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TORT MADE FOR HIRE – RECONSIDERING THE CCNV CASE

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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\(^1\) 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 applied 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 new 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

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\(^1\) 490 U.S. 730 (1989) (hereinafter CCNV).
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 would re-align this important issue with the rest of intellectual property law.

I. 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. All those 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 keep my own copyright." \(^{2}\) And the 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 in CCNV 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." \(^{3}\)

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\(^{4}\) adopted the common law of agency for the interpretation of the term "employee" in the context of "work made for hire". Since then,

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\(^{2}\) In Weinstein v. Univ. of Il., 811 F.2d 1091, 1094-95 (7th Cir. 1987) Judge Easterbrook delivered the opinion of the court relying on academic tradition to substantiate the "teacher exception". In his words "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, [Citations omitted.], a tradition the University's policy purports to retain. 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... We would be surprised if any member of the faculty of the College of Pharmacy treats his academic work as the property of the University." About a year later, In Hays v. Sony Corp. of America, 847 F.2d 412, 416 (7th Cir. 1988), Judge Posner delivered the opinion of the court saying the following: "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. [Citations omitted.] 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 and use their employer's paper, copier, secretarial staff, and (often) computer facilities in that writing, the universal assumption and practice was that (in the absence of an explicit agreement as to who had the right to copyright) the right to copyright such writing belonged to the teacher rather than to the college or university. There were good reasons for the assumption. A college or university does not supervise its faculty in the preparation of academic books and articles, and is poorly equipped to exploit their writings, whether through publication or otherwise".

\(^{3}\) I am indebted to Wendy Gordon for this illuminating example.

\(^{4}\) CCNV, supra note 1
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’ interaction. Tort Law incentives focus on risk avoidance, not the creation of new works. Thus, 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. Revising the ‘work made for hire’ test would re-align this crucial area with the rest of intellectual property law.

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5 U.S. CONST. ART. 1 § 8, cl. 8.
6 Some argue that the promotion of science and useful art is a limitation on Congress's power to enact Intellectual Property laws. See e.g., Dotan Oliar, Making Sense of the Intellectual Property Clause: Promotion of Progress as a Limitation on Congress’s Intellectual Property Power, 94 GEO. L.J. 1771 (2006)
7 In the CCNV decision the court mentions that as of 1955, approximately 40 percent of all copyright registrations were for works for hire. The court also mentions the fact that the Copyright Office does not keep more recent statistics on the number of works for hire registrations. See CCNV, supra note 1, at 823.
II. THE LEGAL DEFINITION OF THE WORK MADE FOR HIRE DOCTRINE –
DEFINING THE LEGAL AUTHOR AND THE OWNER OF THE RIGHTS

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, for example, when an individual writes a poem. However, there are exceptions to this generality. If two people work on sculpting a statue, Copyright Law vests only one party with legal authorship. Thus, if one author provides the idea and some technical details needed for the creation of a work and the other, based on this information, creates the work, only the latter is considered the legal author. This probably contradicts the lay person’s sense of justice but it promotes the goals of Copyright Law – to incentivize and remunerate only creative authors.

Copyright Law also deviates from "real authorship" in cases of works ‘made for hire.’ According to section 201(b), "In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title and... owns all of the rights comprised in the copyright." Parties can

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8 But see the caveats for joint works in 17 U.S.C. § 201(c).
10 By using the term "real author," I mean author in layman's terms.
11 Joint authorship is an exception to this rule. 17 U.S.C. § 101. See e.g., Thomson v. Larson, 147 F.3d 195, 200 (2d Cir. 1998) where the court said the following: "The potential danger of allowing anyone who makes even a minimal contribution to the writing of a work to be deemed a statutory co-author -- as long as the two parties intended the contributions to merge -- motivated the court to set forth a two-pronged test... The court attempted to strike a balance between 'ensuring that true collaborators in the creative process are accorded the perquisites of co-authorship,' ... while at the same time, 'guarding against the risk that a sole author is denied exclusive authorship status simply because another person renders some form of assistance.'"
12 See e.g., Childress v. Taylor, 945 F.2d 500 (2d Cir. 1991). Being vested with the entitlement, the legal authors can reassign their rights.
13 See 17 U.S.C. § 201(b). 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) (hereinafter Dumas). The 1976 Copyright act had changed the preexisting rule for allocating the risk of uncertainty whether the copyright belongs to the "buyer" or the "seller". The pre 1976 rule had developed to an "almost irrebuttable
contract around this rule and expressly agree in writing otherwise. However, such an agreement does not change the identity of the legal author\textsuperscript{14} or the status of the work, but only the identity of the one who owns the rights.\textsuperscript{15}

Thus, the identity of the author and often\textsuperscript{16} that of the rights' owner is based on the definition of a 'work made for hire' found in section 101.\textsuperscript{17} 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."\textsuperscript{18} In the second

\textsuperscript{14} 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 US, no copyright protection will be granted.

\textsuperscript{15} Deciding the Status of the work to be 'work made for hire' has many legal implications. Thus, under sections 203 & 304 to the Copyright act the licensor of a work made for hire cannot terminate its rights after 35-40 years. 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." See Marvel Characters, Inc. 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 (17 U.S.C. § 302(c)) 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)).

\textsuperscript{16} Unless the parties had expressly agreed otherwise in writing, See 17 U.S.C. § 201(b).

\textsuperscript{17} 17 U.S.C. 101.

\textsuperscript{18} "A 'work made for hire' is-- (1) a work prepared by an employee within the scope of his or her employment." 17 U.S.C. § 101.
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 section 2 (which can all be characterized as collective works)\(^\text{19}\) 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.

### III. Setting the Norm - The CCNV Decision and the Adoption of the Agency Test

In 1989, the Supreme Court finally granted certiorari and ended the controversies about the "right" interpretation of the "work made for hire" doctrine by adopting the agency test in CCNV.\(^\text{20}\)

In the CCNV case, the nonprofit Community for Creative Non-Violence organization, 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. 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 12\(^\text{th}\), 1985. After paying Reid and displaying

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\(^{19}\) "A 'work made for hire' is-- ... (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. 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, such as forewords, afterwards, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities." 17 U.S.C. 101.

\(^{20}\) CCNV, supra note 1
the statue for a month, CCNV brought it back to Reid's studio for some minor changes. 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 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. Thus, the case came to the Supreme Court.

