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TORT MADE FOR HIRE - RECONSIDERING THE CCNV CASE

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TORT MADE FOR HIRE – RECONSIDERING THE CCNV CASE

Assaf Jacob

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ABSTRACT

It has been more than 15 years since the U.S. Supreme Court, in its landmark decision in Community for Creative Non-Violence v. Reid adopted the common law of agency for the interpretation of the term “employee” in the context of “work made for hire”. Since then, despite some criticism, the agency test has become the norm. This paper argues the Supreme Court’s inclination to apply the work for hire doctrine through agency law is misguided. The agency test, which is based on tort law principles, is clearly anomalous in the context of copyright law, which differs significantly from tort law in its underlying rationales. This paper further argues that, lacking clear guidelines, the work for hire case law has failed in its objective to achieve consistency and certainty.

My proposal is that the “work made for hire” doctrine should be decided from the vantage point of copyright law. The test should focus on incentives to create on the one hand and public access to created works on the other. These are the goals of copyright law as stated in the Constitution. Thus, the test should re-interpret the term “employee” in a manner that complies with the needs of copyright law. Most importantly, “employee” should be interpreted to give the first entitlement to the party most apt to achieve the goals of the Constitution: Instead of using agency test factors such as employee benefits and tax treatment, the courts should consider factors such as the parties’ relative incentive to create new works, public accessibility, transaction costs, and the parties relative ability and motivation to disseminate works to the public. The partnership of individual creativity with the employer’s resources yields a significant engine for creative production in society. Revising the “work made for hire” test

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would re-align this important issue with the rest of intellectual property law.
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INTRODUCTION

Imagine you are a Professor. As is typical of young scholars, you are peripatetic: You have taught three years at your first school, then visited at a more prestigious school, then returned home for a year, then moved to a third school (even more prestigious) and so on. Throughout these years you have been working on a book, and periodically publishing articles relevant to the book’s topic. Your ideas have subtly changed as you have thought more deeply about the issue. You rework the articles into a seamless whole. The resulting product is a wonderful monograph, and the time comes for you to publish it as a book.

You have no trouble finding a top-notch publisher. But lo and behold, the publisher asks you to get licenses from each of the three schools! “You’re not the copyright holder,” says the publisher. “You wrote these articles as an employee, and doing scholarship was clearly within your scope of employment.”

So you need these licenses, and you think: Maybe the schools’ administrators will be nice and say, “Sure.” Or maybe they’ll insist on a share of your royalties. Or maybe the administration of one of the schools will find your shift in positions politically abhorrent, and refuse permission altogether. At the least, the additional complications will slow down the publication process.

You try to substantiate your position on legal grounds and you say to the publisher, “Both Judge Posner and Judge Easterbrook wrote opinions stating that there’s a teacher exception allowing scholars like me to keep my own copyright.”

In Weinstein v. University of Illinois, 811 F.2d 1091, 1094-95 (7th Cir. 1987), Judge Easterbrook explained:

The University concedes in this court that a professor of mathematics who proves a new theorem in the course of his employment will own the copyright to his article containing that proof. This has been the academic tradition since copyright law began . . . . The tradition covers scholarly articles and other intellectual property. When Saul Bellow, a professor at the University of Chicago, writes a novel, he may keep the royalties.

About a year later, Judge Posner wrote:

Until 1976, the statutory term “work made for hire” was not defined, and some courts had adopted a ‘teacher exception’ whereby academic writing was presumed not to be work made for hire. The authority for this conclusion was in fact scanty . . . but it was scanty not because the merit of the exception was doubted, but because, on the contrary, virtually no one questioned that the academic author was entitled to copyright his writings. Although college and university teachers do academic writing as part of their employment responsibilities.
publisher replies dismissively, “That’s just one Circuit’s dicta, and written by judges with virtually a conflict of interest. They’re professors themselves! The statute has no teacher exception, and the Supreme Court has adopted a test for ‘work for hire’ that has little room for either custom or functional analysis. So you better get those licenses from your schools, or the deal is off.”

A hundred different scenarios will show the same pattern: good sense suggests that an “employee author” owns the copyright, but the Supreme Court’s test in CCNV places ownership of the copyright elsewhere.

It has been more than 15 years since the Supreme Court, in its landmark decision, Community for Creative Non-Violence v. Reid (CCNV) adopted the common law of agency for the interpretation of the term “employee” in the context of “work made for hire”. Since then, despite some criticism, the agency test has become the norm. The agency test is clearly anomalous in the context of copyright law. It is like an untouched island in the sea of target-oriented legal doctrines driven by the Constitution’s copyright clause. Adopted from other areas of law with different origins and justifications, particularly tort law, the agency test does not fit society’s needs in this area.

In the following paper, I argue a more appropriate test should be applied than the current interpretation of the terms “employee” and “scope of the employment” under the “work made for hire” doctrine. The test should focus on incentives to create and public access to created works. These are the goals of copyright law as stated in the Constitution: “[t]o promote the Progress of Science and the useful Arts.” It is inappropriate at best and counterproductive at worst to use incentives derived from tort law to shape the “work made for hire” relation. Tort law incentives focus on risk avoidance, not the creation of new works.

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and use their employer’s paper, copier, secretarial staff, and (often) computer facilities in that writing, the universal assumption and practice was that . . . the right to copyright such writing belonged to the teacher rather than to the college or university.

Hays v. Sony Corp. of Am., 847 F.2d 412, 416 (7th Cir. 1988) (citations omitted).

2 I am indebted to Wendy Gordon for this illuminating example.


The new test should re-interpret the term “employee” in a manner unique to the needs of copyright law. Most importantly, “employee” should be interpreted to give the first entitlement to the party most apt to achieve the goals of the Constitution. Thus, instead of using agency test factors such as employee benefits and tax treatment, the test should include factors such as the parties’ relative incentive to create new works, public accessibility, transaction costs, and the relative ability and motivation to disseminate works to the public. The partnership of individual creativity with the investment resources of employers constitutes a significant engine for creative production in society. The “work made for hire” test should be revised to re-align this crucial area with the rest of intellectual property law.


Copyright law generally vests initial ownership in the copyrighted work with the legal author. Unless she assigns her rights, she is entitled to all the privileges provided by the Copyright Act. In most cases, the legal author is the “real” author. However, copyright law deviates from “real authorship” in cases of works “made for hire.” According to § 201(b), “[i]n 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 . . . owns all of the rights comprised in the copyright.” Parties can contract around this rule and expressly

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5 In CCNV, the Court mentions that as of 1955, approximately 40 percent of all copyright registrations were for works made for hire. The Court also states that the Copyright Office does not keep more recent statistics on the number of works for hire registrations. See CCNV, 490 U.S. at 823.


7 By using the term “real author,” I mean author in layman’s terms.

8 This section is necessary to establish the employer as the initial owner. Without it, copyright would vest in employees at the moment of fixation and a written instrument would be required to transfer copyright ownership to the employer. See Dumas v. Gommerman, 865 F.2d 1093, 1097-98 (9th Cir. 1989). The 1976 Copyright Act changed the preexisting rule for allocating the risk of uncertainty as to whether the copyright belongs to the “buyer” or the “seller”. Pub. L. No. 94-553, 90 Stat. 2541 (codified as 17 U.S.C. §§ 101-810). The pre-1976 rule had developed to an almost irrebuttable [sic] presumption that any person who paid another to create a copyrightable work was the statutory “author” under the “work for hire” doctrine. This presumption could not be avoided even by showing that the buyer had no actual right to control the manner of the production of the
agree in writing otherwise. However, such an agreement does not
change the identity of the legal author ⁹ or the status of the work,
but only the identity of the one who owns the rights. ¹⁰

Thus, the identity of the author and often that of the rights’
owner ¹¹ is based on the definition of a “work made for hire” found
in § 101. ¹² Section 101 divides works “made for hire” into two
categories. In the first category, the work must have been prepared
by an “employee” within the “scope of employment.” ¹³ In the
second category, works are found to be made for hire when they
are specially ordered or commissioned for use as one or more of
the several categories enumerated in § 101(2) (which can all be

work, because the buyer was thought to maintain the “right” to
control simply by paying for the work and having the power to
refuse to accept it.

Easter Seal Soc’y for Crippled Children & Adults of La v. Playboy Enters., 815
F.2d 323, 327 (5th Cir. 1987). Therefore the class of persons who counted as
“employees” under the copyright statute “was far greater than the class of
regular or formal employees, and well beyond the somewhat extended class of
employees—known as ‘servants’—under agency law.” Id.; see also id. at 328
n.8. The 1976 Act changed the legal interpretation of the work made for hire
doctrine. Courts are no longer bound to presume that the employer is the author.
Under the 1976 Act, “the buyers successfully invoking the ‘work for hire’
doctrine are ‘authors’ by operation of law; otherwise, the sellers are the authors
by operation of law. Only the buyers and sellers of works falling with [sic] §
101(2)’s nine categories can decide who will be the statutory author.” Id.

⁹ The identity of the legal author might affect the status of the work and whether
it will be entitled to copyright protection. Thus, for example, if the legal author
is the United States, no copyright protection will be granted.

¹⁰ Deciding the status of the work as a “work made for hire” or not has many
legal implications. Thus, under sections 203 and 304 of the Copyright Act, the
author of a work not made for hire has the right to terminate others’ rights to that
work between thirty-five and forty years after creation. The “author” of a work
made for hire does not have this ability. This privilege is given only to “real”
authors because the “employer-publisher does not face the same potential
unequal bargaining position as an individual author.” Marvel Characters v.
Simon, 310 F.3d 280, 291 (2d Cir. 2002). Moreover, the term of copyright
protection for a work made for hire is also different from the term of protection
provided to real authors. Work made for hire is protected for 95 years from the
date of publication or 120 years from the date of creation, whichever expires
first, while a work of a “real author” is ordinarily protected by copyright for the
life of the author plus 70 years. 17 U.S.C. § 302(a), (c).

¹¹ Unless the parties have expressly agreed otherwise in writing. See 17 U.S.C. §
201(b).

¹² Id. § 101.

¹³ Id.
characterized as collective works)\(^{14}\) and about which the parties have expressly agreed in writing that the work shall be considered a work made for hire.

Since Congress provided no specific definition for the terms “employee” and “scope of the employment,” the question of authorship and ownership wound up in the courts. The courts, in turn, have long struggled with the right definition for these terms.

II. SETTING THE NORM: CCNV AND THE ADOPTION OF THE AGENCY TEST

In 1989, the Supreme Court finally granted certiorari and ended the controversy over the “right” interpretation of the “work made for hire” doctrine by adopting the agency test in CCNV\(^{15}\).

In CCNV, the nonprofit organization Community for Creative Non-Violence, located in Washington, D.C., contacted Reid, a sculptor from Baltimore, to make a statue dramatizing the plight of the homeless. The organization hoped to display the statue in Washington at the 1985 Christmas pageant\(^{16}\). However, the parties did not sign a written agreement assigning their respective rights in the final product. All that they agreed upon, after several rounds of negotiations, was that the statue would be made of inexpensive material, that the costs would not exceed $15,000 and that it would be completed by December 12th, 1985.\(^{17}\) After paying Reid and displaying the statue for a month, CCNV brought it back to Reid’s studio for some minor changes.\(^{18}\) They planned to take the statue on a tour to raise more money for the homeless. Reid refused, arguing that the statue was too flimsy to

\(^{14}\) Works falling within the following categories can be contracted to be a work made for hire:

- 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, . . . . For the purpose of the foregoing sentence, a “supplementary work” is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work . . . .

Id.

\(^{15}\) 490 U.S. 730 (1989).

\(^{16}\) Id. at 733

\(^{17}\) Id. at 733-34

\(^{18}\) Id. at 735
survive the trip. He urged CCNV to make a more durable form of the statue, but they declined. Following these disagreements the parties filed competing copyrights applications. CCNV brought the case to court. Although the district court ruled in their favor, the appellate court ruled for Reid.

The Supreme Court found that the deciding legal issues in the case were the definition of “employee” and “scope of employment.” If Reid qualified as an employee and the work fell into the scope of his employment, the rights to the statue belonged to CCNV. If not, Reid owned the rights. Noting the absence of a statutory definition, the Supreme Court opted for the law of agency definition of “employee,” which has since become standard.

The Court, in a unanimous opinion, primarily justified its decision on the grounds of congressional intent. The Court’s analysis started with the language of the statute. Noting that “employee” and “scope of employment” are not defined in the statute, it inferred that Congress intended those terms to have the “accumulated settled meaning under . . . the common law.” And indeed both terms, “employee” and “scope of employment,” did have a settled meaning under the common law’s agency doctrine. “Employee” and “scope of employment” are terms of art in agency law, defined respectively by the Restatement (Second) of Agency sections 220(2) and 228.

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19 *Id.* at 735
20 *Id.* at 735
21 *Id.* at 735-36
24 490 U.S. at 750.
25 *Id.*
27 *CCNV*, 490 U.S. at 739 (quoting *NLRB v. Amax Coal Co.*, 453 U.S. 322, 329 (1981)).
28 *Id.* at 752 n.31.
29 (1) Conduct of a servant is within the scope of employment if, but only 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, and (d) if force is intentionally used by the servant.
The Court found no contradiction in the text of the statute with the common-law definition: “Nothing in the text of the work for hire provisions indicates that Congress used the words ‘employee’ and ‘employment’ to describe anything other than the conventional relation of employer and employee.” Rather, the Court found that the common-law definitions fit Congress’s “paramount goal” of “enhancing predictability and certainty of copyright ownership.” Indeed, these terms were well-established in agency law. Moreover, relying on the Restatement provided one meaning for the terms across all U.S. jurisdictions. This enhanced predictability and reflected the policy that “federal statutes are generally intended to have uniform nationwide application.”

The Supreme Court considered in detail but ultimately rejected three other interpretations of “employee,” each adopted or at least considered by one or more of the appellate courts in the different circuits that have dealt with the issue.

Under “the right to control” test, if the hiring party retains the right to control the form of the completed work, the hired party is considered an “employee” and the rights belong to the employer. The employer does not have to exercise his right at any point in time but merely retains the right to do so. CCNV advocated this interpretation because it had exercised significant creative control over the sculpture.

against another, the use of force is not unexpectable by the master.

(2) Conduct of a servant is not within the scope of employment if it is different in kind from that authorized, far beyond the authorized time or space limits, or too little actuated by a purpose to serve the master.

RESTATEMENT (SECOND) OF AGENCY § 228 (1958).

30 Id. at 749. See also Easter Seal Soc’y for Crippled Children & Adults of L.a. v. Playboy Enters., 815 F.2d 323, 335 (5th Cir. 1987).


