copyright laws.¹ Of particular precariousness is the relationship between a party funding such a creation and the creator herself. Where a copyrightable work has been produced in an employment-type setting, the issue becomes difficult to resolve. Should the party who financed the original work, or the individual who created it, be its copyright owner?

Congress addressed this issue in § 101 of the Copyright Act of 1976 ("1976 Act"),² in which it defined "works made for hire"³ in part as:

- (1) a work prepared by an employee within the scope of his or her employment [hereinafter § 101(1)]; or
- (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire [hereinafter § 101(2)].⁴

Section 201(b) of the 1976 Act gives substantive meaning to this definition by providing that:

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1. 17 U.S.C. §§ 101-810, 1001-10 (1988 & Supp. IV 1992). Congress is constitutionally empowered to promulgate intellectual property legislation under Article I of the Constitution, which provides that "Congress shall have the Power . . . To Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

2. Pub. L. No. 94-553, § 101, 90 Stat. 2541, 2544 (codified as amended at 17 U.S.C. §§ 101-810, 1001-10 (1988 & Supp. IV 1992)). Congress' enactment of the 1976 Act replaced the Copyright Act of 1909, Pub. L. No. 60-349, 35 Stat. 1075.

3. For stylistic fluidity, a "work made for hire" will generally be referred to as simply a "work for hire."

4. 17 U.S.C. § 101 (1988).

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.⁵

What becomes apparent when reading these provisions is the controlling nature of § 101 over § 201(b).⁶ Only where a work was created "within the scope" of an employee's employment or was commissioned or ordered as the subject of an express written instrument executed between the parties involving one of the nine exclusive works listed in § 101(2)⁷ can a § 201(b) "work for hire" analysis ensue.

The modern "work for hire" doctrine's importance lies in its break from copyright law's traditional presumption favoring the employer or funding party over the actual creator for the purposes of assigning copyright ownership.⁸ Recent case law illustrates this departure. In two recent federal court decisions involving authorship of computer programs, *Aymes v. Bonelli*⁹ and *Avtec Systems, Inc. v. Peiffer*,¹⁰ program creators retained ownership of their personal "works"¹¹ notwithstanding the employment or work for hire setting related to the programs' development.¹²

This Article will present the facts of both cases and discuss the development of the underlying legal principles. After discussing the historic tension between copyright ownership of a work created by an individual who is not clearly recognized as an "employee"¹³ and the understandable

5. 17 U.S.C. § 201(b) (1988).

6. See *Easter Seal Soc'y for Crippled Children & Adults, Inc. v. Playboy Enters.*, 815 F.2d 323, 328 (5th Cir. 1987) (noting that § 201 "makes the buyer" of a work its "author and initial owner" only where the "work was made for hire"), *cert. denied*, 485 U.S. 981 (1988); *Mister B. Textiles Inc. v. Woodcrest Fabrics, Inc.*, 523 F. Supp. 21, 24 (S.D.N.Y. 1981) (observing, as a preliminary matter, the controlling nature of § 101 in a work for hire examination). *But see Dumas v. Gommerman*, 865 F.2d 1093, 1097-98 (9th Cir. 1989) (finding one of § 201(b)'s traits to be its vesting of initial copyright ownership in employers).

7. See H.R. REP. NO. 1476, 94th Cong., 2d Sess. 121 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5737 [hereinafter HOUSE REPORT] (noting the "specific categories of [§ 101(2)] commissioned works that can be considered 'works made for hire' under certain circumstances") (emphasis added). See also Robert A. Kreiss, *Ten Theories for Hiring Parties Who Want to Own Works Created or Invented by Independent Contractors*, COMPUTER LAW., May, 1991, at 11 (outlining the "three requirements" involved in § 101(2) "work for hire" examinations).

8. See I.T. Hardy, *Copyright Law's Concept of Employment—What Congress Really Intended*, 35 J. COPR. SOC'Y 210, 211-12 (1988) [hereinafter Hardy I]; see also *infra* notes 42-61 and accompanying text (discussing the evolution of the work for hire doctrine up until the 1976 Act).

9. 980 F.2d 857 (2d Cir. 1992).

10. 805 F. Supp. 1312 (E.D. Va. 1992), *aff'd in part, vacated in part and remanded*, Nos. 92-2521, 92-2607, U.S. App. LEXIS 6522 (4th Cir. Apr. 6, 1994).

11. Copyright law recognizes original creations fixed in a "tangible medium of expression" as "original works." 17 U.S.C. § 102(a) (1988 & Supp. IV 1992) (emphasis added). Accordingly, usage of the terms "work" and "works" throughout this article refers to copyrightable original creations. In a similar fashion, the word "creator" will be used generically to indicate a person who produces a work of authorship utilizing his or her individual thoughts and creativity. See *Childress v. Taylor*, 945 F.2d 500, 506 (2d Cir. 1991) (stating that a copyright "[a]uthor" is simply a work's "originator").

12. See *Aymes v. Bonelli*, 980 F.2d 857 (2d Cir. 1992); *Avtec Sys., Inc. v. Peiffer*, 805 F. Supp. 1312 (E.D. Va. 1992).

13. See 17 U.S.C. §§ 101-810, 1001-10 (1988 & Supp. IV 1992). Nowhere within the current copyright statute is the term "employee" defined. It has been contended, however, "that

proprietary interests of a party funding the work's creation, this Article contends that the recent decisions reflect a trend creating a presumption in favor of an individual creator's artistic interests.¹⁴ Simply stated, judicial adherence to this congressional objective will promote the predictable evolution of a modern copyright "work for hire" doctrine.

I. BACKGROUND

A. *The Creative Process of Writing a Computer Program*

Copyright laws only protect original expression.¹⁵ Due to the way computer programs are written, Congress has chosen to protect them under copyright law as "literary works."¹⁶ A computer program¹⁷ is "a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result."¹⁸ Put simply, a program is the part of a computer that "makes [it] go, what brings it to life, [and] what turns it from a heap of fancy parts into a powerful working tool."¹⁹ Similar

an 'employee' for copyright purposes is one who is a formal, salaried" member of an employer's work force, Hardy I, *supra* note 8, at 212, or an individual "who receives employment benefits required by law and whose employer withholds taxes from salary." Marci A. Hamilton, Comment, *Commissioned Works as Works Made For Hire Under the 1976 Copyright Act: Misinterpretation and Injustice*, 135 U. PA. L. REV. 1281, 1313 (1987). *But see* 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.03[B][1], at 5-25 n.80 (1993) (asserting that whatever the formal, salaried employee standard gains in predictability is lost because of "rigidity and unfairness" when used in close cases).

14. Related to this proposition, but beyond the more narrow scope of this article, is the efficacy of valid contractual arrangements between creating parties. For a current discussion of this topic, see Mary M. Luria & Laura Butzel, *Legal Rules Still Hazy on "Work for Hire,"* NAT'L L.J., Jan. 24, 1994, at S21, 22-24.

15. 17 U.S.C. § 102(b) (1988).

16. NATIONAL COMMISSION ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS, FINAL REPORT 16 (1979) [hereinafter CONTU]. "Literary works" are defined under copyright law as: "works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied." 17 U.S.C. § 101 (1988).

17. It is helpful to segregate a "computer," which comprises hardware such as the central processing unit [CPU] and some memory, from its activating software, which entails the written statements and instructions upon which the hardware acts. *See* Randall Davis, *The Nature of Software and Its Consequences for Establishing and Evaluating Similarity*, 5 SOFTWARE L.J. 299, 302-03 (1992) (analyzing "hardware" and "software" separately).

18. 17 U.S.C. § 101 (1988). Two general types of computer programs are available: *Operating system programs*, such as DOS . . . and OS/2 . . . control the basic functions of the computer hardware, such as the efficient utilization of memory and the starting and stopping of application programs. *Application programs* [such as Wordperfect 6.0 or Lotus 1-2-3] permit a user to perform some particular task such as word processing, . . . or spreadsheet calculations

Lotus Dev. Corp. v. Paperback Software Int'l, 740 F. Supp. 37, 43 (D. Mass. 1990) (emphasis added). *See* *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1253-54 (3d Cir. 1983) (holding operating system programs to be copyrightable), *cert. dismissed*, 464 U.S. 1033 (1984); *Williams Elecs., Inc. v. Artic Int'l, Inc.*, 685 F.2d 870, 875 (3d Cir. 1982) (recognizing that application program was copyrightable); PETER NORTON, *INSIDE THE IBM PC* 19 (1986) (stating that operating systems programs aid in the computer's function while applications programs help to get the user's work done).

19. NORTON, *supra* note 18, at 16-17. *See* Anthony L. Clapes et al., *Silicon Epics and Binary Bards: Determining the Proper Scope of Copyright Protection for Computer Programs*, 34 UCLA L. REV. 1493, 1512-13 (1987) (stressing the distinction between a functional computer and the written program that enables the computer to perform different functions).

to "more time-honored literary works" such as novels, the process of writing a computer program illustrates originality and imagination.²⁰

The first step in developing a program requires the programmer to ascertain the program's "ultimate function or purpose."²¹ For example, a programmer might be asked to write a program that will calculate figures associated with the fiscal revenues of a business. The written program provides the means by which the programmer instructs a computer to perform this function. Once a programmer begins designing and writing the program, she embarks upon a process that involves making numerous creative decisions. These decisions can be divided into two categories or stages.

First, the programmer must design the program's internal structure or "logic."²² She will begin this stage by dissecting the program's overall idea into the more integral "problems or 'subtasks'" associated with achieving its primary purpose.²³ Typically, the programmer creates a flow chart²⁴ mapping out in human-readable form the various modules or subroutines that will respond to particular assigned electronic tasks.²⁵ The interaction between a program's modules or subroutines, which may be further branched into submodules or sub-subroutines, constitutes the program's structure.²⁶

As the program's structure develops, the programmer is confronted by decisions on what data are needed and where the data fit into the program's overall operations.²⁷ In theory, no programmer is limited by either the number of ways she can solve data organization problems²⁸ or the names she chooses to identify the elements in her program.²⁹

20. Arthur R. Miller, *Copyright Protection for Computer Programs, Databases, and Computer-Generated Works: Is Anything New Since CONTU?*, 106 HARV. L. REV. 977, 983 (1993).