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.\footnote{On the history of the 1976 copyright amendment in the context of work made for hire see, Jessica D. Litman, Copyright, Compromise, and Legislative History, 72 CORNELL L. REV. 857 (1987).} The Court's analysis started with the language of the statute. Noting that the terms are not defined in the statute, it inferred that Congress intended those terms to have the "accumulated settled meaning under ... the common law."\footnote{CCNV, supra note 1, at 739 (quoting LRB v. Amax Coal Co., 453 U.S. 322, 329 (1981)).} And indeed both terms, 'employee' and "scope of employment," did have a settled meaning under the common-law's agency doctrine.\footnote{Id. at 739.} "Employee" and "scope of employment" are terms of art in agency law, defined respectively by the Restatement (Second) of Agency § 220(2) and § 228.\footnote{(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 against another, the use of force is not unexpected by the master. \footnote{(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. \textsc{Restatement (Second) of Agency} § 228 (1958).}
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' "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 viewed the case.

Under ‘the right to control’ test, if the hiring party retained the right to control the form of the completed work, the hired party was considered an ‘employee’ and the rights belonged to the employer. The employer did not have to exercise her right at any point in time but merely to retain the right to do so. CCNV advocated this interpretation because it had exercised significant creative control over the sculpture.  

The court rejected the ‘right to control’ test on the grounds that adopting this test would make section 101(2), the independent contractor section, redundant. Statutory construction, of course, eschews an interpretation which renders part of the language of the law meaningless. Section 101(2) lists nine categories of works, which are usually prepared under the direction of the employer, for

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25 CCNV, supra note 1, at 749. See also Easter Seal Soc. for Crippled Children & Adults, Inc. v. Playboy Enterprises, 815 F.2d 323, 335 (5th Cir. 1987).
26 Id. at 740 (quoting Mississippi Band of Choctaw Indians v. Holyfield, 490 U.S. 30, 43 (1989))
27 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. CCNV, supra note 1, 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. Id. 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. Id.
28 CCNV, supra note 1, at 741.
29 See id.
example: "a part of a motion picture" and "answer material for a test." 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,' section 101(2) would be redundant because a work such as "answer material for a test" would already be a work made for hire under section 101(1), the employee section. This was clearly not Congress' intent because works under section 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. The 'right to control' test would obviate the requirement of a signed, written agreement for works in these categories.

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 essentially broadens the enumerated categories under section 101(2).

In rejecting the 'right to control' test, the Supreme Court also emphasized the importance of the legislative history of the 1976 Copyright Act. The Court noted that the Copyright Act of 1976 was the result of two decades of negotiations between creators and copyright-using industries. The statute's two exclusive ways of defining a work made for hire: employee and independent contractor, and the enumeration of nine specific categories under section 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.

The Court also rejected the 'actual control' test, in which the hiring party has to actually wield control over the particular work.

30 Id.
31 17 U.S.C. § 101(2); CCNV, supra note 1, at 741.
32 See id.
33 Id. at 743-48.
34 Id. at 743. For elaboration on this historical compromise see, D. Litman, Copyright, Compromise, and Legislative History, supra, note 21.
35 Id. at 747-48.
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." 36 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. 37

The third test adopted the narrow definition of a formally salaried employee. 38 The Court rejected this test because there was no mention of it in the statute and the parties disagreed regarding its exact content. 39

Although the Supreme Court resolved the 'employee' definition issue in CCNV, it did not reach the second 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 § 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. 40 In particular, this section enumerates a non-

36 Id. at 749.
37 Id. at 750.
38 Id. at 739.
39 Id. at 743 n.8.
40 Section 220(2) states: 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
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.\(^{41}\) The Court emphasized that none of these factors is determinative.\(^{42}\)

Applying these factors to CCNV, the Supreme Court decided that Reid was not an employee but an independent contractor. Although the CCNV members directed Reid’s work to ensure the statue 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 regular business of the employer; (i) whether or not the parties believe they are creating the relation of master and servant; and (j) whether the principal is or is not in business. \textit{Restatement (Second) of Agency} § 220 (1958).

\(^{41}\) CCNV, \textit{supra} note 1, at 751-52. Note that this list differs from the factors in Section 220(2).

\(^{42}\) \textit{Id.} at 752.
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; 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, 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:

43 The Supreme Court cited the following cases for each new factor: whether the hiring party has the right to assign additional projects to the hired party, Dumas supra, note 13 at 1105; the extent of the hired party's discretion over when and how long to work, NLRmultiB v. United Ins. Co. of America, 390 U.S. 254, 258 (1968); Short v. Central States, Southeast & Southwest Areas Pension Fund, 729 F.2d 567, 574 (8th Cir. 1984); the hired party's role in hiring and paying assistants, Bartels v. Birmingham, 332 U.S. 126, 132 (1947); United States v. Silk, 331 U.S. 704, 717, 719 (1947); Darden v. Nationwide Mutual Ins. Co., 796 F.2d 701, 705 (4th Cir. 1986); Short, id. at 574; the provision of employee benefits, United Ins. Co., id. at 259; Dumas, id. at 1105; Short, id. at 574; and the tax treatment of the hired party, Dumas, id. at 1105.

44 One example is the Dumas case to which the court provided reference. In Dumas, however, the court refers to the formal salary 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). When the issue is raised in the context of deciding the parties' status when the relationship is ambiguous, relevant factors should include (1) whether the artist worked in his or her own studio or on the premises of the buyer; (2) whether the buyer is in the regular business of creating works of the type purchased; (3) whether the artist works for several buyers at a time, or exclusively for one; (4) whether the buyer retains authority to assign additional projects to the artist; (5) the tax treatment of the relationship by the parties; (6) whether the artist is hired through the channels the buyer customarily uses for hiring new employees; (7) whether the artist is paid a salary or wages, or is paid a flat fee; and (8) whether the artist obtains from the buyer all benefits customarily extended to its regular employees. While the degree of control and input exercised by the buyer may be relevant to an inquiry into joint authorship, it will not ordinarily be relevant in determining the employment status of the artist, just as this factor is not relevant in distinguishing between, for example, in-house and outside counsel. Dumas, id. at 1105.
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 federal circuits – has not been achieved, either among different jurisdiction 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.\(^\text{45}\) This alone

\(^{45}\) The common law test was used to decide the employee status in the Age Discrimination in Employment Act; in the context of National Labor Relations Act;
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.56

Three opinions in particular: *Aymes v. Bonelli*,47 *Carter v. Helmsley-Spear, Inc.*,48 and *Eisenberg v. Advance Relocation & Storage*,49 recognize and attempt to solve the difficulties arising 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.50 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."51 Criticizing the CCNV test, the court observed that the courts were not given direction on how to weigh the factors.52 The *Aymes* court tried to rectify the problem by giving its own guidance.53 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.54 After giving a few

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46 For discussion see Part V, infra.
47 980 F.2d 857 (2d Cir. 1992) [hereinafter Aymes].
48 71 F.3d 77 (2d Cir. 1995) [hereinafter Carter].
49 237 F.3d 111 (2d Cir. 2000) [hereinafter Eisenberg].
50 Aymes, supra note 47, at 861.
51 Id.
52 Id.
53 Id.
54 Id.
examples, 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 mentions, 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.

