Work Made for Hire – Analyzing the Multifactor Balancing Test

Ryan G. Vacca, University of Akron School of Law

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Ryan Vacca
Associate Professor of Law

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WORK MADE FOR HIRE – ANALYZING THE MULTIFACTOR BALANCING TEST

Ryan Vacca*

Authorship, and hence, initial ownership of copyrighted works is oftentimes controlled by the 1976 Copyright Act’s work made for hire doctrine. This doctrine states that works created by employees within the scope of their employment result in the employer owning the copyright. One key determination in this analysis is whether the hired party is an employee or independent contractor. In 1989, the U.S. Supreme Court, in CCNV v. Reid, answered the question of how employees are distinguished from independent contractors by setting forth a list of factors courts should consider. Unfortunately, the Supreme Court did not give further guidance on how to balance these factors. Three years later, in 1992, the Court of Appeals for the Second Circuit decided Aymes v. Bonelli and noted that not all factors are equally weighted and that five of the factors would “be significant in virtually every situation.” This analysis was supported by looking at all the work made for hire cases decided in the three year period since Reid – six cases in total. This Article expands in both scope and time what the Second Circuit did in Aymes and systematically analyzes how courts have utilized the factors in the twenty-five years since Reid. In particular, this study has identified the universe of cases where the courts have decided whether a hired party was an employee or independent contractor and uses the data from these cases to describe what factors appear to be the most and least important in reaching these conclusions. Based on the results of this study, this Article proposes a continuum of importance, which graphically illustrates the relative importance of each factor.

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I. INTRODUCTION

Authorship plays a central role in copyright law. Conferring this title on people or entities bestows on them initial ownership of the copyright and the power to exploit the associated rights. Hence, it is no

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1 See U.S. Const., art. I, § 8, cl. 8 (“Congress shall have the power . . . to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”) (emphasis added); see also Peter Jaszi, Toward a Theory of Copyright: The Metamorphoses of “Authorship,” 1991 Duke L.J. 455, 455 (1991)(“authorship . . . is arguably the most central, and certainly the most resonant, of the foundational concepts associated with Anglo-American copyright doctrine.”).

surprise that authorship is an oft-disputed issue between parties contesting the use of copyrighted works.\textsuperscript{4}

In many circumstances, determining authorship is easy because the general rule is that “the author is the party who actually creates the work [—] the person who translates an idea into a fixed, tangible expression.”\textsuperscript{5} The artist who paints a bowl of fruit in her home studio on the weekend to sell at a community art show is an easy example of the traditional notion of authorship. The glaring exception to this general rule is the work made for hire doctrine. In part, this doctrine provides that “a work prepared by an employee within the scope of his or her employment”\textsuperscript{6} is consequently owned by the employer.\textsuperscript{7} But the work made for hire doctrine does not simply change initial ownership of the copyright.\textsuperscript{8} This doctrine has found its way into several other issues, such as modifying the duration of the copyright,\textsuperscript{9} eliminating the right to terminate transfers of copyright,\textsuperscript{10} and prohibiting the acquisition of moral rights.\textsuperscript{11}

But unlike \textit{Hamlet}, where the question was “to be, or not to be,”\textsuperscript{12} for the work made for hire doctrine, the question is “employee or independent contractor?” Distinguishing between employees and independent contractors under the 1976 Copyright Act’s work made for hire doctrine is an essential problem courts and parties need to resolve before

\begin{enumerate}[3]
\item \textit{Id.} §§ 106, 106A (“[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following: . . . .”) (“[T]he author of a work a work of visual art — shall have the right . . . .”).
\item Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 737 (1989).
\item 17 U.S.C. § 101 (definition of work made for hire).
\item \textit{Id.} § 201(b).
\item \textit{Compare} 17 U.S.C. § 302(a) (2012) (copyright generally persists for the life of the author plus seventy years) \textit{with} 17 U.S.C. § 302(c) (2012) (copyright in a work made for hire “endures for a term of 95 years from the year of its first publication, or a term of 120 years from the year of its creation, whichever expires first.”).
\item \textit{Id.} § 203(a) (“In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright . . . . is subject to termination. . . . .”); \textit{see also} \textit{id.} § 304(c), (d) (same exclusion, but applied to a different set of transfers).
\item \textit{See id.} § 106A (granting moral rights “the author of a work of visual art”) \textit{and} § 101(2)(B) (definition of “work of visual art” as not including a work made for hire).
\item \textit{William Shakespeare, Hamlet} act III, sc. 1.
\end{enumerate}
proceeding to analyze how ownership, duration, terminations of transfers, and moral rights are affected.\textsuperscript{13}

Nearly twenty-five years ago, the U.S. Supreme Court attempted to give guidance to judges and parties involved in disputes over the employment status of hired individuals.\textsuperscript{14} In 1989, the Court issued its opinion in \textit{Community for Creative Non-Violence v. Reid}\textsuperscript{15} and declared that distinguishing employees from independent contractors should be accomplished by using a multifactor balancing test.\textsuperscript{16} This test, which uses approximately a dozen factors, clarified what the proper test was, but spawned questions about how those factors are balanced and which factors, if any, are the most important in the analysis.\textsuperscript{17}

Three years after \textit{Reid}, the Court of Appeals for the Second Circuit decided \textit{Aymes v. Bonelli} and noted that not all factors are equally weighted.\textsuperscript{18} The court in \textit{Aymes} went further still and opined that five of the factors would “be significant in virtually every situation.”\textsuperscript{19} This analysis was supported by reviewing all the work made for hire cases decided in the three-year period since \textit{Reid} – six cases in total.\textsuperscript{20}

This Article greatly expands upon the Second Circuit’s work in \textit{Aymes}. It is the first study to comprehensively and systematically analyze the work made for hire factors and show their relative importance in distinguishing employees from independent contractors. It contributes to the existing and highly-regarded literature of empirical studies analyzing multifactor tests.\textsuperscript{21} Using a data set consisting of the population of work made for hire cases decided since \textit{Reid} where the courts determined the status of the hired party, this Article illustrates which factors are the most and least important in drawing this distinction. These results confirm, in part, what the Second Circuit in \textit{Aymes} believed – that a small subset of factors is important.\textsuperscript{22} Likewise, these results show that some factors originally thought to be important are not terribly important and that other

\textsuperscript{13} See Garon & Ziff, \textit{supra} note 8, at 490.
\textsuperscript{15} \textit{Id.}
\textsuperscript{16} \textit{Id.} at 751-52.
\textsuperscript{17} See \textit{infra} Parts II.E-F.
\textsuperscript{19} \textit{Id.}
\textsuperscript{20} See \textit{id.} at 862-63 (citing six cases decided between 1990 and 1992).
\textsuperscript{22} See \textit{infra} Part II.F.
factors originally thought to be of only moderate importance are actually very important.\textsuperscript{23}

Part II provides historical background on the work made for hire doctrine and illustrates how the doctrine has evolved from when its foundation was laid in the mid-1800s through the Second Circuit’s 1992 decision in Aymes.\textsuperscript{24} Specifically, during the course of this discussion, I describe the legislative histories leading up to the codification of the work made for hire doctrine in the 1976 Copyright Act\textsuperscript{25} and the circuit split occurring after its enactment, which eventually led to the Supreme Court’s resolution in Reid.\textsuperscript{26} Part II concludes by recounting the Supreme Court’s rationale for adopting the multifactor test in Reid\textsuperscript{27} and the Second Circuit’s explanation of the important and unimportant factors in Aymes.\textsuperscript{28}

Part III describes the methodology and results of this study.\textsuperscript{29} In this part, I explain the type of data collected, describe how this data is used to show four different measures of importance, and display how each factor ranks using each measure.\textsuperscript{30} Most importantly, based on the results of these measures, I propose a continuum of importance for the Reid factors.\textsuperscript{31} This continuum groups together factors sharing similar features with respect to the measures of importance.\textsuperscript{32} Part III concludes by testing how useful the continuum is at predicting the ultimate outcome of the work made for hire cases.\textsuperscript{33}

Part IV first attempts to situate the results of this study within the historical development of the work made for hire doctrine and see whether these results cohere with the Supreme Court’s rationales for adopting and rejecting the various interpretations existing before Reid.\textsuperscript{34} Part IV then considers the implications of this study, paying attention to litigation and business-planning contexts.\textsuperscript{35} Special attention is drawn to terminations of transfers litigation involving sound recordings as a case study on how the results of this study may ultimately affect the outcome of this impending litigation.\textsuperscript{36}

\textsuperscript{23} See infra notes 260-261 and accompanying text.
\textsuperscript{24} See infra Part II.
\textsuperscript{25} See infra Parts II.A-C.
\textsuperscript{26} See infra Part II.D.
\textsuperscript{27} See infra Part II.E.
\textsuperscript{28} See infra Part II.F.
\textsuperscript{29} See infra Part III.
\textsuperscript{30} Id.
\textsuperscript{31} See infra Fig. 1 in Part III.B.
\textsuperscript{32} Id.
\textsuperscript{33} See infra Fig. 2 and preceding discussion in Part III.B.
\textsuperscript{34} See infra Part IV.A.
\textsuperscript{35} See infra Part IV.B.
\textsuperscript{36} See infra Part IV.B.2.
II. AUTHORSHIP AND THE WORK MADE FOR HIRE
DOCTRINE

To understand the modern work made for hire doctrine, it is necessary to appreciate how it came into being. Many of the changes taking place in 1976 and subsequent interpretations were heavily influenced by earlier copyright acts and how courts construed the work made for hire doctrine. The most significant of these early acts was the 1909 Copyright Act. This part of the Article briefly describes the work made for hire doctrine during the pre-1909 period and then discusses the codification of this doctrine in the 1909 Act and how the courts gradually, but greatly, modified this doctrine. Afterwards, this part describes the legislative history leading to the 1976 Act and the final codification in section 101, which left courts struggling with how to determine whether a hired party was an employee or independent contractor. Next, this part explains the four approaches lower courts used in making this determination before the Supreme Court resolved the issue in its historic 1989 case – CCNV v. Reid. Finally, it describes how the Second Circuit in Aymes v. Bonelli put an additional gloss on Reid, which serves as the jumping off point for this study and is fully explored in Parts III and IV.

A. Pre-1909 Case Law

The earliest appearance of the work made for hire doctrine (or at least the foundation for the doctrine) occurred in the 1860s.37 Prior to this time, hiring parties were never entitled to the copyright of the parties they hired absent an agreement assigning the copyright to the hiring party.38 As such, no distinction was drawn between employees and independent contractors because hiring parties were not entitled to the copyright by virtue of employment.39

During the 1860s, a shift occurred and courts began to recognize that hiring parties did have a copyright interest in the works prepared by those they hired to create.40 One of the earliest cases laying the foundation for the work made for hire doctrine was Keene v. Wheatley.41

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38 Id. at 32.
39 Id.
40 Id.
41 Keene v. Wheatley, 14 F. Cas. 180 (C.C.E.D. Pa. 1861).
involved the famous play, *Our American Cousin*.\(^{42}\) In relevant part, the British author, Tom Taylor, sold the American rights to Laura Keene, a New York City theater owner.\(^{43}\) Joseph Jefferson, an actor in Keene’s company, adapted the play for performance in Keene’s New York theater.\(^{44}\) The play became a huge success in New York and Jefferson sold his additions in the play to Wheatley and John Clark, two Philadelphia theater producers, who had previously acquired a British copy of the play.\(^{45}\) After a successful exhibition of the play in Philadelphia, Keene filed suit alleging copyright infringement.\(^{46}\) The court held that Keene did not have a valid copyright to the original version of the play because Taylor was not a U.S. resident.\(^{47}\) Notwithstanding this ruling, the court also held that Keene could seek a remedy against Wheatley and John Clark for Jefferson’s additions to the play.\(^{48}\) As the court explained:

> Mr. Jefferson, while in the general theatrical employment of the complainant, engaged in the particular office of assisting in the adaptation of this play; and made the additions in question in the course of his willing performance of this duty. She consequently became the proprietor of them as products of his intellectual exertion in a particular service in her employment.\(^{49}\)

In particular, the court declined to hold that the Keene was entitled to the copyright as a matter of statutory copyright law but, instead, based its holding on equitable principles.\(^{50}\)

Eight years later, in *Lawrence v. Dana*,\(^{51}\) a federal court collapsed the distinction between statutory copyright law and equitable principles.\(^{52}\) *Lawrence* involved an international law treatise written by Henry Wheaton.\(^{53}\) Upon Henry Wheaton’s death, his wife, Catharine, sought the

\(^{42}\) *Id.* at 181. *Our American Cousin* is famously known as the play occurring at Ford’s Theater the night President Lincoln was assassinated by John Wiles Booth. Fisk, *supra* note 37, at 38 n.125.

\(^{43}\) *Keene*, 14 F. Cas. at 182.

\(^{44}\) *Id.*

\(^{45}\) Fisk, *supra* note 37, at 37-38.

\(^{46}\) *Keene*, 14 F. Cas. at 184.

\(^{47}\) *Id.* at 185; Fisk, *supra* note 37, at 39.

\(^{48}\) Fisk, *supra* note 37, at 40.

\(^{49}\) *Keene*, 14 F. Cas. at 187.

\(^{50}\) *Id.*; Fisk, *supra* note 37, at 40.


\(^{52}\) Fisk, *supra* note 37, at 43.

\(^{53}\) *Lawrence*, 15 F. Cas. at 26.
assistance of William Lawrence to prepare a new edition of the treatise.\textsuperscript{54} As part of the agreement between Catharine and Lawrence, Catharine agreed to not make use of Lawrence’s notes in a new edition of the treatise without his consent.\textsuperscript{55} Subsequent litigation over the treatise ensued and in dictum the court indicated that had the parties not entered into a contract for Lawrence to retain the copyright, Catharine would have owned the copyright because of the employment relationship between them.\textsuperscript{56} This dictum was repeated throughout the rest of the nineteenth century as courts reallocated copyright ownership by including an implied contract between the parties that favored the hiring party owning the copyright.\textsuperscript{57} Despite courts entertaining the idea of the hiring party owning the copyright in the absence of an express assignment to that effect, there was confusion about whether the default rule favored the hiring or hired party.\textsuperscript{58} The cause for this shift from a default rule of hired party ownership to a default rule of hiring party ownership is muddled.\textsuperscript{59} Nonetheless, one thing is clear – the courts deciding copyright cases during this period drew no distinction between employees and independent contractors like is done in the modern context.\textsuperscript{60}

It was not until nearly the turn of the century that the principle of hiring party-owned copyrights was more firmly established.\textsuperscript{61} In 1899, the court in \textit{Collier Engineer Co. v. United Correspondence Schools}\textsuperscript{62} noted that it was the employer of a salaried employee that was the copyright owner of instructional materials for a correspondence school.\textsuperscript{63} The following year, the court in \textit{Dielman v. White}\textsuperscript{64} held that “when an artist is commissioned to execute a work of art not in existence at the time the commission is given, the burden of proving that he retains a copyright in the work of art executed, sold, and delivered under the commission rests heavily upon the artist himself.”\textsuperscript{65}

\textsuperscript{54} \textit{Id.}
\textsuperscript{55} \textit{Id.}
\textsuperscript{56} \textit{Id.} at 51; \textit{Fisk, supra} note 37, at 43.
\textsuperscript{57} \textit{Fisk, supra} note 37, at 45.
\textsuperscript{58} \textit{Id.} at 47 (“by the last two decades of the nineteenth century, the law of employee copyrights was highly uncertain and the results of cases were quite unpredictable.”).
\textsuperscript{59} \textit{See id.} at 45 (suggesting the cause of this shift was based on (1) reflecting the intent of most parties, (2) employers having a stronger moral claim, or (3) changing assumptions about the nature of authorship).
\textsuperscript{60} \textit{Id.} at 46.
\textsuperscript{61} \textit{Id.} at 55.
\textsuperscript{62} \textit{Collier Eng’r Co. v. United Correspondence Sch.}, 94 F. 152 (C.C.S.D.N.Y. 1899).
\textsuperscript{63} \textit{Fisk, supra} note 37, at 59-60.
\textsuperscript{64} \textit{Dielman v. White}, 102 F. 892 (C.C.D. Mass. 1900).
\textsuperscript{65} \textit{Dielman}, 102 F. at 894.
**B. The 1909 Act**

After an uncertain history, Congress finally recognized the work made for hire doctrine in the Copyright Act of 1909.\(^{66}\) The 1909 Act provided that “the word ‘author’ shall include an employer in the case of works made for hire.”\(^{67}\) This provision of the 1909 Act resulted from a meeting in 1905 between industry leaders and the American Authors’ League.\(^{68}\) The initial draft stated that only “authors” could obtain copyright, but industry leaders objected.\(^{69}\) The Copyright Office proposed a revised bill that did not have a general work made for hire provision, but instead had a section indicating that the “publisher of a composite or collective work . . . which has been produced at his instance and expense” would be entitled to a copyright.\(^{70}\) However, industry leaders were still unsatisfied. As one participant complained:

We have people who work for us who make engravings or etchings for us under salary. Under the new law – if it becomes a law as drafted – they would have the right to copyright, and I think it would be well to express in such a law that where no agreement exists to the contrary the payment of a salary to an employee shall entitle an employer to all rights to obtain a copyright in any work performed during the hours for which such salary is paid. It seems to me these things should not be left to the courts to decide.\(^{71}\)

Interestingly, this comment indicates that some industry leaders believed that the copyright in works created by salaried employees during their employment would belong to the employer.\(^{72}\) The Copyright Office was persuaded by such comments and prepared another draft of the bill, which credited authorship to “[a]n employer, in the case of a work produced by an employee during the hours for which his salary is paid, subject to any

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\(^{67}\) Act of March 4, 1909, ch. 320, §62, 35 Stat 1075, 1088.