32 In the process of the statue’s creation, several members of the CCNV organization visited Reid and gave him directions and suggestions, most of which he accepted. Id. at 734. The Court also noted that Reid sent CCNV’s representatives some early sketches of the work. Id. Although Reid argued that CCNV asked for the sketches for the purpose of raising money to construct the sculpture, the CCNV representative testified that the sketches were also required for the purpose of his approval. Cmty. for Creative Non-Violence v. Reid, 652 F. Supp. 1453, 1455 n.4 (D.D.C. 1987). Moreover, learning from the CCNV’s representatives that the homeless tend to recline on steam grates in order to warm their bodies and not to sit on them, Reid altered his sketches to contain only reclining figures. CCNV, 490 U.S. at 734.
The court rejected the “right to control” test on the grounds that adopting this test would make § 101(2), the independent contractor section, redundant.\textsuperscript{33} Statutory construction, of course, eschews an interpretation which renders part of the language of the law meaningless.\textsuperscript{34} Section 101(2) lists nine categories of works, which are usually prepared under the direction of the employer, for example: “a part of a motion picture” and “answer material for a test.”\textsuperscript{35} These are categories, therefore, in which the employer does typically have the right to control the outcome of the creative work. However, if the Court adopted the “right to control” definition for “employee,” § 101(2) would be redundant because a work such as “answer material for a test” would already be a work made for hire under § 101(1), the employee section. This was clearly not Congress’ intent because works under § 101(2), like “answer material for a test,” are only considered works made for hire if they are the subject of a written and signed agreement.\textsuperscript{36} The “right to control” test would obviate the requirement of a signed, written agreement for works in these categories.\textsuperscript{37}

Moreover, a legitimately independent contractor would be considered an “employee” as long as the employer retained the right to control the outcome of the work. Section 101(2), the independent contractor section, only lists nine categories of work. However, using the “right to control” definition would effectively include works outside of these categories as works made for hire because this independent contractor would be considered an “employee” and her work a “work made for hire” as long as the employer retained the “right to control.” Thus, the “right to control” interpretation would essentially broaden the enumerated categories under section 101(2).\textsuperscript{38}

In rejecting the “right to control” test, the Supreme Court also emphasized the importance of the legislative history of the 1976 Copyright Act.\textsuperscript{39} The Court noted that the Copyright Act of 1976 was the result of two decades of negotiations between creators and copyright-using industries.\textsuperscript{40} The statute’s two

\textsuperscript{33} \textit{CCNV}, 490 U.S. at 741.
\textsuperscript{34} \textit{Id.}
\textsuperscript{35} \textit{Id.}
\textsuperscript{36} \textit{Id.}
\textsuperscript{37} \textit{Id.}
\textsuperscript{38} \textit{Id.}
\textsuperscript{39} \textit{Id.} at 743-48.
\textsuperscript{40} \textit{Id.} at 743. For elaboration on this historical compromise see Litman, \textit{supra} note 26.
exclusive ways of defining a work made for hire—using the employee and independent contractor distinction, and enumerating nine specific categories under § 101(2)—were a carefully crafted compromise. Defining “employee” under the “right to control” test would disrupt the compromise by blurring the boundary between the two mutually exclusive sections and widening works made for hire beyond the enumerated categories.41

The Court also rejected the “actual control” test, in which the hiring party has to actually wield control over the particular work.42 The “actual control” test had the same flaws as the “right to control” test. In addition, the Court found that the “actual control” test did not meet Congress’ “paramount goal” of “enhancing predictability and certainty of copyright ownership.”43 Using the “actual control” test, the parties would not know until late in the process how much control the employer had actually exercised. As a result, determination of the ownership of the copyright ahead of time would be practically impossible.44

The third test adopted the narrow definition of a formally salaried employee.45 The Court rejected this test because there was no mention of it in the statute and the parties disagreed regarding its exact content.46

Although the Supreme Court resolved the “employee” definition issue in CCNV by referring to the agency test and section 220(2) of the Restatement,47 it did not reach the second

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41 CCNV, 490 U.S. at 747-48.
42 Id. at 742.
43 Id. at 749.
44 Id. at 750.
45 Id. at 739.
46 Id. at 743 n.8.
47 In determining whether one acting for another is a servant or an independent contractor, the following matters of fact, among others, are considered: (a) the extent of control which, by the agreement, the master may exercise over the details of the work; (b) whether or not the one employed is engaged in a distinct occupation or business; (c) the kind of occupation, with reference to whether, in the locality, the work is usually done under the direction of the employer or by a specialist without supervision; (d) the skill required in the particular occupation; (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
issue: “scope of employment” in any detail. The Court merely suggested that the right interpretation should be based upon the definition provided by the Restatement (Second) of Agency section 228 (1958). As a result, the Court only dealt with half of the “work made for hire” inquiry. Only if a hired worker meets the definition of “employee” and the work is made during the employee’s scope of employment, does the employer get the rights.

A. Applying the Agency Test

Section 220(2) of the Restatement, to which the Supreme Court referred, gives a well-articulated definition of both employee and private contractor. In particular, this section enumerates a non-exclusive list of factors to distinguish between the two. The list, as described by the Supreme Court, contains the following factors: the hiring party’s right to control the manner and means by which the product is accomplished, the skill required to perform the work, the source of the instrumentalities and tools used to create the work, location of the work (where is the actual location of the “production”), the duration of the relationship between the parties; 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. The Court emphasized that none of these factors is determinative.

Applying these factors to CCNV, the Supreme Court decided that Reid was not an employee but an independent contractor. Although CCNV directed Reid’s work to ensure the statute met their specifications, the Court held that this factor was
not dispositive. All of the other factors were in Reid’s favor and weighed against considering him an employee. Reid had a skilled occupation. He supplied his own tools while working at his own studio. Since his studio was located in another city daily supervision was practically impossible. Reid was hired for only a short period of time – less than two months - and CCNV did not retain any right to assign him additional projects. CCNV paid Reid a lump sum only upon completion of the work and, but for the deadline, Reid had the absolute freedom over when and how long to work. The court added that CCNV was not in the business of creating sculptures, in fact they were not a business at all. Finally, the court pointed to the fact that Reid was not on CCNV’s pay roll: it did not pay his social security taxes, nor paid or contributed to any employee benefits or workers’ compensations funds.

One of the key contradictions in the Supreme Court’s test – the lack of uniformity of the agency law test – is apparent in the CCNV decision itself. Although the Court emphasized uniformity among the states, predictability, and certainty as some of the most important arguments for adopting the agency test, it departed from the Restatement even on this very first case. The Court omitted some Restatement factors and introduced others not included in the Restatement. The new factors were the following: 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 hired party’s role in hiring and paying assistants; and the provision of employee benefits and tax treatment of the hired party. In adding these new factors, the Supreme Court referred to other cases that addressed the employee/private contractor dichotomy. However,

53 Id.
54 Id.
55 Id.
56 Id.
57 Id. at 752-53
58 Id. at 753.
59 Id.
60 Id.
61 Id.
62 Id. at 751-52.
63 For cases considering the extent of the hired party’s discretion over when and how long to work, see NLRB v. United Ins. Co. of Am., 390 U.S. 254, 258 (1968); Dumas v. Gommerman, 865 F.2d 1093, 1105 (9th Cir. 1989); and Short
it is not at all clear that these other cases used these factors in the context of agency, or that these factors have any tradition (either long or short) of being considered part of the agency test. At the same time, the Court omitted the following factors mentioned in the Restatement: whether or not the hired party is engaged in a distinct occupation or business; 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; and whether or not the parties believe they are creating the relations of master and servant.

The court then compounded problems of dis-uniformity by declaring that the Restatement’s list was non-exhaustive and that none of the factors was determinative. This opened the door to other courts to add and subtract factors without any specific guidelines on when or how to do so. Thus, elements which the Supreme Court omitted were later considered by other courts; while other elements which the Supreme Court considered, were ignored by later courts. As a result, this test and its interpretation by the courts could not, as I will demonstrate later on, achieve the goals of uniformity, predictability and certainty that the Supreme Court gave as justifying its holding in CCNV.

B. Later Interpretations by the Courts – the Evolution of the Agency Test

Since the CCNV case, courts have relied upon the Restatement’s criteria in order to decide the status of the hired party. At the same time, however, the courts have interpreted the CCNV test in different ways, adding and subtracting factors from the original test and substantially changing the weight of each factor. One of the test’s most appealing aspects to the Supreme Court – the idea that it would be applied uniformly in all the

v. Cent. States, Se. & Sw. Areas Pension Fund, 729 F.2d 567, 574 (8th Cir. 1984). For cases considering the hired party’s role in hiring and paying assistants, see Bartels v. Birmingham, 332 U.S. 126, 132 (1947); United States v. Silk, 331 U.S. 704, 717, 719 (1947); Darden v. Nationwide Mut. Ins. Co., 796 F.2d 701, 705 (4th Cir. 1986); and Short, 729 F.2d. at 574. For cases considering the provision of employee benefits, see United Ins. Co., 390 U.S. at 259; Dumas, 865 F.2d. at 1105; Short, 729 F.2d. at 574. For cases considering the tax treatment of the hired party, see Dumas, 865 F.2d. at 1105.

64 For instance, in Dumas, the court refers to the formal salary test (and not to the agency test) to solve ambiguities. “By defining “employee” to cover only formal, salaried employees, few disputes should arise as to the status of the artist. Where the artist holds himself or herself out as a freelancer, the employer should anticipate that the commissioned work will not be a work for hire under § 101(1).” 865 F.2d. at 1105.

65 CCNV, 490 U.S. at 751-52.
federal circuits – has not been achieved, either among different jurisdictions or within any given circuit.

It seems some courts are not aware that they are applying or even creating new tests, while others are aware, but continue the practice because there are no guidelines as to the required outcome. Courts reshape the test in almost every case by adapting it, in a very fact-sensitive manner, to the unique circumstances of the case before them. Several patterns of applying the agency test have evolved. These patterns, however, are not unique to copyright law. The same patterns are apparent across all the areas of law in which the agency test is applied, including labor law and tax law. This alone indicates the extent to which application of the agency test to works “made for hire” is not guided by principles of copyright law.

One recurring pattern is that courts do not adequately emphasize and often neglect completely – the different interests underlying the various areas of the law. Judges mix and match precedents from a wide variety of legal fields. Some courts, however, do realize these differences and try to create a test within the test that better fits their case, explaining why some factors are not relevant or at least should weigh less than in other areas of law. This, however, creates many sets of tests. Other courts favor and even endorse cross-field interpretations, reasoning that these yield outcomes that are more just and therefore should be adopted to satisfy the uniformity and predictability goals of the interpretation process.

Three opinions in particular: Aymes v. Bonelli, Carter v. Helmsley-Spear, Inc., and Eisenberg v. Advance Relocation & Storage, recognize and attempt to solve the difficulties arising


67 For discussion see infra Part V.

68 980 F.2d 857 (2d Cir. 1992).

69 71 F.3d 77 (2d Cir. 1995).

70 237 F.3d 111 (2d Cir. 2000).
from the application of the agency test in the work made for hire area. Their criticisms and differing conclusions alone indicate the extent of the difficulty of providing a coherent and predictable interpretation of the “employee” and “scope of employment” factors.

In *Aymes*, the Second Circuit directly addressed the problem caused by the Supreme Court’s lack of guidance on how to weigh the different CCNV factors. The court noted: the “[CCNV] test can be easily misapplied, since it consists merely of a list of possible considerations that may or may not be relevant in a given case.” Criticizing the CCNV test, the court observed that the courts were not given direction on how to weigh the factors. The *Aymes* court tried to rectify the problem by giving its own guidance. It first noted that, although the Supreme Court emphasized that no one factor is decisive, this does not mean that all factors are equally important, or indeed that all factors bear relevance to the case. The court set the following rule of thumb:

Some factors ... will often have little or no significance in determining whether a party is an independent contractor or an employee. In contrast, there are some factors that will be significant in virtually every situation. These include: (1) the hiring party’s right to control the manner and means of creation; (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.

These factors, the court reasoned, will almost always be relevant and should be given more weight in the analysis, because they are usually highly probative of the true nature of the employment relationship.

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71 It should be noted that all three cases were decided by the Second Circuit.

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

73 Id.

74 Id.

75 Id.

76 Id.

77 *Graham v. James* is an example of the use of this “narrow test” in the context of copyright law. 144 F.3d 229 (2d Cir. 1998). Using the “narrow test,” the court ruled that the hired person was an independent contractor. *Id.* at 235.
In *Carter*, the court agreed that the *CCNV* test is easily misapplied. The court also found that, while all of *CCNV*’s factors are relevant, no single factor is determinative. Moreover, the court noted that the *CCNV* test is a list of factors not all of which may come into play in a given case and the factors that do come into play should be weighed by reference to the facts of the given case.

Taking the *Aymes* interpretation to the extreme (in a non-copyright case), the court in *Eisenberg*, suggested that, in balancing the *CCNV* factors, the court must disregard those factors that, in light of the facts of a particular case, are (1) irrelevant or (2) of “indeterminate” weight — namely those factors that are essentially in equipoise and thus do not meaningfully cut in favor of either the conclusion that the worker is an employee or the conclusion that she is an independent contractor.

This time, the court ruled that “the ‘greatest emphasis’ should be placed on the first factor” — the right to control the manner and means by which the work is accomplished. Moreover, the court argued that, in different areas of law, the agency test indeed shares a common name but is a *de facto* different test. Specifically, the Second Circuit judge deciding *Eisenberg* criticized the district court for inadequately emphasizing the first *CCNV* factor and for over emphasizing the employee benefits and tax treatment factors. Judge Cabranes justified weighing the factors differently than in *Aymes*, which had been decided by the same circuit court, by noting that the court had never applied the five-factor *Aymes* test outside the copyright context.

Declining to presumptively consider the five *Aymes* factors more significant in *Eisenberg*, the court pointed out the considerable difference between the work-for-hire doctrine and anti-discrimination laws.

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78 71 F.3d at 85.

79 Id.

80 Id. at 87-88.

81 Eisenberg v. Advance Relocation & Storage, 237 F.3d 111 (2d Cir. 2000).

82 Id. at 114.

83 Id.

84 Id. at 115-16.

85 Id.

86 The legal question the court had to answer in *Eisenberg* was whether the plaintiff was an “employee” within the meaning of the Civil Rights Act of 1964. Id. at 112.
In so saying, the court acknowledged the fact that there is no one agency test and that the courts would probably reach different results when considering various fields of law. The Second Circuit justified its decision by noting that emphasizing employee’s benefits and tax treatment enables the parties to work around the definition of an employee, changing the status of the hired party from employee to private contractor at their discretion. While in copyright law this result is acceptable, such flexibility does not fit other areas of the law. In copyright issues, courts can rely more heavily on contractual terms when determining the status of the work and its legal author for copyright purposes. However, the right to be treated in a nondiscriminatory manner in labor law, for example, cannot depend upon the terms of any particular contract but is instead guaranteed by “public law.” Therefore, the contract plays a much smaller role in the courts’ decisions outside the copyright context. In Judge Cabranes’ words, “A firm cannot buy from a worker an exemption from the substantive protections of the anti-discrimination laws because workers do not have such an exemption to sell, and any contractual term that purports to confer such an exemption is invalid.” The court summed up saying that in anti-discrimination cases, courts should not ordinarily place extra weight on the benefits and tax treatment factors enumerated in CCNV, and should “instead place special weight on the extent to which the hiring party controls the ‘manner and means’ by which the worker completes her assigned tasks.”