In another case, *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 he or she is an independent contractor.

55 "For example, the factors relating to the authority to hire assistants will not normally be relevant if the very nature of the work requires the hired party to work alone. In such a case, that factor should be accorded no weight in applying the CCNV test. Having the authority to hire assistants, however, might have great probative value where the individual claiming to be an independent contractor does exercise authority to enlist assistants without prior approval of the party that hired him. In the latter case, this show of authority would be highly indicative that the hired party was acting as an independent contractor." *Aymes*, supra note 47, at 861.

56 *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.

57 *Carter*, supra note 48, at 85.

58 *Id.*

59 *Id.* at 87-88.

60 *Eisenberg*, supra note 49.

61 *Id.* at 114.
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.\footnote{Id.} Moreover, the court argued that, in different areas of law, the agency test indeed shares a common name but it is a \textit{de facto} different test. Specifically, the Second Circuit judge deciding \textit{Eisenberg} criticized the district court for inadequately emphasizing the first \textit{CCNV} factor and for over emphasizing the employee benefits and tax treatment factors. Judge Cabranes justified weighing the factors differently than in \textit{Aymes}, which had been decided by the same circuit court, by noting that the court had never applied the five-factor \textit{Aymes} test outside the copyright context. Declining to presumptively consider the five \textit{Aymes} factors more significant in \textit{Eisenberg}, the court pointed out the considerable difference between the work-for-hire doctrine and anti-discrimination laws.

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.\footnote{The Eisenberg court specifically compared Copyright Law and Anti-Discrimination Law. \textit{Id.} at 115-16.} 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.\footnote{Id.} 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..."\footnote{Id.}
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."\(^66\)

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,\(^67\) in the area of ‘work made for hire,’ the level 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."\(^68\) In fact, sometimes it seems that the most influential factor is the court's sympathy towards the working artist.\(^69\)

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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).

\(^66\) Eisenberg, supra note 49, at 117.

\(^67\) i.e., 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. See e.g., Thomas F. Cotter, Fair Use and Copyright Overenforcement, MINNESOTA LEGAL STUDIES RESEARCH PAPER No. 06-69 (2006) mentioning that users 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"; Lloyd L. Weinreb, Fair's Fair, A Comment on the Fair Use Doctrine, 103 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” ; Pierre N. Leval, Toward A Fair Use Standard, 103 HARV. L. REV. 1105, 1105-6 (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. The Statutory formulation of fair use furnished "little guidance on how to recognize fair use."


\(^69\) Id.
C. SCOPE OF 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 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. Then, later decisions struggled with the Restatement’s interpretation of “scope of the employment”. It seems the difficulties 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’, providing the terms under which conduct falls within or without the scope of the employment. This definition is found in a sub chapter 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. Thus, 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

70 A careful reading of the courts’ opinion shows that the court does not actively endorse the interpretation of section 228. CCNV, supra note 1, at 740. Instead, the court simply mentions that "Congress' intent to incorporate the agency law definition is suggested by section 101(1)'s use of the term, 'scope of employment,' a widely used term of art in agency law." Id.
71 RESTATEMENT (SECOND) OF AGENCY § 228 (1958).
72 Remember that one can only make use of "scope of employment" test after establishing that the hired party is an "employee."
73 As stated in the RESTATEMENT (SECOND) OF AGENCY §§ 212-214 (1958).
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 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.

1. Miller and Roeslin: A Case Study of Inconsistency in Application of the Agency Test

The confusion is clearly apparent in two post-CCNV cases with almost identical facts and opposite conclusions: Roeslin v. District of Columbia\textsuperscript{74} and Miller v. CP Chemicals, Inc.\textsuperscript{75}

In both cases, the plaintiffs were clearly "employees", so the issue at stake was the second hurdle: whether the plaintiff's work fell into their "scope of employment." Although neither plaintiff was employed as a computer programmer,\textsuperscript{76} both developed computer programs to help them perform tasks at work more efficiently.\textsuperscript{77} Each spent many hours at home on their own computers developing these programs.\textsuperscript{78} 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.\textsuperscript{79} 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

\textsuperscript{74} 921 F.Supp. 793 (D.D.C. 1995) (hereinafter Roeslin)
\textsuperscript{76} The Miller plaintiff analyzed chemical products to ensure conformance with customer specifications, and the Roeslin plaintiff worked in collecting and tabulating employment statistics. Roeslin, supra note 74, at 795; Miller, id. at 1240.
\textsuperscript{77} Roeslin, supra note 74, at 796; Miller, supra note 75, at 1240.
\textsuperscript{78} Roeslin, supra note 74, at 796; Miller, supra note 75, at 1240, 1242.
\textsuperscript{79} Miller, supra note 75, at 1240, 1242.
brought each module to work to test it with real data.\textsuperscript{80} 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.\textsuperscript{81} In both cases, there was no explicit contract that assigned the rights.\textsuperscript{82} 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.\textsuperscript{83} Regarding 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.\textsuperscript{84} The court drew the "incidental" standard from section 229 of the Restatement of Agency, comment \textit{b},\textsuperscript{85} which states that work incidental to the employee's job is within her scope of employment. Comment \textit{b} defines incidental as: "within the ultimate objective of the principal and an act which is not unlikely that such a servant might do".\textsuperscript{86} 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.\textsuperscript{87}

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."\textsuperscript{88} The court considered that Miller was

\textsuperscript{80} Roeslin, \textit{supra} note 74, at 796.
\textsuperscript{81} \textit{Id.}
\textsuperscript{82} \textit{Id.} at 795-96; Miller, \textit{supra} note 75, at 1240, 1242.
\textsuperscript{83} Miller, \textit{supra} note 75, at 1243.
\textsuperscript{84} Miller, \textit{supra} note 75, at 1243-44.
\textsuperscript{85} 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. \textsc{Restatement (Second) of Agency} \S 229 Comment \textit{b} (1958).
\textsuperscript{86} \textsc{Restatement (Second) of Agency} \S 229 Comment \textit{b} (1958).
\textsuperscript{87} Miller, \textit{supra} note 75, at 1243
\textsuperscript{88} Miller, \textit{supra} note 75, at 1243-44.
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 during the time of the development. The court did not apply the fourth element (the intentional tort) of the scope of the employment test because the judges found it irrelevant.