\(^{68}\) Fisk, supra note 37, at 63.

\(^{69}\) Id.

\(^{70}\) Id. at 64 (citing 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT xxiv (B. Fulton Brylawski & Abe Goldman eds, 1976)).

\(^{71}\) Id. (citing 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT 65 (B. Fulton Brylawski & Abe Goldman eds, 1976)).

\(^{72}\) See id. (citing 2 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT 65 (B. Fulton Brylawski & Abe Goldman eds, 1976)).
agreement to the contrary.”

Later, in 1906, Congress held joint hearings and produced the language ultimately ending up in the 1909 Act – “the word ‘author’ shall include an employer in the case of works made for hire.” Unfortunately, Congress failed to define “work made for hire” and “employer.”

One of the earliest cases interpreting the 1909 Act’s work made for hire provision was National Cloak & Suit Co. v. Kaufman. In Kaufman, the plaintiff, a corporation, claimed a copyright in a fashion book. The defendant reproduced portions of this book and when sued for copyright infringement, moved to dismiss. In the course of opinion, the Second Circuit discussed the newly-enacted 1909 Act and the work made for hire doctrine. Importantly, the court noted that “[under the previous law], as well as now, the employer had the right to the copyright in the literary product of a salaried employe[e].”

The last major development in the work made for hire doctrine before enactment of the 1976 Act was Brattleboro Publishing Co. v. Winmill Publishing Corp. In Brattleboro, newspaper advertisers hired The Brattleboro Daily Reformer, a local newspaper, to create advertisements. These advertisements appeared in the Brattleboro Daily Reformer and subsequently appeared in the Brattleboro Town Crier, a direct-mail circular. The Brattleboro Daily Reformer sued the Brattleboro Town Crier for copyright infringement for reproducing the advertisements. On appeal, the Second Circuit stated that in determining whether a work was a work made for hire under the 1909 Act, it applied the “instance and expense test.” That is, the copyright is owned by “the person at whose instance and expense the work is done.”

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73 Id. at 66 (citing 3 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT xxx (B. Fulton Brylawski & Abe Goldman eds, 1976)).
74 Id. (citing 4 LEGISLATIVE HISTORY OF THE 1909 COPYRIGHT ACT pt J (B. Fulton Brylawski & Abe Goldman eds, 1976)).
75 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.03[B][1][a][i] (2012).
77 Id. at 216.
78 Id.
79 Id. at 217.
80 Id. (emphasis added).
81 Brattleboro Publ’g Co. v. Winmill Publ’g Corp., 369 F.2d 565 (2nd Cir. 1966).
82 Id. at 568.
83 Id. at 567.
84 Id.
85 Id.
86 Id.
copyright owners of the advertisements.\textsuperscript{87} Importantly, the Second Circuit opined that the “instance and expense test” applied regardless of whether the hired party was a traditional employee or an independent contractor.\textsuperscript{88} Collapsing the distinction between employees and independent contractors laid the foundation for some of the confusion arising from the 1976 Act’s work made for hire provision.

\textbf{C. The 1976 Act – Legislative History and Statutory Text}

The deluge of technological advancements created in the wake of the 1909 Act caused the judges interpreting it to stretch the statutory language to its limits to accommodate these developments.\textsuperscript{89} As a result, in 1955, Congress decided to overhaul the 1909 Act, which included funding thirty-five studies on copyright issues.\textsuperscript{90} One of these studies, study number thirteen, published in 1958, focused on the work made for hire issue and reported the then-current state of the law under the 1909 Act.\textsuperscript{91}

Based on these studies, the Copyright Office prepared a report on copyright law revisions, including recommendations on how to deal with the work made for hire issues.\textsuperscript{92} This 1961 report recommended that works made for hire be defined as “works created by an employee within the regular scope of his employment”\textsuperscript{93} and suggested that commissioned works fell outside this definition.\textsuperscript{94} Following publication of the 1961 report, stakeholders voiced their concerns about the recommendations.\textsuperscript{95} One objection lodged by the motion picture industry concerned the use of the phrase “regular scope of his employment” in the definition.\textsuperscript{96} The movie

\textsuperscript{87} Id. at 568.
\textsuperscript{88} Id. at 567-68; see also Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc., 380 F.3d 624, 635 (2nd Cir. 2004).
\textsuperscript{91} See BORGE VARMER, WORKS MADE FOR HIRE AND ON COMMISSION (1958), reprinted in SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE SENATE COMM. ON THE JUDICIARY, 86TH CONG, 1ST SESS., COPYRIGHT LAW REVISION (1960).
\textsuperscript{92} Hardy, supra note 90, at 224; HOUSE COMMITTEE ON THE JUDICIARY, 87TH CONG., 1ST SESS., COPYRIGHT LAW REVISION: REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW (Comm. Print 1961) [hereinafter 1961 Register Report], reprinted in 8 NIMMER, supra note 75, at app. 14.
\textsuperscript{93} Hardy, supra note 90, at 224; 1961 Register Report, supra note 92, reprinted in 8 NIMMER, supra note 75, at app. 14.
\textsuperscript{94} Hardy, supra note 90, at 224; 1961 Register Report, supra note 92, reprinted in 8 NIMMER, supra note 75, at app. 14.
\textsuperscript{95} Hardy, supra note 90, at 225-28; Landau, supra note 66, at 115.
\textsuperscript{96} Hardy, supra note 90, at 225 n.66.
studios thought this language narrowed what the studios had typically been able to claim as their own.\textsuperscript{97} None of the objections concerned the understanding of what the term “employee” meant.\textsuperscript{98} In fact, as Professor Trotter Hardy describes it, the comments to the 1961 report implicitly recognized “employee” to mean formal employees – those paid on a regular schedule.\textsuperscript{99}

After these discussions, the Copyright Office published a “Preliminary Draft Bill” in 1963.\textsuperscript{100} This bill defined work made for hire as “a work prepared by an employee within the scope of the duties of his employment, but not including a work made on special order or commission.”\textsuperscript{101} Although the 1963 Preliminary Draft Bill included a few changes to the work made for hire doctrine, it did not define the term “employee.”\textsuperscript{102} Stakeholders’ understanding of the term “employee” became clear as a result of the objections to the provision in the 1963 Preliminary Draft Bill stating that specially ordered or commissioned works were not works made for hire.\textsuperscript{103} As the stakeholders argued about the status of commissioned works, they frequently contrasted commissioned individuals with employees.\textsuperscript{104} Again, as Professor Hardy articulately describes, these references to employees almost always describe employees as individuals who were formal employees – those who were on the payroll and paid a regular salary.\textsuperscript{105}

Following this set of discussions, Congress introduced the 1964 bill,\textsuperscript{106} which included commissioned works within the definition of “work

\textsuperscript{97} Id. Another objection to the proposal was that employers would not be considered authors, but merely owners of the copyright. Id. at 226.
\textsuperscript{99} Hardy, supra note 90, at 226-27.
\textsuperscript{100} Id. at 228; Landau, supra note 66, at 115.
\textsuperscript{101} Hardy, supra note 90, at 228; Landau, supra note 66, at 115.
\textsuperscript{102} Hardy, supra note 90, at 229.
\textsuperscript{103} Id. at 332-35. The debate about commissioned works was that federal copyright law would preempt common law copyright, which had treated hiring parties that commissioned works as the copyright owner. In effect, commissioned works were treated similarly to employee-created works, but with preemption in effect that common law development would no longer exist and the hiring party would not own the copyright unless the hired party agreed to assign it. This, in conjunction with the introduction of the termination of transfer provisions, which did not apply to works made for hire, caused much consternation for the film, textbook, reference publishers. Id. at 229-32.
\textsuperscript{104} Id. at 232-35.
\textsuperscript{105} Id.
\textsuperscript{106} Technically, Congress introduced three identical bills – S. 3008, H.R. 11947, and H.R. 12354. For the sake of simplicity I refer to them collectively as the 1964 bill. Id. at 236.
made for hire."107 In fact, the 1964 bill provided that any specially ordered or commissioned work would be a work made for hire “if the parties expressly agree in writing that it shall be considered a work made for hire.”108 This one hundred eighty degree change on specially commissioned works raised objections from individual creators who had been routinely hired as independent contractors, especially members of the Authors League.109 After much haranguing, the two sides of the work made for hire debate were able to find some common ground and agreed that some types of specially commissioned works should be works made for hire, while other types were not appropriate for that treatment.110 Because the focus of this round of discussions centered on specially commissioned parties, rather than employees, nothing was said on what constituted an employee.111

At last, in 1965, Congress introduced two bills112 which defined “work made for hire” as “a work prepared by an employee within the scope of his or her employment”113 and also specially ordered or commissioned works falling within four categories of works, including a contribution to a collective work, parts of a motion picture, translations, and supplementary works, if the parties expressly agreed in writing that the work shall be considered a work made for hire.114 After further discussions, this list of categories was expanded to include compilations, instructional texts, tests, atlases, and answer materials for a test.115 In the Congressional hearing, industry witnesses again focused on the specially commissioned works, but in reference to this issue, they explained their understanding of what an employee was.116 As they had in the past, the stakeholders considered

107 Landau, supra note 66, at 115.
108 Hardy, supra note 90, at 236; Landau, supra note 66, at 115.
109 Hardy, supra note 90, at 237. These individuals were concerned that they could easily be forced to sign a contract declaring that the work was a work made for hire and, as a result, their termination rights would never exist. Landau, supra note 66, at 115-16.
110 Hardy, supra note 90, at 238.
113 Landau, supra note 66, at 116.
114 Id.; Hardy, supra note 90, at 238. One of the driving forces behind these debates about the work made for hire definition was the new termination of transfers provisions. See Landau, supra note 66, at 116 (“in exchange for concessions from publishers on provisions relating to termination rights, the authors consented to a second subsection . . . .”).
115 Landau, supra note 66, at 117. The stakeholders involved in negotiating these categories – hence the seemingly random collection of included works–were representatives of the Authors League of America, the Ad Hoc Committee on Educational Institutions and Organizations, the American Guild of Authors and Composers, the American Textbook Publishers’ Institute, the American Book Publishers Council, and the Motion Picture Association of America. Litman, supra note 89, at 890-91 nn.216-18.
116 Hardy, supra note 90, at 239.
employees as those who were paid a salary for either a fixed or indefinite term.\textsuperscript{117}

After more than a decade of debates about the work made for hire doctrine, the statutory language had been worked out and was enacted, albeit a decade later, in the 1976 Copyright Act.\textsuperscript{118} In relevant part, the definition of “work made for hire” now reads:

A “work made for hire” is—
(1) a work prepared by an employee within the scope of his or her employment; or
(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.\textsuperscript{119}

Although the 1976 Copyright Act uses the phrase “a work prepared by an employee within the scope of his or her employment,” it fails to define the term “employee.”\textsuperscript{120} Nonetheless, given the extensive legislative history, one possibility was that everyone understood the term to mean those who were formal, salaried employees.\textsuperscript{121}

\textbf{D. Different Interpretations of “Employee” Under the 1976 Act}

The 1976 Copyright Act went into effect on January 1, 1978 and courts were quickly confronted with the task of having to interpret the work made for hire language in the statute.\textsuperscript{122} During the course of the following eleven years, the lower courts adopted four different tests to determine whether a hired party was an employee under the first prong on the work made for hire definition.\textsuperscript{123}

\begin{itemize}
\item \textsuperscript{117} \textit{Id.} (discussing the testimony of Adolph Schimel on behalf of the Motion Picture Association of America).
\item \textsuperscript{118} Landau, \textit{supra} note 66, at 117.
\item \textsuperscript{119} 17 U.S.C. § 101 (2006) (definition of “work made for hire”) (remainder omitted).
\item \textsuperscript{120} Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 738 (1989).
\item \textsuperscript{121} Hardy, \textit{supra} note 90, at 241 (1988); Litman, \textit{supra} note 89, at 890.
\item \textsuperscript{122} Marita Covarrubias, Note, \textit{The Supreme Court Sculpts a Definition...Is It a Work for Hire?}, 10 LOY. L.A. ENT. L. REV. 353, 365 (1990).
\item \textsuperscript{123} Landau, \textit{supra} note 66, at 120-21.
\end{itemize}
1. Right to Control Test

The first test was known as the “right to control” test. Under this test, courts looked at “whether the alleged employer has the right to direct and supervise the manner in which the writer performs his work.” This test was borrowed from case law interpreting the 1909 Act.

One of the first cases adopting the “right to control” test was Town of Clarkstown v. Reeder. In Reeder, the town decided to establish a civic project, known as a Youth Court. As part of this project, the town’s Youth Court Executive Board formed various sub-committees, including a Constitution Committee and Steering Committee. Michael Reeder voluntarily served on each of these committees. As part of his role on the Steering Committee, Reeder was tasked with preparing a manual for the Youth Court. Reeder drafted the manual “after receiving conceptual and practical input from many people,” including guidance from members of the different committees and Executive Board. The chairman of the Executive Board relayed feedback from the committees to Reeder and served as a sounding board as Reeder prepared the manual.

Shortly after the manual was complete, Reeder contracted with another town to help them create a Youth Court and asserted a copyright in the Clarkstown manual. Initially, Reeder granted Clarkstown a license, but after the Executive Committee requested Reeder to assign the copyright to the town, Reeder revoked the license and litigation ensued. At issue was whether Reeder was an employee of the town and, as a result, whether the manual was a work made for hire with the copyright belonging to the town.