In short, unlike other doctrines of copyright law, where the list of deciding factors is set and their application is to a great extent predictable, in the area of “work made for hire,” the level

87 The Eisenberg court specifically compared copyright law and anti-discrimination law. *Id.* at 115-16.

88 *Id.*

89 *Id.* at 117. The court also adds the following: “the core, substantive protections of the antidiscrimination laws were not intended to be skirted by the terms of individual employment contracts—even if on their face those terms concern only the compensation of a worker.” *Id.* One problem with Judge Cabranes’s reference to anti-discrimination laws is that intellectual property law is not only concerned with the parties themselves, but also with society’s strong interest in accessing and producing these works. Therefore, the default rule in copyright law should also include “public” law and society’s general concerns. See e.g., Katie Sykes, *Towards a Public Justification of Copyright*, 61 U.T. FAC. L. REV. 1 (2003).

90 *Eisenberg*, 237 F.3d at 117.

91 For instance, the Fair Use doctrine. Notice however, that even with regard to the Fair Use doctrine, many legal scholars will argue that the applicable standard is too vague and can be manipulated by the courts to reach different outcomes.
of unpredictability is high. The list of relevant factors and their weight is so unsettled and the cases litigated under this doctrine are so fact sensitive that “there is no way to predict what a court will hold.” 92 In fact, sometimes it seems that the most influential factor is the court’s sympathy towards the working artist. 93

C. Scope of the Employment

The interpretation of the term “scope of the employment” adds another layer of complication to this already complex issue. To begin with, the court in \textit{CCNV} itself mentioned section 228 of the Restatement (Second) of Agency but did not give any indication on how to apply it in the context of copyright law. 94 Furthermore, later decisions have struggled with the Restatement’s interpretation of “scope of the employment”. It seems the difficulties have stemmed primarily from the inadequacy of the Restatement’s definition – and secondarily from the lack of a guiding star on the horizon, an end according to which judges could modify the test to get right and uniform results.

Section 228 contains a general definition of “scope of employment,” 95 providing the terms under which conduct falls within or without the scope of the employment. This definition is

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See e.g., Thomas F. Cotter, \textit{Fair Use and Copyright Overenforcement}, 93 \textsc{Iowa L. Rev.} 1271, 1271 (2008) (“[U]sers are often deterred from engaging in conduct that likely would fall within the ambit of fair use, due in part to ...the uncertainty and unpredictability of fair use doctrine”); Pierre N. Leval, \textit{Toward a Fair Use Standard}, 103 \textsc{Harv. L. Rev.} 1105, 1105-06 (1990) (pointing out that neither the decisions that have applied the fair use doctrine nor its eventual statutory formulation, “undertook to define or explain its contours or objectives”); Lloyd L. Weinreb, \textit{Fair's Fair, A Comment on the Fair Use Doctrine}, 103 \textsc{Harv. L. Rev.} 1137, 1138 (1990) (questioning whether “the results in concrete cases can be made predictably responsive to a limited set of definite principles—certainly not large, general principles and not very often even more specific, intermediate ones”).


93 \textit{Id}.

94 A careful reading of the Court’s opinion shows that the Court does not actively endorse the interpretation of section 228. \textit{CCNV}, 490 U.S. 730, 740 (1989). Instead, the Court simply mentions that “Congress’ intent to incorporate the agency law definition is suggested by the use of ‘scope of employment,’ a widely used term of art in agency law.” \textit{Id} (emphasis added).

95 \textsc{Restatement (Second) of Agency § 228 (1958)}.
found in a subchapter of Title B which deals with the “Torts of Servants.”

Subsection 1 of section 228 enumerates 4 conjunctive conditions with which conduct must comply in order to fall within the scope of the employment. Conduct will be considered within the scope of the employment if and only if it is the kind of conduct the servant is employed to perform; it occurs substantially within the authorized time and space limits; and it is actuated, at least in part, by the purpose to serve the master. The fourth condition deals with cases in which the servant intentionally used force against a third party, a consideration hardly relevant to copyright.

Subsection 2 refers to the cases in which conduct does not fall within the scope of the employment. According to section 2 the act/conduct will not fall within this scope if it is different in kind from the conduct that was authorized, far beyond the authorized time or space limits, or too little actuated by a purpose to serve the master.

The Restatement’s comment adds a few other subtleties, such as the fact that sometimes the master may be liable for acts not within the scope of the employment or that it is possible to be liable for the acts of someone who is not a servant, for example, when the appearance of service misleads a third party. Moreover, Comment c of the Restatement adds an important caveat which is based on section 220. According to this comment there is no liability for the conduct of one who, despite being a “servant,” performs other service or work over which the master has no control or which the master has no right to control.

In the early cases following the CCNV decision, it is easy to see the difficulties courts had in implementing the test and deciding the scope of its application. The courts could not use the Section 228 definition as is because part of it was, on its face, irrelevant to copyright law. Therefore, courts had to reshape the tests at least to some extent.

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96 Remember that one can only make use of “scope of employment” test after establishing that the hired party is an “employee.”

97 Restatement (Second) of Agency § 228 (1958).

98 Id. at §§ 212-14.

99 Id. at §§ 265-67.

100 Id. at § 228 cmt. c (1958).
1. Miller and Roeslin: A Case Study of Inconsistency in Application of the Agency Test

The confusion is clearly apparent in two post-CCNV decisions with almost identical facts and opposite conclusions: Roeslin v. District of Columbia\(^{101}\) and Miller v. CP Chemicals, Inc.\(^{102}\)

In both cases, the plaintiffs were clearly “employees,” so the issue at stake was whether the plaintiff’s work fell into their “scope of employment.” Although neither plaintiff was employed as a computer programmer,\(^{103}\) both developed computer programs to help them perform tasks at work more efficiently.\(^{104}\) Each spent many hours at home on their own computers developing these programs.\(^{105}\) In Miller, the court emphasized that the plaintiff performed most of the program development at home, on his own time, and although he was an employee paid by the hour, he never requested or received overtime payment for this work.\(^{106}\) In Roeslin, most of the work was also done at home, although some of the testing and debugging took place during office hours because the plaintiff brought each module to work to test it with real data.\(^{107}\) Here too, the plaintiff received no compensation for the time he spent developing the new program even though his employer used his system when it was completed.\(^{108}\) In both cases, there was no explicit contract that assigned the rights.\(^{109}\) The question posed in both cases was the same: who should get the software copyright?

The Miller court found for the employer after going through the Section 228 factors referred to by CCNV.\(^{110}\) Regarding


\(^{103}\) The Miller plaintiff analyzed chemical products to ensure conformance with customer specifications, and the Roeslin plaintiff worked in collecting and tabulating employment statistics. Roeslin, 921 F. Supp. at 795; Miller, 808 F. Supp. at 1240.

\(^{104}\) Roeslin, 921 F. Supp. at 796; Miller, 808 F. Supp. at 1240.

\(^{105}\) Roeslin, 921 F. Supp. at 796; Miller, 808 F. Supp. at 1240, 1242.

\(^{106}\) 808 F. Supp. at 1240, 1242.

\(^{107}\) 921 F. Supp. at 1240, 1242.

\(^{108}\) Id.

\(^{109}\) Id. at 795-96; Miller, 808 F. Supp. at 1240, 1242.

\(^{110}\) 808 F. Supp. at 1243.
the first factor, whether the work was “of the kind [the employee] is employed to perform,” the court held program development was “at least incidental” to the employee’s job and therefore within the scope of his employment. The court drew the “incidental” standard from section 229 of the Restatement of Agency, comment b, which states that work incidental to the employee’s job is within her scope of employment. Comment b defines incidental as: “within the ultimate objective of the principal and an act which is it not unlikely that such a servant might do.” Here, the court reasoned that the computer program helped the employee to do his job and that developing the program was closely related to the other work he did.

Using the same reasoning, the court found that the employee’s work met the third factor: that “it was actuated, at least in part, by a purpose to serve the master.” The court considered that Miller was motivated by a wish to simplify his job and to eliminate errors from which both Miller and the employer benefited. Finally, even though the employee worked at home for no extra pay, the court found that the program development met the second factor: “substantially within the authorized time and space limits” simply because the plaintiff worked for the employer

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111 Id. at 1243-44.

112 An act may be incidental to an authorized act, although considered separately, if it is an entirely different kind of an act. To be incidental, however, it must be one which is subordinate to or pertinent to an act which the servant is employed to perform. It must be within the ultimate objective of the principal and an act which is not unlikely that such a servant might do. The fact that a particular employer has no reason to expect the particular servant to perform the act is not conclusive. Although an act is a means of accomplishing an authorized result, it may be done in so outrageous or whimsical manner that it is not within the scope of employment. An assault by one employed to recapture a chattel, while entirely different from the act which he was employed to do, which was merely to take possession of the chattel, may be within the scope of employment, unless committed with such violence that it bears no relation to the simple aggression which was reasonably foreseeable.

113 Restatement (Second) of Agency § 229 cmt. b (1958).

114 Miller, 808 F. Supp. at 1243.

115 Id. at 1243-44.

116 The court does not provide details on how it was in the employer’s favor. The court does mention, however, that the ultimate purpose of the development of the computer program was to benefit the employer by maximizing the efficiency of the operation of the quality control lab.
during the time of the development.\textsuperscript{117} The court did not apply the fourth element (the intentional tort) of the scope of the employment test because the judges found it irrelevant.\textsuperscript{118}

In stark contrast, the court in \textit{Roeslin} ruled in favor of the plaintiff based on application of the same test.\textsuperscript{119} Considering the first factor, the court concluded that developing computer software was not the “kind of work” the plaintiff was employed to perform.\textsuperscript{120} The court concluded that while developing the new system did help the functioning of the workplace, computer programming was in no way part of his job description.\textsuperscript{121} Even using the “incidental” test from section 229, the court found computer programming was not the kind of work commonly performed by other labor economists and that it was unlikely that the plaintiff would engage in such an activity.\textsuperscript{122} The second factor was decided in favor of the employee because he spent 3,000 hours at home working on a computer he bought with his own money.\textsuperscript{123} With regard to the third factor, the plaintiff testified that he developed the program in order to create job opportunities for himself and to prove it could be done.\textsuperscript{124} The court observed that, even though the system also benefited the employer and the court could fairly infer that part of the plaintiff’s motivation was to achieve the employer’s benefit, the employee was “primarily motivated” by personal goals.\textsuperscript{125} Therefore, the employee’s work fell outside the scope of section 228.

The contradictory results in \textit{Miller} and \textit{Roeslin} demonstrate the inadequacy of the test suggested in \textit{CCNV}, in terms of consistency and ease of application. Using the agency definition for “scope of employment” simply applies the wrong tool. The tort law factors do not work well in the copyright setting; it is like using a spoon to cut a piece of paper. As I will later elaborate, what makes perfect sense in the context of tort law does not necessarily apply to the realm of copyrights. The intrinsic logic in these two areas is not the same. In \textit{Roeslin} and \textit{Miller}, the employees

\begin{itemize}
  \item[117] 808 F. Supp. at 1243.
  \item[118] Id.
  \item[119] 921 F. Supp. at 797-99.
  \item[120] Id. at 798.
  \item[121] Id.
  \item[122] Id.
  \item[123] Id.
  \item[124] Id.
  \item[125] Id.
\end{itemize}
produced new creative works entirely at their own initiative with no input or guidance from the employer. However, the agency definition of “scope of employment” does not require that a court give weight to these considerations.

The *Miller* court’s struggle to reconcile agency law with copyright principles clearly reflects a bad fit. *Miller* was one of the first decisions which followed the Supreme Court’s decision in *CCNV*. The second factor, “substantially within the authorized time and space limits,” proved particularly difficult for the *Miller* court to apply to a copyright case. The court admitted that most of Miller’s work was done at home, in his spare time, for no additional pay. The court concluded, however, that the work was “substantially within the authorized time and space limits” even if an hourly employee worked outside the workplace without additional compensation.

It is hard to see how one could reach this conclusion just from the Restatement’s second factor. Clearly, the *Miller* court’s interpretation of the second element departed significantly from the Restatement’s black letter definition. However, the court’s conclusion is less surprising when one considers that it based its decision on *Marshall v. Miles Laboratories*, which took a very different approach to works made for hire than the Supreme Court in *CCNV*. *Marshall* was a pre-*CCNV* case which dealt with the copyright ownership of an article written by an employee. Ruling for the employer, the *Marshall* court found that although the article was not written while the employee was at work or at the direct request of the employer, the creation of the work was nevertheless within the scope of the employment. The court in *Marshall* emphasized the fact that the employer was the direct cause of the

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127 *Id.* at 1243. In the court’s words, the work was done “primarily, if not entirely” at home. *Id.*
128 *Id.* at 1244.
129 *Id.*
130 See *RESTATEMENT (SECOND) OF AGENCY* § 229 cmt. e (1958).
132 *Id.* at 1331.
preparation of the work and had a right to control or supervise its creation.\footnote{Id.} This approach, as discussed above, was rejected by the Supreme Court in \textit{CCNV}.\footnote{Id. at 1330. Moreover, in \textit{Marshall} the employer had a higher degree of control than that in \textit{Miller}. \textit{Miller}, 808 F. Supp. at 1244.} Despite the fact that the court in \textit{Miller} found the facts in \textit{Marshall} to be more readily identifiable with common notions of “the scope of employment,” it still decided for the employer.\footnote{\textit{Miller}, 808 F. Supp. at 1244.} Thus, the \textit{Miller} court’s interpretation of the second element is an uneasy amalgamation of agency law and the old “right to control” test.

\textit{Miller}, and its confusing combination of tests, is important because the court’s interpretation set the ground for other courts to follow and was often cited by other courts.

2. The Courts’ Continuing Difficulties in Applying the Agency Test

In \textit{Favela v. Fritz Companies, Inc.},\footnote{No. 92-2450, 1993 U.S. Dist. LEXIS 20199, at *1 (C.D. Cal. Sept. 20, 1993).} the court followed the \textit{Miller} definition by finding that, in determining the scope of employment, the court should only take into consideration the first three factors of section 228.\footnote{Id. at *6.} In \textit{Avtec Systems, Inc. v. Peiffer},\footnote{21 F.3d 568 (4th Cir. 1994).} the appellate court also accepted the \textit{Miller} definition, but, in addition, adopted the notion that when the first element of the Restatement test is met, the courts should not grant authorship rights to employees solely because the work was done at home, off hours.\footnote{Id. at 571.} Basing their approach on \textit{Miller},\footnote{As well as in \textit{Marshall v. Miles Laboratories}, 647 F. Supp. 1326 (N.D. Ind. 1986), which is a pre-\textit{CCNV} decision.} courts have reduced the importance of the second element and essentially have disregarded it altogether, establishing the scope of the employment with only the first and third factors.