In stark contrast, the Court in the Roeslin case ruled in favor of the plaintiff based on application of the same tests. Considering the first factor, the court concluded that developing computer software was not the 'kind of work’ which the plaintiff was employed to perform. 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. 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. 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. With regard to the third factor, the plaintiff testified to the fact that he developed the program in order to create job opportunities for himself and to prove it could be done. 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. Therefore, the employee’s work fell outside the scope of section 228.

The contradictory results in Miller and Roeslin demonstrate the inadequacy of the CCNV test 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 Roeslin and Miller, the employees produced new creative works entirely at their initiative with no input or guidance from the employer. However, the agency definition of "scope of employment" gives no weight to these considerations.

The Miller court's struggles to reconcile agency law with copyright principles clearly reflect the bad fit.\(^98\) 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.\(^99\) The court concluded, however, that the work was within the scope of employment if the employee's driving force to do the work was directly related to a specific product of the employer and the employee's responsibilities at work, and the work was for the primary benefit of the employer. If the employee performed the work with this purpose, then 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 milk this conclusion just from the Restatement's second factor.\(^100\) 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 the Marshall case,\(^101\) 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.\(^102\) The court in

\(^{98}\) Miller, supra note 75, at 1238

\(^{99}\) In the court's words, the work was done “primarily if not entirely” at home. Id. at 1243.

\(^{100}\) See, e.g., Restatement (Second) of Agency § 229 Comment e (1958).


\(^{102}\) Id. at 1331.
Marshall emphasized the fact that the employer was the direct cause of the preparation of the work and had a right to control or supervise its creation.\(^{103}\) This approach, of course, was rejected by the Supreme Court in \textit{CCNV}.\(^{104}\) Despite the fact that the court in \textit{Miller} found the facts in Marshall to be more readily identifiable with common notions of "the scope of employment," it still decided for the employer.\(^{105}\) 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.

The \textit{Miller} case, 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

Thus, for example, in \textit{Favela v. Fritz Companies, Inc.}, the court followed the \textit{Miller} definition by finding that, in determining the scope of the employment, the court should only take into consideration the first three factors of section 228.\(^{106}\) In \textit{Avtec Systems, Inc. v. Peiffer}, 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.\(^{107}\) Basing their approach on \textit{Miller},\(^{108}\) courts reduced the importance of the second element and essentially disregarded it altogether, establishing the scope of the employment with only the first and third factors.

Interestingly though, the district court in the \textit{Avtec} case, in a follow-up procedure between the parties,\(^{109}\) departed from the circuit court's decision and reestablished the Restatement's three elements test.\(^{110}\) Here again, the district court showed its discontent with the

\(^{103}\) Id. at 1331.

\(^{104}\) Not to mention that in Marshall the employer had a higher degree of control than that in Miller. Miller, \textit{supra} note 75, at 1244; Marshall, \textit{Id.} at 1330.

\(^{105}\) Miller, \textit{supra} note 75, at 1244.


\(^{107}\) Avtec Sys. v. Peiffer, 21 F.3d 568, 571 (4th Cir. 1994) [hereinafter Avtec].

\(^{108}\) As well as on Marshall, which is a pre-CCNV decision.


\(^{110}\) 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
application of tort principles to Copyright Law, noting that "Obviously 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 principles because the 1976 copyright act 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 4th 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 defines 228(1)(b) and portions of 228(2), and the importance of sections 235&236, which are parallel to and further explains 228(1)(c) and parts of section 228(2).

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. Roeslin, supra note 74, at 798.

111 Avtec, supra note 109, at *12, note 6.
112 Id. at *8.
113 Sections 229-236 add more specifics to the general "scope of the employment" definition in section 228. Thus, section 229 deals with the relationships between authorized and un-authorized 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 (i.e. - serves both the employer and the servant or a third party), respectively.

114 Id. at *9 note 5.
115 Id. at *9 note 5.
116 Id. at *9 note 5.
117 According to section 233, a "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 (1958).
118 According to section 235 "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
Other courts, however, did not necessarily follow the Avtec District Court decision or the Miller decision, preferring to stay squarely within the framework of section 228. This nevertheless does not mean that section 228 was universally applied in the same or similar manner. Different courts had different interpretation of its elements and therefore often got opposite results on similar facts. At least some of the courts preferred a more narrow interpretation of section 228 elements. Thus, the kind of work the hired party was employed to perform was narrowly construed so as not to include even similar tasks that departed from the job definition. Similarly, the third element was interpreted by some courts as emphasizing the employee's motivation and not the outcome of his acts. By so doing, the court could safely reach a conclusion that, even though the employer had benefited from the activity, the employee was not motivated by the employer's benefit and therefore the third element's requirements were not met.

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. 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. Otherwise it is hard to understand these many variations on a rather simple test.

It is also hard to understand why the courts were willing to ignore the last element of section 228 due to its irrelevancy while at the same
time felt obligated (at least formally) to apply the other elements. This state of affairs is particularly hard to understand given the discrepancy between the agency test and general copyrights guidelines. Why didn’t courts 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?

IV. The Inadequacy of the Unified Agency Test for Interpreting the Terms "Employee" and "The Scope of the Employment" in the Context of Copyright Law

To understand the inappropriateness of the Agency test as it was manifested by the courts one has to explore the Restatements' rationales and origins in the Law of Torts and to juxtapose them to 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 his employment, is deeply routed in the common law tradition. The explanation to 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 even for the servant's negligent acts committed within the scope of his employment". According to the Restatement, the assumption of control is the basis for imposing tort liability whenever the thing controlled causes harm. It is true that normally employer’s 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. 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.

Still, vicarious liability had its limits. Courts were certainly wise enough to realize that, even though the agent might have continuing obligations to the employer, the master’s liability existed only at certain times.124 The servant has the power to subject his 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 ‘his own man,’ and his acts do not affect his employer.125

A few explanations are often provided to justify the concept of vicarious liability. Some courts adopted 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 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."126 To put it differently, the notion of justice dictates that if the employer was entitled to the benefits of his employee's work he should also pay for the damages he imposes. The employee shifts the risks of his work to the employer: he trades both the benefits and the costs for a lump sum salary. This makes him different from an independent contractor who doesn't shift these risks but carries the burden alone.