The court held that Reeder, despite the fact that he volunteered his time, was the town’s employee. The court held that the crucial factor in

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124 Reid, 490 U.S. at 738.
127 Id. at 141.
128 Id. at 137-38.
129 Id. at 138.
130 Id.
131 Id. at 139.
132 Id.
133 Id.
134 Id.
135 Id. at 139-40.
136 Id. at 140-41.
137 Id. at 142.
determining whether Reeder was an employee “is whether the alleged employer has the right to direct and supervise the manner in which the writer performs his work.”\(^\text{138}\) The town had this right to direct and supervise the manner in which the manual was created because (1) the Chairman of the Executive Board had the power to remove and appoint members; (2) Reeder and the Chairman had ongoing discussions about drafting the manual, including what to include and change; (3) the Chairman assigned Reeder and another volunteer to prepare other documents and they did; and (4) Reeder submitted proposals to the committees and Executive Board for approval.\(^\text{139}\) The fact that no one from the town ever ordered Reeder to write the manual in a specific format was not dispositive.\(^\text{140}\) The court emphasized that the employment relationship depended on having the right to control, not exercising the right.\(^\text{141}\)

The court’s justification for this interpretation of the term “employee” in the 1976 Act leaves much to be desired. Rather than looking at the legislative history of the 1976 Act, the court reached its conclusion about how to distinguish employees from independent contractors by relying on three cases interpreting the muddled 1909 Act.\(^\text{142}\)

2. Actual Control Test

The second test used by the courts following enactment of the 1976 Act was the “actual control” test.\(^\text{143}\) This was a variation of the “right to control” test.\(^\text{144}\) Under the “actual control” test, courts did not just look at whether the hiring party could control or direct the work, but looked at whether the hiring party actually asserted control over the creation of the work.\(^\text{145}\)

The leading case on the “actual control” test is the Second Circuit’s *Aldon Accessories v. Spiegel, Inc.*\(^\text{146}\) In that case, the plaintiff, Aldon, was in the business of designing and selling figurines.\(^\text{147}\) One of Aldon’s principals, Arthur Ginsberg, handled the creative aspects of the company, including product-design.\(^\text{148}\) In anticipation of a new line of mythological

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\(^{138}\) *Id.* at 141.

\(^{139}\) *Id.*

\(^{140}\) *Id.* at 142.

\(^{141}\) *Id.*

\(^{142}\) *See supra* final sentence in Part II.B.


\(^{144}\) *Id.*

\(^{145}\) *Id.*; Landau, *supra* note 66, at 123.

\(^{146}\) *Aldon Accessories v. Spiegel, Inc.*, 738 F.2d 548 (2nd Cir. 1984).

\(^{147}\) *Id.* at 549.

\(^{148}\) *Id.*
porcelain statuettes, Ginsberg contacted a Japanese firm, Wado, about making models for the porcelain statuettes. In addition to describing the pose of the porcelain statuettes and sending drawings to Wado, Ginsberg traveled to Japan and worked with the Wado artists to develop the porcelain statuette models. Working with the artists included Ginsberg spending “hours and hours changing shapes [and] adjusting attitudes and proportions” in addition to giving specific directions to the artists on where to position the figures’ heads, legs, and hair. Afterwards, Aldon decided to develop brass versions of the statuettes and contacted a Taiwanese firm, Unibright, about creating brass models that differed from the porcelain models. Ginsberg traveled to Taiwan and worked with Unibright’s artists in the same way he worked with Wado’s artists.

After Aldon began selling the statuettes, a buyer for Spiegel inspected the statuettes at a trade show and requested a sample. Aldon sent the samples and a few months later discovered Spiegel selling identical statuettes in its catalogue. Aldon sued for copyright infringement and prevailed at trial, including on the issue of whether the models created by Wado and Unibright were works made for hire.

On appeal, Spiegel argued that Wado and Unibright, not Aldon, were the copyright owners (i.e. the models were not works made for hire). The Second Circuit disagreed and held that the Wado and Unibright artists were employees working within the scope of their employment because “Ginsberg did much more than communicate a general concept or idea to the [artists], leaving creation of the expression solely to them.” The court was persuaded by the fact that “Ginsberg actively supervised and directed the creation” of the designs and that although he did not “physically wield the sketching pen and sculpting tools, he stood over the artists and artisans at critical stages of the process, telling them exactly what to do.”

In adopting the “actual control” test, the Second Circuit cited to several cases interpreting the 1909 Act and noted that there was “[n]othing
in the 1976 Act or its legislative history indicat[ing] that Congress intended to dispense with this prior law.”\textsuperscript{160} Rather than dissecting the legislative history as Professor Hardy has done, the court concluded that Congress did not intend to narrow what was meant by “employee” because there would surely have been some discussion of this in the legislative history.\textsuperscript{161} In addition to the Second Circuit, the “actual control” test was adopted by the Fourth and Seventh Circuits.\textsuperscript{162}

3. Agency Test

The third test used by the courts following enactment of the 1976 Act was the “agency” test.\textsuperscript{163} Under this test, courts determined whether a hired party was an employee or independent contractor by using the meaning of the word “employee” as understood under agency law.\textsuperscript{164} Although there was no federal agency law, the courts suggested using the Restatement (Second) of Agency as a guide.\textsuperscript{165} According to the Restatement, courts consider the following factors in distinguishing between employees and independent contractors:

(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;

\textsuperscript{160} Id. at 552.
\textsuperscript{161} Id.
\textsuperscript{162} Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 739 (1989); see Brunswick Beacon, Inc. v. Schock-Hopchas Publ’g Co., 810 F.2d 410, 413 (4th Cir. 1987) (¨there is no suggestion that they supervised Beacon employees as they developed the advertisements or directed the manner of the work’s completion¨), Evans Newton, Inc. v. Chicago Sys. Software, 793 F.2d 889, 894 (7th Cir. 1986) (¨We find the Second Circuit’s analysis and conclusion [in Aldon] compelling¨). But see Landau, supra note 66, at127 (arguing that although the Seventh Circuit adopted the “actual control” test from Aldon, it applied it in a way that more closely conforms to the “right to control” test).
\textsuperscript{163} Reid, 490 U.S. at 739.
\textsuperscript{164} Easter Seal Soc’y for Crippled Children & Adults of La., Inc. v. Playboy Enter., 815 F.2d 323, 334-35 (5th Cir. 1987).
\textsuperscript{165} Id. at 335.
(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 part of the regular business of the employer;
(i) whether or not the parties believe they are creating the relation of master and servant; and
(j) whether the principal is or is not in business.\textsuperscript{166}

The leading case using the “agency” test was the Fifth Circuit’s decision in \textit{Easter Seal}.\textsuperscript{167} \textit{Easter Seal} involved a videotape of a staged Mardi Gras style parade.\textsuperscript{168} A representative of the Easter Seal Society entered into a contract with a television station to film the parade and edit it to be a sixteen-minute segment for the Easter Seal Society’s telethon.\textsuperscript{169} The Easter Seal Society representative gave some suggestions to Mr. Beyer, the head of the film crew, including camera locations, scenes to look for during the parade, and camera angles.\textsuperscript{170} However, it was not clear whether Mr. Beyer followed these suggestions.\textsuperscript{171} In addition, the Easter Seal Society did not control technical issues, such as lighting, sound, and color balance.\textsuperscript{172} Mr. Beyer made all decisions on aesthetics and technical issues concerning the cameras and sound equipment.\textsuperscript{173}

After being aired nationally, the television station permitted a Canadian television producer to use pieces of the film footage.\textsuperscript{174} As it turned out, the Canadian producer used the film in an adult film, \textit{Candy, the Stripper}.\textsuperscript{175} \textit{Candy, the Stripper} was distributed and shown nationally by Playboy and others.\textsuperscript{176} After learning about this, Easter Seal Society filed suit alleging copyright infringement.\textsuperscript{177} The district court held Mr. Beyer was not an employee of the Easter Seal Society and therefore, the television station, which did employ Mr. Beyer, owned the copyright in the film.\textsuperscript{178}

\textsuperscript{166} \textsc{Restatement (Second) of Agency} § 220(2) (1958).
\textsuperscript{167} \textit{Easter Seal}, 815 F.2d 323.
\textsuperscript{168} \textit{Id.} at 324.
\textsuperscript{169} \textit{Id.}
\textsuperscript{170} \textit{Id.}
\textsuperscript{171} \textit{Id.}
\textsuperscript{172} \textit{Id.}
\textsuperscript{173} \textit{Id.}
\textsuperscript{174} \textit{Id.}
\textsuperscript{175} \textit{Id.} at 324-25.
\textsuperscript{176} \textit{Id.} at 325.
\textsuperscript{177} \textit{Id.}
\textsuperscript{178} \textit{Id.}
On appeal, the Fifth Circuit considered three different interpretations of what constituted an employee for work made for hire purposes and analyzed the problems associated with each.\textsuperscript{179} The Fifth Circuit discussed a variation of the “right to control” test and described it as ignoring the distinction between employees and independent contractors.\textsuperscript{180} Under this test the courts focus on whether the work was done at the instance and expense of the hiring party and ask whether the hiring party had the right to control the work.\textsuperscript{181} The Fifth Circuit criticized this test as making the nine categories of works under § 101(2) “completely mysterious”\textsuperscript{182} and also not deviating from the interpretation of work made for hire under the 1909 Act, despite a belief that Congress was trying to “tighten up the ‘work for hire’ doctrine under the 1976 Act.”\textsuperscript{183}

Likewise, the Fifth Circuit was critical of the Second Circuit’s “actual control” test in \textit{Aldon}.\textsuperscript{184} The Fifth Circuit was concerned that the “actual control” test could result in a lack of consistency between the same buyer and seller if more than one work were produced.\textsuperscript{185} Moreover, the Fifth Circuit thought the test was overly complicated because if a formal, salaried employee were hired, but the work was not actually supervised by the employer, then the employer’s copyright would be lost and this “would be almost unimaginable.”\textsuperscript{186} Finally, the Fifth Circuit criticized the “actual control” test because it easily slid into the “right to control” test.\textsuperscript{187}

The Fifth Circuit was also critical of the agency test.\textsuperscript{188} The court thought that such an interpretation was radically different from the work made for hire doctrine under the 1909 Act and the court was not sure Congress had this in mind.\textsuperscript{189} Despite these concerns, the Fifth Circuit adopted the “agency” test because it: (1) made sense out of the specially commissioned works categories in § 101(2); (2) tied the meaning of “work made for hire” to a well-developed doctrine in agency law; (3) enhanced predictability; and (4) created a “moral symmetry” with others areas of the

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\textsuperscript{179} \textit{Id.} at 328-34. \\
\textsuperscript{180} \textit{Id.} at 331. \\
\textsuperscript{181} \textit{Id.} Note that the Fifth Circuit’s statement of the right to control test focuses on the right to control the work as opposed to the manner in which the work is performed, which was set forth in \textit{Reeder}. \textit{See supra} Part II.D.1. \\
\textsuperscript{182} \textit{Easter Seal}, 815 F.2d at 331. \\
\textsuperscript{183} \textit{Id.} \\
\textsuperscript{184} \textit{Id.} at 333-34. \\
\textsuperscript{185} \textit{Id.} at 333. \\
\textsuperscript{186} \textit{Id.} at 334. \\
\textsuperscript{187} \textit{Id.} \\
\textsuperscript{188} \textit{Id.} at 330-31. \\
\textsuperscript{189} \textit{Id.} at 330.
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law, such as the employer being liable under the theory of respondeat superior.  

4. Formal, Salaried Employee Test

The final test used by the courts following enactment of the 1976 Act was the “formal, salaried employee” test. Under this test, courts initially looked to see if the hired party “[held] himself or herself out as a freelancer.” If so, then the hiring party should have anticipated the work not being a work made for hire. If the relationship was ambiguous, then a variety of factors were examined, most of which were a subset of the factors identified under the agency test. These factors included: (1) whether the hired party worked in his or her own studio or on the premises of the hiring party; (2) whether the hiring party is in the regular business of creating works of the type purchased; (3) whether the hired party works for several hiring parties at a time, or exclusively for one; (4) whether the hiring party retains authority to assign additional projects to the hired party; (5) the tax treatment of the relationship by the parties; (6) whether the hired party is hired through the channels the hiring party customarily uses for hiring new employees; (7) whether the hired party is paid a salary or wages, or is paid a flat fee; and (8) whether the hired party obtains from the hiring party all benefits customarily extended to its regular employees. Importantly, the “formal, salaried employee” test does not inquire into the degree of control and input the hiring party exercises.

The leading case using the “formal, salaried employee” test was the Ninth Circuit’s decision in Dumas v. Gommerman. In Dumas, ITT Cannon contracted with graphic artist Patrick Nagel to produce four paintings that ITT would give out as sets of lithographs to ITT Cannon’s distributors as part of a promotional campaign. ITT Cannon’s advertising agency determined the content and some parts of the design, borders, and placement of figures and gave Nagel sketches for him to use in making the

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190 Id. at 335. Although the other justifications are probably self-evident, with respect to the fourth justification – moral symmetry – the Fifth Circuit explained “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.” Id.


192 Dumas v. Gommerman, 865 F.2d 1093, 1105 (9th Cir. 1989).

193 Id.

194 Id.

195 Id.

196 Id.

197 Id.

198 Id. at 1094.
illustrations. After paying for the paintings and distributing some lithograph sets, ITT Cannon had some lithographs leftover and eventually sold some to Stefan Gommerman, an art gallery owner. In addition to purchasing the lithographs, Gommerman purchased ITT Cannon’s copyrights in the works.

Nagel’s widow, Jennifer Dumas, became the successor in interest in Nagel’s copyrights. After learning about ITT Cannon’s purported transfer of the copyrights to Gommerman, Dumas objected to Gommerman’s reproduction and sales of the paintings, claimed she was the copyright owner because Nagel was an independent contractor, and filed suit for copyright infringement. Gommerman defended by arguing that the paintings were works made for hire because Nagel was ITT Cannon’s employee. The district court granted a preliminary injunction in favor of Dumas and Gommerman appealed to the Ninth Circuit.

On appeal, the Ninth Circuit perused the legislative history of the 1976 Copyright Act and acknowledged that the final work made for hire language in the statute was the result of a negotiated compromise. The court was reluctant to upset that compromise. In analyzing the legislative history, the Ninth Circuit determined that the negotiating parties used the term “employee” when referring to “a salaried worker in a long-term position.” Because ITT Cannon conceded that Nagel was not a formal, salaried employee, the paintings were not works made for hire and the court affirmed the district court.

The Ninth Circuit recognized that other courts had utilized different tests, but criticized those interpretations. In particular, the Ninth Circuit opined that the Second Circuit’s “actual control” test from Aldon failed to recognize that the 1976 Act was trying to substantively change copyright law under the 1909 Act and that it distorted the balance struck in the negotiations between stakeholders. Furthermore, the Ninth Circuit joined the Fifth Circuit’s criticisms of the “actual control” and “right to control”

199 Id.
200 Id.
201 Id.
202 Id.
203 Id. at 1094-95.
204 Id. at 1094.
205 Id. at 1095.
206 Id. at 1098-1101.
207 Id. at 1099.
208 Id. at 1101.
209 Id. at 1102.
210 Id.
211 Id. at 1102-03.
tests. And although the Ninth Circuit largely agreed with the Fifth Circuit’s “agency” interpretation in Easter Seal, it did object to the “agency” test as importing the “actual control” or “right to control” tests and making it difficult to determine, ex ante, whether the hired party was an employee or independent contractor. Instead, by conceiving of employees under the “formal, salaried employee” test, the Ninth Circuit believed there would be few disputes concerning the status of the hired party.

E. CCNV v. Reid and the Multifactor Balancing Test

Given the four different approaches to determining whether a hired party was an employee or independent contractor, it was no surprise the Supreme Court granted certiorari to resolve this circuit split. On June 5, 1989, the Supreme Court handed down its unanimous opinion in Community for Creative Non-Violence v. Reid and interpreted what Congress meant by the term “employee” in the work made for hire doctrine under the 1976 Act.

CCNV was a nonprofit organization committed to eliminating homelessness. In 1985, CCNV hired James Earl Reid to produce a sculpture for use in a Washington D.C. Christmas pageant. Members of CCNV conceived the idea of the sculpture as depicting a life-size nativity scene, but instead of using the Holy Family, the family would be homeless people huddled on a steam grate. CCNV and Reid never signed a written agreement nor did they discuss copyright ownership.

