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Copyright Law - Community for Creative Non-Violence v. James Earl Reid: A Clearer Picture for Artists

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COPYRIGHT LAW

COMMUNITY FOR CREATIVE NON-VIOLENCE v. JAMES EARL REID: A CLEARER PICTURE FOR ARTISTS

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I. INTRODUCTION

In *Community for Creative Non-Violence v. James Earl Reid*[1] the United States Supreme Court addressed copyright ownership of artwork made for hire by independent contractors. Prior to this decision, courts held four differing views[2] on vesting of copyright for free-lance artists including writers, photographers, designers, composers, illustrators, painters and filmmakers.[3] The Ninth Circuit view of work for hire closely parallels the Supreme Court view. *Community for Creative Non-Violence* affects not only the initial vesting of copyright ownership but also copyright duration,[4] owner's renewal rights,[5] termi-

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1. 109 S.Ct. 2166 (1989).
2. See *infra* n. 23-26 and accompanying text.
3. 17 U.S.C. §102 (1976) provides a partial listing of the subject matter of copyright.
4. 17 U.S.C. §302(c)(1976) provides in part:

> In the case of . . . work made for hire, the copyright endures for a term of seventy-five years from the year of its first publication, or a term of one hundred years from the year of its

nation rights[6] and the right to import certain goods bearing the copyright.[7]

Copyright initially vests in the author of the work.[8] However, a distinction is made for "work made for hire" under the 1976 Copyright Act.[9]

> In the case of work made for hire, the employer or other person for whom the work was prepared is considered the author . . . and . . . owns all of the rights comprised in the copyright.[10]

Artists who provide work for hire are denied copyright ownership.

Prior to *Community for Creative Non-Violence*, the contours of the work for hire doctrine were ill defined since courts acted without benefit of legislative guidelines. The holding of *Community for Creative Non-Violence* resolves the ambiguities surrounding work for hire.[11] This comment will briefly review the history of work for hire; analyze the Supreme Court Decision; compare the Supreme Court decision and the view of the Ninth Circuit; and comment on the impact of *Community for Creative Non-Violence* on free-lance[12] artists.

II. FACTS

The Washington, D.C., based Community for Creative Non-Violence (hereinafter "CCNV") commissioned a Baltimore artist

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creation, whichever expires first.

5. 17 U.S.C. §304(a) (1976). This section provides that:

> In the case of work made for hire, "the proprietor of such copyright shall be entitle to a renewal and extension of the copyright in such work for the furthest term of forty-seven years . . . .

6. *See* 17 U.S.C. §203(a) (1976). Provisions of this section regarding termination of transfers and licenses granted by the author do not apply to cases involving work for hire.

7. 17 U.S.C. §601(b)(1) (1976). *See* Cooling Systems and Flexibles, Inc. v. Stuart Radiator, Inc., 777 F.2d 485 (9th Cir. 1985).

8. *See* 17 U.S.C. §201(a) (1976) which reads in part:

> Copyright in a work protected under this title vests initially in the author or authors of the work.

9. 17 U.S.C. §201(b) (1976).

10. *Id.*

11. The phrase "work for hire" refers to the statutory phrase "works made for hire."

12. Free lance[r] is used interchangeably with independent contractor.

to create a sculpture depicting a homeless family which was displayed at a political event.[13] CCNV conceived the idea for the project and chose the title. The work was done by the artist in his Baltimore studio where he used his own tools. CCNV participated in the design of the project and independently produced the base for the figures. The statue was displayed for a month and returned to the artist for repairs. The artist subsequently filed a certificate of copyright for the work in his name. CCNV filed a competing certificate of copyright and sued for a determination of copyright ownership.[14]

The trial court ruled the statue was a work for hire under §101 of the Copyright Act and that CCNV owned the copyright.[15] The Court of Appeals for the District of Columbia reversed, holding that the sculpture was not a work for hire and the artist owned the copyright because he was an independent contractor.[16] The Supreme Court granted certiorari.

III. WORK FOR HIRE

Work for hire is typically provided by commercial artists working as independent contractors who bid on projects and are responsible for benefits and taxes.[17] The client[18] may use freelancers because it does not have the volume of work necessary to support staff artists or finds it cheaper than maintaining an in-house staff. The client realizes a savings by avoiding the added expense of benefits.

Often, the issue of copyright ownership is not addressed and the client assumes copyright ownership since it paid for the work. A dispute may arise when the artwork is used outside the scope of the original project.

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13. Community for Creative Non-Violence v. Reid, 652 Fed.Supp. 1453, 1454 (D.D.C. 1987).

14. Neither party discussed copyright during negotiations. *Id.*

15. *Community for Creative Non-Violence*, 652 F.Supp. at 1457.