Another explanation is that this liability system minimizes the costs of accidents and the costs of precautions.127 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.128 The employer who is running the entire business is also less prone to personal bias and is less susceptible to external pressures.129 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

124 See Restatement (Second) of Agency § 233 (1958).
125 Id.
128 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).
129 See supra note 127.
one of the more prevalent justifications for employer's liability among instrumentalist theoreticians.130

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).131

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 he often does not have sufficient resources to compensate the victim. Making the employer liable improves the injured party's chance to receive compensation for the damage he has suffered.132 Indeed, being the deep pocket is not a 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 from the employee's acts.133


132 This is true with one caveat – the "dilution of liability" phenomenon. In alternative care cases the more Tortfeasors liable the lesser the incentive of each to take precautions. For elaboration see: Alon Harel & Assaf Jacob, An Economic Rationale for the Legal Treatment of Omissions in Tort Law: The Principle of Salience, supra note 128.

133 It should be noted that imposing liability on the employer does not release the employee from liability to his tortious acts. Both the employer and the employee will be jointly and severally liable. Saying that however does not change the fact
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{134} 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{135}

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 his employer’s control, for example, when the employer cannot observe his 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 her is unjust since she 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 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,\textsuperscript{136} 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

that the injured party will mainly pursue the employer and not the employee for the employer has a deeper pocket.

\textsuperscript{134} See Richard A. Epstein, Torts 239 (1999).

\textsuperscript{135} Id.

\textsuperscript{136} Some of the courts are even skeptic about that – See e.g. NLRB v. Hearst Publs., 322 U.S. 111, 120-121 (1944) [hereinafter Hearst].
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 his/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 his position in comparison to finding him 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.

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

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

138 See the Restatement (Second) of Agency (1958), Introductory note to Chapter 7, Topic 2 – “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”.

139 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. Richard A. Epstein, Torts 223 (1999).
upon her. 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 case 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. This allows the employer to retain artistic control, even though more employees work at home without physical control.

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 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. He 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 his 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 in 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.143 With all due respect, I differ. 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,144 its interpretation in any of those areas of law influences its interpretation within Copyright Law and vice versa.145 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

143 See e.g., Easter Seal Soc. for Crippled Children & Adults, Inc. v. Playboy Enterprises, 815 F.2d 323, 335 (5th Cir. 1987) ("adopting 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.")

144 e.g. Torts, Labor Law, Copyright Law, Social Security, Tax Law etc.

145 Some courts were aware of the problem and tried to minimize it by "changing" the test. See e.g., Eisenberg, supra note 49, at 115-116 where the court said the following: "[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."
interests of the involved parties and the inherent goals we strive to achieve. As I mentioned above, an interpretation that would promote the interests of an employee in one area of law might be very much against her interests in a different area. Thus, for example, a determination using the same agency law test that an individual is a private contractor, not an employee, might entitle her with copyrights, but simultaneously expose her to tort liability.

‘Multi-feedbacks’ related to the agency test not only arise across different areas of law, but within one area of law, though to a lesser extent. Thus, in Copyright Law, ‘multi-feedback’ occurs, for example, 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 about copyright ownership.

Some courts were aware of this problem, even before the CCNV case, and wanted to avoid this unified test. A good example is the Dumas case, where the court stated:

146 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 Soc. for Crippled Children & Adults, Inc. v. Playboy Enterprises, 815 F.2d 323, 333 (5th Cir. 1987) 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."

147 Dumas supra note 13.
"[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."[Emphasize Added]

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."148

148 Hearst, supra note 136, at 120-121. Hearst is only one example out of many in which the Supreme Court and other courts have expressly made their opinion that different tests should be used. See, e.g., U.S. v. Silk, 331 US 704 (1947). Hearst deals with the Social Security Act, and the Court, dealing with the status of the hired person said: "the terms 'employment' and 'employee,' are to be construed to accomplish the purposes of the legislation. As the federal social security legislation
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 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 could have been better off had they decided the status according to

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.' Id. at 136.

See, e.g. Nationwide Mut. Ins. Co. v. Darden, 503 U.S. 318 (1992); Hearst, supra note 136. As the court explains in NLRB v. United Ins. Co., 390 U.S. 254, 256 (1968), 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."

Some of the cases that were overruled had put a heavy pressure on the legislator 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.

I am aware of the fact that strong interest groups can put a great pressure on the Legislator to change the laws in their favor and therefore distort the "right" outcome. The DMCA is a good example.
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.\textsuperscript{152} 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 "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 work their way around it. As long as the parties can predict the final outcome, they can change the initial entitlement as they wish and adapt the contractual price to reflect it.\textsuperscript{153}

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 the \textit{CCNV} case took the position that "Reid could have bargained with \textit{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 \textit{CCNV} the exclusive owner of the copyright therein". As we all know, this outcome was overruled by the Supreme Court.

\textsuperscript{152} 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.

\textsuperscript{153} It seems that for this reason the Supreme Court in the \textit{CCNV} case had endorsed the argument that congress' paramount goal in revising the copyright act was to enhance predictability and certainty of copyright ownership. In a copyright marketplace the parties negotiate with expectation that one of them will own copyright in the completed work. With that expectation, the parties at the outset can settle on relevant contractual terms, such as the price for the work and the ownership of reproduction rights. \textit{CCNV}, \textit{supra} note 1, at 749-750.
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. 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.\footnote{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. \textit{See e.g.}, \textsc{Steven Shavell}, \textit{Foundations of Economic Analysis of Law} 103-09 (2004).} 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 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. Thus, for example, a new employee might not be aware that he has the option to contract around the default rule of ownership or not accurately assess its real benefits from such a contract and therefore avoid this option altogether.\footnote{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.} The more the transaction costs involved, the more likely the parties will stick with a default that does not reflect their best choice. By ‘best choice,’ I mean what the parties would have contracted for had they have the chance to plan the
transaction without constraints. 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 the 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. Thus, for example, Korobkin emphasizes the importance of the default assignment of rights through the application of the “endowment effect”.

He concludes that legal rules are similar to physical items to the extent that individuals will be less inclined to opt out of them. 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. Lisa Bernstein, on the other hand, explains the importance of the default rules through the social costs of deviation. Altering the default rule might involve social costs of deviation from the prevalent norm. These costs can vary in different scenarios (different industries, repeated versus non-repeated games) but they are likely to impose a heavy weight on the parties not to change the defaults. The higher the social cost, 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 he insists on. By doing so, the employee might give the wrong impression about himself and his 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 his 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 his will and therefore the assignment of rights will not be optimal.

