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DETERMINING THE EXTENT OF THE WORK FOR HIRE DOCTRINE AND ITS EFFECT ON TERMINATION RIGHTS

UNITED STATES COURT OF APPEALS SECOND CIRCUIT

Marvel Characters, Inc. v. Kirby¹
(decided August 8, 2013)

I. INTRODUCTION

Today, motion picture adaptations of childhood comic book heroes are major block-buster films that generate billions of dollars worldwide.² As the popularity and value in creating these derivative works intensifies, the artists who originally drew and depicted these iconic characters are beginning to demand their share of the wealth.³ Termination rights are available for an artist to take back ownership of the copyright he originally assigned, regardless of whether the work was created under the Copyright Act of 1976 or the Copyright Act of 1909.⁴ Termination rights are especially important in relation to derivative works because if an artist is able to terminate copyrights, he will be entitled to the profits if works are converted into a

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¹ 726 F.3d 119 (2d Cir. 2013), *petition for cert. filed*, No. 13-1178, 2014 WL 1275190 (U.S. March 21, 2014) (No. 13-1178).

² See BOX OFFICE MOJO, <http://www.boxofficemojo.com> (last visited May 2, 2014). Iron Man 3, the latest Marvel movie based on a character Kirby helped create, has grossed more than \$1.2 billion worldwide. *Iron Man 3*, BOX OFFICE MOJO, <http://www.boxofficemojo.com/movies/?id=ironman3.htm> (last visited May 2, 2014).

³ Gary Friedrich Enters., LLC v. Marvel Characters, Inc., 716 F.3d 302, 310 (2d Cir. 2013).

⁴ Copyright Act, 17 U.S.C. § 304(c) (2006).

box office success. However, if the work is considered a work made for hire, the artist is no longer entitled to ownership of the work.⁵

The work for hire doctrine, which is applicable to works created under the 1976 Act and the 1909 Act, governs whether the employer of an artist is the actual owner of the copyright and the one entitled to all present and future rights. The work for hire doctrine grants ownership rights in the copyright to the employer as the entity which controlled the work and took a risk creating it.⁶ In a conflict between an artist and the hiring party over ownership, various factors are considered in order to determine which party has an actual interest in a work. If a copyright holder did not originate a work or receive the assignment rights, it is improper for him to be the legal owner. Determining whether a work is a work made for hire is a difficult task for the courts, and in *Marvel Characters, Inc. v. Kirby*, the court, once again, faced the issue of whether an artist's work constituted a work made for hire.⁷

The background of this case begins with the career of the famed comic book artist Jack Kirby.⁸ Kirby "began his career in the comic book business in the late 1930s."⁹ Marvel Comics, founded in 1939, contracted with Kirby in 1940 to purchase all ten issues of *Captain America* from Kirby and his business partner, Joe Simon.¹⁰ Throughout the years, Kirby was considered a freelancer for Marvel because he was "not a formal employee of Marvel, and not paid a fixed wage or salary. He did not receive benefits, and was not reimbursed for expenses or overhead in creating his drawings."¹¹ When Marvel would purchase Kirby's work, it compensated him based on a per-page rate.¹²

The litigation was based on the property rights of 262 works which Kirby created and Marvel published by Marvel between 1958 and 1963.¹³ The district court was asked to determine whether Mar-

⁵ *Id.*

⁶ See *infra* section IV (discussing the application of instance and expense test under the work for hire doctrine).

⁷ *Marvel*, 726 F.3d at 124.

⁸ *Id.* at 125.

⁹ *Id.* at 124-25.

¹⁰ *Id.* at 125.

¹¹ *Id.* at 125-26.

¹² *Marvel*, 726 F.3d at 126.