16. *Community for Creative Non-Violence v. Reid*, 846 Fed.2d 1485, 1499 (D.C. Cir. 1988).

17. For a discussion of artists' business arrangements, *see* L. DUBOFF, ART LAW 773-792 (1977).

18. "Client" refers to commissioning party and purchaser.

1909 Copyright And Independent Contractors

Traditionally, copyright vests in the author of the work.[19] The 1909 Copyright Act[20] provided that the term author included an employer in the case of works made for hire.[21] The Act did not define the terms employer, employee or works made for hire. The courts were responsible for defining these terms and a majority ruled that an independent contractor is an employee for copyright purposes.[22] It was presumed that the artist had impliedly agreed to convey the copyright to the hiring party.[23]

1976 Copyright Act[24]

In 1955, the Congress initiated revision of the Copyright Act and after debating the work for hire doctrine reached a compromise. Section 101 of the 1976 Act created two categories of work for hire.

(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 audio-visual 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.[25]

The 1976 Act, like its predecessor, did not define key terms and courts assumed the task of interpreting this statute. Four views on work for hire evolved.[26]

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19. This right was acknowledged by the United States Constitution in Article I, §8 cl. 8.

20. 17 U.S.C. §26 (1976 ed.) (1909 Act).

21. *Id.*

22. *See* Yardley v. Houghton Mifflin, Co., 108 F.2d 28 (2d Cir. 1939).

23. *Id.*

24. 17 U.S.C. §101 et. seq.

25. 17 U.S.C. §101 (1976).

26. A discussion of the ambiguity of the Copyright Act is provided in Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprise, 815

The first vested copyright ownership with the client who retained control over production. In *Peregrine v. Lauren Corp.*[27] the court focused on the client's right to supervise a photographer even though he was an independent contractor for tax and benefit purposes. *Peregrine* held determinative the fact that the client could change or reject the photographer's ideas. A second view was expressed by the Second Circuit in *Aldon Accessories, Ltd. v. Spiegel, Inc.*[28] where the court closely examined the creative process. *Aldon* held that copyright vests with the client who actively supervises and directs the artist during production of the artwork.

The third view was endorsed by the 5th Circuit in *Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises.*[29] *Easter Seal* relied on agency law to define the term employee and limited the client's right to copyright ownership to the nine categories listed in section 101(2) of the Copyright Act.

The final view, expressed by the Ninth Circuit in *Dumas v. Gommerman*[30] held that only the works of salaried employees are covered by §101(1). Section 101(2) limits client ownership to the nine categories of commissioned works.

IV. ANALYSIS

The Supreme Court resolved the copyright issue by relying on agency principles[31] and held that Section 101 of the Copyright Act created two categories of client ownership: 1) works prepared by employees and 2) the nine categories of commissioned works.[32]

The Court noted that a determination of copyright ownership begins with ascertaining whether the work was performed

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f.2d 323, 328-29 (5th Cir. 1987).

27. 601 F.Supp. 828 (Colo. 1985).

28. 738 F.2d 548 (2d Cir. 1984).

29. 815 F.2d 323 (5th Cir. 1987).

30. 865 F.2d 1093 (9th Cir. 1989).

31. The court relied on the Restatement of Agency for guidance. *Community for Creative Non-Violence* at 2171, n. 31.

32. *Community for Creative Non-Violence*, 846 F.2d at 2170.

by an employee or an independent contractor.[33] If the work was performed by an employee, Section 101(1) applies and the employer owns the copyright.[34] Otherwise, copyright vests with the independent contractor except for the nine categories of work listed in Section 101(2).[35]

The following agency principles were applied by the Court to determine if the artist was an employee: whether the client controlled the manner and means by which the project was accomplished;[36] the skill required;[37] the source of the instrumentalities and tools;[38] location of the work;[39] duration of the relationship between the parties;[40] whether the hiring party has the right to assign additional projects to the hired party;[41] extent of the hired party's discretion over when and how long to work;[42] method of payment;[43] the artist's role in hiring and paying assistants;[44] whether the work is part of the regular business of the client; [45] whether the client is in business;[46] provision of employment benefit;[47] and the tax treatment of the hired party.[48]

In *Community for Creative Non-Violence*, the Supreme Court rejected the *Peregrine* and *Aldon* view that a client's right to exercise control over the project is dispositive.[49] The Court stressed that no single factor was determinative.[50] The client in *Community for Creative Non-Violence* conceived the idea for the sculpture; provided design input; directed the production to