21. *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 697 (2d Cir. 1992); *see also Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1229 (3d Cir. 1986) (initial step in program design is identification of "the problem that the computer programmer is trying to solve"), *cert. denied*, 479 U.S. 1031 (1987).

22. *See Clapes et al.*, *supra* note 19, at 1531 (noting that a program's logic is a "principal characteristic").

23. Steven R. Englund, Note, *Idea, Process, or Protected Expression?: Determining the Scope of Copyright Protection of the Structure of Computer Programs*, 88 MICH. L. REV. 866, 870 (1990).

24. A "flow chart" has been characterized as "a graphic representation for the definition, analysis, or solution of a problem in which symbols are used to represent operations, data flow, or equipment." CONTU, *supra* note 16, at 21 n.109. It has been observed that flow charts of "sufficient intellectual labor" or originality are copyrightable works of authorship. *Lotus Dev. Corp. v. Paperback Software Int'l*, 740 F. Supp. 37, 45 (D. Mass. 1990) (quoting CONTU, *supra* note 16, at 21).

25. "Modules" are sections of programs "devoted to one of the major capabilities of the program" [Clapes et al., *supra* note 19, at 1524], while "subroutines" are sets of instructions used together to achieve a particular result. Davis, *supra* note 17, at 304. *See Autoskill Inc. v. National Educ. Support Sys., Inc.*, 994 F.2d 1476, 1491 n.18 (10th Cir. 1993) (defining modules and subroutines), *cert. denied*, 114 S. Ct. 307 (1993).

26. Englund, *supra* note 23, at 871.

27. *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1230 (3d Cir. 1986).

28. *Whelan*, 797 F.2d at 1230. As a practical matter, efficiency concerns may be the only limit on the ways a programmer might solve data organization problems. *See id.* (noting that the efficiency of a program can be improved through "different internal arrangements of modules and subroutines").

29. Clapes et al., *supra* note 19, at 1534.

Once the program's internal logic has been determined, its structure is written into a language that the computer can understand.³⁰ This is the second stage of program writing, and it is called coding.³¹

The first step of coding requires the programmer to write the program's structure into a "source code" language, which can be one of several high-level language styles such as FORTRAN (*FOR*mula *TRAN*slation) or COBOL (*CO*mmon *BU*siness *O*riented *L*anguage).³² These higher-level statements represent the programmer's human-readable version of the program, written in easy-to-understand English often accompanied by common Arabic numerals.³³ One court has analogized writing the source code to "the novelist fleshing out the broad outline of his plot by crafting from words and sentences the paragraphs that convey the ideas."³⁴

Upon finishing the source code version of the program, the programmer translates the source code into a binary language consisting of machine-readable sequences of 0s and 1s.³⁵ Although programmers originally wrote object codes, "interpreter" and "compiler" programs now translate a programmer's source code into the necessary object code.³⁶ Following the coding process, the programmer will run the software on a computer to "debug"³⁷ it and "correct any logical and syntactical errors" it may contain.³⁸ Once this process is completed, so is the program.³⁹

Based upon the above discussion, it becomes clear "that the detailed design of the program . . . is the complete expression of the program"⁴⁰ and its creator.⁴¹

30. *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 698 (2d Cir. 1992).

31. *Id.*

32. *Whelan*, 797 F.2d at 1230; *Lotus Dev. Corp. v. Paperback Software Int'l*, 740 F. Supp. 37, 44 (D. Mass. 1990).

33. See Clapes et al., *supra* note 19, at 1522-23.

34. *Computer Assocs.*, 982 F.2d at 698 (quoting Marc T. Kretschmer, Note, *Copyright Protection for Software Architecture: Just Say No!*, 1988 COLUM. BUS. L. REV. 823, 826).

35. *Computer Assocs.*, 982 F.2d at 698.; *Lotus Dev. Corp. v. Paperback Software Int'l*, 740 F. Supp. 37, 44 (D. Mass. 1990); see Clapes et al., *supra* note 18, at 1520-21. The object code is written in bits, or *Binary digiTS*, each of which represents a single binary decision "such as an 'on' - 'off' or 'yes' - 'no' choice." *Lotus*, 740 F. Supp. at 43. Eight bits constitutes a "byte" and 1024 bytes comprise a "kilobyte." *Id.*

36. Interpreter and compiler programs achieve their ends by slightly different means. An "interpreter" program is a simultaneous translator that works in conjunction with the application program every time the application program is run, carrying out the instructions of the program one step at a time. In contrast, a "compiler" program translates the program once and for all into machine language, after which the translated program can be executed directly by the CPU without the need for any further resort to the compiler. A distinctive "interpreter" or "compiler" program is available for each type of source code programming language and each type of CPU.

Lotus, 740 F. Supp. at 44; see also HARRY KATZAN, JR., *OPERATING SYSTEMS: A PRAGMATIC APPROACH* 23-24 (1986) (discussing compiler and interpreter programs).

37. "Debugging" is simply the removal of errors in the program, but it is far from simple when done for a large, complex program. *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1231 & n.21 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987).

38. *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 698 (2d Cir. 1992).

39. *Id.*

40. Clapes et al., *supra* note 19, at 1544.

41. See generally KATZAN, *supra* note 36, at 12-36 (explaining the structure and technology of computer programs).

B. "Works for Hire" Prior to the Copyright Act of 1909

Early common law cases dealing with works allegedly created "for hire" involved disputes over the ownership of copyrightable subject matter generated in a traditional employment setting.⁴² These early opinions fashioned a presumption resting copyright ownership in employers for any works prepared by one of their employees.⁴³ Justice Holmes's opinion in *Bleistein v. Donaldson Lithographing Co.*⁴⁴ was representative of this early common law presumption. *Bleistein* focused on the alleged copyright infringement of chromolithograph circus advertisements prepared by the plaintiffs' employees.⁴⁵

Justice Holmes asserted that the plaintiff-employers owned the original designs, because they were "produced by persons employed and paid by the plaintiffs in their establishment to make those very things."⁴⁶ The employers in *Bleistein* employed the artists for the express purpose of creating the advertisements. *Bleistein* therefore dealt with works unmistakably created "for hire." Works created by an individual commissioned or specially ordered by a hiring party, however, involve a completely different set of issues.

C. The Copyright Act of 1909 and "Work for Hire"

The Copyright Act of 1909 (1909 Act) § 26 provided merely that "the word 'author' shall include an employer in the case of works made for hire."⁴⁷ Nothing more illuminating was contained in the entire 1909 Act. This phrase was interpreted to be simply a codification of the common law presumption favoring employers.⁴⁸ A study by Borge Varmer, supported by the 1958 U.S. Copyright Office, that analyzed the "statutory concept of works made for hire"⁴⁹ heavily influenced this interpretation. After reviewing the case law, Mr. Varmer concluded that because the decisions "involved salaried employees who received either a fixed salary or a mini-

42. See, e.g., *Colliery Eng'r Co. v. United Correspondence Sch. Co.*, 94 F. 152 (C.C.S.D.N.Y. 1899).

43. Hamilton, *supra* note 13, at 1283; see *Colliery*, 94 F. at 153. In *Colliery*, the Circuit Court for the Southern District of New York held that an individual's compiling, preparing and revising of "instruction and question papers" while a salaried employee became the literary property of his employer. *Id.* One commentator has noted that this common law presumption was simply an extension of the master-servant doctrine. Michael C. Smith, *Work For Hire: Revision on the Horizon*, 30 IDEA: J.L. & TECH. 21, 26 (1989).

44. 188 U.S. 239 (1903).

45. *Id.* at 248.

46. *Id.*

47. Copyright Act of 1909, ch. 320, § 62, 35 Stat. 1087. This section was originally codified as § 62 and then subsequently renumbered in 1947 as § 26. See Act of July, 30 1947, ch. 391, § 1, 61 Stat. 652 (codified as amended at 17 U.S.C. § 26 (1976)). In 1976, Title 17 was revised in its entirety by the Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended at 17 U.S.C. §§ 101-810, 1001-10 (1988 & Supp. 1992)).

48. See *infra* notes 97-110 and accompanying text.

49. See STAFF OF SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE SENATE COMM. ON THE JUDICIARY, 86TH CONG., 1ST SESS., COPYRIGHT LAW REVISION, STUDY 13, at 128 (Comm. Print 1960) (by Borge Varmer), reprinted in 1 STUDIES ON COPYRIGHT 717, 720 (Copyright Soc'y of the U.S.A. ed., 1963).

imum salary plus commission,"⁵⁰ § 26 implicitly considered as made "for hire" only those works created "by salaried employees in the regular course of their employment."⁵¹ Although embodying the employer-favoring presumption, § 26 offered no guidance for defining the terms "employer" or "employee."⁵² This task was left to the courts.⁵³

The 1909 Act also failed to address the important issue of how to treat works created by independent contractors. Although Congress recognized the practical significance of this issue during legislative hearings on the 1909 Act,⁵⁴ the final enactment failed to resolve this issue.⁵⁵ Absent any legislative direction, courts applying the 1909 Act also failed to differentiate a full-time, salaried employee from an independent contractor, "generally presum[ing] that the commissioned party had impliedly agreed to convey the copyright, along with the work itself, to the hiring party."⁵⁶

During the 1909 Act's waning years, courts crafted principles granting copyright ownership to an employer who "possessed the right to direct and to supervise the manner in which the work was being performed"⁵⁷ or where the "employee's work [was] produced at the instance and expense of his employer."⁵⁸ In particular, the Second Circuit held a commissioned party to the same standards as that of an ordinary employee where a work was created "at the instance and expense" of a funding party.⁵⁹ This stan-

50. *Id.* at 722. See, e.g., *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

51. 1 STUDIES ON COPYRIGHT, *supra* note 49, at 722. See *Hardy I*, *supra* note 8, at 223; *Hamilton*, *supra* note 13, at 1284 & n.16 (citing various authorities supporting the belief that the 1909 Act bestowed upon an employer ownership in the works created by a full-time salaried employee during the regular course of business).

52. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 744 (1989).

53. *Id.* Although interpreting the 1976 Act, which also did not define the crucial terms "employer" or "employee," the Fifth Circuit reacted to the difficulty inherent in this task in bemoaning that "[t]he more we examine the statute and cases interpreting it, the more puzzled we become." *Easter Seal Soc'y for Crippled Children & Adults, Inc. v. Playboy Enters.*, 815 F.2d 323, 328 (5th Cir. 1987), *cert. denied*, 485 U.S. 981 (1988).