During the course of creating the sculpture, CCNV and Reid communicated several times about the sculpture design, including the position of the family, the items used to hold the family’s personal belongings, and who would serve as models for the family members. Reid eventually completed the sculpture and it was displayed near the pageant site for a month. The sculpture was returned to Reid for minor repairs while CCNV prepared to take the sculpture on tour. Reid

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212 Id. at 1103.
213 Id. at 1104.
214 Id. at 1105.
216 Id. at 733.
217 Id.
218 Id.
219 Id. at 734.
220 Id.
221 Id. at 735.
222 Id.
objected to taking the sculpture on tour and when CCNV requested return of the sculpture, Reid refused. The district court, after a two-day bench trial, declared that the sculpture was a work made for hire. In particular, the district court held that Reid was an employee because CCNV was the motivating factor in the production of the work and because CCNV directed enough of Reid’s efforts in creating the sculpture CCNV desired. On appeal, the D.C. Circuit reversed and held the sculpture was not a work made for hire. The D.C. Circuit adopted the Fifth Circuit’s “agency” test from Easter Seal and determined that Reid was an independent contractor rather than a CCNV employee.

The Supreme Court, in explaining the meaning of the work made for hire language, noted that the 1976 Act does not provide a definition of the term “employee” and that because of this ambiguity, the four interpretations discussed earlier had emerged. Ultimately, the Court adopted the “agency” test because it was “well established that where Congress uses terms that have accumulated settled meaning under . . . the common law, a court must infer, unless the statute otherwise indicates, that Congress means to incorporate the established meaning of these terms.” Because, the Court reasoned, Congress used the term “employee” in conjunction with the term “scope of employment” — a widely-used term of art in agency law — and did not use any other language in the statute to indicate that it meant something other than the common law notion of the relationship between employers and employees, the common law agency test was appropriate. The Court then fleshed out what it meant by the “agency” test. First, it stated that in determining whether a hired party is an employee, “we consider the hiring party’s right to control the manner and means by which the product is accomplished.” Next, citing section 220(2) of the

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223 Id.
224 Id.
225 Id.
226 Id. at 735-36.
227 Id. at 736.
228 Id. The D.C. Circuit also suggested the possibility that the sculpture could have been jointly authored by Reid and CCNV in which case both Reid and CCNV would own the copyright. The court remanded the case to the district court on this basis. Id.; see also 17 U.S.C. § 201(a).
229 Reid, 490 U.S. at 738-39.
230 Id. at 739 (quoting NLRB v. Amax Coal Co., 453 U.S. 322, 329 (1981)).
231 Id. at 740.
232 Id. at 751.
233 Id.
Restatement (Second) of Agency, the Court listed the following factors as relevant to this inquiry:

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

Although the Court cited the Restatement for the test, it is interesting to note that the factors listed in Reid do not match up exactly to those factors in the Restatement.  

Besides these oversights, the Court failed to provide any guidance as to how these factors should be balanced other than noting that “[n]o one of these factors is determinative.” The Court then applied these factors to the facts of the case and held that Reid was an independent contractor, not an employee, of CCNV because although CCNV directed Reid’s work to the extent it met their specifications, all of the other factors weighed in favor of Reid being an independent contractor.

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234 Id. at 751-52.
235 Compare id. at 751-52 with RESTATEMENT (SECOND) OF AGENCY § 220(2) (1958); see also Assaf Jacob, Tort Made For Hire — Reconsidering the CCNV Case, 11 YALE J.L. & TECH. 96, 109 (2009). The Court failed to include some of the Restatement factors and added new factors not listed in the Restatement. Id. at 109. For example, the Court introduced the following factors: the right to assign additional projects to the hired party; the extent of the hired party’s discretion over when and how long to work; the hired party’s role in hiring and paying assistants; and the provision of employee benefits and tax treatment of the hired party. Id. Likewise, the Court omitted the following factors listed in the Restatement: whether or not the hired party is engaged in a distinct occupation or business; the kind of occupation, with reference to whether, in the locality, the work is usually done under the direction of the employer or by a specialist without supervision; and whether or not the parties believe they are creating the relations of master and servant. Id. at 110.
236 Reid, 490 U.S. at 752.
237 Id. at 752-53.
In the course of justifying the common law agency test, the Court explained that this interpretation furthered “Congress’ paramount goal in revising the 1976 Act of enhancing predictability and certainty of copyright ownership.”\textsuperscript{238} In contrast, the “actual control” test undermined predictability and certainty because the parties would not be able to know until late in the process whether the hiring party had actually wielded sufficient control over the hired party.\textsuperscript{239} Because CCNV had conceded that the closely-related “right to control” test was difficult to demonstrate without actual control, the “right to control” test suffered from a similar flaw.\textsuperscript{240}

In addition to furthering the policy goals of predictability and certainty, the Court explained that the “right to control” test focused on the relationship between the hiring party and the product rather than the relationship between the hiring and hired parties.\textsuperscript{241} Accordingly, this focus was misguided because the work made for hire language in section 101 is written in terms of the latter rather than former.\textsuperscript{242} Moreover, the “right to control” test ignored the dichotomy between works created by employees and specially commissioned works because under the “right to control” test, a specially commissioned work could also be a work by an employee as long as the hiring party had the right to control the product.\textsuperscript{243} In short, the “right to control” test would largely eliminate the statutory requirement for specially commissioned works of having a signed writing specifying the product is a work made for hire.\textsuperscript{244}

Notwithstanding the Court’s critiques of the “right to control” test, the test set forth in Reid seemed to adopt that test as the ultimate question in the analysis.\textsuperscript{245} The confusion in the Court rejecting the “right to control” test while at the same time partially adopting it is that the Court explained the “right to control” test differently than the way it was originally stated in Reeder. Under Reeder, the court defined the test as “whether the alleged employer has the right to direct and supervise the manner in which the hired party performs his work.”\textsuperscript{246} This test is nearly identical to the test the Supreme Court partially adopts in Reid. The “right to control” test

\textsuperscript{238} Id. at 749.
\textsuperscript{239} Id. at 750.
\textsuperscript{240} Id. at 750 n. 17.
\textsuperscript{241} Id. at 741.
\textsuperscript{242} Id.
\textsuperscript{243} Id. at 741-42.
\textsuperscript{244} Id.
\textsuperscript{245} Id. at 751 (“In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party’s right to control the manner and means by which the product is accomplished.”).
\textsuperscript{246} Town of Clarkson v. Reeder, 566 F. Supp. 137, 141 (S.D.N.Y. 1983).
rejected in *Reid* was slightly different. The Supreme Court’s criticisms were aimed at a test focused on whether “the hiring party retain[ed] the right to control the *product*.” The difference between these two versions of the “right to control” test is that one focuses on the hiring party controlling the manner and means of production whereas the other focuses on the hiring party controlling the product. The cases the Supreme Court cites to in its discussion of the “right to control” test framed the test in terms of the hiring party controlling the manner and means of production, rather than the product itself, but whether this is a meaningful distinction is doubtful.

The “actual control” test suffered from a similar problem of failing to dichotomize. The Court noted that although a work could be a work made for hire under section 101(2) and not under 101(1) if the work was specially commissioned, but no actual control was exercised, the Court found there was no support for this distinction in the statutory language. Finally, the Court summarily rejected the “formal, salaried employee” test because although there was some support for this approach in the legislative history, the work made for hire provision used the term “employee” rather than “formal employee” or “salaried employee.” In addition, the amici arguing for this approach did not agree on the standard for what constituted a “formal, salaried employee.”

In sum, the Court’s decision in *Reid* settled the question that had plagued the lower courts for several years. And although the lower courts now had a multifactor test to help them determine whether the hired party was an employee or independent contractor, all they were told about the test was that no single factor was dispositive. This lack of further guidance led to additional confusion about how the factors ought to be applied.

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247 *Reid*, 490 U.S. at 738 (emphasis added).
248 1 NIMMER, supra note 75, at § 5.03[B][1][a][iii].
250 1 NIMMER, supra note 75, at § 5.03[B][1][a][iii] (“[T]he distinction may import no different result in many cases.”).
251 *Reid*, 490 U.S. at 742 (“[T]here is no statutory support for an additional dichotomy between commissioned works that are actually controlled and supervised by the hiring party and those that are not.”).
252 Id. at 742 n.8. It is worth noting that section 101 also does not use the term “employee as understood by the common law of agency.”
253 Id.
F. Weighting Factors – The Aymes v. Bonelli Three-Year Study

Following the Supreme Court’s decision in Reid, the lower courts were confronted with how the Reid factors were to be applied. According to the Second Circuit, one district court erred in treating all the Reid factors as equally important and simply tallying the factors in making its determination.254 To provide the lower courts additional guidance in applying the Reid factors, the Second Circuit in Aymes v. Bonelli suggested that “there are some factors that will be significant in virtually every situation.”255 In particular, the Aymes court listed the following Reid factors as almost always being relevant and deserving of more weight in the multifactor analysis:

- the hiring party’s right to control the manner and means of creation;256
- the skill required;
- the provision of employee benefits;
- the tax treatment of the hired party; and
- whether the hiring party has the right to assign additional projects to the hired party.257

Of these important factors, the Second Circuit additionally noted that the employee benefits and tax treatment factors were especially probative because “every case since Reid that . . . applied the test . . . found the hired party to be an independent contractor where the hiring party failed to extend benefits or pay social security taxes.”258 In determining which Reid factors were deserving of more weight, the Aymes court did not simply pull these five factors out of thin air. Instead it relied on all of the cases

255 Id.
256 Read literally, the hiring party’s right to control the manner and means of creation is not one of the Reid factors, but is the ultimate question that the Reid factors help courts determine. As the Supreme Court stated in Reid, “[i]n determining whether a hired party is an employee under the general common law of agency, we consider the hiring party’s right to control the manner and means by which the product is accomplished. Among the other factors relevant to this inquiry are [the Reid factors].” Reid, 490 U.S. at 751. Nonetheless, many lower courts have treated this as one of the Reid factors. See e.g. Aerospace Serv. Int’l v. LPA Group Inc., 1992 WL 12000194, *5 (N.D. Ga. Oct. 30, 1992), Alcatel USA, Inc. v. Cisco Sys., Inc., 239 F. Supp. 2d 645, 652-54 (E.D. Tex. 2002), Blair v. World Tropics Prod., Inc., 502 F. Supp. 2d 828, 834 (W.D. Ark. 2007), Hi-Tech Video Prod., Inc. v. Capital Cities/ABC, Inc., 58 F.3d 1093, 1097 (6th Cir. 1995).
257 Aymes, 980 F.2d at 861.
258 Id. at 863.
decided in the intervening three and a half years since Reid – six cases in total.\footnote{Id. at 861-63.}

With respect to the remaining Reid factors, the Aymes court indicated that some were generally of little use in the work made for hire analysis.\footnote{Id. at 863-64.} In particular, the court noted that whether the work is part of the regular business of the hiring party and whether the hiring party is in business will generally have little weight in the analysis.\footnote{Id. at 863 (“This factor will generally be of little help in this analysis.”).}

### III. UPDATING AYMES – A COMPREHENSIVE MULTIFACTOR STUDY

The pronouncement of the important factors in Aymes took place a mere three years after Reid. Since Aymes, many more work made for hire cases have been decided. Accordingly, a fresh and more comprehensive look at courts’ analyses of the Reid factors will facilitate a greater understanding of which factors are the most important in determining whether a hired party is an employee or independent contractor. This study examines the universe of work made for hire cases since Reid where a determination of the hired party’s status has been made and evaluates which factors are and are not important in the analysis. This part sets forth the methodology for locating and coding the cases. Next, it describes the results of this study and clusters the factors based on their importance.

#### A. Methodology

Using a broad search, I located what I believe to be all of the work made for hire cases decided under the 1976 Copyright Act from June 5, 1989 through February 27, 2014.\footnote{I ran the following search in the ALLCASES database in Westlaw, which contains all federal and state court cases: employee /p (“work for hire” “work made for hire”) /p factor!. This yielded 108 cases. Of these 108 cases, forty-three analyzed the Reid factors and determined whether the hired party was an employee or independent contractor. I then ran this search in Lexis: employee /para (“work for hire” or “work made for hire”) /para factor!. The Lexis search produced an additional seventeen cases that were not already captured in the Westlaw search. None of these seventeen cases produced copyright cases that analyzed the Reid factors and determined whether the hired parties were employees or independent contractors. I then ran this search in Bloomberg Law: employee p/ (“work made for hire” OR “work for hire”) p/ factor!. The Bloomberg search produced an additional fifteen cases not already captured in the Westlaw and Lexis searches. Only two of these fifteen cases produced copyright cases that analyzed the Reid factors and determined whether the hired parties were employees or independent contractors.} After eliminating false positives,\footnote{After eliminating false positives, this}
search yielded forty-six work made for hire cases.\textsuperscript{264} For each case, the following information was recorded: whether the court concluded the hired party was an employee or independent contractor, the identity of the court and which circuit it fell within, the year the case was decided, and whether the case cited \textit{Aymes} in the context of the five factors the \textit{Aymes} court found to almost always be important.\textsuperscript{265}

In addition, for each case two variables were created for each \textit{Reid} factor. The first variable was whether the factor favored employee status, favored independent contractor status, was indeterminate, or was not addressed by the court. These determinations were made based on statements by the courts about how these factors affected the outcome.

The second variable was whether the court weighted each \textit{Reid} factor. The coding options for this variable were that the court gave additional weight to the particular factor, discounted the factor, or did not expressly weight the factor.\textsuperscript{266} These too were based on statements (or the absence of statements) by the courts about how much weight they were giving each of the factors.

In addition to the twelve \textit{Reid} factors, two factors that were addressed with some frequency were added: (1) the hiring party’s right to control the manner and means by which the product is accomplished,\textsuperscript{267} and (2) how the hired party and hiring party referred to the hired party. Finally, because the \textit{Reid} factors are not an exhaustive list, any additional factors the

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\textsuperscript{263} The false positives were mostly non-copyright cases (e.g. Title VII) or copyright cases where the court did not decide whether the hired party was an employee or independent contractor (e.g. denying a motion for summary judgment because there was a genuine issue of material fact regarding the analysis).

\textsuperscript{264} In one case, Huebbe v. Oklahoma Casting Co., 663 F. Supp. 2d 1196 (W.D. Okla. 2009), the court engaged in two separate work made for hire analyses. Because these analyses were distinct, I treated them as two cases. This explains why although there were forty-five cases in the search, I analyzed forty-six cases as part of this study.

\textsuperscript{265} \textit{Aymes} itself was also included in this last variable.

\textsuperscript{266} The weighting or discounting of the factors could be done either by the court stating that the factor generally was entitled to additional weight or should generally be discounted (i.e. the court stating that in its circuit, the following factors are important) or during the application of the factor to the facts of the particular case (i.e. the court not making a pronouncement about the factors’ importance in the abstract, but stating that a particular factor was particularly important during the analysis of the facts before it).

\textsuperscript{267} See supra note 256.
courts discussed in their analyses were recorded. All of the additional factors were coded the same as the two variables used for the Reid factors.  

B. Results

Using this data, the following calculations were made: how frequently each factor was addressed by the courts, how consistent each factor was with the ultimate result about the status of the hired party, and how frequently each factor was given additional weight or discounted in the courts’ analyses. These calculations are shown below in Table 1 as Frequency, Consistency, Favored Weighting, and Discounted Weighting, respectively.

These calculations all measure, in some form, the importance of the factors. The frequency with which a factor is analyzed suggests whether courts are considering the factor in the first place or simply ignoring it. A frequently ignored factor is less likely to be important than one frequently addressed. Likewise, consistency illustrates importance because a factor that is less reliable in predicting the ultimate outcome suggests that courts treat that factor as having less impact on the ultimate result than other factors. Finally, whether a factor is discounted or given additional weight in the analysis reflects its importance as the courts are directly addressing which factors they take more seriously and find more probative in the analysis and which factors they routinely declare to be of less importance.

