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Anne F. Jennings

Sinkler & Boyd, jenningsa@cofc.edu

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Cases of Note

An Examination of the "Works for Hire" written agreement requirement under The Copyright Act of 1909 and The Copyright Act of 1976

Column Editor: Anne F. Jennings (Sinkler & Boyd) (jenningsa@cofc.edu)

PLAYBOY ENTERPRISES, INC. and Special Editions, Ltd. v. Jennifer DUMAS and Jennifer Dumas, Inc., 53 F. 3d 549 (1995)

An interesting "works for hire" opinion was handed down recently by the Second Circuit Court of Appeals. The action, initiated by Playboy Enterprises and Special Editions, Ltd. ("Playboy"), sought a declaratory judgment against Defendants Jennifer Dumas and Jennifer Dumas, Inc. determining that Plaintiffs' were the sole owners of the copyrights to approximately 285 paintings created by Patrick Nagel, deceased, which were published by Playboy from August 1975 through July 1984. Ms. Dumas is Nagel's widow. She subsequently counterclaimed alleging copyright infringement and unfair competition.

The United States District Court dismissed the publisher's claim and granted Dumas' counterclaim. *Playboy* appealed and in an opinion issued May 5, 1995, the Second Circuit held that:

1. Those works created by Nagel prior to 1978 were "works for hire" under the Copyright Act of 1909.
2. The Copyright Act of 1976 requires that prior to the creation of a work, the parties must agree that it be produced as a work made for hire.
3. That a legend inscribed on the back of a publisher-issued check indicating the artist had assigned the rights in his works for which he was being paid was not sufficient satisfaction of the "works for hire" requirement.
4. Legend acknowledging payment in full for "works for hire" services satisfied the requirement of a written agreement.
5. That a remand to the District Court was necessary to determine if the works were specially ordered or commissioned by the publisher.
6. That legend on back of check stating that payee had assigned "all right, title and interest" in his works was insufficient to transfer copyright

ownership from artist to publisher.

The undisputed facts in this case were that between August 1975 and July 1984, at least one of Patrick Nagel's paintings appeared in every issue of *Playboy* magazine. Initially, Nagel was given specific instructions as to the content and subject of the paintings. Between January, 1977 and August, 1978, *Playboy* ceased giving Nagel instructions and subsequently, the publisher and Nagel settled into a relationship whereby Nagel would submit paintings and *Playboy* would publish his works. The district court noted, "as time went on, [Nagel] was given greater freedom to submit the paintings he wanted, which apparently matched what *Playboy* was interested in publishing." Nagel

was paid by check for each of the published paintings and said checks represented the only writings signed by Nagel or his representatives relating to *Playboy's* ownership of the copyrights. On the back of the checks appeared a legend which stated that by endorsement of the check, payee acknowledges payment in full for the works and the assignment/ownership by Playboy, Inc. "of all right, title, and interest in" said paintings and/or works for hire, including all rights of copyright. The specific language changed several times over the years; however, the purpose was ultimately the same.

Upon Nagel's death in 1984, Jennifer Dumas obtained ownership and copyrights to her husband's artwork which she assigned to Jennifer Dumas, Inc. in 1988. Prior to his

death, Nagel contracted with *Mirage Editions, Inc.* to publish and market certain limited edition reproductions of his work. Sale revenues for posters and art reproductions generated \$23.5 million between 1984 and 1992. In 1989, Dumas entered into agreements concerning the assignment of reproduction rights to third parties for those works which originally appeared in *Playboy*. *Playboy* then filed suit alleging copyright infringement and both parties settled the dispute upon the agreement that *Playboy* would receive a certain percentage of income from the sale of the Nagel works in question. However, the agreement was mutually terminated in June, 1991 and thereafter, *Playboy* filed suit seeking the declaratory judgment that it was the sole owner of all copyrights to the Nagel paintings which had appeared in *Playboy*. It is that suit which is the subject of this appeal and the findings cited above.

This case is of interest because it involves issues and works prior to the Copyright Act of 1976 which specifically changed the writing requirement with regard to works for hire to make ownership of intellectual property rights clear and definite. Under the 1909 Act, the burden of proof is on the independent contractor (in this case the artist) to demonstrate that an agreement was reached allowing the artist to retain the copyrights; otherwise, once it is established that a work is made for hire then the hiring party is presumed to be the author of the work. The court found that under the 1909 Act, the simple fact that *Playboy* paid Nagel a fixed sum for those works published in *Playboy* magazine prior to 1978 when the 1976 Act came into law is sufficient to meet the "works for hire" requirement.

The case became more complicated after 1978 when *Playboy* apparently no longer controlled the characteristics of the works produced by Nagel. According to 17 U.S.C. 101 (1988), a "work made for hire" is:

- (1) a work prepared by an employee within the scope of employment; or

continued on page 57

Cases of Note
from page 56

(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**. (emphasis added).