54. *Hamilton*, *supra* note 13, at 1284-85.

55. *Id.* at 1284.

56. *Reid*, 490 U.S. at 744. See *Hamilton*, *supra* note 13, at 1285 (noting that judicial standards created under the 1909 Act for determining whether an employment relationship existed had been carelessly incorporated into commissioned works examinations).

57. *Schert v. Universal Match Corp.*, 417 F.2d 497, 500 (2d Cir. 1969), *cert. denied*, 397 U.S. 936 (1970). See 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-12 to 5-13.

58. *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567 (2d Cir. 1966). This case was viewed as upending any potential balance between independent contractor-hiring party ownership interests because the existing presumption, which granted copyright ownership to an employer, rested on the belief that a traditional employee implicitly agreed to transfer his or her copyright to said hiring party. *Brattleboro's* application of this same standard to a commissioned party pushed the "work for hire" analysis too far. See *Hardy I*, *supra* note 8, at 242. Courts following *Brattleboro* treated cases involving a commission relationship in a manner comparable to the way employment disputes were previously resolved. See *Picture Music, Inc. v. Bourne, Inc.*, 457 F.2d 1213, 1216 (2d Cir. 1972) (refusing to frustrate the work for hire statute's "purpose" with "conceptualistic formulations of the employment relationship"), *cert. denied*, 409 U.S. 997 (1972).

59. *Brattleboro Publishing*, 369 F.2d at 567-68 (finding the work for hire principles that apply to an employee's work "produced at the instance and expense of his employer" also applicable "when the parties bear the relationship of employer and independent contractor").

dard would not carry into the next generation of "work for hire" analysis, but the "right to control or supervise"⁶⁰ standard would.⁶¹

D. *The 1976 Act: Distinguishing An Employee From a Commissioned Party*

A revision of U.S. copyright laws began in 1955.⁶² With this revision, Congress and the Copyright Office intended, among other things, a total revision of copyright law's view on the employment relationship.⁶³

After sponsoring a number of studies on copyright's evolution, the Copyright Office issued an initial legislative proposal in 1961 that distinguished traditional employees from independent contractors.⁶⁴ The 1909 Act's employer-favoring presumption for commissioned works made Congress' treatment of these works a major issue in how "work for hire" would be defined under the new copyright laws.⁶⁵ The Copyright Office's recognition of the importance of creators' proprietary interests played a significant role in Congress' treatment of this issue.⁶⁶

In 1963, the Copyright Office proposed a "Preliminary Draft" for a copyright act⁶⁷ that provided for a segregation of commissioned works from those created "for hire."⁶⁸ This proposition met with strong resist-

60. 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-13. One commentator has insightfully noted that the "control" element will always be part of the work for hire analysis because it is inherent to the notion of an employment relationship. See Robert A. Kreiss, *Scope of Employment and Being an Employee Under the Work-Made-For-Hire Provision of the Copyright Law: Applying the Common-Law Agency Tests*, 40 KAN. L. REV. 119, 127 (1991).

61. See, e.g., *Aymes v. Bonelli*, 21 U.S.P.Q.2d (BNA) 1716, 1717 (S.D.N.Y. 1991) (concluding that although "Aymes may not have been an employee in the classic sense," he performed the programming work "under the direction and supervision" of Bonelli), *rev'd and remanded*, 980 F.2d 857 (2d Cir. 1992).

62. See *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 743 (1989); see also *Hardy I*, *supra* note 5, at 221-22; *Hamilton*, *supra* note 13, at 1290. See generally Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 870-79 (1987) (discussing in detail the activities behind the 1909 Act revision process).

63. See *Hamilton*, *supra* note 13, at 1290-91. A comprehensive examination of what led up to enactment of the 1976 Act's "work for hire" provisions has been meticulously covered in Professor I.T. Hardy's 1988 article, *Copyright Law's Concept of Employment—What Congress Really Intended*, 35 J. COPR. SOC'Y 210 (1988).

64. *Reid*, 490 U.S. at 744; see *Hamilton*, *supra* note 13, at 1291.

65. H.R. REP. NO. 1476, 94th Cong., 2d Sess. 121 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5737.

66. See *Hamilton*, *supra* note 13, at 1290-91, where a Register of Copyrights report is quoted as saying that:

[w]hile some limitations and conditions on copyright are essential in the public interest, they should not be so burdensome and strict as to deprive authors of their just reward. . . . [The creator's] rights should be broad enough to give them a fair share of the revenue to be derived from the market for their works.

Id. (quoting REGISTER OF COPYRIGHTS, 87TH CONG., 1ST SESS., COPYRIGHT LAW REVISION 6 (Comm. Print 1961)). See also *Hardy I*, *supra* note 8, at 224 (pointing to the separation of commissioned works from those characterized as being "for hire" in the 1961 Register's Report). For an interesting natural law approach to creator's rights, see Wendy J. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533 (1993) (discussing under Lockean theory the intellectual property interests of creators).

67. *Reid*, 490 U.S. at 744-45 (quoting STAFF OF HOUSE COMM. ON THE JUDICIARY, 88TH CONG., 2D SESS., COPYRIGHT LAW REVISION, PART 3: PRELIMINARY DRAFT FOR REVISED U.S. COPYRIGHT LAW AND DISCUSSIONS AND COMMENTS ON THE DRAFT 15 n.11 (Comm. Print 1964)).

68. *Hardy I*, *supra* note 8, at 228; *Hamilton*, *supra* note 13, at 1291.

ance from associations whose members relied on copyright protection. These groups disliked this classification because it enabled a commissioned creator to reclaim an assigned work⁶⁹ through reversion.⁷⁰ In deference to industry concerns, a revised bill proposed in 1964 maintained the employee "for hire" proviso, but included new language that would make "for hire" a commissioned work or one prepared "on special order" if the parties agreed in an express writing that it would be considered as such. Understandably, objections remained on both sides of the reversion issue. Creators argued that this new condition would enable parties with superior bargaining power, generally employers, to pressure those without, generally creators, into signing a writing,⁷¹ while industry representatives continued their opposition to any reversionary rights in creators.⁷² These polar stances led to a "historic compromise" in 1965.⁷³

In an attempt to meet the conflicting positions of industry and creators, a bill was proposed in 1965 denoting four particular works created by either special order or commission that could be considered made "for hire."⁷⁴ After the publishing industry expressed displeasure over the four works' exclusivity, a further compromise increased the number of commissioned or specially ordered works that could be "for hire."⁷⁵ In exchange,

69. Ownership of a copyright can be transferred under 17 U.S.C. § 201(d)(1) (1988), which provides in part that "[t]he ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law."

70. The significance of this industry concern, voiced by groups including the Authors League of America, MGM and American Textbook Publishers Institute, was that as commissioned works under the Preliminary Draft were not "works for hire," they would not be excepted from the reversion provisions in the same manner as "works for hire." Hardy I, *supra* note 8, at 233-37. This meant that the creator of an assigned copyright would be able to recover ownership after a period of years expired through the property right of reversion, which would arguably force employers to hire on as full time employees creators whom they would otherwise treat as independent contractors. *Id.* The revision bill that would issue in 1964 removed "reversion" language in favor of "termination of transfer" language, which would be the expression ultimately adopted in the 1976 Act. See 17 U.S.C. § 203 (1988).

71. See Hardy I, *supra* note 8, at 237; Hamilton, *supra* note 13, at 1292. See generally *Copyright Law Revision, Part I: 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. (1966) (statement of Leonard Zissu, Composers & Lyricists Guild of America).

72. See Smith, *supra* note 43, at 28 (indicating industry's position that authors were not at a bargaining disadvantage due to their affiliations with guilds and various professional groups); Hardy I, *supra* note 8, at 237 (noting industry resistance to any right of reversion in creators).

73. *Reid*, 490 U.S. at 746.

74. The 1965 bill provided that specially ordered or commissioned works that contribute to a collective work, are part of a motion picture, are translations, or are supplementary works could be "for hire" if accompanied by an express written agreement between the parties. Hardy I, *supra* note 8, at 238 (quoting STAFF OF THE HOUSE COMM. ON THE JUDICIARY, 89TH CONG., 1ST SESS., COPYRIGHT LAW REVISION, PART 6: SUPPLEMENTARY REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW: 1965 REVISION BILL 66 (Comm. Print 1965)).

75. The added works were those prepared as a compilation, text or test material, an atlas, and a "history or statement of activities of a private business or organization." Hardy I, *supra* note 8, at 240 (quoting *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. 134 (1965) (Memorandum of American Book Publishers Council, Inc., American Guild of Authors & Composers, American Society of Composers, Authors and Publishers, American Textbook Publishers Institute, The Authors League of America, Inc., Composers & Lyricists

the publishing industry withdrew its objections to the termination of transfer provisions.⁷⁶ Save one deletion, this final compromise embodied the language adopted and codified in § 101 of the 1976 Act.⁷⁷ Implicit in this last compromise was the creators' interest in individually crafted works not being subject to any premature termination rights in others.⁷⁸ Hence, the 1976 Act effectively removed the ownership presumption previously enjoyed by funding parties with its limitation of § 101(2) to nine exclusive works supported by an express written agreement between both parties stating that such work was to be "for hire."⁷⁹ A construction of the meaning of § 101(1)'s "work prepared by an employee within the scope of his or her employment" remained for the courts.⁸⁰

E. *"Works For Hire" Under the 1976 Act: Four Interpretations of § 101(1) Culminating in Community for Creative Non-Violence v. Reid*⁸¹

1. Retention or Actual Wielding of the Right to Control

Although Congress expended significant effort to ameliorate the difficulties resulting from the varied § 26 judicial interpretations under the 1909 Act, the 1976 Act perpetuated this interpretive problem by failing to define "employer" or "employee."⁸² In *Reid*, the Supreme Court discussed four different interpretations of what § 101(1)'s "employee" and "scope of employment" could mean. The first two virtually indistinguishable interpretations explained that an "employee" created a work if the hiring party⁸³ retained the right⁸⁴ or actually wielded the right⁸⁵ to control the

Guild of America, Inc., Music Publishers' Protective Association, Inc., Music Publishers Association of the United States, Re H.R. 4347)).

76. *Reid*, 490 U.S. at 746; see also Hardy I, *supra* note 8, at 240.