268 My research assistant and I independently coded all of the variables and then met in person to resolve any conflicts in the coding by reviewing the case.

269 Frequency for each factor is calculated as 46 total cases minus the number of cases the factor was not addressed by the courts.

270 Consistency for each factor is calculated by adding together the total number of cases where the factor’s outcome is consistent with the court’s ultimate conclusion about the hired party’s status. For example, if the skill required factor favors a finding of employee status and the court ultimately concludes the hired party is an employee, then this is consistent. If, however, the court finds that the skill required factor favors a finding of employee status, but the court ultimately concludes the hired party is an independent contractor, then this is inconsistent. The percentage in parentheses is calculated by dividing this number by the number in the Frequency column. In other words, when the factor is addressed, how consistent is it with the ultimate conclusion?

271 Favored Weighting for each factor is calculated by adding together the total number of cases where the factor is given additional weight. The percentage in parentheses is calculated by dividing this number by the number in the Frequency column. In other words, when this factor is addressed, how often is it favored?

272 Discounted Weighting for each factor is calculated the same way Favored Weighting is, but counts cases where the factor is discounted rather than given additional weight.

273 Inconsistent factors are also less useful to the parties and attorneys in predicting outcomes.
Table 1 – Summary Table

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Consistency</th>
<th>Favored Weighting</th>
<th>Discounted Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>skill required</td>
<td>26 (57%)</td>
<td>22 (85%)</td>
<td>8 (31%)</td>
<td>1 (4%)</td>
</tr>
<tr>
<td>source of instrumentalities and tools</td>
<td>33 (72%)</td>
<td>29 (88%)</td>
<td>2 (6%)</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>work location</td>
<td>32 (70%)</td>
<td>24 (75%)</td>
<td>0 (0%)</td>
<td>4 (13%)</td>
</tr>
<tr>
<td>relationship duration</td>
<td>29 (63%)</td>
<td>23 (79%)</td>
<td>1 (3%)</td>
<td>2 (7%)</td>
</tr>
<tr>
<td>additional projects</td>
<td>29 (63%)</td>
<td>25 (86%)</td>
<td>6 (20%)</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>when and how long to work</td>
<td>32 (70%)</td>
<td>26 (81%)</td>
<td>0 (0%)</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>payment method</td>
<td>39 (85%)</td>
<td>33 (85%)</td>
<td>5 (13%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>hiring and paying assistants</td>
<td>18 (39%)</td>
<td>13 (72%)</td>
<td>0 (0%)</td>
<td>2 (11%)</td>
</tr>
<tr>
<td>part of regular business of hiring party</td>
<td>29 (63%)</td>
<td>24 (83%)</td>
<td>0 (0%)</td>
<td>4 (14%)</td>
</tr>
<tr>
<td>hiring party in business</td>
<td>9 (20%)</td>
<td>4 (44%)</td>
<td>0 (0%)</td>
<td>3 (33%)</td>
</tr>
<tr>
<td>employee benefits</td>
<td>36 (78%)</td>
<td>32 (89%)</td>
<td>12 (33%)</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>tax treatment</td>
<td>37 (80%)</td>
<td>32 (86%)</td>
<td>12 (32%)</td>
<td>2 (5%)</td>
</tr>
<tr>
<td>right to control manner and means</td>
<td>36 (78%)</td>
<td>21 (58%)</td>
<td>5 (14%)</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>label</td>
<td>9 (20%)</td>
<td>5 (56%)</td>
<td>1 (11%)</td>
<td>3 (33%)</td>
</tr>
</tbody>
</table>

Tables 2, 3, 4, and 5 show how each factor fares with respect to each of the four calculations. As illustrated in those tables, some factors tend to rise toward the top of the list regardless of which calculation is used.²⁷⁴

²⁷⁴ For example, payment method, employee benefits, and tax treatment are in the top half for each calculation.
Other factors are stable in the middle\textsuperscript{275} or at the bottom\textsuperscript{276} of the list. But there is some fluctuation of the factors’ rankings across calculations.\textsuperscript{277}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|}
\hline
\textbf{Factor} & \textbf{Frequency} \\
\hline
payment method & 39 (85\%) \\
tax treatment & 37 (80\%) \\
employee benefits & 36 (78\%) \\
right to control manner and means & 36 (78\%) \\
source of instrumentalities and tools & 33 (72\%) \\
work location & 32 (70\%) \\
when and how long to work & 32 (70\%) \\
relationship duration & 29 (63\%) \\
additional projects & 29 (63\%) \\
part of regular business of hiring party & 29 (63\%) \\
skill required & 26 (57\%) \\
hiring and paying assistants & 18 (39\%) \\
hiring party in business & 9 (20\%) \\
label & 9 (20\%) \\
\hline
\end{tabular}
\caption{Sorted by Frequency (\%)}
\end{table}

\textsuperscript{275} For example, relationship duration is ranked eighth, ninth, ninth, and eighth in Tables 2, 3, 4, and 5, respectively.

\textsuperscript{276} For example, whether the hiring party is in business is ranked last in every calculation.

\textsuperscript{277} For example, payment method is ranked first when sorted by frequency and discounted weighting, but is only sixth for consistency and favored weighting.
Table 3
Sorted by Consistency (%)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>employee benefits</td>
<td>32 (89%)</td>
</tr>
<tr>
<td>source of instrumentalities and tools</td>
<td>29 (88%)</td>
</tr>
<tr>
<td>additional projects</td>
<td>25 (86%)</td>
</tr>
<tr>
<td>tax treatment</td>
<td>32 (86%)</td>
</tr>
<tr>
<td>skill required</td>
<td>22 (85%)</td>
</tr>
<tr>
<td>payment method</td>
<td>33 (85%)</td>
</tr>
<tr>
<td>part of regular business of hiring party</td>
<td>24 (83%)</td>
</tr>
<tr>
<td>when and how long to work</td>
<td>26 (81%)</td>
</tr>
<tr>
<td>relationship duration</td>
<td>23 (79%)</td>
</tr>
<tr>
<td>work location</td>
<td>24 (75%)</td>
</tr>
<tr>
<td>hiring and paying assistants</td>
<td>13 (72%)</td>
</tr>
<tr>
<td>right to control manner and means</td>
<td>21 (58%)</td>
</tr>
<tr>
<td>label</td>
<td>5 (56%)</td>
</tr>
<tr>
<td>hiring party in business</td>
<td>4 (44%)</td>
</tr>
</tbody>
</table>

With respect to weighting factors, it is worth noting that other than giving additional weight to employee benefits, tax treatment, skill required, and arguably the right to assign additional projects, courts do very little favorable weighting. Discounted weighting is even rarer. Although the hiring party being in business and the label used to describe the hired party are discounted thirty-three percent of the time, in terms of raw numbers, this discounting occurred in only three cases for each measure.

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278 See Table 4.
279 See Table 5.
### Table 4
**Sorted by Favored Weighting (%)**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Favored Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>employee benefits</td>
<td>12 (33%)</td>
</tr>
<tr>
<td>tax treatment</td>
<td>12 (32%)</td>
</tr>
<tr>
<td>skill required</td>
<td>8 (31%)</td>
</tr>
<tr>
<td>additional projects</td>
<td>6 (20%)</td>
</tr>
<tr>
<td>right to control manner and means</td>
<td>5 (14%)</td>
</tr>
<tr>
<td>payment method</td>
<td>5 (13%)</td>
</tr>
<tr>
<td>label</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>source of instrumentalities and tools</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>relationship duration</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>work location</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>when and how long to work</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>hiring and paying assistants</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>part of regular business of hiring party</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>hiring party in business</td>
<td>0 (0%)</td>
</tr>
</tbody>
</table>

### Table 5
**Sorted by Discounted Weighting (%)**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Discounted Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>payment method</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>source of instrumentalities and tools</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>additional projects</td>
<td>1 (3%)</td>
</tr>
<tr>
<td>skill required</td>
<td>1 (4%)</td>
</tr>
<tr>
<td>tax treatment</td>
<td>2 (5%)</td>
</tr>
<tr>
<td>when and how long to work</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>employee benefits</td>
<td>2 (6%)</td>
</tr>
<tr>
<td>relationship duration</td>
<td>2 (7%)</td>
</tr>
<tr>
<td>hiring and paying assistants</td>
<td>2 (11%)</td>
</tr>
<tr>
<td>right to control manner and means</td>
<td>4 (11%)</td>
</tr>
<tr>
<td>work location</td>
<td>4 (13%)</td>
</tr>
<tr>
<td>part of regular business of hiring party</td>
<td>4 (14%)</td>
</tr>
<tr>
<td>hiring party in business</td>
<td>3 (33%)</td>
</tr>
<tr>
<td>label</td>
<td>3 (33%)</td>
</tr>
</tbody>
</table>
Although each calculation by itself is helpful in understanding the importance of a particular factor in the work made for hire analysis, no single calculation can tell the entire story. For example, if we only looked at the frequency with which the factors are addressed, then we might conclude that the skill required is one of the least important of the Reid factors. But although frequency tells us how often the courts address the factor, it could be that when they do address it, they give it additional weight in the analysis because the courts consider it to be important in the inquiry. The skill required factor falls into this category as it is weighted favorably 31% of the time. As described earlier, looking only at the weighting calculations is also of limited use because of the small number of cases where weight is discussed. As a result, all of the calculations must be examined together to discover which factors are the most and least important. Based on all four calculations in Table 1, I propose that the continuum shown in Figure 1 describes the relative importance of the work made for hire factors.

Fig. 1

This continuum groups together factors that share similar features with respect to each of the calculations. For example, the factors listed as the most important (tax treatment, employee benefits, and payment method) all have high consistency (85% – 89%), are addressed very frequently (78% – 85%), are often or sometimes favorably weighted (13% – 33%), and are never or infrequently discounted (0% – 6%). In the next group of factors (additional projects, skill required, and source of the instrumentalities and tools), these factors all have a high consistency (85% – 88%), but have a lower frequency (57% – 72%); they do, however, have significant weighting (6% – 31% favorable; 3% – 4% discounting). Because this group is similar

280 Skill required is ranked eleventh in Table 2.
281 See supra text accompanying notes 278-279.
in many respects to the “most important” group, but is addressed with less frequency, these factors are grouped together and deemed slightly less important.

At the other end of the continuum are the least important factors. These factors (right to control the manner and means, the label used to describe the hired party, and whether the hiring party is in business) have very poor consistency (44% – 58%). And although the right to control the manner and means factor is addressed with high frequency (78%), this means very little given how inconsistent it is (58%) and that courts also split on whether it receives favorable weighting (14%) or is discounted (11%). The other two factors in this group are rarely addressed (20%) and are the most likely to be discounted in the analyses (33%).

Whether a particular factor belongs in one group down or one group up is certainly debatable; reasonable minds can differ. Illustrating the importance of the factors using a continuum with fuzzy lines separating the groups rather than strict lines of demarcation between the groups was purposefully chosen to acknowledge this.

To test how useful these groups are at predicting the ultimate outcome in a case, the top three factors were analyzed. If a majority of the three factors that were addressed favored the ultimate outcome, this was considered a successful prediction. If only two of the three factors were addressed and they were split, this was considered an unsuccessful prediction. Using only the three most important factors (tax treatment, employee benefits, and payment method), eighty-seven percent of the cases would be decided consistent with courts’ ultimate conclusion. When this study was done using the most important two groups, ninety-one percent of the cases would be decided consistent with the courts’ ultimate conclusion. In contrast, doing the same analysis using the three least important factors yielded a forty-eight percent success rate. Expanding this to the five least important factors improved the success rate to sixty-three percent. Doing the same analysis for the middle three factors yielded a seventy-eight percent success rate. These results are displayed below in Figure 2. In sum, the structure of this continuum appears to correctly illustrate the relative importance of the Reid and other commonly-considered factors.282

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282 There are, of course, limitations on this study. The primary limitation is the small number of cases (n=46) involved in the study. Because of this relatively small number of cases, it makes it nearly impossible to make the data any more granular. For example, it might be interesting to see if the factors’ importance changes based on the type of industry or work at issue. Although there are some industries or works that occur with some frequency (e.g. architecture and software), there are not enough of these cases to be able to draw any meaningful conclusions. Another limitation of this study is the potential for selection bias. That is, the parties or their attorneys deciding which case to bring and not bring based on how the courts addressed the factors in previous decisions. This issue exists
IV. DISCUSSION

The results of this study lead to two broad questions. First, how do these results fit within the long and varied developments of the work made for hire doctrine? Second, going forward, what are the implications of these results? This part explores each of these questions.

With respect to reflecting on the results in light of the historical developments, this part discusses how these results square with the Second Circuit’s statement in Aymes about the importance and lack of importance of specific factors. In addition, it examines whether and how these results cohere with the pre-Reid interpretations of “employee” and the Supreme Court’s rationales for adopting and rejecting these interpretations.

With respect to the implications of these results, this part first explores how these results may affect general copyright litigation where the parties contest the work made for hire status of a work. Afterwards, these results are situated within the context of the impending litigation concerning the work made for hire status of music recorded after 1977. Finally, this

with any study based on reported cases, but the effect could be more pronounced in this situation given the small number of cases.

283 See infra Part IV.A.
284 See id.
285 See infra Part IV.B.1.
286 See infra Part IV.B.2.
part suggests how these results may be of use to business planning attorneys so they can effectively advise their clients to achieve their desired results.  

**A. Doctrinal Fit**

In *Aymes*, the Second Circuit concluded that the following factors were the most important in the multifactor analysis:

- the hiring party’s right to control the manner and means of creation;
- the skill required;
- the provision of employee benefits;
- the tax treatment of the hired party; and
- whether the hiring party has the right to assign additional projects to the hired party.  

Of the five *Aymes* factors, four are within the top two groups of the continuum. The only *Aymes* factor not in these top two groups is the hiring party’s right to control the manner and means of creation. This factor is surprisingly within the least important group of the continuum. As noted earlier, the Supreme Court in *Reid* suggested this was not itself a factor, but was the ultimate question to be answered using the listed factors. Despite this, many lower courts have deemed the right to control a factor, rather than the ultimate conclusion. The lack of importance of this factor is surprising given that it is supposed to be determined by the other factors. Given that two courts (the Supreme Court and Second Circuit) have bolstered the importance of this factor, it is worth emphasizing that other courts have, by and large, ignored this authority.

In addition to overemphasizing the importance of the right to control factor, the *Aymes* court underappreciated the importance of the method of payment factor. The court acknowledged that this could be a “fairly

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287 See infra Part IV.B.3.
289 Employee benefits and tax treatment are in the most important group. The skill required and right to assign additional projects are in the second most important group.
290 See supra note 256.
291 Id.
292 In theory, the lack of importance of the right to control factor could make sense given the way the Supreme Court and Restatement (Second) of Agency phrase the test as the ultimate question. In other words, if the lower courts interpreted *Reid* this way, then it would not be an important factor because it is not really a factor at all. However, this explanation is not warranted given that the lower courts have frequently treated the right to control as a factor (78% frequency). Ultimately, this factor is not consistent with the outcomes and is treated inconsistently by the courts with respect to the weighting.
important factor,” but as illustrated above, this factor turns out to be one of the three most important factors. To a lesser extent, the source of the instrumentalities was underappreciated by Aymes, which is within the same group as the skill required factor.

In addition to declaring which factors were the most important, the Aymes court also opined that whether the work is part of the regular business of the hiring party and whether the hiring party is in business were of little use in the analysis. Based on the results of this study, it turns out that Aymes was certainly correct with respect to whether the hiring party is in business because this factor is in the least important group. However, being part of the regular business of the hiring party is not as inconsequential as Aymes made it out to be. Although not one of the most important factors, this factor is in the middle of the pack.