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33. *Id.* at 2171.
34. *Id.* at 2169.
35. *Id.*
36. *See* Hilton Int'l Co. v. NLRB, 690 F.2d 318, 320 (2d Cir. 1982).
37. *See* Bartels v. Burmingham, 332 U.S. 126, 132 (1947).
38. *See* NLRB v. United States Ins. Co., 390 U.S. 254, 258 (1968); RESTATEMENT (SECOND) OF AGENCY §220(2)(e).
39. *See* Darden v. Nationwide Mutual Ins. Co., 796 F.2d 701, 705 (4th Cir. 1986).
40. *See* RESTATEMENT (SECOND) OF AGENCY §220(2)(f).
41. *See* Dumas v. Gommerman, 865 F.2d 1093, 1105.
42. *See* Short v. Central States Southeast & Southeast Areas Pension Fund, 729 F.2d 567, 574 (8th Cir. 1984).
43. *See* Holt v. Winpisinger, 811 F.2d 1532, 1540 (D.C. Cir. 1987).
44. United States v. Silk, 331 U.S. 704, 719 (1947).
45. See RESTATEMENT (SECOND) OF AGENCY §220(2)(h).
46. *See* RESTATEMENT (SECOND) OF AGENCY §220(2)(j).
47. *See* Dumas v. Gommerman, 865 F.2d 1093, 1105.
48. *Id.*
49. *Community for Creative Non-Violence*, 109 S.Ct. at 2170.
50. *Id.*

ensure the finished sculpture met their specifications; and chose the title.[51] Nevertheless, the court ruled that on balance, the artist was an independent contractor.[52] The court was persuaded by the facts that the artist was a sculptor, a skilled occupation; he worked in his own studio with his own tools; the artist was given only this one commission; he worked at his own pace; and the client did not provide any benefits or pay any payroll or social security taxes.[53]

After weighing all the factors, the Court determined the artist was an independent contractor and the client could not claim copyright ownership under §101(1).[54] Furthermore, the client was denied copyright under §101(2) because the project was not one of the nine listed categories.[55] The Court concluded that the client was not the author of the work by application of the work for hire provision.[56]

V. COMPARISON OF *COMMUNITY FOR CREATIVE NON-VIOLENCE* AND *DUMAS*

Dumas v. Gommerman[57] was a case of first impression for the Ninth Circuit on the issue of whether the District Court applied the correct legal standard in determining if an artist is an employee producing work for hire under 17 U.S.C. §101.[58] In *Dumas*[59] the artist was hired by ITT to create four lithographs. ITT later sold the copyright to Stefan Gommerman. Jennifer Dumas, widow of the artist, sued for copyright as successor in interest.[60] Gommerman did not contend that the artist had been an employee of ITT but argued that the appropriate test for determining if an artist is an employee is whether there was any

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51. *Community for Creative Non-Violence*, 652 F.Supp. 1453, 1454 (D.D.C. 1987).

52. *Id.* at *Community for Creative Non-Violence*, 109 S.Ct. 2166, 2171.

53. *Id.*

54. *Id.*

55. *Id.*

56. *Id.* (The Court acknowledged that CCNV could be a joint author. See, 17 U.S.C. §§101 and 201(a) (1976)).

57. 865 F.2d 1093 (9th Cir. 1989).

58. Prior to *Dumas*, the Ninth Circuit had reviewed work for hire under the 1909 Act in, May v. Morganelli-Heumann & Associate, 618 F.2d 1363 (9th Cir.1980).

59. In 1979 Patrick Nagel was commissioned to create four works of art that ITT Cannon gave as sets of lithographs to its distributors as part of a promotional campaign.

60. The original paintings were lost. Gommerman purchased the remaining sets of lithographs from ITT Cannon.

identifiable direction and control.[61] The Ninth Circuit rejected this argument and foreshadowed the Supreme Court decision with its view that the 1976 Act creates only two instances where the artist loses the copyright. They are: (1) if the artist is an employee of the purchaser or (2) if the work falls under any of the enumerated catagories in §101(2) and the parties have a written agreement.[62]

The Ninth Circuit deviates from the Supreme Court view which permits the courts to look at the employers right to control the manner and means by which the art work is produced in determining if the artist is an employee.[63] The Ninth Circuit rejects the supervision and control test because it could result in employers changing the employment status of an artist as was done in *Peregrine*.[64] In the Ninth Circuit's view, the 1976 Copyright Act created a bright line between employee and independent contractor for the purpose of safeguarding the rights of artists working as independent contractors. The Ninth Circuit feared that "some independent Contractors could be deemed 'employees' where the purchaser includes provisions in the contract granting it substantial rights of control."[65]

The Ninth Circuit alone addresses the issue of copyright inception. Under the 1909 Act, Federal copyright was secured by publication with notice.[66] The 1976 act changed the law and provided that copyright subsists from the moment of fixation in any tangible medium. Publication is not a factor.[67] Furthermore,

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61. Gommerman contended that the artist was an employee if ITT had exercised control over the creative process in any amount and pointed to the fact that ITT, through its agent, D'Arcy, MacManus & Masius, Inc., had directed some of the design aspects of the paintings. *Dumas*, 865 F.2d at 1094.