77. The proposed work for "a history or statement of activities of a private business or organization" was not part of the final "made for hire" enactment. See 17 U.S.C. § 101 (1988 & Supp. IV 1992).

78. See Smith, *supra* note 43, at 28 (contending that the independent contractors "won" this aspect of the legislative battle over which works could be "for hire"); Litman, *supra* note 62, at 893 (noting that authors' and composers' creative rights could not be alienated in advance).

79. See 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-36 to 5-40 (contending that the 1976 Act's position on commissioned works leans more toward independent contractors than commissioning parties).

80. See 17 U.S.C. § 101 (1988 & Supp. IV 1992) (no effort to expound on the meaning of "scope of employment").

81. 490 U.S. 730 (1989). The Supreme Court noted that in the absence of [statutory] guidance, four interpretations have emerged. *Id.* at 738; see also 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-13 to 5-18 (discussing all four interpretations).

82. See *Reid*, 490 U.S. at 739.

83. Professor Nimmer noted that the Supreme Court's choice of a "hiring party" characterization of what would otherwise be considered an "employer" was because "the inquiry at this stage [of *Reid*'s rationale was] to determine whether the putative 'employer' may rightly claim that status." 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-13 n.27.

84. *Reid*, 490 U.S. at 738-39 (citing *Peregrine v. Lauren Corp.*, 601 F. Supp. 828, 829 (D. Colo. 1985) and *Town of Clarkstown v. Reeder*, 566 F. Supp. 137, 142 (S.D.N.Y. 1983)).

85. *Reid*, 490 U.S. at 739 (citing *Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410 (4th Cir. 1987), *Evans Newton Inc. v. Chicago Sys. Software*, 793 F.2d 889 (7th Cir. 1986), *cert. denied*, 479 U.S. 949 (1986) and *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir. 1984), *cert. denied*, 469 U.S. 982 (1984)).

creation of a work. The Second Circuit's decision in *Aldon Accessories Ltd. v. Spiegel, Inc.*⁸⁶ explored these two interpretations.

Aldon involved a dispute over the copyright ownership of statuettes created by a Japanese firm under the alleged auspices of Aldon Accessories. Aldon claimed that Spiegel's similar statuettes infringed its copyright.⁸⁷ The Second Circuit agreed with Spiegel and held that these works did not fall within § 101(2)'s listed scope.⁸⁸ Spiegel contended further, however, that as the statuettes were not within § 101(2) and not created in an employer-employee relationship as envisioned by § 101(1), they did not qualify as "works for hire."⁸⁹

First, the court found Spiegel's interpretation of § 101(1) to be "overly restrictive."⁹⁰ Then the court stated that Congress did not intend to dispense with the "work for hire" principles articulated in 1909 Act cases and, as a result, both § 101(1) and (2) applied to independent contractors.⁹¹ The court held that § 101(2) was relevant only in those cases where the commissioned party did most of the work.⁹² Where an employer sufficiently supervised and directed a creator's work then an employer-employee relationship could be found even if the employee was neither formal nor regular.⁹³ By supporting the trial court's finding that the statuettes created under Aldon's guidelines were made "for hire,"⁹⁴ the Second Circuit enunciated an "actual control" standard that other circuits then adopted.⁹⁵ But this standard also received criticism for its disregard of the congressional intent underlying § 101.⁹⁶

86. 738 F.2d 548 (2d Cir. 1984), *cert. denied*, 469 U.S. 982 (1984).

87. *Id.* at 549-50.

88. *Id.* at 551.

89. *See id.* at 551-52.

90. *Id.* at 551.

91. *Id.* at 552.

92. *Id.*

93. *See id.*

94. *Id.* at 553.

95. *See, e.g., Evans Newton Inc. v. Chicago Sys. Software*, 793 F.2d 889, 894 (7th Cir. 1986), *cert. denied*, 479 U.S. 949 (1986). *But see Brunswick Beacon, Inc. v. Schock-Hopchas Publishing Co.*, 810 F.2d 410, 413 (4th Cir. 1987) (showing a reluctance to follow *Aldon* by distinguishing it factually).

96. *See* 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-15 to 5-16 (observing that *Aldon* "carried forward standards from the 1909 Act" in determining what an "employee" could be under the 1976 Act); Hardy I, *supra* note 8, at 241 (asserting that *Aldon* was "flatly in conflict" with Congress' § 101 intent); Hamilton, *supra* note 13, at 1313 (proposing work for hire amendment language which would overrule *Aldon* and its progeny). The court's surprising inattention to express congressional intent was most patently evidenced when it stated that:

[n]othing in the 1976 Act or its legislative history indicates the Congress intended to dispense with this prior law [If] Congress intended . . . to narrow the type of employment relationships within the work for hire doctrine to include only "regular" employees, it is unlikely that there would have been no discussion of this change in the legislative history.

Aldon Accessories Ltd. v. Spiegel, Inc., 738 F.2d 548, 552 (2d Cir. 1984), *cert. denied*, 469 U.S. 982 (1984).

2. "Agency" Guiding § 101 Employee Determinations

A third interpretation cited by the *Reid* Court was that § 101(1) "employees" followed the common law's agency rules,⁹⁷ an approach that developed quickly after *Aldon's* sweeping decision.⁹⁸ The Fifth Circuit's decision in *Easter Seal Society for Crippled Children & Adults, Inc. v. Playboy Enterprises*⁹⁹ espoused this "agency" approach.¹⁰⁰

The Easter Seal Society ("Easter Seal") sued Playboy Enterprises and a New Orleans public television station for Playboy's use of film excerpts originally shot by the T.V. station for Easter Seal's use.¹⁰¹ Although no discussion of copyright had occurred between Easter Seal and the television station prior to the first videotaping, Easter Seal argued that it acquired copyright ownership of the film because it was shot "for hire."¹⁰²

Affirming the defendant's partial summary judgment, the Fifth Circuit rejected Easter Seal's "work for hire" contention by interpreting the 1976 Act "literally" to hold that an "employee" should be determined through use of the common-law's agency doctrine.¹⁰³ Under this approach, a court first determines whether a work was created by an employee or an independent contractor¹⁰⁴ within "the scope of employment" by reference to the agency factors.¹⁰⁵ Once the creator's status is ascertained, one of the two § 101 provisions will apply.¹⁰⁶ Underlying this construction was the court's belief that Congress had "radically"¹⁰⁷ rewritten the "work for hire" provision in the 1976 Act in order to confine the hiring parties' ownership capabilities.¹⁰⁸ Agency was therefore both broader than

97. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 739 (1989) (citing *Easter Seal Soc'y for Crippled Children & Adults, Inc. v. Playboy Enters.*, 815 F.2d 323 (5th Cir. 1987)). See RESTATEMENT (SECOND) OF AGENCY § 228 (1958).

98. 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-16 (noting the "quick succession" in which differing approaches arose after *Aldon* was decided).

99. 815 F.2d 323 (5th Cir. 1987), *cert. denied*, 485 U.S. 981 (1988).

100. *Id.* at 334-35 (cited in *Reid*, 490 U.S. at 739). See RESTATEMENT (SECOND) OF AGENCY § 220(2) (1958) (presenting a nonexclusive list of factors to distinguish a "servant" from an "independent contractor").

101. *Easter Seal*, 815 F.2d at 324-25.

102. *See id.*

103. *Id.* at 329-30, 334-35. *Easter Seal's* "literal" interpretation read "§ 101 as reflection of a simple dichotomy in fact between employees and independent contractors." *Id.* at 329.

104. *See infra* note 135 for the Restatement (Second) of Agency § 220(2) (1958) agency framework.

105. The Restatement (Second) of Agency § 228(1) (1958) employs a three-part test for determining whether something occurred within "the scope of employment" in an attempt to distinguish an independent contractor from an employee. Specifically, conduct is within the scope of employment if:

- (a) it is of the kind he is employed to perform;
- (b) it occurs substantially within the authorized time and space limits;
- (c) it is actuated, at least in part, by a purpose to serve the master

RESTATEMENT (SECOND) OF AGENCY § 28(1) (1958).

106. *Easter Seal*, 815 F.2d at 329. In this context, the court stated that § 101(1) applied to employees and § 101(2) to independent contractors. *Id.*

107. *Id.* at 330.

108. *See id.* at 330-31. A hiring party's ownership potential would be confined "[u]nder the literal interpretation of the 1976 Act, [because] independent contractors are always statutory 'authors' unless they have written certain kinds of works and have signed away their authorship rights." *Id.* at 331 (emphasis added).

common notions of a traditional employee and narrower than employees under 1909 Act analyses.¹⁰⁹ Reading § 101 in this fashion, the court in *Easter Seal* rejected the approach adopted by the *Aldon* court.¹¹⁰

3. Section 101 Applies Only to Formal Employees

The fourth lower court version discussed by the *Reid* Court was that § 101(1) simply referred to "formal, salaried" employees.¹¹¹ The Court cited *Dumas v. Gommerman*¹¹² to support this position.

In this case, Jennifer Dumas, widow of the late graphic artist Patrick Nagel and representative of his estate, brought a suit against Stefan Gommerman, a Los Angeles art gallery owner, for the alleged copyright infringement of lithographs that Nagel had produced for ITT Cannon.¹¹³ Nagel apparently created the lithographs under a 1979 ITT Cannon purchase order that mentioned nothing about being "for hire" or a transfer of its copyrights.¹¹⁴ In 1985, Gommerman purchased the works from ITT Cannon and any copyrights ITT may have owned in the works. Gommerman then registered them for copyright protection in 1986 under his name.¹¹⁵ Gommerman was then notified by Dumas that she owned the works' copyrights.¹¹⁶ Gommerman nevertheless made a poster-sized reproduction of one of the works and marketed it nationally.¹¹⁷ Dumas filed a conflicting copyright registration in 1987 and then sought a preliminary injunction of Gommerman's continued commercialization of any of the disputed works.¹¹⁸ The district court granted Dumas' injunctive request and rejected Gommerman's argument that ITT Cannon had owned Nagel's lithographs since they were "works for hire."¹¹⁹ In affirming this decision, the Ninth Circuit analyzed the 1976 Act's legislative history¹²⁰ to arrive at the conclusion that § 101(1) covered only "formal, salaried em-

^{109.} See *id.* The use of agency law in "work for hire" cases has been questioned for a § 101 "employee." See Hardy I, *supra* note 8, at 221 (arguing against such a technique). Note, however, that the Supreme Court in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989) held "that the term 'employee' should be understood in light of the general common law of agency." *Reid*, 490 U.S. at 741. See RESTATEMENT (SECOND) OF AGENCY § 228(1) (1958).