It was agreed by both parties that Nagel was not formally employed by Playboy and that *Playboy* magazine as a whole is a "collective" work within the meaning of the statute. As a result, the court was left with only two questions: 1) were the works "specially ordered or commissioned" and 2) as

to each work in question, did the parties expressly agree in a written instrument signed by them that the work shall be considered "work for hire"?

Responding to the written consent question first, the Court ultimately determined that as either Nagel or his agents signed the checks which authorized a "work for hire" relationship, said signatures may meet the writing requirement of the Act (the district court had reserved decision on this matter and the appellate court remanded the case for a determination on whether Nagel's agents had such authority).

As to the "specially ordered or commissioned" requirement, several issues were considered including who controlled the characteristics of the works, the fact that Playboy offered no evidence of special orders after 1976, the fact that Nagel supplied "his own tools, worked his own hours, hired his own assistants, and paid his own taxes and benefits," and, the fact that Nagel bore the risk because of a lack of commitment on

the part of Playboy. All these issues weighed in favor of Dumas. However, the Court also considered that it was not necessary for the hiring party to "possess or exercise artistic control" and whether publication in *Playboy* magazine was the "motivating factor" in creation of the works. The Court found that although Playboy no longer controlled the actual characteristics of the paintings, the magazine was, in fact, the motivation for the works and that the "paintings were made at Playboy's expense." Additionally, it was held that the method of payment "was consistent with a commission relationship."

As noted above, this case was sent back or "remanded" to the lower court for further determination or action regarding several issues including whether the signatures of Nagel and/or his representatives which appeared on those checks issued subsequent to July, 1979 were sufficient to meet the written instrument requirement. Further opinion by the Second Circuit is withheld pending the outcome of those matters.

KONIGSBERG International, Inc.; the Sanitsky Company v. ANNE RICE (Two Cases), 16 F3d 355 (1994)

This claim also comes from the entertainment industry and involves a declaratory judgment action filed by movie producers against the author, **Anne Rice**, asserting ownership of the author's work and exclusive license to motion picture rights. Following a hearing in United States District Court, the action was dismissed and on February 11, 1994, the Ninth Circuit Court of Appeals affirmed that decision.

In 1987, **Anne Rice** had lunch with **Frank Konigsberg** and **Larry Sanitsky** (K & S), movie producers, wherein Rice apparently verbally agreed to create a "bible" or detailed storyline which would form the basis for a complete novel to be used by the entertainment media. The story was to involve "a love triangle between a resurrected mummy, an English heiress, and Queen Cleopatra." After Rice's completion of the novel, K & S would then have two years following official notice of a teleplay to exploit the television and movie rights. Although K & S drafted a contract, the parties could never finalize terms and the document was never signed. When Rice delivered the bible, K & S "simply forked over \$50,000." Subsequently, Rice wrote and copyrighted a novel called *The Mummy*

which K & S failed to exploit within the time previously discussed. K & S attempted to extend their option but Rice refused. Thereafter, K & S "filed a declaratory judgment action asserting co-ownership of the bible, an exclusive live license to the motion picture and related rights." The district court dismissed the case, citing 17 U.S.C. 204(a) which requires the written, signed transfer of copyright in order to establish co-ownership or exclusive license and K & S could produce no such document.

End of story? No. Following the dismissal, Rice wrote "a somewhat indignant letter" in an attempt to vindicate herself and stated, "these contracts, though never signed, were honored to the letter . . . they got exactly what they paid for." Plaintiffs' were elated as they thought the letter was the "missing link" which gave them the ammunition they needed, written confirmation of an agreement. The district court, however, failed to take this view, and denied the motion by K & S. In their opinion, the Court of Appeals took advantage of the matter to discuss the Copyright Act's written instrument requirement. The purpose of the requirement is to ensure that an author will not inadvertently give away his copyright

and forces the assignee to negotiate exactly what is being purchased and at what price. Such an instrument should also serve as a guidepost for dispute resolution. As such, the agreement must be a product of negotiations and executed contemporaneously. A transfer of copyright is not valid without a written agreement. Rice's letter was written approximately three and a half years after its alleged term would have expired and six months into a lawsuit concerning these issues. Therefore, it was not contemporaneous, it was not a product of negotiation, and it was written too late to provide a reference point for license dispute. The Court also denied Plaintiffs' claim of joint-venture which they said would negate the written instrument requirement. Although a joint-venture agreement can also serve to satisfy other functions of a partnership, and a joint venture can be made orally, the Court held that acceptance of such an argument would seriously undermine the entire purpose of the Copyright Act's written instrument requirement. Therefore, according to the Court of Appeals, "Konigsberg, Sanitsky and Rice did lunch, not contracts."