159 Lisa Bernstein, Social Norms and Default Rules Analysis, 3 S. CAL. INTERDISC. L.J. 59, 71-72 (1993);
160 Id.
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.\(^{161}\)

And indeed, if this is the case in the application of work made for hire, legislators and courts should pay close attention to the initial assignment of rights.\(^{162}\) 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. Thus, 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,\(^ {163}\) 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 consider that forcing the parties to contract around 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 first entitlement of 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 revealing of hidden information. Therefore, in the simplest situation, the initial assignment should be given to the party which has less information to reveal.\(^ {164}\)


\(^{164}\) 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 (*i.e.* the employee), will lead the
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 him, it is true that the copyright final entitlement ends up in the hands of the party who values it most. The party, however, which gets the initial entitlement is in a better position because it gets remunerated for selling its 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 section 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 the CCNV case, classifying a work as 'made for hire' determines not only the issue of who owns the initial ownership but also reflects on other issues such as the copyright duration, the owners renewal rights, termination rights and the right to import certain goods bearing the copyright.

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 as long as they comply with the formal requirements. Second, if the work is considered to be a work

employer to try to contract around the default rule, and as a consequence, to provide the employee with more information.

165 CCNV, supra note 1, at 737, Citing 1 M. Nimmer & D. Nimmer, Nimmer on Copyright § 5.03 [A], pp. 5-10 (1988).

166 With this respect ‘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 supra note 13, at 1098.

167 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. Thus the court in the
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, he will often be in an inferior position to the employer. However, the employee can renegotiate his rights later down the road before he creates a new work, asking to get ownership in it. If not, he might reserve the right not to create it. This renegotiation will take place when the employee is already employed; having more information about his status and the benefits he 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.

Our concern, therefore, shifts to the interest of third parties. Remember that 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 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 for example, the parties will have a strong incentive to contractually assign him the liability, because, ex post, he will not be able to pay anyway.

In Copyright Law the risk of derogation of rights of third parties is not as high as in Torts, but still the legislator takes it into account. This is due to the Constitution’s mandate. 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 affect on third parties. Hence, the court, in shaping the right test to decide the status of the work, should consider the interests of third parties as well.

Dumas decision articulated: “It 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).” Dumas supra note 13, at 1101.

168 A counter argument would be that the test the court adopts 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.

169 For discussion see Part V, infra.
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 it better reflects the interests of the involved parties and third parties, based on the goals of Copyright Law.\(^\text{170}\) This leads us to the next question: what kind of test should the court apply?

V. IN SEARCH OF THE RIGHT TEST

A. SHAPING THE TEST TO REFLECT THE BASIC ELEMENTS OF COPYRIGHT LAW

The clause, "To promote the Progress of Science and the useful Arts, by securing…to authors the exclusive rights to their respective writing…" is the guiding principle for Copyright Law.\(^\text{171}\) These are the instructions to both legislatures and courts on how to enact and interpret copyright protection.\(^\text{172}\) And indeed, the overwhelming precedent in Copyright Law reflects this underlying theme in courts’ decisions.\(^\text{173}\) For example, when courts decide who the author of a

\(^{170}\) This does not mean that the employee should always get all the rights to his work or even most of the time. It only suggests that in order to make the right allocation of rights courts should take into account the relevant factors from the relevant field of law.

\(^{171}\) U.S. CONST. ART. 1 § 8, cl. 8.

\(^{172}\)See e.g. Luck’s Music Library, Inc. v. Gonzales, 366 U.S. App. D.C. 66 (D.C. Cir. 2005) where the court holds this Clause "contains both a grant of power and certain limitations upon the exercise of that power."

\(^{173}\) Thus, for example, in Baker v. Selden, 101 U.S. 99, 100-01 (1879), 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.” Similar economic arguments were made in the \textit{Feist} case, where the court stated, yet again, that “the primary objective of copyright is not to reward the labor of authors, but to promote the Progress of Science and useful Arts.” \textit{Feist Publ’n’s v. Rural Tel. Serv. Co.}, 499 U.S. 340, 349 (1991). To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by their work. Based on this justification, the court rejected the application of the "sweat of the brow" doctrine in providing copyright protection, arguing that protecting only the fruits of labor distorts basic copyright principles. Copyright defenses against infringement employ a similar analysis. Here again, the courts use incentives analysis to decide how to balance the rights of the
joint work is, they emphasize elements from within the realm of Copyright Law such as artistic control and contribution of a copyrighted material.\textsuperscript{174}

It seems that in the US 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{3175} The economic justification behind the clause is that encouraging 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{176} Even \textit{Eldred v. Ashcroft},\textsuperscript{177} a decision highly criticized for legitimizing Congress 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{178} 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 distribution of new works.\textsuperscript{179} The public benefits not only from an author's original work but also from the authors' further creations.\textsuperscript{180} In this respect the minority agreed, "we 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.'" 181

If the goal is to maximize the creation of useful arts, how did we end up with a "work made for hire" doctrine that does not reflect these considerations, using a test derived from an unrelated area of law? 182 It seems that part of the answer is that the US Supreme Court took this path after Congress overruled some of its context-based "employee" and "scope of the employment" decisions. 183 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 goal of achieving uniformity by using a "one size fits all test" has not been achieved, 184 we are left with the question: can we put the 'work made for hire' doctrine back on track?

speller and grammar during the twenty years he took to complete his dictionary. Id, at 199.

181 The court emphasizes this issue another time saying that "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." Id. at 260 [emphasize added].

182 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 Enterprises, 815 F.2d 323, 328-329 (5th Cir. 1987) where the court says the following: "A big part of the problem in both the statute and the cases is that the basic terms are ambiguous. '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 '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."

183 See supra note 149.

184 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 BROOKLYN L. REV. 1081, 1083-1084 (1990) ("the 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,
I believe there are several ways to achieve this. The best solution would be to re-shape the "work made for hire" doctrine without any of today’s black letter legal restrictions, based on the relevant incentives scheme of Copyright Law. However, given the fact that only the legislature can amend the statute, courts can provide a second best solution by reshaping the “work made for hire" doctrine so that it would better fit the objectives of Copyright Law. The way to do that 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. 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.

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. LAW & 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"); John Spadt, Note, Work Made For Higher Understanding of the Copyright Act of 1976, 4 VILL. SPORTS & ENT. L.J. 191 (1997) (There is uncertainty in applying agency law principles to the facts of individual cases).

185 Once we reach this outcome one might argue it will also be a good idea to add secondary considerations, outside the realm of Copyright Law to even better enhance the overall welfare. By this I mean, for example, to consider how the assignments of rights will affect the employment rate and the labor market at large. I will touch this point later on in this article.