Interestingly though, the district court in \textit{Avtec}, in a follow-up procedure between the parties,\footnote{Avtec Sys., Inc. v. Peiffer, 1994 U.S. Dist. LEXIS 16946 (D. Va. 1994).} departed from the circuit court’s decision and reestablished the Restatement’s three elements.
Here again, the district court showed its discontent with the application of tort principles to copyright law, noting that "[o]bviously the application of common law principles developed primarily through tort law are difficult to utilize in determining the issue of copyright ownership." The court, however, saw no other choice but to apply those principals because the Copyright Act of 1976 does not mention any other applicable principles.

Given these constraints, the district court in Avtec attempted to refine the scope of the employment test. First, it restated the fact that the fourth element in section 228 is not applicable to the issue of copyright ownership since both this section and sections 229-236 appear to have been developed primarily in relation to a master's liability in torts for the negligence of its servant. Then, the court added that not only is section 228(1)(d) inapplicable but neither are sections 230, 231 and 234. In addition, Section 232 appeared to have limited, if any, application.

On the other hand, the court mentioned the importance of section 233, a section which is parallel to and further

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142 Id. at *10. The court decided in favor of the employee based primarily on the second element. The court made it clear that it reached its conclusion notwithstanding that some courts have found work to be work made for hire even when it was created at home during odd hours. This was approved by the appellate court. Later cases also ruled in the employee's favor when the vast majority of the work was made at home and during off hours. See Roeslin, 921 F. Supp. at 798.


144 Id. at *8.

145 See generally RESTATEMENT (SECOND) OF AGENCY §§ 229-36. Sections 229 through 236 add more specifics to the general "scope of the employment" definition in section 228. Section 229 deals with the relationships between authorized and unauthorized conduct and when such unauthorized conduct can yet fall within the scope of the employment. Section 230 deals with forbidden acts that although forbidden, may nevertheless fall within the scope of the employment. Similarly, section 231 deals with criminal or tortious acts. Section 232 deals with omissions and cases in which the employee's failure to act can make the employer liable. Section 233 deals with the time of the service while section 234 deals with its area. The last two sections 235 and 236 handle a conduct that is not for the purpose of serving the employer and a conduct with dual purpose (that is, it serves both the employer and the servant or a third party, respectively).

146 Avtec, 1994 U.S. Dist. LEXIS 16946, at *9 n.5.

147 Id.

148 Id.
defines 228(1)(b) and portions of 228(2),\(^{149}\) and the importance of sections 235 and 236,\(^{150}\) which are parallel to and further explain 228(1)(c) and parts of section 228(2).\(^{151}\) The fact that the Court found the applicability of the Restatement so inconsistent shows how complex the test is and why it is impossible for the courts to get it right.

Other courts, however, have not necessarily followed the Avtec decision or the Miller decision, preferring to stay squarely within the framework of section 228. Even so, this does not mean that section 228 is universally applied in the same or similar manner.\(^{152}\) Different courts have different interpretation of its elements and therefore often get opposite results on similar facts.\(^{153}\) At least some of the courts prefer a more narrow interpretation of section 228 elements. Thus, the kind of work the hired party is employed to perform is narrowly construed so as not to include even similar tasks that depart from the job definition. Similarly, the third element is interpreted by some courts as emphasizing the employee’s motivation and not the outcome of her acts. By so doing, the court can safely reach a conclusion that, even though the employer has benefited from the activity, the employee was not motivated by the employer’s benefit and therefore the third element’s requirements were not met.\(^{154}\)

\(^{149}\) “Conduct of a servant is within the scope of the employment only during a period which has a reasonable connection with the authorized period.” RESTATEMENT (SECOND) OF AGENCY § 233.

\(^{150}\) “An act of a servant is not within the scope of employment if it is done with no intention to perform it as a part of or incident to a service on account of which he is employed.” Id. § 235 (1958). Section 236 adds the following: “Conduct may be within the scope of employment, although done in part to serve the purposes of the servant or of a third party”. RESTATEMENT (SECOND) OF AGENCY § 236 (1958).


\(^{153}\) See, e.g., Martin v. City of Indianapolis, 982 F. Supp 625, 634 (S.D. Ind. 1997); Roeslin, 921 F. Supp. at 798.
Reading these rulings together, one cannot avoid the conclusion that the courts have no uniform guidelines. Many of the courts disclose in a rather blatant manner their dissatisfaction with the test, pointing out to its different roots and the different goals it aims to pursue. Finding the test inadequate for copyright law, and themselves powerless to change its required application, courts are giving inconsistent analysis, both in single decisions and when compared to others. It seems each case is decided on its merits, in a very case sensitive manner, according to the subjective sense of justice of the presiding judge. Courts show internal conflict, showing a willingness to ignore the last element of section 228 due to its irrelevancy while at the same time feeling obligated (at least formally) to apply the other elements.

This state of affairs can be attributed to the discrepancy between the agency test and general copyright guidelines. Courts do not apply the incentives-based principles of copyright law which are dictated by the Constitution and are so prevalent in all other areas of copyright law because the agency test is not inherently designed to do so, and the Supreme Court in CCNV failed to suggest a way to solve the problem.

III. THE INADEQUACY OF THE UNIFIED AGENCY TEST FOR INTERPRETING THE TERMS “EMPLOYEE” AND “SCOPE OF EMPLOYMENT” IN THE CONTEXT OF COPYRIGHT LAW

To understand the inappropriateness of the Agency test as it has been manifested by the courts one has to explore the Restatements’ rationales and origins in the law of torts and to juxtapose them with the underlying rationales of copyright law.

A. The Restatement of Agency in the Context of Tort Law

Courts have often cited the Restatement when imposing liability on employers. The general principle, that the master is subject to liability for torts committed by his servants while acting in the scope of their employment, is deeply rooted in the common law tradition. The explanation for this common wisdom is often the following: “It is because a master has the right to exercise control over the physical activities of the servant within the time of service, that he is vicariously liable for the servant’s negligent acts committed within the scope of his employment.”

the Restatement, this assumption of control is the basis for imposing tort liability whenever the thing controlled causes harm.\textsuperscript{156} It is true that normally employer culpability is required, but the Restatement explains that in the law of master and servant the use of the fiction that “the act of the servant is the act of the master” has made it seem fair to subject the non-faulty employer to liability for the negligent and other faulty conduct of his servants.\textsuperscript{157} The Restatement adds that this idea of responsibility for harm done by the servant’s faulty activities naturally followed the notion that within the time of service, the master can exercise control over the physical activities of the servant.\textsuperscript{158}

Still, vicarious liability has its limits. Courts have certainly been wise enough to realize that, even though the agent might have continuing obligations to the employer, the master’s liability exists only at certain times.\textsuperscript{159} The injured has the power to subject the master to liability for the servant’s tortious physical conduct only for conduct occurring in, or reasonably in proximity to, the times and places when the servant is authorized to perform service. During other times, with some exceptions, a servant is her own person, and her acts do not affect her employer.\textsuperscript{160}

A few explanations are often provided to justify the concept of vicarious liability. Some courts adopt the explanation given by the Restatement section 219 comment a according to which, as a matter of policy, “it would be unjust to permit an employer to gain from the intelligent cooperation of others without being responsible for the mistakes, the errors of judgment and the frailties of those working under his direction and for his benefit.”\textsuperscript{161} To put it differently, the notion of justice dictates that if the employer is entitled to the benefits of his employee’s work he should also pay for the damages she imposes. The employee shifts the risks of her work to the employer: she trades both the benefits and the costs for a lump sum salary. This makes her different from an independent contractor who doesn’t shift these risks but carries the burden alone.

\textsuperscript{156} See \textit{Restatement (Second) of Agency} § 219 cmt. a (1958).

\textsuperscript{157} Id.

\textsuperscript{158} Id.

\textsuperscript{159} See \textit{Restatement (Second) of Agency} § 233 (1958).

\textsuperscript{160} \textit{Restatement (Second) of Agency} § 219 (1958).

\textsuperscript{161} Id. § 219 cmt. a (1958). See also Kemether v. Penn. Interscholastic Athletic Ass’n, 15 F. Supp. 2d 740, 748 (E.D. Pa. 1998).
Another explanation is that this liability system minimizes the costs of accidents and the costs of precautions. 162 The employer, if in control, is in a better position to estimate the risks involved in the job and to take reasonable precautions to prevent them. 163 The employer who is running the entire business is also less prone to personal bias and is less susceptible to external pressures. 164 Therefore, there is a higher chance he will act in a rational manner. Thus, if the employer carries the costs of the accident, he will have a better incentive not only to invest in precautions but also to influence his employees via other means to act in a prudent manner. This “deterrence” argument is one of the more prevalent justifications for employer’s liability among instrumentalist theoreticians. 165

Yet another justification emphasizes the superior abilities of the employer to spread the loss. Since the employer is involved in a given activity (providing goods, services) he will spread the costs of the damage among all of those who participate in the activity. This is “just” because the damage is part of the costs the activity imposes on society. It is also economically wise because the accumulation of the aggregated harm from the relatively small payment imposed on the consumers is less than the harm created by imposing the entire payment on one person (and in this respect it does not matter whether it is the injured person or the employee). 166

A fourth explanation suggests that the reason for making the employer liable is that it improves the position of the injured party. It would be unfair to the injured party to make only the employee liable because she often does not have sufficient resources to compensate the victim. Making the employer liable


163 And for that reason often times the employer will be the cheapest cost avoider. See id.; see also Alon Harel & Assaf Jacob, An Economic Rationale for the Legal Treatment of Omissions in Tort Law: The Principle of Salience, 3 THEORETICAL INQ. L. 413 (2002).


improves the injured party’s chance to receive compensation for the damage she has suffered.\textsuperscript{167} Being the deep pocket is not by itself justification enough for there may be many deep pockets. However, the legal system is willing to impose liability on the employer because he is the primary beneficiary of the employee’s acts.\textsuperscript{168}

Finally, there are those who suggest that one of the major purposes of this expansion of liability was to overcome the “not me, try someone else” phenomenon.\textsuperscript{169} Making the employer liable lightens the injured party’s burden of proof, because she does not have to establish the identity of the particular person who hit her. She can throw the blame on the employer who will then have no incentive to conceal the identity of the real injurer.\textsuperscript{170}

These justifications not only provide the rationales for the imposition of liability on employers but also identify the outer boundaries of the liability envelope. Even though some courts have tried to push the boundaries, in general the borders are clearly delineated. Thus, when the employee is not under her employer’s control, for example and the employer cannot observe her activities, the employer’s ability to minimize the loss is reduced relative to the employee’s ability to prevent damage, which makes it less appealing to hold the employer liable. Moreover, when the employee is engaged in activities that are not related to the employer’s business, it also makes less sense to impose liability on the latter. Not only has the employer less control in such cases, but imposing liability on him is unjust since he no longer benefits from the employee’s acts.

B. The Restatement of Agency in the Context of Copyright Law

The question is how the rationales and justifications mentioned above are related to copyright law. It is easy to see the link between the imposition of tortious liability, its boundaries and justifications, and the Restatement’s guidelines. These

\textsuperscript{167} This is true with one caveat – the “dilution of liability” phenomenon. In alternative care cases the more tortfeasors there are liable, the lesser the incentive of each to take precautions. See Harel & Jacob, \textit{supra} note 163.

\textsuperscript{168} It should be noted that imposing liability on the employer does not release the employee from liability for her tortious acts. Both the employer and the employee will be jointly and severally liable. Saying that, however, does not change the fact that the injured party will mainly pursue the employer, and not the employee, for the employer has a deeper pocket.

\textsuperscript{169} \textit{See} RICHARD A. EPSTEIN, \textit{TORTS} 239 (1999).

\textsuperscript{170} \textit{Id.}
justifications for liability, as the Restatement’s title suggests, are from the realm of torts and promote the goals which the tort system strives to achieve. Can these same tests, shaped over the years to perfectly fit the tort system, promote the goals of copyright law?

The answer to that must be in the negative. I believe that some of the crucial justifications for the imposition of tort liability upon employers, and, as a derivative, the definition of the status of an employee, do not hold when we transform them to the realm of copyright law. To prove my contention I will highlight some of the major differences between the fields – differences that would suggest the need for different tests to decide the status of the hired person and the course of her employment.

One crucial difference is that tort law deals with assigning liability whereas copyright law deals with assigning rights. As discussed above, extending tortious liability to the employer and making him liable for the acts of his employee improves the positions of both the employee and the injured party. This justifies a rather extensive definition of “employee” and the “scope of the employment.” In copyright law, however, defining someone as an employee serves to assign to the employer a right to receive a benefit. Thus, finding the status of the hired person to be that of an employee worsens her position in comparison to finding her an independent contractor. As regards third parties, in tort law, third parties can only improve their position by adding another tortfeasor because this increases their chances to receive full compensation. In the area of copyright, the situation is muddier. In order to answer the question of the effects on third parties, we have to consider issues such as incentives to create, access of third parties to the works, and other elements which I will address later in this article. At this point, I find it enough to say that ruling for the employer will not necessarily improve third parties’ rights.

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171 Some courts are even skeptical about that. See, e.g., NLRB v. Hearst Publ’ns, Inc., 322 U.S. 111, 120-21 (1944).

172 There are judges and tort scholars who believe that these terms should be furthered extended. See, e.g., Taber v. Maine, 67 F.3d 1029, 1037 (2d Cir. 1995) (Calabresi, J.).

173 See RESTATEMENT (SECOND) OF AGENCY ch. 7, topic 2, tit. B, introductory note (1958) (“The whole purpose of employing the term [independent contractors] is to negate the special consequences of the master-servant relation, that is, the liability for torts within the scope of employment, and the special duties and immunities of the master to servants.”).

174 Based on the rule of joint and several liability in which each defendant is liable for the entire harm both individually and collectively. See, e.g., EPSTEIN, supra note 169, § 9.2.

175 See infra Part VB.
Another important distinction between tort law and copyright law regards the issue of justice. In tortious liability the situation is clear—it is unjust that the employer benefits from the employee’s work and does not have to pay for the employee’s mistakes. In copyright law, however, finding the hired person to be an employee only benefits the employer without imposing any correlating duties upon him. The other two justifications, spreading the loss and minimizing damages, are not relevant to copyright law either.

And what about the issue of control, which is a repeated element in the Restatement? Although the issue of control is very important to both copyright and tort law, the types of control which are important differ in each context. The Restatement and CCNV emphasize control involved in determining whether the hiring or hired party is in a better position to prevent damage or to minimize loss. This is not necessarily the type of control important for copyright purposes. Under copyright law, one of the prevailing factors should be artistic control because artistic control indicates the relative creative input of each party. But, the list of parameters enumerated in the Restatement barely includes artistic control. This is true, especially, in the modern world, where technology has taken a giant leap in influencing the patterns of employment.

C. Using the Same Test in Different Areas of Law

Using a uniform test for deciding the status of the hired person yields an erroneous outcome. It does not allow the court to

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176 One can make the argument that it is only reasonable for the employer to receive the benefit because he is paying the employee’s salary. In other words, that is the risk allocation the parties have chosen. This, however, is a different argument that will be discussed later on.