¹³ *Id.* at 125.

vel or Kirby's heirs owned the works created during that time.¹⁴ Throughout the relevant period, Marvel's director, Stan Lee, stated that he and Jack Kirby were "closely affiliated" and that he gave Jack Kirby a "steady stream of work."¹⁵ Although Jack Kirby was considered a freelancer, the facts of *Marvel* indicate that Jack Kirby did most of his work with "Marvel projects in mind."¹⁶

A. Procedural History

In September 2009, the children of Jack Kirby sent termination notices to various Marvel entities, purporting to end Marvel's assignment of Jack Kirby's copyrighted works.¹⁷ In response, Marvel filed suit for declaratory judgment in January 2010, arguing that the defendants had no termination rights under Section 304(c) of the Copyright Act of 1976 because the works of Jack Kirby were works made for hire.¹⁸ In March 2010, the Kirbys filed a motion to dismiss in the federal district court in New York.¹⁹ The Kirbys claimed that Lisa and Neal Kirby, residents of California, were not subject to personal jurisdiction in the federal court in New York.²⁰ Based on Lisa and Neal's personal jurisdiction argument, the Kirbys then argued that Lisa and Neal were indispensable parties under Federal Rules of Civil Procedure Rule 19,²¹ and therefore, the suit should be dismissed because it could not proceed without them.²² The district court denied the Kirbys' motion and stated that it did have "personal jurisdiction over Lisa and Neal under New York's Long Arm Statute."²³ Therefore, the district court did not need to reach the issue of whether

¹⁴ *Id.* at 124. Under the Copyright Act of 1976, the heirs of the person who holds the copyright can exercise termination rights. 17 U.S.C. § 304(c)(1), (2).

¹⁵ *Marvel*, 726 F.3d at 126 (noting how Jack Kirby had a freer hand than the other artists and Kirby did not have page by page instructions as did other Marvel artists).

¹⁶ *Id.* (noting the majority of Kirby's works were published by Marvel and the works were mainly intended to fit within specific Marvel themes).

¹⁷ *Id.* at 127.

¹⁸ *Id.* See *infra* notes 59, 61 (explaining why the heirs of Jack Kirby have standing to exercise termination rights, and also why the current Act is relevant for the issue of termination rights).

¹⁹ *Marvel*, 726 F.3d at 127.

²⁰ *Id.* at 124, 127 (noting Lisa and Neal Kirby are two of the four heirs of Jack Kirby arguing for termination rights).

²¹ FED. R. CIV. P. 19.

²² *Marvel*, 726 F.3d at 127.

²³ *Id.*

Lisa and Neal were indispensable parties.²⁴ After discovery was completed, both parties moved for summary judgment.²⁵ The court granted summary judgment in favor of Marvel and stated that Jack Kirby's works were works made for hire and the Kirbys had no valid termination rights.²⁶ The Kirbys appealed the district court's determination.²⁷

The opinion in *Marvel* analyzed both the procedural disputes and the main issue concerning the parties' rights under the Copyright Act of 1976.²⁸ The central issue for the court was whether Jack Kirby's works were "works made for hire" in order for Marvel to claim ownership rights to the works.²⁹ Although the opinion in *Marvel* resolved which procedural rules applied to the parties, this note focuses on the development of the work for hire doctrine in the Second Circuit and the application of the instance and expense test under the doctrine. Finally, this note critically analyzes the scope of the doctrine and its implications for those seeking to exercise termination rights. While the court in *Marvel* was correct in determining Marvel had a right to control elements of Kirby's works, it dismissed other factual issues which may have shown that they were not works for hire, and thus Kirby owned them.

II. THE OPINION—THE PROCEDURAL ROAD TO THE CENTRAL ISSUE

A. Personal Jurisdiction: Were the Kirbys Pulled in by the Long Arm of New York?

A brief analysis of the procedural issues in *Marvel* provides a necessary context for the court's main issue. Personal jurisdiction is

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.* at 127-28.

²⁷ *Marvel*, 726 F.3d at 128.

²⁸ *Id.* at 128, 131-32, 136.

²⁹ *Id.* at 124. The Second Circuit applied the instance and expense test to determine whether Kirby's works were works made for hire. *Id.* at 140-41. The Supreme Court, in *Comty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 742-43 (1989), rejected the Second Circuit's instance and expense test as an appropriate test to determine when a work arising under the 1976 Act is a work for hire. However, the Second Circuit still applies the instance and expense test to determine whether a work arising under the 1909 Act is a work made for hire. See *infra* section IV.

proper if a litigant is proven to be “present” in the forum state.³⁰ Presence in the forum state need not be physical presence, but rather based on the existence of certain minimum contacts of the litigant with the forum state.³¹ New York enacted its own long-arm personal jurisdiction statute which states:

[a]s to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, or his executor or administrator, who in person or through an agent: . . . transacts any business within the state or contracts anywhere to supply goods or services in the state.³²

On appeal, the court in *Marvel* held that New York did not have personal jurisdiction over Lisa and Neal Kirby.³³ Lisa and Neal, who were residents of California, were not present in New York because their communications with Marvel, *i.e.*, the sending of the termination notices, did not constitute adequate business transactions within New York.³⁴ The court stated that the Kirbys did not “purposefully avail [themselves] of the privilege of conducting activities within the forum state, thus invoking the benefits and protections of [the] law.”³⁵ Thus, the exercise of their purported rights under the federal copyright law did not constitute purposeful availment.

To support the court’s narrow view of personal jurisdiction in *Marvel*, the court looked to *Beacon Enterprises, Inc. v. Menzies*,³⁶ which held that the defendant’s cease and desist letter sent to the plaintiff did not constitute adequate business transactions.³⁷ In *Menzies*, the plaintiff sought a declaratory judgment in New York district court, arguing its weight loss products did not infringe on the defendant’s copyrights.³⁸ Analyzing the weight of the letters in connection with personal jurisdiction, the court held that the defendant’s letter alleging infringement in an unspecified place and in an unspecified

³⁰ See generally *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316-17 (1945).

³¹ *Id.* at 316.

³² N.Y. C.P.L.R. § 302 (McKinney 2014).

³³ *Marvel*, 726 F.3d at 129-31.

³⁴ *Id.* at 130.

³⁵ *Id.* at 128 (citing *Beacon Enters., Inc. v. Menzies*, 715 F.2d 757, 766 (2d Cir. 1983)).

³⁶ 715 F.2d 757 (2d Cir. 1983).

³⁷ *Id.* at 766.

³⁸ *Id.* at 759-60.

forum was not an “activity invoking the ‘benefits and protections’ of New York law.”³⁹ The court refused to apply a broad interpretation of what constituted “transacting business” and stated, “New York courts have consistently refused to sustain section 302(a)(1) jurisdiction solely on the basis of defendant’s communication from another locale with a party in New York.”⁴⁰ Although the cease and desist letters were sent to Beacon’s New York offices, the letters alone were not enough to trigger New York’s long-arm statute.⁴¹

Relying on earlier case law, the court in *Marvel* determined that the long-arm statute may not apply in situations when the isolated transaction does not afford the party at issue the protections and benefits of New York law.⁴² Lisa and Neal Kirby were not present in New York; thus, they could not be present in the case before the court.

B. Joinder and Indispensable Parties: Another Procedural Tactic Used by the Kirbys

Because the court held that Lisa and Neal Kirby were not subject to personal jurisdiction in New York, the court proceeded to determine whether Lisa and Neal were indispensable parties, an issue the district court did not reach.⁴³ According to Rule 19 of the Federal Rules of Civil Procedure:

(a) Persons Required to Be Joined if Feasible. (1) Required Party. A person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party if: (A) in that person’s absence, the court cannot accord complete relief among existing parties; or (B) that person claims an interest relating to the subject of

³⁹ *Id.* at 760, 766 (noting the cease and desist letter did not state where the alleged infringement occurred, and it did not state where the plaintiff would take legal action).

⁴⁰ *Id.* at 766.

⁴¹ *Beacon Enters.*, 715 F.2d at 766; *see also* *Ehrenfeld v. Bin Mahfouz*, 881 N.E.2d 830, 837 (N.Y. 2007) (holding personal jurisdiction not satisfied when the defendant’s only business transactions were sending letters in according with English procedural rules). *But see* *Deutsche Bank Secs., Inc. v. Montana Bd. of Invs.*, 850 N.E.2d 1140, 1143 (N.Y. 2006) (holding personal jurisdiction proper because the parties’ internet communications constituted continuous business transactions for substantial amounts of money).

⁴² *Marvel*, 726 F.3d at 128-30.