186 By adding more factors courts can dilute the weight of each individual factor.
B. PARAMETERS COURTS SHOULD CONSIDER WHEN DECIDING WHETHER A GIVEN WORK IS A WORK MADE FOR HIRE

What should be taken into account when courts define the work’s status?

In many cases, the employer and employee are trading risks for benefits and it is clear to everyone that the employer should get the rights. This outcome would be endorsed by both parties because that was the exact nature of the relationships the parties have contracted for. But how should the court distinguish these cases from others in which society wants the agent to have the rights - both with respect to the "employee” status and the “scope of the employment”. This is not an easy task because no one sells or mortgages all the products of his brain to his employer by the mere fact of employment.187

1. Incentives

The courts’ first concern should be how the assignment of rights will affect the parties’ incentives to create new works.188 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


188 This approach is not strange to the courts. Thus, in Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc., 380 F.3d 624, 640 (2d Cir. 2004) the court was willing to accepts this idea, reserving however its adoption for the congress. Judge Newman said the following: "The argument of the Appellants and the Amici is not without some appeal, at least as a matter of creative arts policy. We understand their point that where a corporation is formed for the purpose of fostering a supportive environment in which an employed artist will have the opportunity to create new works, the default rule should leave the copyrights in the new works with the employee, and place on the employer the burden of pursuing a contract to obtain her copyrights.”
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{189}

In academia, for example, the question is whether copyright in an article written by a professor belongs to him 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{190} If this is indeed the case, there is a real reason for the exception.

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 don’t need extra incentives to write articles because they have other

\textsuperscript{189} If the employee has other incentives – then ruling against him 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{190} See e.g., Todd A. Borow, 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); James B. Wadley & and JoLynn M. Brown, Working Between the Lines of Reid: Teachers, Copyrights, Work-For-Hire and a New Washburn University Policy, 38 WASHBURN L.J. 385, 439-440 (1999); Roberta R. Kwall, Copyright Issues in Online Courses: Ownership, Authorship and Conflict, 18 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1, 20-21(2001)( "The incentive-based rationale underlying copyright protection has, in fact, driven at least one university to pay royalties to professors whose on-line materials are used by other instructors, as well as a percentage of the tuition generated by the courses"); Rochelle C. Dreyfuss, 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."
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.\footnote{191}{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.” See, Rochelle C. Dreyfuss, The Creative Employee and the Copyright Act of 1976, \textit{Id.} at 612-613.}

In this context the government example of copyrighted works is also interesting. The US government is not entitled to copyright ownership upon creation, Instead, the US government can only get copyright by assignment.\footnote{192}{See 17 U.S.C. § 105.} Therefore, if someone considered to be a US government employee creates a work within the scope of his 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 he has copyright in the work.\footnote{193}{This might explain the court decision in the Roeplin case, in which the hiring party was the Government.} He can later assign the right to the government and get remunerated for it.\footnote{194}{The question whether it is a good idea that the government will own copyright in governmental works or that it is better such a work will be entitled to no protection is an interesting question worth elaboration. However, elaborating on this point is beyond the scope of this article. \textit{See e.g.}, Irina Y. Dmitrieva, \textit{State Ownership of Copyrights in Primary Law Materials}, 23 HASTINGS COMM. \& ENT. L.J. 81 (2000); Shubha Ghosh, \textit{Deprivatizing Copyright}, 54 CASE W. RES. 387 (2003); Samuel E. Trosow, \textit{Copyright Protection for Federally Funded Research: Necessary Incentive or Double Subsidy?} 22 CARDOZO ARTS \& ENT L.J. 613 (2004).} 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.\footnote{195}

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).\footnote{196} If a work is considered to be a work made for hire, then, under Copyright Law there is no right of attribution.\footnote{197} There is also no right to prevent \textit{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 had a huge impact in some problematic cases. The \textit{Carter v. Helmsley-Spear, Inc.},\footnote{198} case can serve as a good example. In that specific case, finding for the plaintiff, by ruling that the work was not made for hire (as was decided by the district court\footnote{199}) would have meant that a building management would not be able to renovate a lobby of the building or change it without the plaintiffs' permission.\footnote{200} The court's role is to balance these factors one against the other.

\footnote{195} 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. This is the case for example in Australia, Canada and the UK.\footnote{196} 17 U.S.C. § 101. For an elaborated analysis of VARA in the context of work made for hire see Roberta R. Kwall, \textit{Authors in Disguise: Why the Visual Artists Rights Act Got it Wrong}, 2007 UTAH L. REV. 741 (2007); For a discussion of the legislative history of VARA, see Roberta R. Kwall, \textit{How Fine Art Fares Post VARA}, 1 MARQ. INTELL. PROP. L. REV. 1, 4 (1997).  
\footnote{200} In the Carter case the three plaintiffs were professional sculptors who worked together. They entered into a one year contract with a building management to build, among other things, a "walk through" sculpture in the lobby, occupying most
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.” As for the ease of access to the work - this depends on the circumstances. If, for example, the chances are slim that the employee will print and maintain copies of his 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 employee 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 employee, being granted the rights, put the work away in his drawer while the employer would have 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 of it. The building management had changed and when the new management wanted to remove the art the artists resisted arguing their work falls under the protection of VARA. While the district court granted a permanent injunction, which enjoined defendants from removing the work, 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.  

201 See supra note 15.
202 Because, for example, the employer is in the business of disseminating such works.
203 This is another aspect of the public access – one that is generally discussed in the fair use analysis.
use the work. It seems that the relative ability and motivation of the employee 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 employees 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.

204 See e.g., Childress v. Taylor, 945 F.2d 500 (2d Cir. 1991); Gaiman v. McFarlane, 360 F.3d 644, 659 (7th Cir. 2004)
205 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.
206 Often times a member of the public wants to get a license to the work in its entirety. Entitling the employees 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 SCIENCE 698 (1998) and more generally: Michael A. Heller, The Tragedy of the Anticommons: Property in the Transition from Marx to Markets, 111 HARV. L. REV. 621 (1998).
207 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 (i.e. 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, which institution will have the rights – whether the institution in which the professor had started to work on the project, the institution in which he continued, the institution in which he finalized it or all of the above. Since professors are peripatetic in their nature – finding for the employers will raise transaction costs because the same work, be it a book or an article, will have several owners instead of one.
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 employee may encounter difficulties in creating similar works in the future, since these new works may be considered derivative works and deemed infringing of the employer's copyrights.

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 will have to ask the author's permission for each of these new uses. This, of course, is not an efficient

208 Unlike the U.S., in the U.K. and other countries, the author is entitled to some privileges with regard to their future works. Thus, section 64 of the Copyright, Designs and Patents Act 1988, titled "making of subsequent works by same artist", provides that "Where 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."