177 This can be deduced from the description of the type of control needed as explained in the introductory note to topic 2 of chapter 7. “Because the servant is an internal element of the establishment, it is normal for the head of the enterprise to control his physical acts and also the time when he is to act for the enterprise. Primarily, the servant sells his personal services, submitting to control as to his physical activities and the use of his time,” RESTATEMENT (SECOND) OF AGENCY (1958).

178 There are court decisions that suggest that even the artistic control factor is not decisive. See, e.g., Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc., 380 F.3d 624, 640-41 (2d Cir. 2004) (“There is no need for the employer to be the precipitating force behind each work created by a salaried employee, acting within the scope of her regular employment. Many talented people, whether creative artists or leaders of major corporations, are expected by their employers to produce the sort of work for which they were hired, without any need for the employer to suggest any particular project.”).
fine tune the test to fit different areas of law and ignores the goals each area is designated to achieve and the values it tends to promote. Consider the following scenario: I ask someone to build a statue on my property. She has the artistic control over the work and decides how much and when to work. I, on the other hand, am responsible for the safety of the project (I have the right to supervise her work in terms of safety norms, such as the use of fences, helmets, etc.) During the course of the work a piece of the statue falls on the head of a visitor to my property. He demands compensation. At the same time I want to make a derivative work of the statue and the artist refuses. I want the court to declare I am the owner of the copyrights in the statue. Is there a justification to decide both issues together, based on the same test? Some judges seem to think so, finding that a good outcome would result and that the same test would promote justice among the involved parties.\textsuperscript{179}

With all due respect, I disagree. I think the different rationales behind each area of law deserve different approaches. Some of the deciding factors may coexist but only if a thorough examination of the subject matter suggests that they should be taken into account, not just for the sake of simplifying matters or as a mere coincidence.

Adopting the Agency test creates the problem of “multi-feedbacks.” By “multi-feedbacks,” I mean effects which are the byproducts of applying same or similar definitions to different areas of law. Since the agency test is prevalent in many areas,\textsuperscript{180} its interpretation in any of those areas of law influences its interpretation within copyright law and vice versa.\textsuperscript{181} The problem is that the implementation of the agency test in different areas of law might, and usually does, result in different outcomes in terms of promoting the interests of the involved parties and the inherent goals we strive to achieve. As I mentioned above, an interpretation

\textsuperscript{179} See, e.g., Easter Seal Soc’y for Crippled Children & Adults, Inc. v. Playboy Enterps., 815 F.2d 323, 335 (5th Cir. 1987) (“[A]dopting an agency law definition of copyright ‘employment’ creates a certain moral symmetry: a buyer is a statutory ‘author’ if and only if he is responsible for the negligent acts of the seller. For example, a buyer will only be the ‘author’ of a writing if he would be liable under respondeat superior in a defamation action based on that writing.”).

\textsuperscript{180} For instance, torts, labor law, copyright law, social security, tax law, etc.

\textsuperscript{181} Some courts are aware of the problem and have tried to minimize it by “changing” the test. See, e.g., Eisenberg v. Advance Relocation & Storage, 237 F.3d 111, 115-16 (2d Cir. 2000) (“[The] Aymes [decision] does indeed emphasize the presumptive significance of five of the Reid factors, including those related to benefits and tax treatment. However, we have never applied this weighing of the Reid factors outside of the copyright context, and we decline to do so here because of an important difference between the work-for-hire doctrine and anti-discrimination law.”).
that would promote the interests of an employee in one area of law might be very much against her interests in a different area. For example, a determination using the same agency law test that an individual is a private contractor, not an employee, might entitle her with the right to copyrights, but simultaneously expose her to tort liability.

“Multi-feedbacks” related to the agency test not only arise across different areas of law, but they also arise within one area of law, though to a lesser extent. In copyright law, for example, multi-feedback occurs in disputes with third parties. Consider a case in which either the employer or employee brings a claim of infringement against a third party. The third party defends himself by arguing that the suing party is not the legal author and does not own the rights in the work. In such a case the court must balance between the third party’s rights and the rights of the employer/employee. The tendency of the courts in such cases is often to protect the work, deeming whoever is the plaintiff in the suit to be the legal author. This decision, however, may later affect the respective rights of the parties in the same or other cases when the employer or the employee are suing each other for copyright ownership.

Some courts were aware of this problem before CCNV and wanted to avoid this unified test. A good example can be found in Dumas, where the court stated:

182 See, for example, how the court applies the CCNV factors in Langman Fabrics v. Graff Californiawear, 160 F.3d 106 (2d Cir. 1998). Also notice the way the court in Easter Seal Society analyzed the Aldon Accessories v. Spiegel, Inc., 738 F.2d 548 (2d Cir. 1984), decision with regard to its interpretation of the work made for hire doctrine:

The “work for hire” issue in Aldon Accessories arose as a defensive tactic adopted by a third-party infringer to dispute the validity of the plaintiff’s copyright. This posture makes the “literal” reading of the 1976 Act particularly unattractive, because it is the infringer and not the independent contractor who will benefit from a ruling that the work was not made “for hire.” In other words, the Aldon Accessories court may have been driven to create the narrow “actual control” exception to the general rule that independent contractors hold the copyright under the 1976 Act by the fact that on appeal the defendant more or less conceded infringement but tried to escape liability on “work for hire” grounds. What the court did not appear to bear in mind is that any buyer satisfying a seriously enforced “actual control” test will ordinarily be a co-author of the work, entitled to bring and win an action for infringement against a third party.

815 F.2d at 333.
[T]he Restatement of Agency [does not] provide a “good fit” in the copyright context. While broad, generalized definitions of terms such as “employee” may be desirable in common law situations or statutory schemes applying to a wide variety of situations, often unforeseeable, it must be remembered that the Copyright Act applies to a relatively narrow class of persons and situations. The drafters recognized this and intended the definition to be tailored to the realities of the copyright marketplace. Agency law principles, because they apply so broadly, do not provide the clarity required by the Act.\textsuperscript{183}

Other courts not only observed the difference between various areas of law but went even further, saying that the unified concept of the agency test is only an illusion. One such decision was given by the Supreme Court itself, which said:

The argument assumes that there is some simple, uniform and easily applicable test which the courts have used, in dealing with such problems, to determine whether persons doing work for others fall in one class or the other. Unfortunately this is not true. Only by a long and tortuous history was the simple formulation worked out which has been stated most frequently as “the test” for deciding whether one who hires another is responsible in tort for his wrongdoing. But this formula has been by no means exclusively controlling in the solution of other problems. And its simplicity has been illusory because it is more largely simplicity of formulation than of application. Few problems in the law have given greater variety of application and conflict in results than the cases arising in the borderland between what is clearly an employer-employee relationship and what is clearly one of independent, entrepreneurial dealing. This is true within the limited field of determining vicarious liability in tort. It becomes more so when the field is expanded to include all of the possible applications of the distinction.\textsuperscript{184}

\textsuperscript{183} 865 F.2d 1093, 1103 (9th Cir. 1989) (emphasis added).

\textsuperscript{184} NLRB v. Hearst Publ’ns, Inc., 322 U.S. 111, 120-21 (1944). \textit{Hearst} is only one example out of many in which the Supreme Court and other courts have
The court in this case was referring to the implementation of the test with regard to the status of the hired person in the context of the National Labor Relations Act, but the argument has equal strength in the context of copyright law.

It is true that some of the above mentioned decisions were overruled by Congress by way of changing the definitions in the statutes. This, however, is not necessarily a bad outcome. If the legislature changes the law it is compelled to think about the various interests involved in the particular area of the law it is dealing with, so the final definition might better reflect the inner balance of a given area of law. The amendments, if made, might also make the law clearer and easier to apply.

The court’s interpretation of a hired party’s status *ex post* is only one aspect of the problem. The agency test also causes problems in earlier stages. Knowing the legal rule *ex ante*, the parties are confronted with a binary choice (at least as a default rule) in deciding on the hired party’s status: either to deem the

expressly made their opinion that different tests should be used. See, e.g., United States v. Silk, 331 U.S. 704 (1947). *Hearst* deals with the Social Security Act, and the *Silk* Court, dealing with the status of the hired person, said:

As the federal social security legislation is an attack on recognized evils in our national economy, a constricted interpretation of the phrasing by the courts would not comport with its purpose. . . . The word “employee,” we said, was not there used as a word of art, and its content in its context was a federal problem to be construed “in the light of the mischief to be corrected and the end to be attained.”


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185 See, e.g., Nationwide Mut. Ins. Co. v. Darden, 503 U.S. 318 (1992); *Hearst*, 322 U.S. 704(1944). As the Court explains in *NLRB v. United Insurance Co.*, after the *Hearst* decision, Congress had passed an amendment specifically excluding individuals with the status of independent contractors from the definition of employee contained in the National Labor Relations Act. “The obvious purpose of this amendment was to have the Board and the courts apply general agency principles in distinguishing between employees and independent contractors under the Act.” 390 U.S. 254, 256 (1968).

186 Some of the cases that were overruled put heavy pressure on the legislature to amend the vague definitions of the laws or to come up with definitions when the laws lacked any. As a consequence, some of the amendments, especially in the area of labor law, extended the breadth of the statute to include more workers as employees, which in the labor law context seems like a good outcome.

187 Strong interest groups can put a great pressure on the Legislature to change the laws in their favor and therefore distort the “right” outcome. Some view the DMCA as a good example. See, e.g., Christina Bohannan, *Reclaiming Copyright*, 23 CARDOZO ARTS & ENT LJ 567 (2006); Glynn S. Lunney, Jr., *The Death of Copyright: Digital Technology, Private Copying, And The Digital Millennium Copyright Act*, 87 VA. L. REV. 813, 897-98 (2001).
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hired party an employee or an independent contractor. Each side will assess the benefits of the portfolio and then decide what the best outcome is. From the involved parties perspective that might not be an optimal result because they may have been better off if they decided the status according to their different interests in the different fields of law. And indeed, in many areas of law the parties can change the outcome of the default rule by contracting around it. This leads us to the next question: Does the “work made for hire” test really matter if the parties can contract around it?

D. Why the Test Matters – the Option of Contracting Around

Section 201(b), which entitles the employer with the copyright in cases of a work made for hire, explicitly enables the parties to contract around it by deciding in writing who will be the right’s owner. Thus, one can argue that this mechanism downplays the role of the work made for hire rule and its outcomes. According to this argument, the initial assignment of rights to the parties is relatively unimportant because the parties can contract around the assigned rights. The parties can change the initial entitlement as they wish and adapt the contractual price to reflect expected gains and outcomes. Moreover, one could argue that, given the option of private ordering, the court might feel less obligated to provide consistent interpretation of the work made for hire rule because cautious parties can set their own arrangement. If the parties choose not to do so it is their fault. And, indeed, the District Court opinion in CCNV stated:

Reid could have bargained with CCNV for the copyright but did not do so. Consequently he will have to content himself with the considerable acclaim the statue has and will receive, and the public’s recognition of him as the talented artist who executed it. But in the absence of a writing to the contrary, the law leaves no doubt that ‘Third World America’ is a work made for hire, and

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188 One can think of areas such as contract law, family law and corporate law etc. However, one can also find examples in the law of torts, labor law, etc.

189 This may be why the Supreme Court in CCNV endorsed the argument that Congress’s paramount goal in revising the Copyright Act was to enhance predictability and certainty of copyright ownership. 490 U.S. 730, 749-50 (1989).
CCNV the exclusive owner of the copyright therein.\(^{190}\)

As we all know, this outcome was overruled by the Supreme Court.

The above mentioned arguments about the initial assignment of rights are part of a bigger debate on the importance of default rules. In the last decade many scholars have resented this belittling approach, arguing that the default rules make a big difference and that therefore legislators should pay close attention on how to set them.\(^{191}\) Elaboration on this issue is beyond the scope of this article. However, I do want to highlight some of the relevant points in the context of copyright law:

First, this notion, that the parties can contract around and adjust the contractual price, is based on the assumption of predictable outcomes. The less predictable the outcome, the more difficulties the parties will have in adjusting their contract.\(^{192}\) Given the work made for hire test and its interpretation by the court, the specific outcome in many cases is very hard to predict and, therefore, the parties have a hard time in negotiating the final resolution of rights.

Second, indeed, in a world without transaction costs the parties can achieve the best outcome by private ordering. However, in the real world, oftentimes the parties will not be able to contract around the default rule for several reasons, among which are the costs of contracting. The costs of contracting might be any cost that the parties incur in the process of making a contract that differs from the default rules. This includes not only the more quantifiable costs such as drafting the contract, legal fees, printing fees, but also the less quantifiable costs of learning about the


\(^{192}\) Each one of the parties will not be able to assess the outcome. This would add uncertainty, which in turn adds to the transaction costs of contracting around default rules. See, e.g., STEVEN SHAVER, *FOUNDATIONS OF ECONOMIC ANALYSIS OF LAW* 103-09 (2004).
possibilities and about the benefits of changing the default rules. The higher these costs, the less likely that the parties will bother to contract around the default rules. 193 Thus, for example, a new employee might not be aware that she has the option to contract around the default rule of ownership or not accurately assess the real benefits from such a contract and therefore avoid this option altogether. 194 The more the transaction costs involved, the more likely the parties will stick with a default that does not reflect their best choice. 195 Moreover, even if the parties actually pursue their right to contract around the default rule, the costs of doing so are a social waste, which society would like to minimize.

Other scholars emphasize other reasons why parties are not able to overcome default rules. One can broadly characterize these reasons as different types of transaction costs that prevent the parties from achieving the best assignment of rights. For example, Korobkin emphasizes the importance of the default assignment of rights through the application of the “endowment effect.” 196 He concludes that the reluctance of people to give up physical items that they receive is similar to the reluctance of people to forgo default rules that endow them with rights. 197 In legal rules as in chattels people are cognitively disposed to prefer default rules irrespective of their content. Therefore, the default assignment of rights might hold ex post even if the parties, ex ante, would opt for a different contract. 198 Lisa Bernstein, on the other hand, explains the importance of the default rules through the social costs of deviation. 199 Altering the default rule might involve social costs of deviation from the prevalent norm. These costs can vary in different scenarios (e.g. different industries, repeated versus non-repeated games) but they are likely to impose a heavy weight on

193 Id.

194 In this example the lack of information, mainly on the employee’s part, translates to high transaction costs. Many employees are not fully aware of their options, and even those who are aware of the legal consequences of their contract may still have difficulties assessing the real value of contracting around the default rule.

195 Ayres & Gertner, supra note 191. By “best choice,” I mean what the parties would have contracted for had they have the chance to plan the transaction without constraints.

196 Korobkin, supra note 191. See also Kahneman, supra note 191; Thaler, supra note 191, at 44.

197 See Korobkin, supra note 191, at 1626-27.

198 Id.

199 Bernstein, supra note 191, at 71-72.
the parties not to change the defaults. The higher the social costs, the lower the incentive to deviate from the default rule. Thus, an employee who wants to change the default rule has to rationalize the different contract she insists on. By doing so, the employee might give the wrong impression about herself and her character and therefore might forgo this option altogether. For example, an employee might be willing to accept a lower salary in exchange for copyrights in her works. The employer might also prefer such a compromise. But, due to the social costs and the signaling effect of drafting a different term, the employee will be deterred from communicating her will and therefore the assignment of rights will not be optimal.