In sum, the statements in Aymes about the importance or lack of importance of specific factors are largely, but not completely, consistent with the results of this study. Of course, this could be attributed to path dependency. That is, the courts were bound to follow or were heavily influenced by Aymes. Of the forty-six cases, thirty-six postdated Aymes. Of those thirty-six cases, eight (22%) cite to Aymes, or a case citing Aymes, for the proposition that the Aymes factors are the important ones. Although path dependency probably had some influence on the ultimate outcome of the importance of the factors, the variations between the results of this study and the conclusions in Aymes suggest that path dependency was not dispositive in determining importance.

With respect to the results of this study as they relate to the pre-Reid tests for distinguishing employees from independent contractors, two observations are in order. First, as described earlier, although the Supreme Court cast the rejected “right to control” test as focusing on controlling the product as opposed to controlling the manner and means of production, it is questionable whether there is a meaningful difference between them. Nonetheless, the “right to control” test as adopted by the lower courts before Reid focused on the right to control the manner and means in which the hired party worked. Even assuming the Supreme Court had correctly understood the “right to control” test, the results of this study suggest that the right to control is unimportant. This factor is in the least important

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293 Aymes, 980 F.2d at 863.
294 Id.
295 Of course, courts that reached a similar conclusion with respect to how they balanced the factors could have read Aymes, but failed to cited to the opinion.
296 See supra notes 246-249 and accompanying text.
297 See supra note 250 and accompanying text.
298 See e.g. Town of Clarkson v. Reeder, 566 F. Supp. 137 (S.D.N.Y. 1983).
group on the continuum. As a result, the Supreme Court’s rejection of the “right to control” test is consistent with the results of this study. However, because the Supreme Court misunderstood the test, the reason for the consistency has little to do with the Court’s rationale for rejecting the test. 299

Second, when comparing the “formal, salaried employee” test with the results of this study, we see that the Dumas factors tend to line up fairly-well with the most important factors on the continuum. Of the eight Dumas factors, six are also found in Reid. 300 Like Aymes, the Dumas factors account for four of the top six factors. But unlike Aymes, the Dumas factors account for all three of the most important factors. The other two Dumas factors that are found in Reid – whether the work is part of the regular business of the hiring party and location of the work – fall in the middle or lower end of the continuum, but not the lowest group as occurred with the Aymes factors. Moreover, one of the Dumas factors not listed in Reid – working for several hiring parties or exclusively for one – was addressed in four cases as an additional factor. This was the most common “other” factor and although not weighted favorably or discounted, it was 100% consistent with the ultimate outcomes in the cases. Given these results, it may be that courts are actually using a variation of the Dumas “formal, salaried employee” test. This comports with Professor Hardy’s view that the “formal, salaried employee” test is the appropriate one. 301 Recall that Professor Hardy argued that the stakeholders assumed this was the test when they negotiated the terms of the 1976 Act in light of the 1909 Act, which seemed to recognize hiring party ownership of works created by salaried employees. 302 The factors at the important end of the continuum support the view that a variation of the “formal, salaried employee” test is what the courts are actually using in arriving at their conclusions. This is an interesting result in light of how harshly the Supreme Court treated the

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299 Interestingly, the Restatement (Third) of Agency, published in 2006, defines employee as “an agent whose principal controls or has the right to control the manner and means of the agent’s performance of work.” RESTATEMENT (THIRD) OF AGENCY § 7.07 (2006). The factors from the Restatement (Second) of Agency have been relegated to the comments of section 7.07. Id. at § 7.07 cmt. f. No court has suggested reviving the right to control test in light of this change in the Restatement.

300 These factors include: (1) whether the hired party worked in his or her own studio or on the premises of the hiring party; (2) whether the hiring party is in the regular business of creating works of the type purchased; (3) whether the hiring party retains authority to assign additional projects to the hired party; (4) the tax treatment of the relationship by the parties; (5) whether the hired party is paid a salary or wages, or is paid a flat fee; and (6) whether the hired party obtains from the hiring party all benefits customarily extended to its regular employees.

301 See supra notes 99, 105, and accompanying text.

302 Id.
formal, salaried employee test in Reid. \(^{303}\) The importance of these factors also brings us back full circle to the legislative history of the 1909 Act, which focused on employees being salaried. \(^{304}\)

One reason courts gravitate towards the three factors at the important end of the continuum could be that they are objectively measured and easy to apply. For example, whether the hiring party treated the hired party as an employee or independent contractor for tax purposes only involves looking at payroll documents and forms filed with the federal government. Likewise, providing benefits such as insurance is easily verified by looking at enrollment data. Similarly, the method of payment is easily determined by looking at paystubs to figure out the frequency and amounts paid. This is not to say that the other factors cannot be easily proven by looking at documents or other evidence, but factors such as skill required or the right to control the manner and means involve a certain level of subjectivity.

One final note about Reid and the results of this study is apposite. In justifying the “agency” test, the Supreme Court explained that “Congress’ paramount goal in revising the 1976 Act . . . [was] enhancing predictability and certainty of copyright ownership.” \(^{305}\) Given the results of this study and the multitude of cases where summary judgment is denied because of an issue of material fact about whether the hiring party is an employee or independent contractor, it is doubtful that the “agency” test has achieved this result. \(^{306}\) Under Reid, courts balance about a dozen factors, some of which are consistent with the ultimate conclusion and some of which have very little to do with the ultimate result. It is odd to imagine a multifactor balancing test such as the one set forth in Reid as providing more predictability and certainty to the parties than a smaller set of factors would

\(^{303}\) See Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 742 n.8 (1989) (Noting that the statutory definition of work made for hire “cannot support [the formal, salaried employee test] and that there was disagreement about the exact contours of the test. This test was rejected in a footnote unlike the right to control and actual control tests, which were rejected in the main text of the opinion.).

\(^{304}\) See supra notes 71-73 and accompanying text.

\(^{305}\) Reid, 490 U.S. at 749.

\(^{306}\) See e.g. Brower v. Martin, 446 F. Supp. 2d 232, 235 (S.D.N.Y. 2006) (“In light of these and other dispute questions of material fact, the court cannot conclude as a matter of law whether plaintiff’s songs constitute works-for-hire or to whom the copyright in these songs belongs.”), Ulloa v. Universal Music & Video Distrib. Corp., 303 F. Supp. 2d 409, 416 (S.D.N.Y. 2004) (“Having examined the Reid–Aymes factors and drawn all inferences in favor of the Plaintiff, the Court cannot conclude as a matter of law that either the musical composition or the sound recording of the Vocal Phrase were created as works for hire.”), Int’l Code Council, Inc. v. Nat’l Fire Prot. Ass’n, Inc., 79 U.S.P.Q.2d 1651, 1673-74 (N.D. Ill. 2006) (summary judgment is precluded because “a reasonable trier of facts could resolve the Reid multifactor analysis in either party’s favor.”).
achieve.\textsuperscript{307} If enhancing certainty and predictability of copyright ownership really were Congress’ paramount goals in the 1976 Act, then perhaps the Supreme Court should reconsider the Reid test and adopt a subset of factors for the courts to consider. One option would be to only use the factors in the most important and second most important groups of the continuum. Another option would be to use the factors from the top two groups, but if those factors are evenly split, then turn to the less important factors as tie-breakers. In the event Congress has the opportunity to revisit the work made for hire doctrine and believes predictability and certainty are still valuable goals vis à vis copyright ownership, then perhaps Congress could provide more guidance as to what constitutes an employer-employee relationship by recognizing these factors as existing in tiers. Neither is likely, but given the lack of guidance from the Supreme Court on how to balance the factors, lower courts have the flexibility to adopt a formal recognition of the important and unimportant factors as suggested by the continuum presented here.

\textbf{B. Practical Implications}

Although the fit between the results of this study and the underlying doctrine and historical developments is intriguing, these results may also be of great value to litigators and business planning attorneys in the field. Where the parties dispute the work made for hire status of a copyright, these results will help litigators to gather and present evidence concerning the doctrine and to better evaluate their cases.\textsuperscript{308} One such instance, explored in more depth below, is the upcoming litigation between artists, producers, and record companies in regard to songs recorded after 1977.\textsuperscript{309} In the context of business planning, these results will help attorneys structure their clients’ relationships to help achieve the desired employment status.\textsuperscript{310} Each is discussed in detail below.

\footnotesize
\textsuperscript{307} In the consumer context, we see that having too much choice or too many options can lead to bad results. See generally BARRY SCHWARTZ, THE PARADOX OF CHOICE – WHY MORE IS LESS passim (HarperCollins Pub. 2004). Perhaps courts suffer from a similar version of analysis paralysis in that they either fail to resolve the issue themselves and instead let juries decide or latch onto a subset of factors and fail to engage in a complete multifactor analysis.

\textsuperscript{308} See infra Part IV.B.1.

\textsuperscript{309} See infra Part IV.B.2.

\textsuperscript{310} See infra Part IV.B.3.
1. General Work Made for Hire Litigation

Litigation involving employment status under the work made for hire doctrine can arise in a few situations. For example, a defendant may assert that the plaintiff has no right to assert a claim for copyright infringement because the plaintiff is not the legal or beneficial owner of the copyright as a result of the work being a work made for hire. Additionally, another example is a copyright infringement dispute between the hiring and hired parties where the alleged infringer successfully defends by claiming ownership of the copyright via the work made for hire doctrine. Another instance could be determining whether artists are entitled to assert violations of their moral rights under the Visual Artists Rights Act of 1990, which does not provide moral rights to works made for hire. Finally, the employment status in the work made for hire doctrine may arise in situations involving terminations of transfers, which also do not apply to works made for hire. In these situations, determining whether a party is an employee or independent contractor may entirely or partially dispose of a case or significantly shift negotiating power when trying to settle a dispute.

Armed with the results of this study, litigators engaged in discovery can focus their energy and clients’ money on the factors at the most important end of the continuum and pay less attention to those at the least important end. After completing discovery, the attorneys can use the continuum to decide how to present their arguments in favor of and against a work made for hire conclusion. For example, in a motion for summary judgment, rather than simply analyzing the factors in the order presented in Reid, it may be more persuasive to analyze the factors in the order of importance. If most of the factors at the important end of the continuum support the movant, then presenting them this way may cause the judge to grant the motion. Likewise, if the factors at the more important end are

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311 Only the legal or beneficial owner of an exclusive right is entitled to institute an action for copyright infringement. 17 U.S.C. § 501 (2012).
312 See e.g. Maness v. Heavrin, 97 F.3d 1457, 1457 (8th Cir. 1996). The reason this situation arises is because one cannot infringe a copyright they own. Richmond v. Weiner, 353 F.2d 41, 42 (9th Cir. 1965) (“[a] copyright owner cannot infringe against his own copyright.”).
313 17 U.S.C. § 101(2)(B) (defining “work of visual art” as not including a work made for hire.).
314 17 U.S.C. § 203(a) (“In the case of any work other than a work made for hire, [certain granted rights are] subject to termination . . . .”). For a more detailed analysis on termination rights, see infra Part IV.B.2.
315 This is not to say that simply reordering the factors will cause a change in outcome in most cases. In fact, considering how to present the factors may only be useful in borderline cases where a court is on the fence about granting or denying a motion for summary judgment.
split, the non-movant may want to present the factors like this to avoid summary judgment. In addition to gathering and presenting evidence of employment status, these results should assist attorneys in evaluating their clients’ cases and giving more informed recommendations about whether to settle a dispute and for how much.\textsuperscript{316} In short, focusing on the most important factors can provide the increased predictability and certainty that the Court in \textit{Reid} thought it was providing.

2. \textbf{Specific Work Made for Hire Litigation – Terminations of Transfers and Sound Recordings}

One of the most interesting areas of copyright law where the work made for hire status will arise is with respect to terminations of transfers in sound recordings. Section 203 of the Copyright Act permits termination right owners to end certain post-1977 transfers of a copyright and reclaim the copyright for themselves.\textsuperscript{317} That is, if the work and type of transfer are eligible for termination and the termination right is exercised, all the rights covered by the transfer revert back to the owner of the termination interest.\textsuperscript{318} As a result, the termination right holder gets a second bite at the apple and can attempt to negotiate a new license or assignment on more favorable terms.\textsuperscript{319}

For example, imagine an unknown artist records a song at her home studio and in 2014 successfully sells her copyright in the sound recording to a record company for a measly sum. The recording turns out to be a huge success and the record company earns millions of dollars from exploiting its acquired rights in the recording. Under section 203, after thirty-five years, the recording artist could reclaim the copyright in the sound recording. If

\begin{footnotesize}
\begin{enumerate}
\item It is unclear if the parties would settle even if they knew this information. Looking at the forty-six cases involved in this study, in twenty-two (48\%) of them, 100\% of the factors that were addressed and not indeterminate were consistent with the ultimate outcome in the case (e.g. if nine factors were addressed, the court held all nine weighed in favor of the outcome). In ten of the cases (22\% of the total), only one factor was inconsistent with the ultimate conclusion. Combined, 70\% of the cases involved a situation where zero or one factor was inconsistent with the ultimate outcome. Once the attorneys in these cases knew what the facts were, it is hard to understand why the attorneys for the eventually-losing parties would push ahead with this aspect of the litigation.\textsuperscript{317}  
\item 17 U.S.C. § 203.\textsuperscript{318}  
\item 17 U.S.C. § 203(b). \textsuperscript{319} Corey Field, \textit{Their Master’s Voice}, 48 J. COPYRIGHT SOC’Y U.S.A. 145, 155 (2000). Sections 304(c) and (d) of the Copyright Act are additional termination of transfers provisions, but apply to copyrights transferred before 1978. 17 U.S.C. §§ 304(c), (d). Like section 203, these sections also exclude works made from hire from termination. But because the works were created before 1978, the 1909 Copyright Act’s work made for hire doctrine applies rather than the modern doctrine.
\end{enumerate}
\end{footnotesize}
the record company wanted to continue exploiting the recording, it would be forced to sit down at the negotiating table with the recording artist and reach a new deal. Presumably, the recording artist will negotiate a better deal in 2049 than she did in 2014.

As illustrated by this example, the termination of transfer right is a powerful one. As it turns out, 2013 was the first year of terminations under section 203 and a wave of termination disputes is expected over the next several years. These disputes (and the inevitable litigation accompanying them) will turn, in part, on the outcome of the work made for hire analysis and what it means to be an employee versus an independent contractor because termination of transfer rights do not exist for works made for hire. Instead, an employer whose employee created a copyrightable work will be the author and can enjoy the copyright for the duration without the fear of losing the copyright thirty-five to forty years later. To be sure, terminations of transfers under section 203 apply to all types of copyrightable works. But the looming litigation involving terminations of transfers of sound recordings is a good case study for analyzing how the Reid factors should be analyzed and what the likely outcome is in light of the factors’ relative importance.

To appreciate the work made for hire analysis of sound recordings, it is necessary to understand what sound recordings are and the potential authors laying claim to those copyrights. Sound recordings are “works that result from the fixation of a series of musical, spoken, or other sounds . . . regardless of the nature of the material objects . . . in which they are embodied.” Sound recordings are to be distinguished from musical works, which are the underlying composition and lyrics. An artist who sings and records a song written by someone else has created a copyrightable sound recording, but has no copyright interest in the underlying composition.