^{110.} *Easter Seal*, 815 F.2d at 334. Regarding *Aldon's* "actual control" standard as "more an interpolation of the statute than an interpretation" of it, the Fifth Circuit outlined four problems that *Aldon* represented which made the Second Circuit's test unhelpful and a potential retrograde into 1909 Act principles. *Id.* at 331, 334.

^{111.} *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 739 (1989) (citing *Dumas v. Gommerman*, 865 F.2d 1093 (9th Cir. 1989)). Professor Hardy, based on his interpretation of legislative history and case law behind the 1976 Act, adhered strongly to the idea that 'employee' within the work for hire context means only formal employees. Hardy I, *supra* note 8, at 232-35.

^{112.} 865 F.2d 1093 (9th Cir. 1989).

^{113.} *Id.* at 1094.

^{114.} *Id.*

^{115.} *Id.*

^{116.} *Id.* at 1094-95.

^{117.} *Id.* at 1095.

^{118.} *Id.*

^{119.} *Id.*

^{120.} *Id.* at 1098-1101.

ployees"¹²¹ while § 101(2) encompassed "[o]nly certain types of specially commissioned works."¹²² Applying this analysis, the Ninth Circuit determined that Nagel had not prepared the "works for hire" and upheld injunctive relief for Dumas.¹²³

4. The Supreme Court's Approach in *Community for Creative Non-Violence v. Reid*¹²⁴

James Earl Reid, a sculptor, donated his talents and time to create a statue depicting three homeless minority individuals for display in a pageant by the Community for Creative Non-Violence (CCNV).¹²⁵ Outside of receiving design instructions from a CCNV member and occasional physical assistance from CCNV funded workers, Reid created the statue in his studio and he did not use CCNV facilities.¹²⁶ When Reid finished the statue, he delivered it for the pageant, but, after it was returned to him following the pageant, he refused to give it back to CCNV because of his belief that its physical composition could not endure the nationwide sculpture tour planned by CCNV.¹²⁷ A controversy then arose over whether CCNV owned the statue by virtue of § 101(1) or whether Reid created it as an independent contractor.¹²⁸

After reviewing the four prevailing constructions of a "work for hire" under the 1976 Act,¹²⁹ the Court held that an "employee" under the 1976 Act would be determined by consulting "the conventional master-servant relationship as understood by common-law agency doctrine."¹³⁰ Endorsing *Easter Seal's* rejection of *Aldon's* "actual control" test because "no statutory support [existed] for an additional dichotomy between commissioned works" involving disputed control,¹³¹ the Court made it clear that Congress intended to provide two mutually exclusive ways for works to acquire "for hire" status: one for employees and the other for independent contractors.¹³² The Court then asserted that it must first look to agency principles to determine whether a creator is an employee or independent contractor.¹³³ This analysis required the Court to consider "the hiring

121. *Id.* at 1102.

122. *Id.*

123. *Id.* at 1105.

124. 490 U.S. 730 (1989).

125. *Id.* at 733-34. Reid agreed to donate his services, but the project's cost of approximately \$15,000 was to be paid for by the Community for Creative Non-Violence. *Id.* at 734.

126. *Id.* at 734.

127. *Id.* at 735.

128. *See id.* at 735-36. Because the sculpture could not be a § 101(2) work because it neither fell within the nine types of works nor had an express written agreement been executed between the parties, the Court examined only the parameters of § 101(1) as it related to the CCNV-Reid relationship. *Id.* at 738.

129. *See supra* notes 82-123 and accompanying text.

130. *Reid*, 490 U.S. at 740. The Court rejected proposals favoring the "formal, salaried employee" interpretation. *Id.* at 742 n.8.

131. *Id.* at 742.

132. *Id.* at 742-43. In confirming this reading of § 101's language, the Court further emphasized that "only enumerated categories of commissioned works [under § 101(2)] may be accorded work for hire status." *Id.* at 748.

133. *Id.* at 751.

party's right to control the manner and means by which the product is accomplished."¹³⁴ Applying an analysis borrowed from the Restatement (Second) of Agency,¹³⁵ the Court held that although CCNV provided Reid with some paid assistance, the extent to which CCNV controlled the production's details was not "dispositive."¹³⁶ After making the analysis according to the Restatement factors, the Court held that Reid was an independent contractor rather than a CCNV employee.

Thus, after *Reid*, courts have a framework to decipher whether a § 101(1) "employee" created the disputed work within the scope of her employment.¹³⁷ If the status of the creator is disputed, the framework examines the extent to which a hiring party exercised control over "the manner and means" used in its creation before deciding whether it was made "for hire."

With the *Reid* concerns laid out, the discussion now turns to "work for hire" settings of two recent software ownership cases decided in light of *Reid*.

134. *Id.* Professor Nimmer has cogently remarked that the principle enunciated by the Supreme Court "is striking in its similarity to the rejected standard, *i.e.*, right to control the product." 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-21.

135. To determine whether an individual qualifies for § 101(1) "employee" status, the Court listed a nonexclusive string of relevant analytical factors:

the skill required; the source of the instrumentalities and tools; the location of the work; the duration of the relationship between the parties; whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party's discretion over when and how long to work; the method of payment; the hired party's role in hiring and paying assistants; whether the work is part of the regular business of the hiring party; whether the hiring party is in business; the provision of employee benefits; and the tax treatment of the hired party.

Id. at 751-52 (citing RESTATEMENT (SECOND) OF AGENCY § 220(2) (1958)). RESTATEMENT (SECOND) OF AGENCY § 220(2) (1958) provides the following list of non-exclusive factors for helping determine whether a person is a servant or an independent contractor:

- (a) the extent of control which, by the agreement, the master may exercise over the details of the work;
- (b) whether or not the one employed is engaged in a distinct occupation or business;
- (c) the kind of occupation, with reference to whether, in the locality, the work is usually done under the direction of the employer or by a specialist without supervision;
- (d) the skill required in the particular occupation;
- (e) whether the employer or the workman supplies the instrumentalities, tools, and the place of work for the person doing the work;
- (f) the length of time for which the person is employed;
- (g) the method of payment, whether by the time or by the job;
- (h) whether or not the work is a part of the regular business of the employer;
- (i) whether or not the parties believe they are creating the relation of master and servant; and
- (j) whether the principal is or is not in business.

Importantly, the Court in *Reid* said that "no one of these factors is determinative," *Reid*, 490 U.S. at 752, thereby providing a seed bed for lower courts' discretionary preference over which factors control.

136. *Reid*, 490 U.S. at 752.

137. As used in this context, "employee" means an individual that neither party disputes as having been in the hiring party's employ when the contested program was written. Thus, in approaching a "scope of employment" framework, post-*Reid* courts have applied a RESTATEMENT (SECOND) OF AGENCY standard.

II. RECENT APPLICATIONS OF *REID* IN THE COMPUTER PROGRAM CONTEXT

A. *Aymes v. Bonelli*¹³⁸

Jonathan Bonelli, President and C.E.O. of Island Recreational, hired Clifford Scott Aymes, an engineer, to work as a computer programmer.¹³⁹ Aymes was engaged by Bonelli to modify programs used on one generation of IBM computers so they could be further employed on an upgraded IBM system.¹⁴⁰ Between 1980 and 1982, Aymes developed a number of record-keeping computer programs under Bonelli's general supervision entitled "CSALIB."¹⁴¹ Although Aymes claimed that these programs were supposed to be used on a single computer in one Island office, they were used instead at a number of Island business locations.¹⁴²

Without any notice, Bonelli cut Aymes' hours following CSALIB's creation, which ultimately led to Aymes' resignation from Island in September of 1982. At the time of his departure, however, Island owed Aymes over \$14,500 in wages.¹⁴³ After Aymes requested these back wages,¹⁴⁴ Bonelli stated that Aymes needed to execute a release of his CSALIB rights before any back wages would be paid.¹⁴⁵ Aymes refused. He registered CSALIB under his name with the U.S. Copyright Office in 1985¹⁴⁶ and proceeded to file a suit in the U.S. District Court for the Southern District of New York against Bonelli and Island for, *inter alia*, copyright infringement of the CSALIB program.¹⁴⁷

138. 980 F.2d 857 (2d Cir. 1992).

139. *Id.* at 859.

140. *Aymes v. Bonelli*, 21 U.S.P.Q. 2d (BNA) 1716 (S.D.N.Y. 1991), *aff'd on reconsideration*, 23 U.S.P.Q. 2d (BNA) 1317 (S.D.N.Y. 1991), *rev'd*, 980 F.2d 857 (2d Cir. 1992).

141. *Aymes*, 980 F.2d at 859.

142. *Aymes*, 21 U.S.P.Q. 2d (BNA) at 1716. Aymes claimed that Bonelli had orally promised that CSALIB would "be used on one computer by one of Mr. Bonelli's corporations and that [Aymes] was the only person who could modify those programs." *Id.*

143. *Aymes*, 980 F.2d at 859.

144. *Id.*

145. *Id.* Transfer of copyright ownership is covered by 17 U.S.C. § 201(d) (1988). Although this issue was not before the court, Bonelli's request for Aymes' release is curious if Bonelli believed Island was the CSALIB copyright owner. Aymes also requested compensation for the multi-site use of CSALIB because it contravened the intent of Bonelli's alleged oral promise regarding CSALIB's limited use. *Aymes*, 980 F.2d at 859.

146. *Id.* Copyright laws have been applicable to computer programs since the congressionally created National Commission on New Technological Uses of Copyrighted Works recognized the need for copyright protection of a program's expressive elements. See CONTU, *supra* note 16, at 20-21. CONTU's findings resulted in two amendments to the 1976 Act: (1) a definition of "computer program" under § 101; and (2) conditional permission for a program owner to copy or modify the protected program under § 117. See Act of Dec. 12, 1980, Pub. L. 96-517, § 10, 94 Stat. 3015, 3028 (1980) (codified at 17 U.S.C. §§ 101, 117 (1988)). It was only after CONTU that computer programs became recognized by the courts as copyrightable "literary works." See, e.g., *Whelan Assocs. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1236-38 (3d Cir. 1986), *cert. denied*, 479 U.S. 1031 (1987); *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1249 (3d Cir. 1983), *cert. dismissed*, 464 U.S. 1033 (1984).