Ben-Shahar provides yet another explanation for the stickiness of the default rules. He bases his explanation on the fear of the unknown. Ben-Shahar proposes that if, as he believes, the default rules are stickier than previous analysis suggests, then policymakers should place more emphasis on setting accurate defaults because the departure costs might be higher than previously thought.

And indeed, if this is the case in the consideration of work made for hire, legislators and courts should pay close attention to the initial assignment of rights. The default rule should mimic the will of the majority of the involved parties so that, in most situations, the parties do not have to settle for inferior agreements dictated by the default rule. Then, only a limited number of parties would have to incur the costs of creating an alternative agreement to the default rule.

However, things might turn out to be more complicated. For example, a different paradigm for explaining the importance of the default rule is the theory of “penalty defaults.” The idea behind this paradigm is that the default rule serves as an information harnessing mechanism. Under this theory, the penalty default mechanism gives at least one party to the contract an incentive to contract around the default rule. The advocates of the Penalty Defaults theory suggest that forcing the parties to contract around

\[200\] Id.
\[201\] Id.
\[202\] Id.
\[203\] Ben-Shahar & Pottow, supra note 191, at 669.
\[204\] Id.
\[206\] Ayres & Gertner, supra note 191.
the default is often desirable. By contracting around the default rule, the parties have to reveal information to the less informed party or to third parties. Thus, the Penalty Default rule paradigm entitles the less informed party with the right, so that, in order to avoid the inferior contract, the counter party will have to reveal information about the transaction. This paradigm, like the paradigms previously mentioned, emphasizes the role of courts and legislators in the initial assignment of rights but does so for a different reason. Under the Penalty Default theory, the assignment of rights should not mimic the will of the majority of the involved parties but should lead to the revelation of hidden information. Applying this rationale in the context of copyright law will lead to a narrower interpretation of the term “employee” and “scope of the employment.” Vesting the right, by default, with the less informed party, usually the agent, will lead the employer to try to contract around the default rule, and as a consequence, to provide the employee with more information.

Third, the default rules are not only relevant in terms of incentives but also in terms of distribution of wealth. If one of the parties gets the right and the other buys the right from her it is true that the copyright final entitlement ends up in the hands of the party who values it most. The party, however, who gets the initial entitlement is in a better position because she gets remunerated for selling her rights.

Fourth, up to this point, the analysis of the “work made for hire” test assumed that the parties can set their own agreement. This assumption, however, does not follow from the language of the Copyright Act. According to § 201, the parties can only decide who will be the copyright’s owner. They cannot change the actual status of the work. As the court mentioned in CCNV, classifying a work as ‘made for hire’ determines not only the issue of initial ownership, but also other issues such as the copyright duration, the owner’s renewal rights, termination rights, and the right to import certain goods bearing the copyright.

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207 Id. at 91.
208 Id. at 97.
209 CCNV, 490 U.S. 730, 737 (citing MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.03(A), at 5-10 (1988)).
210 “Designating a work as ‘made for hire’ irretrievably takes away more than just the artist’s copyright; it also deprives him or her of the opportunity to renegotiate the transfer after the market value of the work has been more precisely determined.” Dumas v. Gommerman, 865 F.2d 1093, 1098 (9th Cir. 1989).
The question then arises: why limit the parties’ power to shape the general status of the work? The common justification for such limitation is either paternalistic or in the interest of third parties. The paternalistic justification rationalizes the limitation by protecting one of the parties to the contract – the party least able to protect her interests. On its face, it seems that the paternalistic justification is highly relevant to the context of employer-employee. The employer can take advantage of the employee, who is less knowledgeable and powerful than the employer and therefore, arguably, the employee should be protected. However, further inquiry demonstrates that this justification is not decisive in the context of works made for hire. First, the most important economic aspect – rights ownership - does not fall under the legal limitation. The parties can resolve the issue of who gets ownership as they wish, so long as they comply with the formal requirements. Second, if the work is considered to be a work made for hire, the default rule favors the employer - the strong party. Absent an agreement to the contrary, the employer gets the rights. Third, in this context the employee is not necessarily weaker than the employer. It is true that when a new employee is hired, she will often be in an inferior position to the employer. However, the employee can renegotiate her rights later down the road before she creates a new work, asking to get ownership in it. If not, she might reserve the right not to create it. This renegotiation will take place when the employee is already employed, and when the employee has more information about her status and the benefits she can derive from the work. Thus, it seems that concern for the parties themselves - the employer and the creator of the work - is not an adequate reason to limit their power to control the status of the work.

The main concern, therefore, shifts to the interest of third parties. As discussed, the test the court uses to define whether the work is made for hire is adopted from the area of tort law. In this area both legislators and courts are highly concerned with the rights and interests of injured third parties. The law does not allow (strict and cogent terms under tort law) would-be injurers to assign

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211 It seems that some courts are aware of this issue in the context of copyrights. However, these courts emphasize the right to renegotiation under the termination of rights proviso as a benefit for the author, provided by law. As the court in *Dumas* articulated, “[i]t can fairly be assumed that the buyer will virtually always be able to contract for ownership of the copyright; what the statute essentially protects is the artist’s right to renegotiate the transfer at a later date under § 203(a).” *Id.* at 1101.

212 A counter argument would maintain that the test adopted by the court for the definition of work made for hire decides the status of the work. If it is not a work made for hire, the default rule favors the employee.
liability among themselves because chances are that such an assignment would work for the detriment of the third party. Thus, if one of the parties is the “shallow pocket” – say he is about to go bankrupt — the parties will have a strong incentive to contractually assign him the liability, because he will not be able to pay anyway.

In copyright law the risk of derogation of the rights of third parties is not as high as in torts, but the legislator still takes it into account due to the Constitution's mandate.\(^\text{213}\) Thus, works made for hire have a different copyright duration, a different owner’s renewal rights, different termination rights, etc. The outcome therefore is that the parties themselves can contract around the default rule with regard to the issue of ownership but they cannot change the status of the work as ‘made for hire’ because of its effect on third parties.

Given all of the above, it is clear that the test matters. If this is the case, it is better to reshape the default rule so that it reflects the interests of the involved parties and third parties, based on the goals of copyright law.\(^\text{214}\) This leads us to the next question: what kind of test should the court apply?

IV. IN SEARCH OF THE RIGHT TEST

A. Shaping the Test to Reflect the Basic Elements of Copyright Law

The guiding principle for copyright law is “[t]o promote the Progress of Science and the useful Arts, by securing . . . to Authors . . . the exclusive Right to their respective Writings.”\(^\text{215}\) These are the instructions to both legislatures and courts on how to enact and interpret copyright protection.\(^\text{216}\) And indeed, the overwhelming precedent in copyright law reflects this underlying theme in courts’ decisions.\(^\text{217}\) For example, when courts decide who the author of a

\(^\text{213}\) See discussion infra Part V.

\(^\text{214}\) This does not mean that the employee should get all the rights to her work all of the time or even most of the time. It only suggests that in order to best allocate rights, courts should take into account the relevant factors from the relevant field of law.

\(^\text{215}\) U.S. CONST. art. I, § 8, cl. 8.

\(^\text{216}\) See, e.g., Luck’s Music Library, Inc. v. Gonzales, 407 F.3d 1262 (D.C. Cir. 2005) (“[T]he Clause contains both a grant of power and certain limitations upon the exercise of that power.” (internal citations and quotation marks omitted)).

\(^\text{217}\) For example, in Baker v. Selden, the Court noted that to extend copyright protection to ideas, which were not meant to be protected by copyright law, is to commit a “fraud upon the public,” 101 U.S. 99, 102 (1880). Similar arguments were made in Feist, where the Court again stated that “[t]he primary objective of copyright is not to reward the labor of authors, but ‘to promote the Progress of
joint work is, they emphasize elements from within the realm of copyright law such as artistic control and contribution of copyrightable material.\textsuperscript{218}

It seems that in the U.S. legal system almost everyone agrees that Clause 8 authorizes the granting of a temporary monopoly in original works in order to motivate authors and inventors to create while ensuring the public’s free access to the work when the monopoly expires.\textsuperscript{219} The economic justification behind the clause is that encouraging the author’s and inventor’s individual effort by ensuring personal gain provides the best way to advance public welfare through the accumulation of “Science and useful Arts.”\textsuperscript{220} Even \textit{Eldred v. Ashcroft},\textsuperscript{221} a decision highly criticized for legitimizing Congress’s extension of the copyright protection term, uses the incentive scheme as part of its underlying rationale. The majority in that case took the view that extending copyright protection provides a greater incentive for American and other authors to create and disseminate their work in the United States.\textsuperscript{222} To support the opinion, the Supreme Court also cited testimony made to Congress that the extension could provide additional income which would finance the production and

\textsuperscript{218} See, e.g., \textit{Childress v. Taylor}, 945 F.2d 500, 507 (2d Cir. 1991) (“It seems more consistent with the spirit of copyright law to oblige all joint authors to make copyrightable contributions, leaving those with non-copyrightable contributions to protect their rights through contract.”); \textit{BTE v. Bonnecaze}, 43 F. Supp. 2d 619 (E.D. La. 1999).


\textsuperscript{220} See, e.g., \textit{N.Y. Times Co. v. Tasini}, 533 U.S. 483 (2001) (“Congress’ adjustment of the author/publisher balance is a permissible expression of the economic philosophy behind the [Copyright Clause]. \textit{i.e.}, the conviction that encouragement of individual effort [motivated] by personal gain is the best way to advance public welfare.” (internal quotation marks omitted)); \textit{Mazer v. Stein}, 347 U.S. 201, 219 (1954).

\textsuperscript{221} 537 U.S. 186 (2003).

\textsuperscript{222} Id. at 206.
distribution of new works. The public benefits not only from an author’s original work but also from the authors’ further creations. In this respect the minority agreed:

[W]e should take the following as well established: that copyright statutes must serve public, not private, ends; that they must seek “to promote the Progress” of knowledge and learning; and that they must do so both by creating incentives for authors to produce and by removing the related restrictions on dissemination after expiration of a copyright’s “limited Time.”

The work made for hire doctrine uses a test derived from an unrelated area of law and fails to even attempt to use that test to accommodate copyright consideration. If the goal is to maximize the creation of useful arts, how did courts end up with this “work made for hire” doctrine? It seems that part of the

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223 One can argue that the *Eldred* majority only paid lip service to the economic rationale, but, at least the, the Justices felt compelled to rationalize their decision using economic tools.

224 The majority referred to the example of Noah Webster, who supported his entire family from the earnings on his speller and grammar during the twenty years he took to complete his dictionary. *Id.* at 199.

225 *Id.* at 260 (Breyer, J., dissenting) (emphasis added). The minority opinion emphasizes this issue again later:

The Clause assumes an initial grant of monopoly, designed primarily to encourage creation, followed by termination of the monopoly grant in order to promote dissemination of already-created works. It assumes that it is the disappearance of the monopoly grant, not its perpetuation, that will, on balance, promote the dissemination of works already in existence.

226 It is possible that the “work made for hire” doctrine, taken from agency law, could bring about an outcome similar to a test based on copyright considerations. But even if these parameters reflect both tortious and copyright interests, one has to implement them according to the goals each law must achieve. The court’s practice is to implement these factors *without* taking those into consideration (or at least not specifically) and therefore does not reflect (or only coincidentally reflects) the goals copyright law strives to achieve.

227 This is even more puzzling given the fact that courts are aware of the inherent ambiguity in the work made for hire doctrine as stated in the law. See, e.g., *Easter Seal Soc.*, for Crippled Children & Adults, Inc. v. *Playboy Enters.*, 815 F.2d 323, 328-29 (5th Cir. 1987) (“‘Employee,’ for example, can mean either a formal employee, *i.e.*, a person on a payroll designated an ‘employee’ by the parties to the hiring contract, it can mean an agency-law ‘employee,’ *i.e.*, a
answer is that the U.S. Supreme Court took this path after Congress overruled some of its context-based “employee” and “scope of the employment” decisions. This, however, does not mean that context-based interpretation will be overruled with regard to copyright law in the future. Given that the Supreme Court’s goal of achieving uniformity by using a “one size fits all test” has not been achieved, I believe that a more context-based application of the “work made for hire” doctrine is warranted.

There are several ways to bring the “work made for hire doctrine” back on track. The best solution would be to re-shape the doctrine in the Copyright Act itself, without any of today’s black letter legal restrictions, based on the relevant incentives scheme of copyright law. Such a revision would not rely on the employee-contractor dichotomy at all, and instead ask who is the one best to incentivize. However, given the fact that only the legislature can amend the statute, it will likely be left to the courts to provide a second best solution, reshaping the “work made for hire” doctrine, within its legal confines, so that it would better fit the objectives of copyright law. The way to do this is to re-define the status of “employee” and the term “scope of the employment” based on the copyright incentives scheme. Here, again, two lines of interpretation are available – the first, and the more dramatic one, is to depart from the agency test altogether, shaping a context sensitive definition of these terms. The courts could interpret the terms employee and scope of the employment outside of the agency time-honored restrictions, instead interpreting “employee”

’servant’ subject to the employer’s right to control the manner of performance, or a copyright ‘employee,’ i.e., a seller of services (whether a formal or agency employee or not) who loses his claim of authorship under ‘work for hire’ analysis. ‘Employer’ and ‘independent contractor’ are ambiguous in correlative ways.”)

228 See supra note 185.

229 See, e.g., Alexandra Duran, Comment, Community for Creative Non-Violence v. Reid: the Supreme Court Reduces Predictability by Attributing an Agency Standard to the Work for Hire Doctrine of the 1976 Copyright Act, 56 BROOK. L. REV. 1081, 1083-84 (1990) (“[T]he Court’s reliance on the general common law of agency created a baffling and complex factfinding problem for those lay individuals who must predict their employment status to survive professionally. Agency law, with its myriad factors, is more complex to apply than the standards the Court put aside and its application will result in greater uncertainty and inevitable litigation.”); Jon L. Roberts, Work Made for Hire: the Fiction, the Reality and the Impact upon Software Development, 1 HARV. J.L. & TECH. 97, 122 (1988) (“The[] diverse standards create uncertainty for both the commissioning party, which expects to own the copyright in the work, and for the software developer, who does not expect to surrender these rights.”); Spadt, supra note 92, at 202 (1997) (“There is . . . uncertainty in applying agency law principles to the facts of individual cases.”).
and “scope of the employment” in a manner that achieves copyright goals. If society wants to incentivize the hired person (and assuming no access problems) it would treat her as an independent contractor and if society wants to incentivize the hiring party, it will treat the hired party as an employee. In this manner, courts could decide the matter on its merits, based on a unique interpretation of the terms “employee” and “scope of the employment” developed especially for copyright law. In doing so, courts wouldn’t have to borrow factors from other areas of law and explain why they fit the realm of copyright law. Some such factors clearly do not fit, while others do. But without these restraints and with a tailor made interpretation, courts can reach better decisions.