62. *Dumas*, 865 F.2d at 1102.

63. In *Community for Creative Non-Violence*, the Supreme Court utilized several common law agency factors to determine if the artist was an employee. They included, "the hiring party's right to control the manner and means by which the product is accomplished." *Community for Creative Non-Violence*, 109 S.Ct.at 2178.

64. In *Peregrine*, the photographer was an independent contractor based on the method of payment. However, the trial court found the artist was an employee because "it was clear that at any point the employer could have vetoed any of Mr. Peregrine's ideas . . . ." Peregrine v. Lauren Corp., 601 F.Supp. 828, 829 (D.C.Colo.1985).

65. *Dumas*, 865 F.2d at 1104. The Ninth Circuit intends to prevent the possibility that the purchaser can unilaterally change the artist's employment status without the artist's knowledge. *Id.*

66. 17 U.S.C. §10 (repealed 1976).

67. *See* 17 U.S.C. section 101, definition of "created" and "fixed" which provides:

copyright under the 1976 act exists even in work in progress.[68]

The Ninth Circuit also makes clear that a transfer of copyright ownership requires a written instrument.[69] Therefore, the sale alone of a material object in which a work is fixed does not transfer the copyright in the work.[70] Since §201(a) establishes the author as initial owner of the copyright in works other than works for hire and copyright vests in the independent contractor at the moment of fixation, a written instrument is required to transfer copyright ownership to the purchaser.[71]

The Ninth Circuit sheds light on another aspect of the independent contractors' rights under the 1976 Copyright Act. As the original owner of the copyright, the independent contractor retains termination rights even if copyright is transferred.[72] 17

> A work is "created" when it is fixed in a copy or phonorecord for the first time; where work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time, and where the work has been prepared in different versions, each version constitutes a separate work.
> A work is "fixed" in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is "fixed" for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

68. *Id.*

69. 17 U.S.C. §204(a) provides:

> (a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

70. *See* 17 U.S.C. §202 which provides:

> Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not itself convey any rights in the copyright work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

71. *Dumas*, 865 F.2d at 1097-98.

72. *See* 17 U.S.C. §203.

U.S.C. §203(a) provides that for works other than those made for hire, a transfer or license of the copyright or any right under the copyright is subject to termination thirty-five years after the transfer or license is made.[73] The Ninth Circuit decision in *Dumas* and the Supreme Court holding in *Community for Creative Non-Violence*, provide for present as well as future copyright protection for the artist.

VI. IMPACT ON ARTISTS

Preferably, an artist's business transaction includes a written contract which addresses copyright ownership.[74] In the absence of a written contractual agreement, an artist who is an independent contractor retains copyright ownership unless the work is one of the nine categories listed in §101(2) and there is a written agreement.[75]

Copyright infringement gives the author the right to recover the actual damages suffered.[76] Generally, the artist is entitled to the fair market value of the artwork.[77] Furthermore, the author is entitled to "any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages."[78] Cost and in some cases, attorneys fees are also recoverable.[79]

Community for Creative Non-Violence establishes that copyright ownership vests with the independent contractor. *Dumas* explains that copyright ownership begins with fixation and the independent contractor initially owns the copyright. If the artist transfers copyright ownership, the transfer is subject to termination thirty-five years later.[80] By holding that the copyright initially vests with the independent contractor, *Commu-*

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73. *Dumas*, 865 F.2d at 1098.

74. Any artist working as an independent contractor who contractually agrees to permit copyright ownership to vest in the client is entitled to unemployment insurance provided by the client. *See* CAL. LAB. CODE §3351.5.

75. *See supra* n. 21 and accompanying text.

76. 17 U.S.C. §504.

77. *See* Atken v. Hazen, Hoffman, etc., v. Empire Construction Co., 542 F.Supp. 252, 263 (Neb. 1982).

78. 17 U.S.C. §504(b).

79. 17 U.S.C. §505.

80. *See* 17 U.S.C. §203.

nity for Creative Non-Violence and *Dumas* secure for the artist the "opportunity to renegotiate the transfer after the market value of the work has been more precisely determined."[81]

Community for Creative Non-Violence represents a major step towards advancing artists rights. The artist working as an independent contractor owns copyright ownership in most cases and if the copyright is transferred, the independent contractor is entitled to renegotiate the value of the copyright in the future.

81. *Dumas*, 865 F.2d at 1098.