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320 Section 203 applies to transfers made on or after January 1, 1978. The five-year termination window begins thirty-five years after execution of the transfer. Therefore, the earliest five-year window could have begun on January 1, 2013. See 17 U.S.C. § 203(a).
322 17 U.S.C. § 203(a) (2012) (“In the case of any work other than a work made for hire, [a transfer of rights] is subject to termination . . . .”) (emphasis added).
323 Id. § 101 (definition of “sound recordings”).
324 Jessica L. Bagdanov, Internet Radio Disparity: The Need for Greater Equity in the Copyright Royalty Payment Structure, 14 CHAP. L. REV. 135, 139 (2010).
There are three major players in the sound recording industry who are likely to make a claim as being an author of a particular sound recording. First are the recording artists themselves. The artists are the individuals in the recording studio and creating the sounds by playing the instruments and singing the lyrics. Artists could be solo artists such as Billy Joel and Madonna or groups like Aerosmith and Bon Jovi. The House Report accompanying the Sound Recording Act of 1971\(^{326}\) suggests that recording artists can be authors of sound recordings.\(^{327}\) The Copyright Office does the same.\(^{328}\)

Second are the producers. Producers come in all forms, but many of the most successful are those who are the driving force behind the recording; they are the ones with a vision of the recording and orchestrate everything from the lead vocals to instrumental solos to background vocals.\(^{329}\) Producers bring their experience with songwriting and arranging, musical performance, and recording to the table along with their musical philosophy, knowledge of the music business, and rapport with artists to create the sound eventually heard by the public.\(^{330}\) Just as with recording artists, the House Report and Copyright Office suggest that producers may have a claim to authorship of sound recordings.\(^{331}\)

Third are the record companies. The role of the record company has changed over time. Initially, the record companies exercised a great deal of control over the creative process.\(^{332}\) But beginning in the 1970s, record companies narrowed their focus to manufacturing and promoting the sale of records.\(^{333}\) Nonetheless, record companies have not really abdicated all

\(^{326}\) The Sound Recording Act of 1971 is the legislation giving federal copyright protection to sound recordings. Before then, the only protection afforded was common law copyright protection. Daniel Gould, *Time’s Up: Copyright Termination, Work-For-Hire and the Recording Industry*, 31 COLUM. J.L. & ARTS 91, 97-98 (2007).


\(^{329}\) M. WILLIAM KRASILVSKY & SIDNEY SHEMEL, THIS BUSINESS OF MUSIC 37 (Billboard Books 2000).


\(^{332}\) Menell & Nimmer, *supra* note 330, at 1 (noting that before the 1960s, the A&R departments at the record companies “nurtured the talent by locating, writing, and arranging music, recruiting studio musicians, and arranging recording sessions, often in label-owned or affiliated studios.”).

\(^{333}\) REEBEE GAROFALO, ROCKIN’ OUT 203 (Prentice Hall 2nd ed. 2002); Day, *supra* note 321, at 74-75 (describing record companies subsidizing music video production, providing
control over the creation of sound recordings and have a strong interest in claiming these recordings as works made for hire. In fact, nearly all recording contracts between record companies, artists, and producers contain clauses stating that the sound recordings are works made for hire and are owned by the record companies. Unfortunately for the record companies, merely declaring a work to be a work made for hire does not necessarily make it so. This is because such statements are only relevant for specially commissioned works made for hire, not those falling under the employee within the scope of employment provision.

As a result, an analysis of the Reid factors is necessary to determine whether artists and producers are employees of the record companies or independent contractors and hence whether the sound recordings are works made for hire. The remainder of this part analyzes the Reid factors in light of common practices in the music business. Then, using the continuum of importance, this part determines whether artists and producers are likely to be deemed employees and provides an in-depth roadmap for litigants and judges to analyze this issue in the upcoming cases. That being

334 See infra notes 401-414 and accompanying text.
335 Henslee & Henslee, supra note 321, at 697 (“Record companies prefer for sound recordings to be considered under the ‘work-made-for hire’ doctrine because it prevents this right termination and recapture.”).
339 This article does not address whether the sound recordings could be a work made for hire under section 101(2) of the definition, which provides this status to specially ordered or commissioned works falling into one of nine categories. This analysis has been done by several others and is beyond the scope of this article, which is limited to work made for hire under section 101(1). See generally I NIMMER, supra note 75, at § 5.03[B][2][a][ii]; David Nimmer & Peter Menell, Sound Recordings, Works For Hire, and the Termination-of-Transfers Time Bomb, 49 J. COPYRIGHT SOC’Y U.S.A. 387 (2001); Field, supra note 319, at 174-75; Gould, supra note 326, at 127-29; Jaffe, supra note 337, at 166-69 (2006). It is worth mentioning however that in 1999, Congress amended § 101(2) to add sound recordings to the list of categories eligible for work made for hire status. This was done at the insistence of the Recording Industry Association of American and rushed through Congress as a “technical amendment” to the Omnibus Communications Reform Act of 1999 without analysis or debate. Mary LaFrance, Authorship and Termination Rights in Sound Recordings, 75 S. CAL. L. REV. 375, 375 (2002). Outrage ensued and Congress, with its tail between its legs, repealed the amendment in Work Made for Hire and Copyright Corrections Act of 2000. Id. at 375-76.
said, a word of caution is in order. Like with most general rules, there are exceptions. Contracts and practices in the record industry are no different. Every recording contract is not the same and what may be a general practice might not apply in a particular case.

a. Group #1

Starting with the most important group of factors, the first factor to consider is the tax treatment. This factor likely weighs in favor of artists and producers because record companies “rarely withhold income taxes or contribute to social security.”[^340]

The second factor is whether employee benefits are provided. This factor is a tossup with respect to artists, but definitely weighs in favor of producers. As a general rule, record companies do not provide health insurance, dental insurance, or retirement funds.[^341] Nonetheless, the two major artist unions – AFTRA and AFM – provide health and retirement funds for their members.[^342] Although not directly providing these traditional benefits, record companies are required to contribute to these unions’ health and retirement funds as part of their agreements with the unions.[^343] As a result, although not directly paying for employee benefits, the record companies are indirectly providing them to those who qualify. Similar agreements for the funding and provision of benefits do not exist for producers.[^344] In sum, record companies have a colorable argument that they provide benefits to artists, but not for producers. This factor could go either way with respect to artists, but certainly weighs in favor of producers.

The last factor in this group is the method of payment. Although record companies have a little room to argue this factor weighs in their

[^342] Id.; Krasilovsky & Shemel, supra note 336, at 64 (“The AFTRA Health and Retirement Funds provide medical coverage and retirement benefits for eligible AFTRA members.”); Beverly Hills Bar Ass’n, supra note 336, at 229; Menell & Nimmer, supra note 330, at 5.
[^343] Krasilovsky & Shemel, supra note 336, at 60, 64.
[^344] E-mail from Jeff Slattery, Assistant Professor of Law and Arts & Entertainment Law Project Director at Thomas Jefferson School of Law, to Ryan Vacca (Jan. 20, 2014, 10:25 PM EST) (on file with author) (confirming that no producers’ union exists that provides similar benefits to authors and that agreements between producers and record companies do not provide for such employee benefits). Professor Slattery also notes that many artists do not receive health and retirement benefits under their agreements with labels, union membership, or otherwise and thus are similarly situated as producers. E-mail from Jeff Slattery, Assistant Professor of Law and Arts & Entertainment Law Project Director at Thomas Jefferson School of Law, to Ryan Vacca (Jan. 22, 2014, 7:24 PM EST) (on file with author).
favor, it overwhelmingly favors artists and producers being treated as independent contractors. Artists and producers are compensated identically in two ways – advances and royalties. Artists are also compensated in a way producers are not – union scale. Artists and producers receive advances as part of a recording fund or are given separate cash advances that are not tied to the recording fund. Under a recording fund arrangement, the artist or producer pays for the recording costs and if any money remains at the close of production, the artist or producer keeps the rest. Any advances or recording funds are paid in installments with a percentage paid before commencement of the recording and the remainder of the payments made at various benchmarks along the way and upon delivery and acceptance of the masters. Compensation via an advance suggests that artist and producers are independent contractors as payment by the job, instead of by the hour, is indicative of an independent contractor relationship.

Artists and producers are also paid a royalty based on sales of the album. These royalties are not paid to the artist and producer until the record company has recouped its recording costs, including any advances paid to the artist and producer. Once recouped, record companies generally pay artists’ and producers’ royalties twice a year, although some do so quarterly and others annually. Like with advances, the payment of royalties is not like an hourly wage or fixed salary paid to employees at frequent intervals. The payments cover a several-month period and the amount varies depending on the success of the album. As a result, this method of payment also favors artists and producers being classified as independent contractors.

Finally, artists may be compensated at union scale. For singers, as opposed to musicians, AFTRA provides minimum rates that artists must be compensated at, even if the artists are entitled to royalties. Union scale under AFTRA is calculated as the greater of a per-hour amount or per-

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345 Menell & Nimmer, supra note 330, at 5 (“Throughout the post 1978 period, artists have traditionally been paid through advances against future royalties, although studio recording time may be credited at union scale.”).
346 McPherson, supra note 341, at 61; Krasilovsky & Shemel, supra note 336, at 203.
347 McPherson, supra note 341, at 61; Schulenberg, supra note 336, at 108.
348 Schulenberg, supra note 336, at 211-12.
350 Krasilovsky & Shemel, supra note 336, at 39-40 (producers); id. at 203 (“[recording artists] rely on royalty compensation, which is contingent upon success.”).
351 Id. at 23 (“Artists generally do not receive any royalties until the record company has recovered all of its recording costs incurred for the artist’s records.”).
352 Schulenberg, supra note 336, at 121.
354 Beverly Hills Bar Ass’n, supra note 336, at 230.
side (per song) amount. However, it should be noted that these payments are capped at three times the minimum scale per side. With respect to payment of artists at union scale as calculated by the hour, this method of payment looks more akin to an hourly-wage arrangement for an employee. Nonetheless, the fact that record companies pay this amount at all has more to do with their agreement with the union rather than the relationship to the artist, which undercuts the force of this argument. But if payments are calculated by the per-side method, they appear to be payments by the job and artists are likely to be deemed independent contractors. In sum, the method of payment factor overwhelmingly favors artists and producers being treated as independent contractors.

b. Group #2

Moving on to the second most important group of factors, the first factor to consider is whether the hiring party has the right to assign additional projects to the hired party. This factor probably favors artists being treated as employees, but producers as independent contractors. Most recording contracts are structured so the artist is required to create one album, but the record company is also given a series of options to extend the agreement for several more albums. The number of options the record company has depends on the bargaining power of the artist, but five or six options are common. Unlike artists, agreements between producers and record companies do not give the record company options to require the producer to produce another album.

The second factor in this group is the skill required. This factor likely weighs in favor of artists and producers being independent contractors. As to artists, the record companies expend a tremendous amount of energy trying to find which artists to sign and which to pass

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355 Id.; KRASILVSKY & SHEMEL, supra note 336, at 17 (“A side customarily consists of a single composition with a minimum duration of 2 ½ minutes.”).
356 BEVERLY HILLS BAR ASS’N, supra note 336, at 230.
357 See RESTATEMENT (SECOND) OF AGENCY § 220 cmt. j (1958).
358 This same argument could undercut record companies’ position with respect to artists’ benefits, which is already an uncertain proposition. See supra notes 341-344 and accompanying text.
360 KRASILVSKY & SHEMEL, supra note 336, at 203 (“Many recording contracts call for additional recordings at the option of the record company.”).
361 MCPHERSON, supra note 341, at 59.
362 See SCHULENBERG, supra note 336, at 210-11 (describing how producers may be given a right to produce subsequent albums if a certain number of copies are sold).
on. Not every artist can fill the void in the market the record company is looking to capture and performing that sound can be quite a unique skill. The record companies seem to acknowledge this unique skill when they include provisions in the recording contracts that the artists are of a special and unique character that gives them peculiar value. Although drafted to allow record companies to obtain injunctive relief if artists try to record for other record companies during their contracts, these provisions may likely be used to hoist the record companies by their own petards. For producers, creating a sound recording is a highly-skilled job in that the producer not only needs to have a grand vision for what the album or record will sound like, but also frequently makes musical suggestions to achieve that sound. As with artists, the contracts between record companies and producers contain clauses providing that the producers and their skills are special and unique.

The final factor in this group looks at the source of the instrumentalities and tools. This factor likely favors artists and producers or is neutral. Although record companies sometimes own their own recording studios, it is rare that artists actually record there. If the recording is done at an independent studio, this factor would be neutral. However, sometimes the producer or even the artist owns the recording studio and equipment. In such a case, this factor could weigh in favor of the artists or producer being an independent contractor. As far as providing the instruments used during the recording sessions, these are normally owned by the artists and are sometimes purchased or paid off using the advance received from the record company.

363 Id. at 21 (describing the major function of A&R departments at record companies as discovering new talent); PETER MULLER, THE MUSIC BUSINESS – A LEGAL PERSPECTIVE 79 (Quorum Books 1994) (describing what A&R departments do); ALAN H. SIEGEL, BREAKIN’ IN TO THE MUSIC BUSINESS 25, 91-92 (Cherry Lane Books 1983) (illustrating enormous amount of time and energy A&R departments spend trying to find good artists); BEVERLY HILLS BAR ASS’N, supra note 336, at 322-23.

364 Krasilovsky & Shemel, supra note 336, at 203.

365 BEVERLY HILLS BAR ASS’N, supra note 336, at 358.

366 See Garofalo, supra note 333, at 203 (“Overdubbing, layering, mixing, and the addition of special effects such as reverb, equalization, and compression removed increasingly important aspects of the creative process from the studio performance and located them in the control room, elevating the producer to an artistic status equal to that of the musicians he produced.”).

367 BEVERLY HILLS BAR ASS’N, supra note 336, at 397-98.

368 Krasilovsky & Shemel, supra note 336, at 203.

369 Nimmer & Menell, supra note 339, at 399 (referring to testimony by Sheryl Crow that she owns her own recording equipment).

c. Group #3

The third group of factors along the continuum of importance also has three factors. The first factor in this group is the extent of the hired party’s discretion over when and how long to work. Who this factor benefits may very well depend on the stature of the artist or producer. Brand new artists and producers are given little control over issues such as the time for recording. 371 But over time, artists and producers can secure control over this aspect of their recordings. 372

The second factor in this group is whether the work is part of the regular business of the hiring party. This factor certainly favors the record companies. 373 Record companies are, and always have been, in the business of creating or acquiring rights to sound recordings and having those recordings distributed. 374 Recording the albums that will eventually be distributed falls perfectly in line with these business practices.

The final factor in this group is the duration of the relationship between the parties. Artists and producers will probably be treated differently with respect to this factor. As mentioned earlier, recording contracts with artists are typically for a certain number of albums and the record company has several options to extend the relationship. 375 As a result, the exact duration of the relationship can be difficult to determine, 376 but typically lasts for a period of several years, 377 although usually not more than five to seven years. 378 These long durations weigh in favor of artists being deemed employees.

371 SIEGEL, supra note 363, at 122.
372 Id.; KRASILVSKY & SHEMEL, supra note 336, at 203 (“A record company’s control is likely limited to choosing producers and material to record.”).
373 KRASILVSKY & SHEMEL, supra note 336, at 203.
374 SCHULENBERG, supra note 336, at 149 (“[W]ithout the rights to the sound recordings, the record company has nothing . . . .”); HOWARD SIEGEL, ENTERTAINMENT LAW 29 (3rd ed. NY State Bar Association 2004) (“Typically, the record company acquires all right, title and interest in and to the masters . . . .”); AL KOHN & BOB KOHN, KOHN ON MUSIC LICENSING 1369 (3rd ed. Aspen Pub. 2002) (record companies typically own the rights to sound recordings); see DONALD S. PASSMAN, ALL YOU NEED TO KNOW ABOUT THE MUSIC BUSINESS 65-66, 68 (8th ed. RosettaBooks 2013) (describing distribution by major and independent record companies).
375 See supra notes 360-361 and accompanying text; KRASILVSKY & SHEMEL, supra note 336, at 14 (“The standard contract runs for a term based on the delivery of a minimum number of recordings (usually enough to constitute one album) plus a period of time thereafter (usually 9 months). The record company may have an option to extend the agreement for one or more successive albums.”).
376 SIEGEL, supra note 363, at 105.
377 KRASILVSKY & SHEMEL, supra note 336, at 203.
378 SCHULENBERG, supra note 336, at 28 (“In general, the total contract period will not run more than 7 years. This 7-year restriction can be directly traced to a provision of the
Producers, on the other hand, are not typically signed to agreements giving the record companies options to have producers work on subsequent albums. Instead, a producer’s working relationship with the record company is based upon the success of earlier recordings. Producers are almost always hired on a project basis rather than a number of years. In fact, sometimes producers are hired to work on a single song rather than an entire album. As a result, the duration factor weighs in favor of producers being treated as independent contractors.