Given the CCNV decision, however, such a route may be too radical for courts to take. A second option is to continue to use the parameters of the agency test, but to saturate them with as many elements as possible from the common copyright dialogue. This would not only change the weight of the elements and make some of them more important than others, but also provide courts with guidelines on how to rule in cases such as those discussed above.

B. Parameters Courts Should Consider When Deciding Whether a Given Work is a Work Made for Hire

No matter which of the above paths the courts, or legislature, would choose to take to bring the “work made for hire” doctrine back on track, the doctrine should be reshaped with the same criteria in mind- criteria based on the motivations of copyright law. I suggest the following as factors to be considered in any new test for the “work made for hire” doctrine.

1. Incentives

   The courts’ first concern should be how the assignment of rights will affect future parties’ incentives to create new works.

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230 Of course, such a drastic reinterpretation of the term “employee” would need to be sanctioned by the Supreme Court, in a reversal of CCNV. However, since the Court did not officially declare that the agency definition of “scope of employment” was the proper definition to apply, courts could choose to define this term more liberally, with the motivations of copyright law in mind.

231 By adding more factors, courts can dilute the weight of each individual factor.

232 This approach is not foreign to the courts. In Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc., the court was willing to accept this idea, but reserved its adoption for Congress. As Judge Newman stated:
In the employment context, the answer to that might not be simple, but focusing on this issue will help the courts to reach the right outcome, providing a background against which the judgment will be made. This question should be asked from an ex-ante perspective: entitling whom with what rights will maximize creativity and enhance the creation of future works? The answer to this question is both fact sensitive and industry sensitive. To decide it, courts should also consider whether the involved parties have other incentives to create new works and the extent to which the added incentives resulting from the entitlement make them more productive.\textsuperscript{233}

In academia, for example, the question is whether copyright in an article written by a professor belongs to her or to the University. It seems that according to the black letter law and its interpretation by the CCNV court, professors are employees and the work is made within the scope of their employment. Therefore, without a written contract to the contrary, the university is entitled to the rights. However, as I mentioned above, this issue is highly debatable and many believe that an academic article, written by an academic professor, is entitled to an exception from the general rule. The argument for the professors is that giving the university the rights negatively affects the productivity of professors.\textsuperscript{234} If this is indeed the case, there is a real reason for the exception.

380 F.3d 624, 640 (2d Cir. 2004).

\textsuperscript{233} If the employee has other incentives, then ruling against her will not significantly affect her incentives scheme. This does not mean that courts should not assign her the right, but only that this element will be considered against her. The final decision should, of course, be based on other relevant factors as well.

\textsuperscript{234} See, e.g., Todd A. Borow, \textit{Copyright Ownership of Scholarly Works Created by University Faculty and Posted on School-Provided Web Pages}, 7 U. MIAMI BUS. L. REV. 149, 150 (1998) (“In the case of a university professor, copyright protection offers the professor an incentive to produce new scholarly works. Society then gains from the introduction of the new works.”); Rochelle Cooper Dreyfuss, \textit{The Creative Employee and the Copyright Act of 1976}, 54 U. CHI. L. REV. 590, 612 (1987) (“If universities assert their statutory right to copyright only in certain circumstances, faculty members will be likely to choose not to work on the type of projects in which their universities are likely to claim an interest, regardless of whether those projects are the ones that optimize the use of their talents.”); Roberta Rosenthal Kwall, \textit{Copyright Issues in Online Courses: Ownership, Authorship and Conflict}, 18 SANTA CLARA COMPUTER &
My argument is, however, that in such a case there should be no need for an exception because we should always decide work made for hire based, among other things, on incentives to create. The question then should be which initial entitlement will maximize the incentives to create new works. Indeed, one can argue that professors do not need extra incentives to write articles because they have other incentives. According to this argument, the slogan “publish or perish” has real bite in academia because professors who don’t publish don’t make tenure. However, once the professors make tenure their incentive to write weakens, and then, economic or other incentives to write books or articles might motivate them to create more new works. Therefore, incentive-wise there is a stronger justification for entitling professors with the initial right after they make tenure. 235

In this context the government example of copyrighted works is also interesting. The U.S. government is not entitled to copyright ownership upon creation. Instead, the U.S. government can only get copyright by assignment. 236 Therefore, if someone considered to be a U.S. government employee creates a work within the scope of her employment, neither the employee nor the employer directly benefits from the work because the work has no copyright protection. On the other hand, if the work is found not to be made for hire, the agent has a bigger incentive to create due to the fact that she has copyright in the work. 237 She can later assign

235 An interesting argument can be made with regard to the type of the produced works and their quality. Entitling the university with copyrights might change the types of works that would be produced and might lower their quality. As for the types of works, professors, knowing that the university will have ownership in some works, may divert their time and efforts to other projects in which they internalize more benefits. As for the quality of the works, external economic pressure by the university might affect the prerogative of the author not to begin a work or let idea gestate for a couple of years at the conceptualization phase. “These fallow periods may serve as opportunities to store experiences and to engage in a form of undirected research, and thus may lead to more creative work than would have developed had the creator been forced to produce on an externally imposed, accelerated schedule.” Dreyfuss, supra note 234, at 613.


237 This might explain the court decision in Roeslin, in which the hiring party was the government.
the right to the government and get remunerated for it.\textsuperscript{238} Therefore, at least with regard to the incentives scheme, the application of the work made for hire factors can be more lax. The hired person gains incentives, while the government does not lose incentives.\textsuperscript{239}

The status of a “work made for hire” also has implications on issues of moral rights, since a work made for hire is not entitled to moral rights under Visual Artists Rights Act (“VARA”).\textsuperscript{240} If a work is considered to be a work made for hire, then, under copyright law there is no right of attribution.\textsuperscript{241} There is also no right to prevent modification of a work which would be prejudicial to author’s honor or reputation. This might reduce the artistic incentives to create such a work to begin with. In other words, finding the work to be a work made for hire reduces the scope of copyright protection. At the same time, finding a work not to be a work made for hire may have a huge impact in some problematic cases. \textit{Carter v. Helmsley-Spear, Inc.}\textsuperscript{242} can serve as a good example. In this case, the district court’s decision finding for the

\textsuperscript{238} The question whether it is a good idea for the government to own copyright in governmental works, or whether it is better that such a work be entitled to no protection, is an interesting question but beyond the scope of this article. See Irina Y. Dmitrieva, \textit{State Ownership of Copyrights in Primary Law Materials}, 23 \textit{HASTINGS COMM. \& ENT. L.J.} 81 (2000); Shubha Ghosh, \textit{Deprivatizing Copyright}, 54 \textit{CASE W. RES. L. REV.} 387 (2003); Samuel E. Trosow, \textit{Copyright Protection for Federally Funded Research: Necessary Incentive or Double Subsidy?}, 22 \textit{CARDOZO ARTS \& ENT L.J.} 613 (2004).

\textsuperscript{239} Of course, one can argue that the basic purpose of not entitling the government with copyright was to allow free access to governmental work and that the suggested interpretation weakens this end. However, there are many examples where countries and governmental agencies do have ownership upon the creation of copyrighted work, including Australia, Canada and the United Kingdom.


\textsuperscript{242} 71 F.3d 77 (2d Cir. 1995).
plaintiff that the work was not made for hire\textsuperscript{243} would have meant that a building’s management would not be able to renovate a lobby of the building or change it without the plaintiffs’ permission\textsuperscript{244}. The court’s role is to balance these factors one against the other.

2. Access

The second important element which courts should take into account, is maintaining public accessibility to a given work. This element has two aspects: public accessibility to the work after the copyright protection has expired and public accessibility while the work is still protected.

When considering accessibility to a work, two things should be taken into account: the length of the copyright protection term, and the ease with which the public can access the work. As for the first, works made for hire have a different length of protection. Deciding that a work is made for hire might therefore benefit third parties by granting the public “early access.”\textsuperscript{245} As for the ease of access to the work - this depends on the circumstances. If, for example, the chances are slim that the agent will print and maintain copies of her work but good that the employer will disseminate copies, the public would have easier access to the work if the rights are granted to the employer and the work is declared a work made for hire. It may therefore, be wise to distinguish between different kinds of works. For example, an agent might have a strong claim to the rights in a literary work because it can be easily posted online for the public to access.

Accessing the work after the copyright protection has expired, however, is only one aspect of accessibility. The other aspect is accessibility while the work is still protected. One issue is physical accessibility: will the agent, being granted the rights, put the work away in her drawer while the employer would have


\textsuperscript{244} In \textit{Carter} the three plaintiffs were professional sculptors who worked together. They entered into a one year contract with building management to build, among other things, a “walk through” sculpture in the lobby, occupying most of it. The building management had changed and when the new management wanted to remove the art the artists resisted arguing their work fell under the protection of VARA. \textit{Id.} at 312. While the district court granted a permanent injunction, which enjoined defendants from removing the work, \textit{id.} at 337, the appellate court reversed, deciding the “walk through” sculpture to be a work made for hire, and therefore not entitled to the protection of VARA. 71 F.3d at 87-88.

\textsuperscript{245} \textit{See supra} note 10.
printed thousands of copies of it? Another issue is whether one party would be easier to locate and contact when a member of the public asks for a license to use the work. It seems that the relative ability and motivation of the agent or the employer to disseminate the work should be taken into account in deciding which party gets the copyright.

Transaction costs are an additional aspect of the accessibility issue. How will the assignment of rights influence the transaction costs of obtaining a license to use the work? In this case, courts should take into account considerations similar to those considered when deciding the status of joint works. The fact that a work is a joint project of a few agents might tip the scale towards assigning the rights to the employer because this will reduce the transaction costs involved in dealing with several people. On the other hand, if the project as a whole is only made by one person the court should be less concerned about transaction costs. The academic article is a good example of the latter. The typical article or book is a one-scholar project or at the most, is written by a small number of authors and therefore poses no problem in this respect.

In some situations, the employer can still contract to obtain the work. However, there will certainly be situations in which transaction costs are too high for contracting to be possible. When this is the case, giving authorship to the employee can prevent dissemination of the work.

See, e.g., Gaiman v. McFarlane, 360 F.3d 644, 661-62 (7th Cir. 2004); Childress v. Taylor, 945 F.2d 500, 506-07 (2d Cir. 1991).

And indeed the second part of the work made for hire definition deals with a similar problem, only with regard to an enumerated number of categories. It is however important to notice that many factual scenarios will not be covered by the second category.

Often times a member of the public wants to get a license to the work in its entirety. Entitling the agents with individual rights in fragments of the work might expose the work to the tragedy of the anticommons. See, e.g., Michael A. Heller & Rebecca S. Eisenberg, Can Patents Deter Innovation? The Anticommons in Biomedical Research, 280 SCIL. 698 (1998); see generally Michael A. Heller, The Tragedy of the Anticommons: Property in the Transition from Marx to Markets, 111 HARV. L. REV. 621 (1998) (setting forth the theory of the anticommons).

Moreover, in the case of joint authors, entitling the university with the rights will not necessarily solve the problem because different professors might belong to different institutions. For example, in a joint article by Yale and Stanford professors, which institution gets the rights? Another interesting scenario is when the same professor works for different institutions, at the same or at different times (either different universities as in a case of a visiting professor or when she receives a grant). In the latter case finding for the employer again raises the question of which institution will have the rights – the institution in which the professor had started to work on the project, the institution in which she continued, the institution in which she finalized it or all of the above. Since
3. Derivative Works

Accessibility concerns not only the public but also the author herself. The analysis should also consider how the assignment of rights affects future works created by the same author. Courts should bear in mind the fact that if the work is deemed a work made for hire, the agent may encounter difficulties in creating similar works in the future,\(^\text{251}\) since these new works may be considered derivative works and deemed to infringe the employer’s copyrights.\(^\text{252}\)

The courts must not only consider which party can best make derivative works, but also how to prevent one party from hindering the creation of derivative works by the other. For example, when someone is hired to write a small part of a much bigger computer program, finding the work not to be a work made for hire may cause the employer difficulties when using this small program for the creation of the bigger program or new versions of it in the future. In order to do so, the employer would have to ask the author’s permission for each of these new uses.\(^\text{253}\) This, of professors are peripatetic in their nature finding for the employers will raise transaction costs because the same work, book or article, will have several owners instead of one.

\(^{251}\) Unlike in the United States, in the United Kingdom and other countries, the author is entitled to some privileges with regard to their future works. Section 64 of the Copyright, Designs and Patents Act 1988, titled “[m]aking of subsequent works by same artist,” provides that “[w]here the author of an artistic work is not the copyright owner, he does not infringe the copyright by copying the work in making another artistic work, provided he does not repeat or imitate the main design of the earlier work.” C. 48, pt. I, c. III, § 64.

\(^{252}\) It seems that while deciding issues of copyright protection in other contexts the court is aware of this problem and therefore takes the affect on future works by the same author into account. See, e.g., Warner Bros. Pictures, Inc. v. Columbia Broad. Sys., Inc., 216 F.2d 945 (9th Cir. 1954). In Warner Bros., the Ninth Circuit held that the literary character of Sam Spade was not copyrightable because it did not constitute “the story being told.” Id. at 950. The court opined that if “the character is only the chessman in the game of telling the story he is not within the area of the protection afforded by the copyright.” Id. However, the court’s decision may be explained by its concerns over future works made by the same author or new licensees. If the character is not protected on its own granting an exclusive license in a novel will not restrict the author from using the same characters in future novels, producing more incentives to create new works.

\(^{253}\) Cf. N.Y. Times Co. v. Tasini, 533 U.S. 483, 505-06 (2001) (considering ownership of copyrights to articles collected in larger database). Entitling the employer with a “shop right” could solve some aspects of the problem but unlike in the area of patent law a “shop right” provision did not find its way to the 1976 Act. See Dreyfuss, supra note 234, at 638 (“[Congress] could have enacted a ‘shop right’ doctrine similar to that used in patent law for works
course, is not an efficient outcome, and therefore should push the
courts towards giving the employer the rights.

The issue of derivative works may complicate matters even
further because it not only affects the creation of future works but
also the status of the work in question. Take for example the
following scenario: an artist, who has a unique style, produced a
few sculptures in the past. After several years, she is hired to
produce another sculpture. For the sake of argument, we will
assume that in this case most parameters of the CCNV case are in
favor of the employer so the court will decide the issue of
copyright authorship and ownership in her favor. What would be
the consequence of such a ruling? If the new sculpture is quite
similar to the old sculptures, it could be considered a derivative
work. The right, however, to create derivatives belongs to the
copyright owner of the old works. Now, if we assume the
employer is the owner of the new work, the agent might claim that
the new work infringes her old works because she gave no
permission to create a derivative work. If this is indeed the case,
not only would the employer be an infringer but, because the work
is illegally based on the old work, the illegality pervades the new
work and therefore she is not entitled to copyright protection at
all.