209 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. The Sam Spade case can serve as a good example. See, e.g., Warner Bros. Pictures, Inc. v. Columbia Broadcasting System, Inc., 216 F.2d 945 (9th Cir. 1954). In that case the Ninth Circuit held that the literary character of Sam Spade was not copyrightable because it did not constitute "the story being told." 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." However, judging by later cases, many will agree that the court decision can be rationalized by its concerns to future works made by the same author or new licensees. If the character is not protected as such, 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.

210 Compare N.Y. Times Co. v. Tasini, 533 U.S. 483 (2001). Entitling the employer with "shop right" could have solved some aspects of the problem but unlike in the area of Patent Law the "shop right" provision did not find its way to the 1976 Act. See, Rochelle C. Dreyfuss, The Creative Employee and the Copyright Act of 1976, supra note 176, at 638. ("Congress could have... enacted a "shop right" doctrine similar to that used in patent law for works created through the intellectual forces of
outcome, and therefore should push the courts towards giving the employer the rights.

The issue of derivative work 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, he 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 his 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 employee might claim that the new work infringes his old works because he 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 it is not entitled to copyright protection at all.

the employee. Under this doctrine, the employer would have the limited right to use the work for purposes consistent with his business, but the employee would retain all other rights, including those necessary to safeguard the social values of the work.

211 i.e. the employer has a right to control, the work is made on his grounds, he pays salary and benefits, hires the helping staff, etc.

212 17 U.S.C. § 103

213 This is indeed a bizarre scenario. One can solve this complication by arguing that the “employee” had given an implied license to the employer by the mere fact of the employment but this does not have to be the case; especially if the employee is not aware of his rights. After all, it is the owner's privilege to provide license to the work. Moreover, even if he “agreed” to give the employer a license to use his old works (under the implied licenses doctrine), the copyright act allows him to renounce or terminate it.

214 One can think of a more complicated scenario in which the artist, while creating these sculptures was not a private contractor but was working for a different employer. Now the former employer will bring a suit against the current employer for violating its rights in the derivative work. While in the artist example this may seem far fetched, in other industries such as software and high-tech this scenario is rather common.
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.

215 Consider, for example, a noncommercial/not-for-profit organizations which wishes to spread the work free of charge based on the ideology that the dissemination of knowledge should be free. The government is another example for a player that might share a similar agenda.

216 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.

217 The author might want to give up his rights well before the copyright protection term legally expires (life of the author plus 70 years). 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., http://creativecommons.org/projects/founderscopyright/ (last visited July. 30, 2007).

218 See e.g., the Creative Commons project at the Creative Commons Home Page, http://creativecommons.org (last visited July. 30, 2007).

219 One should notice however that this outcome will also affect the authors' incentives. See supra V.B.1.
5. Applicability of the New Test

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 on the merits of a specific case. Thus, for example, if the incentives argument is in favor of the employer whereas the access argument is in favor of the employee, 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 than if it is not. 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 he obtained initial ownership by contract. This, of course, may affect his 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 and in other areas of law. 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.

220 The term of protection for works made for hire and “regular” works is different. See supra note 15. Given the life expectancy in the US (78 Years), it seems that real authors are, on the average, entitled to longer protection than employers.

221 This tension is part of the standard fair use analysis. See e.g., Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984); Harper & Row, Publrs. v. Nation Enters., 471 U.S. 539 (1985).

222 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 127.
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 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. With respect to incentives to create, 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.

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 statue 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.

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 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.

VI. CONCLUSION

A long time ago 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.\textsuperscript{223} Reading the Restatement (Third) one cannot avoid the conclusion that there is a

\textsuperscript{223} The Restatement was published in 2006. \textit{RESTATEMENT (THIRD) OF AGENCY} (2006).
strong tendency to further expand employers’ liability.\textsuperscript{224} Citing cases\textsuperscript{225} and other references\textsuperscript{226} it seems the Restatement (Third) criticizes decisions in which the status of employee and "scope of employment" were narrowly defined. This expansion is explicitly based on the strong connection between the employer's vicarious liability and its underlying rational in the law of Torts.\textsuperscript{227} The

\textsuperscript{224} 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 §§ 228 and 229 (1958) 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 cabinied by temporal or spatial limitations." 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 (§225) stating that “One who volunteers services without an agreement for or expectation of reward may be a servant of the one accepting such services”, the Restatement (Third) states explicitly that “the fact that work is performed gratuitously does not relieve a principal of liability.” Thus, even in case where the employer is non for profit organization and the employee acts gratuitously, the work is still within the scope of the employment.


\textsuperscript{226} P. S. ATIYAH, VICARIOUS LIABILITY IN THE LAW OF TORTS 199 (1967).

\textsuperscript{227} A good example is provided by the Supreme Court in Faragher v. City of Boca Raton, 524 U.S. 775 (1998). The case was about whether an employer should be liable for the sexual harassment suit of an employee under Title VII of The Civil Rights Act of 1964, 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". 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." \textit{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
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 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. Thus, the tortious rational had become more apparent and dominates the scope of the employment test more than ever before. At the same time the restatement's reference to Copyright Law is minimal.

Dealing with tortious liability in an industrial world, the expansion of employer's liability and the strengthening of the tort conclusion that harassing behavior ought to be held within the scope of a supervisor's employment, and the reasons for the opposite view. "Id.

According to the reporters' note f "definition of employee" - "If a person has no right to control an actor and exercises no control over the actor, the actor is not an agent." Thus, for example, 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 serves as the basis for treating the employee's act as that of the employer in the employee's interaction with the third party." The Restatement (Third) rejects the "foreseeability" as an alternative test to "intent" among other things on the ground that foreseeability may penalize an employer who has taken reasonable precautions against employee misconduct. 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.

In the latter cases the employer’s practical ability to prevent the harm is slight. Unlike the previous version, the Restatement (Third) had 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 its employees' 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.

"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."
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 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 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.\(^\text{232}\) This should definitely be the case in Copyright Law when there is no such direct reference. It seems the Restatement \(\text{\textsc{\textit{Third}}}\) itself moves in this direction.\(^\text{233}\)

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 reinterpret the test to better reflect Copyright Law’s principles.

\(^{232}\) 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.\)

\(^{233}\)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. Thus, 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." \textsc{\textit{Restatement (Third) of Agency}} § 1.01 Comment c (2006). Also compare \textsc{\textit{Restatement (Third) of Agency, In General, Common Law and Statutes}}, \textit{The third type of relationship} (2006).