\textit{d. Group #4}

Moving on to the less important end of the continuum, there are two factors to consider. The first factor is the location of the work. This factor likely weighs in favor of artists and producers as independent contractors. Although record companies may have their own in-house studios and prefer that they be used, it is rare for artists to record at those studios. Instead, the record companies try to include a provision in their contracts giving the record company the right of final approval of the recording studio. In practice, the record companies will approve any legitimate studio. Given that very few recordings occur at the record companies’ studios, that the choice of the recording studio is made by artists and producers, and that the record companies rarely exercise their ability to veto a location, this factor probably favors artists and producers as independent contractors.

The second factor in this group is the hired party’s role in hiring and paying assistants. This factor probably weights in favor of artists and, to a lesser extent, producers being independent contractors, but may depend on

\begin{itemize}
  \item California Labor Code, Section 2855.”); \textit{BEVERLY HILLS BAR ASS’N, supra} note 336, at 223 (describing that the AFM bylaws do not allow musicians to enter into personal service contracts for more than five years without approval).
  \item \textit{SCHULENBERG, supra} note 336, at 210.
  \item \textit{Id.}
  \item \textit{Id.}
  \item Menell & Nimmer, \textit{supra} note 330, at 1.
  \item \textit{WEISSMAN, supra} note 370, at 47.
  \item \textit{KRASILVSKY & SHEMEL, supra} note 336, at 203.
  \item \textit{MULLER, supra} note 363, at 82; \textit{BEVERLY HILLS BAR ASS’N, supra} note 336, at 331 (“The masters recorded hereunder by Artist shall be recorded in a recording studio selected or approved by Company at such times as Company may designate or approve.”).
  \item \textit{MCPHERSON, supra} note 341, at 83; \textit{BEVERLY HILLS BAR ASS’N, supra} note 336, at 332 (“Generally, the record company will approve any recording studio the artist or the artist’s producer wishes to use, so long as it has satisfactory recording equipment and the studio’s rates fit within the recording budget.”).
  \item Menell & Nimmer, \textit{supra} note 330, at 4.
\end{itemize}
the use of a recording fund and recoupment. In terms of selecting those who contribute to the recording, the artists and producers typically choose which engineers, non-featured musicians, and non-featured vocalists to hire.\textsuperscript{388} The selection of the producer is a bit more involved. To the record company, selection of the producer is one of the more important provisions of the recording contract.\textsuperscript{389} These provisions usually state that the producer will be mutually selected by the artist and record company.\textsuperscript{390} In practice, however, the artist selects the producer, the record company consults and generally defers to the artist unless the record company has had a bad experience with the artist’s choice.\textsuperscript{391} Thus, it appears that artists and producers play a large role in hiring assistants.

Paying for those assistants is a bit more complicated. Today, artists pay for third parties out of a recording fund.\textsuperscript{392} Under this approach, the recording costs and artist’s advance are combined into a single fund and the artist is responsible for paying all recording costs out of this fund.\textsuperscript{393} Any money leftover is the artist’s to keep as an advance.\textsuperscript{394} As a result of this payment scheme, recording contracts include clauses specifying that the artist is solely responsible for paying all third party charges incurred in the production of the record.\textsuperscript{395} Because the artist advance and recording costs are combined into one fund that is delivered to the artist to administer\textsuperscript{396} and the contract provisions describe the artist as being responsible for payment, it appears that this factor weighs in favor of the artist being an independent contractor.

Although the recording fund is more common today, it was common for the artist (especially a new artist) to be paid a separate advance and for

\textsuperscript{388} Id.; Nimmer & Menell, supra note 339, at 399 (describing Sheryl Crow’s testimony that she decides what musicians she wants to perform on each song, what engineers she wants to hire to implement her “sonic vision.”);

\textsuperscript{389} BEVERLY HILLS BAR ASS’N, supra note 336, at 332.

\textsuperscript{390} Id.

\textsuperscript{391} Id.

\textsuperscript{392} KRASILVSKY & SHEMEL, supra note 336, at 23-24; SIEGEL, supra note 363, at 112.

\textsuperscript{393} BEVERLY HILLS BAR ASS’N, supra note 336, at 338.

\textsuperscript{394} Id. (“[The recording fund] gives the artist an incentive to minimize the recording costs, since the unspent portion of the recording fund is paid to the artist as a cash advance.”); JEFFREY BRABAC & TODD BRABAC, MUSIC, MONEY, AND SUCCESS 88 (Schirmer Books 1994) (“[I]f the artist’s expenses do not exceed the recording fund . . . the amount left over is kept by the artist and treated as an additional advance recoupable from the artist’s royalties.”).

\textsuperscript{395} BEVERLY HILLS BAR ASS’N, supra note 336, at 341.

\textsuperscript{396} The recording fund is customarily distributed at three points: (1) upon commencement of recording, (2) upon completion of the basic tracks, and (3) upon delivery of the finished master to the record company. KRASILVSKY & SHEMEL, supra note 336, at 23-24.
the recording company to pay the recording costs.  Although this arrangement suggests that the record companies paid for assistants, it is important to remember that all of the recording costs are treated as advances to the artist. As a result, these costs are recoupable from the artist’s royalties. Because of this, if the artist earns a sufficient amount of royalties, it is the artist, not the record company, who pays for the recording costs. Of course, if the artist is never successful, then the record company will not recoup these costs and will end up paying for them. Who ultimately pays for the assistants under the older method of payment depends on whether the artist’s album is a commercial success.

In sum, this factor probably weighs in favor of artists and, to a lesser extent, producers being independent contractors. Regardless of how these assistants are paid, the artist and producer choose who works on the recording. When a recording fund is used, the case for independent contractor is strengthened. However, if the record company did not use a recording fund and the costs are not recouped, then the record company will have a stronger argument that this factor weighs in favor of the artist and producer being employees.

e. Group #5

Concluding with the least important group of factors, the first factor to consider is the right to control the manner and means by which the product is accomplished. Whether this factor weighs in favor of artists and producers being independent contractors or employees is difficult to determine. Prior to the 1970s, record companies exercised a large amount of creative control over the recording process, but since then, artists and producers have moved away from an in-house creative process and are exercising more creative control in recording. Today, for newer artists and producers, the record companies may have language in the recording contracts requiring the artist and producer to submit written recording budgets specifying who the producer is and the financial agreement

397 BRABAC & BRABAC, supra note 394, at 88; BEVERLY HILLS BAR ASS’N, supra note 336, at 338.
398 BRABAC & BRABAC, supra note 394, at 88-89.
399 Id.; SIEGEL, supra note 363, at 111 (“Although the record company will pay the recording costs initially, it will charge them to [the artist] as advances against [the artist’s] royalties as and when earned.”); WEISSMAN, supra note 370, at 54.
400 SCHULENBERG, supra note 336, at 106.
401 Nimmer & Menell, supra note 339, at 393 (describing the Register of Copyrights as noted that “record companies’ level of involvement has diminished ‘so that now, in many cases, record companies simply provide funds at the ‘front-end,’ and distribution at the ‘back-end’ of a sound recording’s production.”); Menell & Nimmer, supra note 330, at 3.
between the artist and producer, the songs to be recorded, the accompaniment and arrangement of the recordings, any recording fees that will exceed union scale, the dates and locations of the recordings and mixing, and the estimated costs of these sessions.\footnote{BEVERLY HILLS BAR ASS’N, supra note 336, at 340.} Despite this contract language, in practice, written recording budgets are not always submitted or followed.\footnote{Id.} More experienced artists and producers may, however, secure more control over the creative process, including the selection of music, recording location and time, final sound mix, and recording budgets.\footnote{SIEGEL, supra note 363, at 122.} As a general matter, the record companies may have a better chance at artists and producers being employees under the right to control factor when the artists and producers are inexperienced. But the amount of control over the creative process wanes as artists and producers get more experience.

Specific components of recording that are important in the creative process are controlling music selection, monitoring what takes place during recording sessions, and selecting where the recording occurs. For music selection, the standard recording contract provides that the record company will select the music to be recorded.\footnote{KRASILVSKY & SHEMEL, supra note 336, at 13; BEVERLY HILLS BAR ASS’N, supra note 336, at 332.} But in practice, the record company gives the artist a say in the decision.\footnote{KRASILVSKY & SHEMEL, supra note 336, at 13.} It is common today for the record company to only reserve a right of approval of the music selection.\footnote{BEVERLY HILLS BAR ASS’N, supra note 336, at 332.} This is especially true for more seasoned artists.\footnote{KRASILVSKY & SHEMEL, supra note 336, at 19.} That said, there are actually very few disputes about song choice.\footnote{BEVERLY HILLS BAR ASS’N, supra note 336, at 332.}

With respect to where the recording occurs, as discussed in connection with the work location, record companies try to include clauses giving the record company approval rights of the recording studio.\footnote{KRASILVSKY & SHEMEL, supra note 336, at 13.} In practice, the producer will normally choose the studio to work in\footnote{MULLER, supra note 363, at 82; BEVERLY HILLS BAR ASS’N, supra note 336, at 331 (“The masters recorded hereunder by Artist shall be recorded in a recording studio selected or approved by Company at such times as Company may designate or approve.”).} and the record companies will approve any legitimate studio.\footnote{WEISSMAN, supra note 370, at 47.} In addition to where the recording occurs, recording contracts typically contain a

\footnote{MCPHERSON, supra note 341, at 83; BEVERLY HILLS BAR ASS’N, supra note 336, at 332 (“Generally, the record company will approve any recording studio the artist or the artist’s producer wishes to use, so long as it has satisfactory recording equipment and the studio’s rates fit within the recording budget.”).}
provision that the record company has the right to have a representative present to supervise the recording session. Nonetheless, it is very rare for record companies to actually send a representative to the studio to supervise.

Although it appears that record companies actually exercise very little control over the creative process, they do reserve the right to do so in the recording contracts they enter into with artists and producers. As this factor really focuses on the right to control instead of actual control, which was rejected by the Supreme Court in Reid, it is likely that this factor will weigh in favor of artists and producers being considered employees.

The second factor in this group is the label the hired and hiring party use to describe the hired party. This factor certainly weighs in favor of artists and producers being deemed employees. Nearly every recording contract written since 1978 states that the works created by artists and producers are works made for hire. Although many of the terms of a recording contract are negotiable, this one is not.

The final factor in the least important group of factors is whether the hiring party is in business. Record companies are obviously in business. This factor clearly weighs in favor of the artists and producers being employees.

**f. Conclusions for the Music Industry**

Table 6, below, summarizes the analysis of the Reid factors as applied to sound recordings in the music industry. This table sorts the factors by order of importance. A checkmark indicates this factor likely weighs in favor of that party’s favored position (i.e. independent contractor for artist and producers, employees for record companies). A question mark indicates that it is unclear which way that factor applies.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Artists</th>
<th>Producers</th>
<th>Record Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Treatment</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>?</td>
<td>✓</td>
<td>? (artists)</td>
</tr>
</tbody>
</table>

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413 SIEGEL, supra note 363, at 111.
414 Id.
415 KRASILVSKY & SHEMEL, supra note 336, at 203; McPherson, supra note 341, at 90; SCHULENBERG, supra note 336, at 148, 150; Nimmer & Menell, supra note 339, at 396.
416 BEVERLY HILLS BAR ASS’N, supra note 336, at 390.
417 KRASILVSKY & SHEMEL, supra note 336, at 203.
As illustrated in Table 6, it is nearly certain that producers will be treated as independent contractors. Five, and possibly six, of the most important factors weigh in favor of producers as independent contractors. In fact, the only factors suggesting producers would be employees are the part of the regular business of the hiring party and the three least important factors on the continuum.

The case for artists is more difficult. Nonetheless, it is more likely that artists will be deemed independent contractors. Of the three most important factors, two clearly weigh in favor of artists as independent contractors. The other factor (employee benefits) is unclear. As described earlier, when a party has two of these three factors in its favor, the courts find in favor of that party 87% of the time. Expanding this to the next group of factors, one favors the record companies, one favors the artists, and the remaining factor either favors the artists or is neutral. If a court were to rule that either the employee benefits or source of the instrumentalities factor favored the artists, then a majority of the top six factors would favor the artists. As described earlier, when a party has a majority of these six factors in its favor, the courts find in favor of that party.

418 See supra Figure 2.
91% of the time. The next group of factors favors the record companies when the artist is new and is split two to one when the artist is established. This group is helpful to the record companies, but they face an uphill battle given that the more important factors favor artists. The fourth group of factors favors artists, which tips the scales slightly more towards artists being considered independent contractors. However, the least important factors all support the record companies. Of course, these are the least important factors, so their utility to the record company is of little value. Given the results of the most and second-most important groups of factors, this will likely carry the day and artists will be deemed independent contractors. That said, the record companies have a colorable argument that artists should be treated as employees and this argument should not be considered futile. Hopefully, the results of this study and the analysis above provide a useful roadmap for litigants and judges navigating the upcoming termination of transfer cases.

3. Business Planning

In addition to assisting litigators to evaluate and present their cases, the results of this study will aid business planners in structuring relationships between hiring and hired parties. For example, if a hiring party seeks initial ownership of the copyright, it will be best advised to withhold income taxes and issue a W2 rather than a 1099, provide employee benefits such as life and health insurance, and pay the hired party at regularly intervals. To further ensure a work made for hire result, the hiring party could also include a provision in the agreement that reserves the right for the hiring party to assign additional projects to the hired party. And although difficult to control in some circumstances, the hiring party should provide as many of the tools as possible. Structuring the relationship this way forces the three most important factors and one or two of the factors in the second group to weigh in favor of employee status. This should all but assure a conclusion that the hired party will be an employee.

Likewise, for attorneys representing hired parties who would like to retain initial ownership – to take advantage of the termination of transfer provisions or to further exploit the copyright – they should insist on the hiring party not withholding taxes and issuing a 1099, refuse insurance coverage, and demand payment upon completion of projects or portions of projects. Submitting invoices to the hiring party upon completion would be a wise practice to adopt. Moreover, resisting a provision to accept

419 See supra Figure 2.
420 See Mark H. Jaffe, supra note 337, at 165 ("[I]t would be futile for a record company to press this argument in litigation.").
additional projects and actually refusing additional projects until a new agreement is established for a new project will place the hired party in a strong position to argue that she is an independent contractor.

Of course, negotiating these terms may heavily depend on bargaining power. A weak hired party may not be able to demand that no additional projects be assigned. Likewise, a weak hiring party may not be able to insist that the hired party work on the hiring party’s premises. But knowing where the various factors lie on the continuum may help the attorney for the weaker party focus on specific factors that the stronger party may be willing to budge on. If choosing between asking the stronger party to capitulate with respect to a provision about where the hired party will physically work and a provision concerning the hours of the day the hired party must work, the attorney for the weaker party should focus negotiation efforts on the working hours provision because it is more important than the work location factor.

V. CONCLUSION

Drawing a distinction between employees and independent contractors in the work made for hire doctrine is a challenging endeavor, but one that strikes at the heart of many copyright disputes. After a quarter century of cases applying and interpreting the Supreme Court’s multifactor test from *CCNV v. Reid*, this Article gives the first comprehensive study of this multifactor test and answers the question of which factors are the most and least important in these analyses. Some of the results are surprising while other results are expected. But regardless of how these results conform to our expectations, they will prove useful to the bench and bar involved in copyright litigation and for business planning attorneys advising their clients how to accomplish their copyright ownership goals.