4. Expanding Access Considerations

Furthermore, assume one of the involved parties is likely to
provide free access to the work, or charge considerably lower
royalties for its use. A party might even give up her rights altogether and contribute the work to the public domain. Or, perhaps a party would keep only some of the rights while giving a free license to the public to use the rest. Should courts take these possibilities into account when deciding who gets the rights? And if so, should these factors tip the test?

Considering access from the public’s perspective, it is certainly better to entitle the party who is willing to give up its rights or charge less for their use. One of the paradigmatic examples is works created for the US government. Finding a work to be a government-created work made for hire means that the work is not protected at all and the public at large can get free access to it. On the other hand, if the work was made by an independent contractor, she will get the rights. The independent contractor can then keep the rights or assign them to the US government. In either case, the public will be restricted from free access to these works.

5. Applicability of These Criteria

It is true that some of these factors do not coincide and therefore pull the assignment of rights in different directions. Sometimes there is an inherent contradiction among them, whereas at other times a conflict will be created because of the facts of a specific case. For example, if the incentives argument is in favor of the employer whereas the access argument is in favor of the agent, the court would have to somehow weigh these considerations against each other. The effect of the work’s status on the right to terminate transfers and on the term of protection is another example. Consider the length of protection: if the work is a work made for hire, the length of protection will be, on average, shorter

257 Another interesting criterion is the chance that one party will enforce its rights or bring a copyright violation suit, as estimated by the court. The problem with copyright protection is that, unlike patents, one does not have to actively act in order to obtain the rights. From the moment of creation, works are protected. Therefore, the initial assignment of rights is important because some authors, who gain rights in new works, will not actively pursue them for many different reasons. If the chances of enforcement are slim, society will have a de facto free access to the work without having to pay the social price.

258 Some authors, for example, believe they should be remunerated for their initial investment but then their work should be dedicated to the public domain. See, e.g., Creative Commons, Founders’ Copyright, http://creativecommons.org/projects/founderscopyright (last visited December 12, 2008).

259 See, e.g., id.

260 One should note however that this outcome will also affect the authors’ incentives. See supra Part V.B.1.
than if it is not. 261 This, of course, will affect both the issue of incentives and the issue of public access. Whether the work is a work made for hire also affects the right to terminate the transfer of rights after 35 years. If the work is made for hire, the employee is not entitled to terminate the transfer at any time even if she obtained initial ownership by contract. This, of course, may affect her incentives to create to begin with. The status of the work affects both the length of protection and the right to terminate transfer and therefore should be carefully taken into account.

Unfortunately, I am unable to provide an easy solution to the work made for hire problem. In any given case the court would probably have to evaluate the relative weight of the incentives and public access based on its facts. This, however, should not be discouraging. Courts often conduct this kind of analysis – both in the copyright area 262 and in other areas of law. 263 Judges are accustomed to assessing the relative importance of various factors in any given case. The law will then evolve in a case by case, common law manner, similar to the judicial evolution of the fair use analysis.

A possible objection to my suggestion to focus on incentives and public access is that the agency test is simply more efficient to administer. In the agency test, after all, the courts evaluate some bright line issues such as: health benefits, tax treatment and where the employee actually worked. To counter this I would argue, first, that it is a matter of debate whether the agency test is indeed simpler to administer. As I discussed above, the multiplicity of factors in the agency test has proven difficult for the courts to weigh and consider in any consistent fashion. Thus, the disputing parties put their energy into gathering phalanxes of facts regarding where the employee worked, at what times and so on. Meanwhile, the courts puzzle through the data without a guiding star – a sense of what the ‘right’ solution should be. Certainly this is not administrative efficiency at its best. Second, and more important, any putative administrative convenience of the agency test should not matter because it is simply the wrong test. The fact

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261 The term of protection for works made for hire and “regular” works is different. See supra note 10. Given the life expectancy in the United States (seventy-eight years), it seems that real authors are, on the average, entitled to longer protection than employers.


263 Thus, for example, in the area of tort law courts have to balance between deterrence and loss spreading considerations, which often times pull in different directions. See e.g., CALABRESI, supra note 162.
that we don’t have a bright line solution should not discourage us from focusing on incentives and access parameters. Similarly, flipping a coin is easy but is unlikely to come up with the right solution.

Focusing on incentives and access can shed light on cases, such as CCNV, which have proven confusing to courts. While applying the agency test provided the courts with no good intuition on how to resolve CCNV, focusing on incentives and access simplifies the issue and clearly favors the artist, encouraging the creative party promotes the creation of more works. In CCNV, Reid was the sculptor and therefore the party to be encouraged. In contrast, CCNV was not in the business of making sculptures and was unlikely to create any more works.\textsuperscript{264}

In regard to the issue of accessibility, CCNV intended to exhibit the work across the country, which would have provided the public easier access to the work. On the other hand, however, this may have come at the expense of the physical condition of the statue. Naturally, if the statute had broken apart, no one would have had access to it. Again, this factor cuts in favor of Reid because the sculptor was in a better position to evaluate the physical strength of the work.

What about administrative costs involved in getting a license to use the work? This is a close call because the work was not a joint work which would involve many parties in licensing transactions. Whether CCNV or Reid won the copyright, each party was only a single entity which would present relatively low transaction costs. Nevertheless, the balance tips to the side of the artist. One can argue that if the artist is a well known figure and the public recognizes his style, it would be easier for the public to locate the artist than CCNV. Therefore, the artist should have the rights.\textsuperscript{265}

Distinctive style takes us to the issue of derivative works. We would like the artist to have as broad and as easy an access to his works as possible. If the artist has to ask for CCNV’s permission every time he wants to build a new statue which is based on the old one, or is highly influenced by it, he may, due to high transaction costs, forgo the idea of creating that new work.

\textsuperscript{264} A more in depth analysis would be needed to confirm this—it is possible that, as an artist, Reid would not need an economic incentive to create, and might be better off with an incentive given to CCNV that results in his hiring. Whatever the outcome, this analysis should be conducted keeping these incentives in mind, not tort motivations.

\textsuperscript{265} It is possible that, if Reid is unknown, the sculpture would be more identifiable with CCNV. In this case, administrative costs in licensing would weigh against the artist.
altogether. This would limit his set of tools and negatively affect
the variety of works he can create. Another issue in derivatives is
the fact that Reid’s current work (the homeless statute) might be a
derivative of his previous works. If the current statue is a
derivative work and CCNV got the copyright to it, CCNV might be
liable for derivative infringement for displaying the statue. Hence,
all or most of the above considerations tend to support a
conclusion that copyright should be vested with the artist.

CONCLUSION

It has been more than 15 years since the Supreme Court set
the test for the interpretation of the Work Made for Hire Doctrine.
The test was based on the common law and the Restatement
(Second) of Agency. In pursuing this test the Supreme Court
emphasized the fact that uniform and predictable standards must be
established as a matter of federal law. In contrast to the law of any
particular state, the role of common law agency was to provide, as
the court explained, a cohesive and predictable test. However, as
explained in this paper, not only did this test come with a very high
price tag, compromising many important interests, uniformity and
predictability were not achieved. As the analysis suggests in this
paper, it is easy to see that the common law of agency, as reflected
in the Restatement Second and implemented by the courts in the
context of copyright law, does not provide a good fit.

Furthermore, agency law keeps evolving. Only recently, in
2005, the Restatement (Third) of Agency was adopted.266 Reading
the Restatement (Third) one cannot avoid the conclusion that there
is a strong tendency to further expand employers’ liability.267

266 RESTATEMENT (THIRD) OF AGENCY (2006).

267 The general theme suggests an extension of the definitions of “employee”
and the “scope of the employment” to include more cases within the boundaries
of the employment making the employer liable in more cases. According to the
Restatement (Third), the definition of the scope-of-employment in its new
version differs from its antecedent in Restatement (Second) of Agency, sections
228 and 229, because it is phrased in more general terms. The previous
formulation did not encompass “the working circumstances of many managerial
and professional employees and others whose work is not so readily cabined by
temporal or spatial limitations.” RESTATEMENT (THIRD) OF AGENCY § 7.07 cmt.
b (2006). This tendency can also be observed by the fact that the new definition
applies even to volunteers. Where the Restatement (Second) had a general
section about Person Serving Gratuitously, stating that “[o]ne who volunteers
services without an agreement for or expectation of reward may be a servant of
the one accepting such services,” RESTATEMENT (SECOND) OF AGENCY § 225,
the Restatement (Third) of Agency states explicitly that “the fact that work is
performed gratuitously does not relieve a principal of liability,” RESTATEMENT
(THIRD) OF AGENCY § 7.07(3)(b). Thus, even where the employer is a non-profit
organization and the employee acts gratuitously, the work is still within the
scope of employment.
Citing cases and other references it seems the Restatement (Third) criticizes decisions in which the status of employee and “scope of employment” were narrowly defined. This expansion is based on the strong connection between the employer’s vicarious liability and its underlying rational in the law of torts. The reporter’s notes specifically mention the fact that the employer’s right to control employee’s action emerges as a central justification and limiting principle for vicarious liability in accounts within philosophy as well as economics. The notes also mention the

268 See RESTATEMENT (THIRD) OF AGENCY § 7.07 cmt. c (2006) (criticizing, and supporting other references that do so, cases that fail to interpret the “scope of employment” broadly enough to incorporate actions that may also count as negligently or intentionally tortious).

269 A good example is provided by the Supreme Court in Faragher v. City of Boca Raton, 524 U.S. 775 (1998). The Court considered whether an employer should be liable for the sexual harassment suit of an employee under Title VII of The Civil Rights Act of 1964, Pub. L. No. 88-352, 78 Stat. 241 (codified as amended in scattered sections of 42 U.S.C.), but the Court provided an illuminating analysis about how the elastic phrase “scope of the employment” may be used to include “all which the court wishes to put into it.” Id. at 797 (quoting Warren A. Seavey, Speculations as to “Respondeat Superior,” in WARREN A. SEAVEY, STUDIES IN AGENCY 129, 155 (1949)). According to the Court, while older cases treated smoking by employees during working hours as an act outside the scope of employment, newer cases held smoking on the job to fall within that scope. The Court observed that:

It is not that employers formerly did not authorize smoking but have now begun to do so, or that employees previously smoked for their own purposes but now do so to serve the employer. We simply understand smoking differently now and have revised the old judgments about what ought to be done about it.

Id. at 797. In the context of harassment the Court said the following:

The proper analysis . . . calls not for a mechanical application of indefinite and malleable factors set forth in the Restatement but rather an enquiry into the reasons that would support a conclusion that harassing behavior ought to be held within the scope of a supervisor’s employment, and the reasons for the opposite view.

Id. (citation omitted).

270 According to the reporter’s comment, “[i]f a person has no right to control an actor and exercises no control over the actor, the actor is not an agent.” RESTATEMENT (THIRD) OF AGENCY § 7.07 cmt. f (2006). Thus, if the agent is working under the supervision of two employers the restatement suggests that liability should be allocated to the employer in the better position to take measures to prevent the injury suffered by the third party. “The employee’s intention severs the basis for treating the employee’s act as that of the employer in the employee’s interaction with the third party.” Id. The Restatement (Third) rejects foreseeability as an alternative test to intent on the ground that
fact that in general, the employer stands to profit from the employee’s services and that he has an ability to control and deter misbehavior as long as the employee is not actuated by purely personal motives.\textsuperscript{271} Thus, the tortious rationale has become more apparent and dominates the scope of the employment test more than ever before.\textsuperscript{272} At the same time the restatement’s reference to copyright law is minimal.\textsuperscript{273}

Dealing with tortious liability in an industrial world, the expansion of employer’s liability and the strengthening of the tort related rationales seems a sound policy. The same does not necessarily hold to copyright law. In the context of copyright, this expansion means the employer is more likely to get the entitlement.

What makes sense in torts in terms of deterrence and justice considerations makes less sense in the realm of copyrights. When one attempts to rationalize copyright’s initial assignment of rights other rationales come to mind and should govern. The expansion of the term “employee” and “scope of the employment” will only accidently serve the delicate balances of copyright law. Therefore, courts should not follow it blindfolded. Both the Supreme Court and federal circuit courts have articulated more than once that even foreseeability may penalize an employer who has taken reasonable precautions against employee misconduct. Id. cmt. b. In such cases, imposing a duty of care is inconsistent with the central objective of contemporary negligence law, which is to create incentives toward efficient measures to reduce the occurrence of torts.

\textsuperscript{271} In the latter cases the employer’s practical ability to prevent the harm is slight.

\textsuperscript{272} Unlike the previous version, the Restatement (Third) has made explicit the fact that the employer’s ability to prevent damages justifies the imposition of liability. According to the current Restatement, the employer’s ability to exercise control over his employee’s work-related conduct enables him to take measures to reduce the incidence of tortious conduct, while in stark contrast, when an employee’s tortious conduct is outside the range of activity that an employer may control, subjecting the employer to liability would not provide him with incentives to take measures to reduce the incidence of such tortious conduct. Moreover, the restatement regards the employer’s ability to insure as another justification for the imposition of liability. According to the restatement, for an employer to insure against a risk of liability, the risk must be at least to some degree ascertainable and quantifiable. \textsc{Restatement (Third) of Agency} § 7.07 (2006).

\textsuperscript{273} “Whether an employee acted within the scope of employment in committing a tort is also relevant in statutory contexts. The common-law test of scope of employment may be relevant but not dispositive in determining whether an employee’s literary, artistic, or other creative work constitutes a work for hire for purposes of federal copyright legislation.” \textsc{Restatement (Third) of Agency} § 7.07 cmt. b (2006).
in cases where the law specifically refers to agency law, modifications should be made, based on the inherent goals and purposes the law strives to achieve. This should definitely be the case in copyright law when there is no such direct reference. It seems the Restatement (Third) itself moves in this direction.

One can only hope that courts will regard the new Restatement as an opportunity to part ways from the tort based definitions of “employee” and “scope of the employment.” Even if courts continue to feel obligated to comply with the time honored test, the Third Restatement may improve matters. Perhaps the Third Restatement’s more flexible definition will provide an opportunity for courts to re-interpret the test to better reflect copyright law’s principles.

274 Pearson v. Component Tech. Corp., 247 F.3d 471, 500 (3d Cir. 2001) (“We decide whether to apply agency principles to establish liability under a federal statute in accordance with the degree to which such principles effectuate the policies of the statute. This is not dissimilar from the rules of common law, where there are different types of agency relationships, and the degree to which the actions of the agent are attributed to the principal vary for each. Thus, if we are to import any agency principles to the test for WARN Act intercorporate liability, we must do so selectively, with an eye to effectuating WARN Act purposes.” (citations omitted)).

275 The Restatement indeed insists on the principal’s right to control the agent, but even within the meaning of the Restatement the content and the specific meaning of control can vary. For example, “a person may be an agent although the principal lacks the right to control the full range of the agent’s activities, how the agent uses time, or the agent’s exercise of professional judgment.” RESTATEMENT (THIRD) OF AGENCY § 1.01 cmt. c (2006). See also Introduction to RESTATEMENT (THIRD) OF AGENCY para. 18 (2006).