147. *Aymes*, 980 F.2d at 859. Under 17 U.S.C. § 501 (1988 & Supp. IV 1992), the owner of a valid copyright can sustain an action for copyright infringement by showing that the defendant copied "constituent elements of the work that are original." *Feist Publications, Inc. v. Rural Telephone Serv. Co.*, 499 U.S. 340, 361 (1991). Along with the allegations of copyright infringement were claims involving New York state law. The copyright infringement aspect of Aymes' suit, however, was severed from the pendent state claims and reassigned in the district court. *Aymes*, 980 F.2d at 859.

After disagreeing with Aymes' allegations regarding Bonelli's oral promise to restrict CSALIB's use to a single location,¹⁴⁸ the district court held that the CSALIB program was a work for hire that rendered Aymes' copyright invalid. Therefore, the district court dismissed his infringement claim.¹⁴⁹ Following this decision, Aymes filed a motion for reconsideration in the district court based upon the "work for hire" factors articulated in *Community for Creative Non-Violence v. Reid*.¹⁵⁰ The district court concluded, however, that Aymes was Island's "employee" based upon its application of the *Reid* factors, and the court upheld its original ruling.¹⁵¹ Although the district court rejected Aymes' subsequent request for contract rescission based upon Island's failure to pay back wages,¹⁵² it awarded him \$34,549.13 for the wages and interest.¹⁵³ Unsatisfied with only a monetary award, Aymes appealed the district court's infringement determination to the U.S. Court of Appeals for the Second Circuit.

On appeal, the Second Circuit reversed and remanded and held that Aymes was an independent contractor and that the CSALIB program had not been created "for hire."¹⁵⁴

After determining that no written agreement existed assigning CSALIB ownership from Aymes to Bonelli, the Second Circuit proceeded to analyze the case in light of *Reid's* § 101(1) common-law agency standard.¹⁵⁵ Taking a cue from the Supreme Court's suggestion that no one factor in its twelve-part framework could be dispositive,¹⁵⁶ the Second Circuit reviewed the district court's application of the *Reid* test. The court of appeals noted that the trial court's "factual findings as to the presence or

148. *Aymes*, 21 U.S.P.Q. 2d (BNA) at 1717 (finding "no basis to conclude . . . that Mr. Bonelli ever agreed to limit his right to use the programs he was paying for in a way that would prohibit him from using it for any other corporation he might form or from expanding his data processing capability by adding a second computer").

149. *Id.*

150. 490 U.S. 730 (1989). See *Aymes v. Bonelli*, 23 U.S.P.Q. 2d (BNA) 1317 (S.D.N.Y. 1991); see also *supra* note 135 (discussing the twelve *Reid* factors).

151. *Aymes*, 23 U.S.P.Q. 2d (BNA) at 1317-18.

152. *Aymes v. Bonelli*, No. 85 Civ. 2228 (JSM), 1991 WL 274811, at *1 (S.D.N.Y. Dec. 9, 1991). The effect of a contractual rescission in this context would have probably bestowed upon Aymes the CSALIB program he created while at Island. Whether this weighed upon the district court's ruling is unclear. It has been observed that a hiring party's material breach of an employment contract should entitle the employee-creator to ownership of any copyrighted works he or she created under the broken contract. See 1 NIMMER & NIMMER, *supra* note 13, § 5.03[E], at 5-46 to 5-47.

153. *Aymes v. Bonelli*, No. 85 Civ. 2228 (JSM), 1991 WL 278913, at *1 (S.D.N.Y. Dec. 18, 1991).

154. *Aymes v. Bonelli*, 980 F.2d 857, 864 (2d Cir. 1992).

155. *Id.* at 860. Remember that for an assignment to be effective under § 101(2) there must be a signed writing and the work must fall within one of the nine exclusive categories. See 17 U.S.C. § 101(2) (1988). It should be noted, however, that the nine works listed in subsection (2), which includes "instructional texts," does not preclude the future possibility of a computer program being within its parameters. The reason for this is found in the subsection's language, which provides that "an 'instructional text' is a literary . . . work prepared for publication and with the purpose of use in systematic instructional activities." Computer programs are currently classified under copyright law as "literary works" of authorship. See 17 U.S.C. § 101 (1988 & Supp. IV 1992) (defining both "computer program" and "literary works").

156. *Aymes*, 980 F.2d at 861.

absence of the *Reid* factors [could not] be reversed unless clearly erroneous."¹⁵⁷ Notably, the court asserted, that *de novo* review applied to the ultimate legal determination of whether the CSALIB program was a work for hire.¹⁵⁸

The Second Circuit determined that, while some factors might often have little probative value, "some factors will be significant in virtually every situation."¹⁵⁹ These consistently significant factors included: "(1) the hiring party's right to control the manner and means of creation;¹⁶⁰ (2) the skill required; (3) the provision of employee benefits; (4) the tax treatment of the hired party; and (5) whether the hiring party has the right to assign additional projects to the hired party."¹⁶¹ Using this as its foundation, the court found that the district court's "mechanistic" application of the *Reid* factors misconstrued their relative value for determining whether Aymes was an Island employee.¹⁶² The court of appeals instead balanced the factors according to their practical relevance.¹⁶³

1. Applying the Weighted Factors

Noting that the district court did not specifically examine the "right to control" factor,¹⁶⁴ the court reasoned that the directions and programming limitations placed upon Aymes during his programming of CSALIB caused this factor to weigh in favor of Island's claim that Aymes was its employee.¹⁶⁵

Examining the next factor, Aymes' "[l]evel of skill," the Second Circuit rejected the district court's finding that Aymes' CSALIB programming required "no peculiar expertise or creative genius."¹⁶⁶ Finding conversely

157. *Id.* at 860-61.

158. *Id.* at 861.

159. *Id.* To illustrate this point, the court remarked that "the factors relating to the authority to hire assistants" would be irrelevant if the hired party worked alone. *Aymes*, 980 F.2d at 861. The Second Circuit's weighted application of *Reid* has been questioned. See *Respect Inc. v. Committee on the Status of Women*, 815 F. Supp. 1112, 1118 n.11 (N.D. Ill. 1993) (questioning, but not deciding, whether *Aymes*' weighted "gloss should be superimposed on what the ultimate authority - the Supreme Court - has said in [*Reid*]").

160. This standard was enunciated by the *Reid* Court outside of the multifactor enumeration that followed, which seemed to make it the primary "inquiry" around which the dozen listed factors revolved. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 751 (1989). The Second Circuit's election to treat this as if it constituted a part of the dozen *Reid* factors relevant to a determination of the "hiring party's right to control the manner and means by which the product" seemed to be redundant.

161. *Aymes*, 980 F.2d at 861. Other courts take a similar view. See, e.g., *Merchant v. Lymon*, 828 F. Supp. 1048, 1058 (S.D.N.Y. 1993) (finding "the hiring parties' right to control the manner and means of creation, the method of payment, the skill required, the provision of employee benefits, the tax treatment of the hired party, and whether the hiring party has the right to assign additional projects to the hired party" to be "[t]he most important factors").

162. *Id.* at 861-62. The court found that by giving "each factor equal weight and simply count[ing] the number of factors for each side, . . . the district court "over-emphasized indeterminate and thus irrelevant factors having little or no bearing on Aymes' case." *Id.* at 861.

163. *Id.* at 862.

164. *Id.* at 862.

165. *Id.*

166. *Id.* (quoting *Aymes v. Bonelli*, 23 U.S.P.Q. 2d (BNA) 1317, 1317 (S.D.N.Y. 1991)).

that Aymes was "a skilled craftsman," the court concluded that this factor weighed "heavily" in favor of Aymes' independent contractor status.¹⁶⁷

Next, the court examined two factors together: employee benefits and tax treatment.¹⁶⁸ Island did not provide Aymes with employee benefits nor did it pay any of his social security taxes or withhold state or federal income taxes.¹⁶⁹ After reviewing these factors, the district court concluded that Aymes was working "off the books;"¹⁷⁰ however, the Second Circuit gave these factors "even greater weight" because Island had not contested them.¹⁷¹ The Second Circuit focused on the fact that Island denied Aymes the advantages conferred upon its employees while receiving the business benefits of treating him as an independent contractor.¹⁷² The court concluded that an inequity would result if Island could manipulate the classification by denying Aymes his employee privileges at one time, while at another time permissibly classifying him as an employee in order to avoid any potential liability.¹⁷³ In concluding its discussion on the tax and benefit factors, the Second Circuit suggested that these two factors would usually distinguish an employee from an independent contractor.¹⁷⁴

Addressing the final weighted factor of whether Bonelli had a right to assign other projects to Aymes, the court found that this factor weighed in Island's favor because Bonelli assigned other projects, in addition to CSALIB, to Aymes.¹⁷⁵ The court, however, accorded little weight to this factor because "the delegation of additional projects . . . is not inconsistent with [the duties of an] independent trouble shooter."¹⁷⁶

Finally, after examining the *Reid* test's "remaining factors," the court concluded that their effect on the case was "indeterminate"¹⁷⁷ and held

167. *Id.*

168. *Id.*

169. *Id.*

170. *Id.* (quoting *Aymes*, 23 U.S.P.Q. 2d (BNA) at 1318).

171. *See id.* In fact, the court opined that since these two factors had not been challenged by Island throughout the case's ten year duration, their absence unequivocally supported the conclusion that Island was not treating Aymes as an employee. *Id.* at 862-63.

172. The benefits to Island would include an absence of expenses for Aymes' benefit package and payment of his payroll taxes. *Id.* at 862.

173. *Id.*

174. *See id.* at 863. *See also* Hamilton, *supra* note 13, at 1313 (suggesting the that an "employee" could be classified on the basis of whether she has received employment benefits along with taxes being withheld from her salary).

175. *Aymes*, 980 F.2d at 863.

176. *Id.*

177. *Id.* Dealing with these factors "in order of their relative importance" to this case the court concluded as follows:

(1) "the method of payment" presented a conflict in that Aymes had been paid both hourly and flat fees. The court agreed with the district court's finding that this factor was inconclusive;

(2) as Island's business involved the sale of swimming pools, Aymes' programming of CSALIB was therefore not the "work [of] Island's regular business." The court noted, however, that businesses often hire people performing duties outside of their regular course. As a result, the court deemed this factor to "be of little use in evaluating a claim that a work was made for hire;"

(3) the next factor, "[w]hether Island is in business" was discredited by the court as "always hav[ing] very little weight in this analysis;"

that Aymes was an independent contractor owning the CSALIB copyright.¹⁷⁸

Of apparently great significance to this decision was the absence of a formalized written agreement between Aymes and Bonelli as to CSALIB's copyright ownership. Due to Aymes' independent contractor status, § 101(2) would have been applicable *if* a written agreement existed; whether or not CSALIB would have been considered a statutorily listed work, however, remains a matter of speculation.¹⁷⁹ In the end, however, the court needed only to evaluate Aymes' situation with regard to the *Reid* factors before concluding that they weighed in his favor, a clear reflection of the creator-favoring presumption embodied in the 1976 Copyright Act.¹⁸⁰ In those cases where the creator's employment status is undis-

(4) an impasse existed as to "[t]he discretion over when and how long to work" because Aymes could work when he wanted although Island was controlling the project;

(5) the court gave "[t]he duration of the relationship," inquiry little weight because of Aymes' inconsistent involvement with Island;

(6) although "[t]he location of the work" was not expressly covered by the district court, the Second Circuit found it to be of little weight because Aymes was required to work in Island's offices to have access to the proper computer hardware;

(7) as "[t]he location of the work" had been given minor attention, so too was "the source of the equipment;" and

(8) Finally, the court found Aymes' "authority to hire assistants" almost meaningless where he did not require any.

Id. at 863-64. For another court that has taken a similar approach, see *Merchant v. Lymon*, 828 F. Supp. 1048, 1058 (S.D.N.Y. 1993) (suggesting by implication that some factors are of minimal significance in comparison to others).

178. *Aymes*, 980 F.2d at 864.

179. Statutory guidance for this notion can be found in the language of § 101(2), which makes specially ordered or commissioned "instructional texts" works for hire. 17 U.S.C. § 101 (1988). Under the statute, an "instructional text" can be a literary work "prepared for publication and with the purpose of use in systematic instructional activities." *Id.* Defined in this way, it might be argued that an "instructional text" could encompass a specially ordered or commissioned computer program similar to the one at issue in *Aymes*. *Cf.* *Playboy Enters., Inc. v. Dumas*, 831 F. Supp. 295, 313 (S.D.N.Y. 1993) (adjudging a case under § 101(2) and finding no ownership in a hiring party).

180. *See also* *MacLean Assocs., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769 (3d Cir. 1991). In this case, the Third Circuit addressed the "work for hire" issue in another software infringement case. Here, the court first relied upon *Reid's* twelve factor "employee" standard to hold that MacLean was not a Mercer "employee" when the contested JEMSystem program was written, but rather an independent contractor. *Id.* at 778. Although predating *Aymes*, the Third Circuit employed a similar type of weighted *Reid* standard to find MacLean's skill and discretion used in writing JEMSystem to weigh in his favor. *Id.* at 777. Resembling a "right to control the manner and means" factor, the court also found that MacLean's writing of JEMSystem on his personal system also to weigh in his favor. *Id.* The court also found that when MacLean created JEMSystem, Mercer was not in the business of providing software to its clients and that MacLean's discretion over when and where to work on JEMSystem weighed against his being characterized as a Mercer "employee." *Id.* Furthermore, because MacLean's payments from Mercer were for consultations rather than being a salary and that Mercer was not withholding any taxes or providing benefits to him once he left in 1985, he was not a § 101(1) "employee." *Id.*

Within their rationale, however, was the Third Circuit's analysis of an "apparent agency" factor as it related to a client of Mercer that MacLean still serviced. This aspect of the decision focused on the client's perception of how MacLean was or was not associated with Mercer.

Although MacLean portrayed himself to the client as still being a Mercer employee, the court noted that *Reid's* "central focus" was "the relationship between the person performing the work and the person paying him to perform the work." *Id.* at 777-78. Therefore, despite the client's lack of knowledge that MacLean left Mercer's employ in 1985, the court focused

puted insofar as it relates to the time period when the program was created, or when the creator was an "employee" during the program's writing, the *Reid* factors fall into the background as the court must determine instead whether the program was created within the employee's "scope of employment." Addressing this precise issue was a recent U.S. district court decision.

B. *Avtec Systems, Inc. v. Peiffer*¹⁸¹

From May 1984 to April 1992, Jeffrey Peiffer was employed as a computer programmer by Avtec Systems, a government contractor which provided space-related computer services.¹⁸² In 1985, Peiffer began writing the "Orbit Program" ("Orbit") for Avtec.¹⁸³ Following a demonstration of Orbit to Avtec's President, Ronald Hirsch, Mr. Hirsch and another Avtec employee, Mr. Greg Kope, asked Peiffer to modify Orbit before it would be marketed.¹⁸⁴ Peiffer, in making the suggested program changes and charging Avtec accordingly, developed Orbit into the ".309 version."¹⁸⁵

In 1988, Orbit was used as a demonstrative representation of Avtec's technological capabilities in the space satellite field. The 1988 demonstration helped Avtec secure a government contract.¹⁸⁶ In February, 1990, Peiffer gave Orbit to an Avtec employee for use in another demonstration. However, this employee discovered a number of bugs in the program that Peiffer corrected before the demonstration.¹⁸⁷ Two years later Peiffer demonstrated an updated version of Orbit to NASA that did not include

on "the nature of the relationship between Mr. MacLean and Mercer," not the third-party client's perception of MacLean's affiliation with Mercer. *Id.* at 778. At this point in the decision, the court referred to the Restatement (Second) of Agency. The court concluded that the client's perception of MacLean as Mercer's "apparent" agent was not dispositive. Rather, whether MacLean was an "actual" agent was the crucial question. *Id.* See also NIMMER & NIMMER, *supra* note 13, § 5.03[B][1][a][iii], at 5-21 n.71.1 (discussing MacLean's "actual" agency holding).

181. 805 F. Supp. 1312 (E.D. Va. 1992), *aff'd in part, rev'd in part and remanded*, Nos. 92-2521, 92-2607, U.S. App. LEXIS 6522 (4th Cir. Apr. 6, 1994).

182. *Id.* at 1314.

183. *Id.* at 1315. The court described the "Orbit Program" as follows:

The Orbit Program is a computer program which displays orbital simulations and related data in graphic form on a Macintosh computer. Specifically, the Orbit Program displays the path of orbits relative to certain earth positions, the visibility of satellites from certain earth stations, the visibility of stars from the satellite, and calculates and displays various data in a graphic format. The Orbit Program's uniqueness stems from the fact that the Macintosh permits the Orbit Program's user to interact directly with it by using a handheld control known as a "mouse" and the program displays data in graphic form.

Id.

184. *Id.*

185. *Id.* at 1315-16.

186. *Id.* at 1315. The Fourth Circuit has since rejected this utilitarian finding by the district court in regard to Avtec's .309 program, concluding that it "inject[ed] into the analysis of copyright ownership an element contemplated neither by the Restatement's scope of employment test nor by the law of copyright generally. . . ." 1994 U.S. App. LEXIS, at *11. This conclusion does not, however, bind the district court to alter its ultimate legal conclusion on remand—a conclusion based upon the creator-favoring presumption. See *infra* note 198 and accompanying text.

187. *Id.* at 1315-16.

improvements he knew were important to NASA.¹⁸⁸ As a result, Avtec did not receive the NASA contract.¹⁸⁹ One month later, in February 1992, Peiffer refused to demonstrate Orbit for a potential Avtec client, claiming "he did not have a copy of [Orbit] at the office."¹⁹⁰

A potential reason for Peiffer's conduct involved his prior independent acts outside of Avtec. Unbeknownst to Avtec, Peiffer had begun independent work on the Orbit program in 1989 in order to alter it from the demonstration program used by Avtec into a "stand alone" program for commercial distribution.¹⁹¹ The impetus behind this Orbit modification arose out of a 1989 meeting Peiffer had with Mr. Paul F. Kisk, the sole shareholder and president of Kisk-Kisk, Inc. ("KKI").¹⁹² The two men discussed marketing a modified Orbit program through KKI.¹⁹³ In March of 1989, Peiffer entered into an agreement with KKI that gave KKI exclusive license to market the updated Orbit program.¹⁹⁴ From its 1989 inception until the time the case was heard in 1992, this modified version of Orbit generated \$197,000 in gross revenues for KKI, with \$98,500 going to Peiffer.¹⁹⁵

After learning of Orbit's commercial distribution through KKI, Avtec instituted an action against Peiffer, Kisk and KKI, alleging, *inter alia*, that the Orbit program was prepared by Peiffer within the scope of his employment. According to the action, Orbit was a work for hire thereby making Avtec the true owner.¹⁹⁶

Initially, the United States District Court for the Eastern District of Virginia found that Peiffer was a full-time Avtec employee when he created Orbit.¹⁹⁷ The court went on to hold that Peiffer owned the Orbit program's copyright despite his employee status because Avtec "failed to overcome the presumption that [a work's creator] is its rightful owner for copyright purposes."¹⁹⁸

Avtec argued that Peiffer created the Orbit Program within the "scope of his employment." On the other hand Peiffer argued that he created the Orbit Program as a "hobby."¹⁹⁹ After addressing these arguments, the U.S. District Court for the Eastern District of Virginia undertook a *Reid* "work for hire" analysis.

188. *Id.* at 1316.

189. *Id.*

190. *Id.*

191. *Id.* Under the same reasoning expressed in note 186 *supra*, the Fourth Circuit found the "stand alone" characterization to be outside of copyright's "work for hire" policy objectives. 1994 U.S. LEXIS, at *11.

192. *Id.* at 1314-16.

193. *Id.* at 1316.

194. *Id.*

195. *Id.*

196. *Id.* at 1317. Avtec also sued Peiffer and KKI for misappropriation of its Orbit trade secrets, misappropriation of business opportunity and Peiffer individually for breach of fiduciary duty. *Id.* at 1314.

197. *Id.* at 1318.

198. *Id.* at 1319.

199. Avtec Sys., Inc. v. Peiffer, 805 F. Supp. 1312, 1317 (E.D. Va. 1992), *aff'd in part, rev'd in part and remanded*, Nos. 92-2521, 92-2607, U.S. App. LEXIS 6522 (4th Cir. Apr. 6, 1994).

The court stated as a preliminary matter that *Reid's* construction of the 1976 Act, creates a "presumption . . . that the one who *creates* the work is its rightful owner for copyright purposes. This presumption may be overcome, however, if the work is one 'made for hire.'"²⁰⁰ Next, the court laid out *Reid's* two step approach: (1) was the " 'creator' " of the disputed work an " 'employee' " or an " 'independent contractor' "; and if found to be an employee, (2) was the work generated within the creator's scope of employment.²⁰¹ The district court first found that Peiffer was Avtec's full-time employee during the disputed time period of Orbit's creation.²⁰² Then the court turned to the second leg of the test.

Citing a "three-part Restatement test" enunciated by the *Reid* Court,²⁰³ the court found as a matter of law that Avtec did not satisfy its evidentiary burden for the "scope of employment" requirement.²⁰⁴ The court concluded that Avtec failed to prove that the KKI version, Orbit 2.05, was created within the scope of Peiffer's employment.²⁰⁵ In particular, the court noted that Avtec provided insufficient evidence to show that the 2.05 version was created "within Avtec authorized time and space limits."²⁰⁶ Furthermore, Peiffer created the 2.05 version outside of his Avtec hours, on his own personal equipment and not as a service to Avtec.²⁰⁷ Because Avtec failed to satisfy the tripartite Restatement test, the court held that Avtec also "failed to overcome the presumption that Peiffer, as the Orbit Program's creator, is its rightful owner for copyright purposes."²⁰⁸

200. *Id.*

201. *Id.* at 1317-18 (citing *Reid*, 490 U.S. at 751).

202. *Id.* at 1318. This does not stray from *Reid*, which states only that § 101(1) cannot be restricted to formal, salaried employees, not that such an employee classification is outside of § 101(1)'s purview. See *Reid*, 490 U.S. at 742 n.8 (rejecting "the suggestion . . . that the § 101(1) term 'employee' refers *only* to formal, salaried employees") (emphasis added).

203. *Avtec*, 805 F. Supp. at 1318; see *supra* note 105.

204. *Id.* at 1318.

205. *Id.* at 1318-19.

206. *Id.* at 1318.

207. *Id.* at 1319. The Fourth Circuit reversed the district court on the issue of whether Peiffer's 2.05 program was created within the scope of his employment at Avtec. This reversal, however, turned upon the narrow issue of whether or not Peiffer's creation of the 2.05 program "was at least 'appreciably' motivated by a desire to further its corporate goals in order to satisfy the third element of the [Restatement § 228] work-for-hire test." 1994 U.S. App. LEXIS, at *11. Despite its reversal, the Fourth Circuit expressed an awareness that Avtec may, on remand, still be unable to satisfy the work-for-hire test. *Id.* at *17. Hence, the Fourth Circuit's remand can be easily read as an endorsement of the creator favoring presumption.

208. *Id.* Curiously, the court did not distinguish which version of Orbit applied to its decision, leaving this important detail subject to conjecture. See *Improved Software was not Work for Hire but Violated Trade Secrets, Pat., Trademark & Copyright* J. (BNA) No. 1106, at 43 (Nov. 19, 1992) (remarking that the court's ambiguous referral to the "Orbit program" will leave many questions about its decision open to question).

The court also rejected Avtec's claim for joint authorship,²⁰⁹ stating that Avtec failed to demonstrate an "intent to merge separate efforts into a unitary whole."²¹⁰

Thus, notwithstanding its noting that a rebuttable "work for hire" ownership presumption resides in the creator of a work under the 1976 Copyright Act, the *Avtec* court made it abundantly clear that a hiring party will not receive the same presumptive favoritism that it enjoyed under the 1909 Copyright Act. To have held otherwise would have contradicted the policy concerns symbolized by the Supreme Court in *Reid*.²¹¹

III. ANALYSIS

The *Aymes*²¹² and *Avtec*²¹³ interpretations of *Reid* recognize a clear policy underpinning: the presumption under the 1976 Act has swung away from the employer or commissioning party to the employee or creative individual producing a copyrightable work. In the past, many cases seemed to focus on which of the two parties was best able to disseminate the work publicly. This focal party was typically the one with "deep pockets."²¹⁴ For example, the *Aldon Accessories Ltd. v. Spiegel, Inc.*²¹⁵ "actual control" test²¹⁶ arguably embraced the view that the party better equipped to market and distribute a work to the public would prevail in a "work for hire" dispute.²¹⁷ Since the Supreme Court's rejection of this standard,²¹⁸ a judicial trend has developed that favors the creator of a work over the person best prepared to disseminate it.²¹⁹ This trend is evidenced by the

209. A "joint work" is defined under copyright as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." 17 U.S.C. § 101 (1988 & Supp. IV 1992). Authors of a joint work will be co-owners of the copyright in the work. 17 U.S.C. § 201(a) (1988).

210. *Avtec*, 805 F. Supp. at 1319.

211. But see *Miller v. CP Chems., Inc.*, 808 F. Supp. 1238 (D. S.C. 1992) (reaching an opposite result in a case similar to *Avtec*).

212. *Aymes* represents a weighted application of the *Reid* factors for differentiating an "employee" from an "independent contractor" based on the particular facts of a case.

213. *Avtec* stands for an application of a three-part Restatement test for determining whether a work has been created within one's "scope of employment."

214. See, I.T. Hardy, *An Economic Understanding of Copyright Law's Work-Made-For-Hire Doctrine*, 12 COLUM.-VLA J.L. & ARTS 181 (1988) [hereinafter Hardy II] (arguing that the "better exploiter," or party best-suited to distribute a work to the public, was generally the victor in a 1909 Act "work for hire" controversy).

215. 738 F.2d 548 (2d Cir. 1984), cert. denied, 469 U.S. 982 (1984).

216. See *supra* notes 83-95 and accompanying text.

217. See Hardy II, *supra* note 214, at 220 (asserting that Aldon, a U.S. business, was "in a better position to exploit the figurines commercially" than the foreign Japanese firm involved with their creation).

218. See *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 742 (1989) (concluding that the "actual control" test cannot be supported by "the language and structure of § 101"). A major problem with the *Aldon* approach was that it seemed to "carry[] forward" 1909 Act principles into a 1976 Act context. 1 NIMMER & NIMMER, *supra* note 13, § 5.03[B], at 5-15 to 5-16; see also Litman, *supra* note 61, at 899-90. Other courts have not been immune from the temptation to read the 1976 Act in terms of the 1909 Act's caselaw. See, e.g., *Rockford Map Publishers, Inc. v. Directory Serv. Co.*, 768 F.2d 145 (7th Cir. 1985) (relying upon 1909 Act case law in adjudging a matter clearly within the scope of § 102(b) in the 1976 Copyright Act), cert. denied, 474 U.S. 1061 (1986).

219. See, e.g., *Easter Seal Soc'y for Crippled Children & Adults, Inc. v. Playboy Enters.*, 815 F.2d 323, 331 (5th Cir. 1987) (finding its "literal" interpretation of the 1976 Act to make

rationale of decisions such as *Aymes* and *Avtec*. Reflecting this trend are the two decisions' pro-creator common-law approaches:

- (1) that which enables a court to weigh, within its discretion, the *Reid* factors as it deems appropriate;²²⁰ or
- (2) using the Restatement's § 228(1) tripartite "scope of employment" test.²²¹

The inescapable conclusion is that along with Congress' revision of the "work for hire" provisions in the 1976 Act came a refocus on the bedrock principle of United States' copyright laws: "[t]o Promote . . . for limited Times to Authors . . . the exclusive Right to their respective Writings."²²² The Supreme Court's outline of a general common-law format in *Reid* provided the lower courts with a workable means to foster this constitutional principle. Therefore, absent an express written agreement between the creating parties or the creation of a § 101(2) listed work, a rebuttable presumption now rests in the creative author.²²³ This approach benefits the public by favoring those who expand our wealth of artistic treasures—creative individuals who put their natural gifts into the design of valuable works such as socially beneficial computer programs.

CONCLUSION

Since the mid-nineteenth century courts have wrestled with issues of copyright ownership in works created out of an employment setting. At first, courts adopted a master-servant presumption which rested ownership in the employer. Although shaping this presumption around the employer-employee relationship, courts construing the ambiguous 1909 Copyright Act merged this previously applied presumption into cases involving commission relationships. The conflict arising out of this judicial approach, which failed to differentiate employees from commissioned parties, was a major catalyst for the copyright laws' "work for hire" revision.

In 1976, Congress enacted a statutory framework (the Copyright Act of 1976) that placed the parties associated with a work's creation on more equal footing. Since its enactment, courts have constructed and applied the

independent contractors statutory authors unless a particular statutory work has been created subject to an express written agreement between the parties), *cert. denied*, 485 U.S. 981 (1988).

220. See, e.g., *Aymes v. Bonelli*, 980 F.2d 857, 860-61 (2d Cir. 1992); *Marco v. Accent Publishing Co., Inc.*, 969 F.2d 1547, 1550-51 (3d Cir. 1992) (holding photographer to have been an independent contractor where only three *Reid* factors weighed in the commissioning party's favor); *Kelstall-Whitney v. Mahar*, CA89-4684, 1990 WL 69013 at *9-10 (E.D. Pa. May 23, 1990) (holding computer programmer's application software to not be a § 101(1) "work for hire" using selected *Reid* factors). See also Robert A. Kreiss, *supra* note 60, at 172-73 (discussing *Reid*'s agency test as susceptible to judicial manipulation).

221. *Avtec Sys., Inc. v. Peiffer*, 805 F. Supp. 1312, 1318-19 (E.D. Va. 1992), *aff'd in part, vacated in part and remanded*, Nos. 92-2521, 92-2607, U.S. App. LEXIS 6522 (4th Cir. Apr. 6, 1994).

222. U.S. CONST. art. I, § 8, cl. 8.

223. See *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486, 1492 (11th Cir. 1990) (holding a work to have not been created "for hire" through an application of selected *Reid* factors and a finding that the architectural drawings were neither created under contract nor a § 101(2) listed work).

framework in a manner that gives creative individuals significant bargaining leverage against funding parties. With a continued judicial observance of this trend, imaginative individuals not under contract will have a bargaining chip to offset the funding party's "deep pockets"—it is called the law.