⁴³ *Id.* at 132.

the action and is so situated that disposing of the action in the person's absence may: (i) as a practical matter impair or impede the person's ability to protect the interest; or (ii) leave an existing party subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations because of the interest.⁴⁴

The court articulated each factor under the rule in order to determine whether Lisa and Neal Kirby would be prejudiced if the litigation proceeded in their absence.⁴⁵ The court first determined Lisa and Neal Kirby were required parties to the claim under Rule 19(a) because they had a great interest in the outcome of the suit.⁴⁶ However, Lisa and Neal were not indispensable under Rule 19(b) because they would not be prejudiced if a judgment was rendered in their absence.⁴⁷ The court stated that Lisa and Neal Kirby had the same interests as the remaining Kirbys in the case, so they did not need "their day in court" because the other appellants would litigate on their behalf.⁴⁸ Because of the Kirbys' identical interests, any judgment rendered against the remaining Kirbys would foreclose Lisa and Neal's rights as well.⁴⁹

To determine when a party is considered indispensable, the court looked to *Prescription Plan Service Corp. v. Franco*,⁵⁰ in which a New York corporation sued several trustees of the company for diverting funds from a benefit program.⁵¹ In this case, the lower court dismissed two defendants from the claim for being non-diverse and stated that those two defendants were indispensable parties.⁵² However, on appeal, the court held that the two defendants were not indispensable parties because their interests were identical to the interests of the remaining defendants.⁵³ The court reasoned that neither the absent nor the remaining defendants would be prejudiced because

⁴⁴ FED. R. CIV. P. 19.

⁴⁵ *Marvel*, 726 F.3d at 133-35.

⁴⁶ *Id.* at 132.

⁴⁷ *Id.* at 133.

⁴⁸ *Id.* at 134 (stating a judgment rendered against the remaining Kirbys would foreclose Lisa and Neal's rights because all the Kirbys' interests in the case were identical).

⁴⁹ *Id.*

⁵⁰ 552 F.2d 493 (2d Cir. 1977).

⁵¹ *Id.* at 494-95.

⁵² *Id.* at 496.

⁵³ *Id.* at 497.

any judgment in favor of the plaintiffs would be paid by the corporation that the defendants represented, so none of the defendants would be personally liable.⁵⁴ Also, the court stated the interests of the parties were still represented by the same counsel, with the same vigor.⁵⁵ Although the absent defendants had a viable stake in the outcome, the remaining defendants suffered no prejudice because their interests were sufficiently represented by the presence of the remaining defendants. Therefore, even though Lisa and Neal Kirby were not subject to personal jurisdiction in New York, the case was able to proceed because Lisa and Neal were not indispensable parties, and their interests would be represented by the remaining parties to the suit.⁵⁶

III. THE OPINION—THE ORIGINS OF THE WORK FOR HIRE DOCTRINE

A. Why Termination Rights Rest on the Work for Hire Doctrine

After the court resolved the procedural issues, it turned to the parties' copyright arguments. Determining whether a work is made for hire is critical for the artist, especially if he believes his work is copyrightable. If it is determined that the work was made for hire, the employer is the owner of the work. Therefore, the artist is not entitled to the profits generated from the work and cannot assign the copyright to others. However, if the artist's work is copyrightable and it is not a work for hire, the artist owns the copyright, which he can assign to others, and he also has the right to terminate any assignment after the statutory period.⁵⁷ Importantly, termination rights provide artists with another chance at marketing their work at a later time.⁵⁸ For example, artists may expand their work by incorporating it into lucrative derivative works, which may not have been available when they first obtained the copyright. Therefore, the issue of whether the Kirbys had present termination rights under the Copyright Act of 1976 (the "Act") rested on whether Jack Kirby's works

⁵⁴ *Id.*

⁵⁵ *Prescription Plan*, 552 F.2d at 497.

⁵⁶ *Marvel*, 726 F.3d at 134.

⁵⁷ 17 U.S.C. § 304(c)(1)(A).

⁵⁸ 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 11.01[A] (2013).

were, in fact, works made for hire.⁵⁹ Section 304(c) of the Act provides the prerequisites needed in order to have termination rights:

Termination of Transfers and Licenses Covering Extended Renewal Term.—In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a *work made for hire*, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978 . . . is subject to termination.⁶⁰

Because the termination rights associated with a copyrighted work belonging to an employer cannot be exercised by the original artist when a work is considered one made for hire, Marvel argued that Kirby's works were made for hire during the relevant time period based on evidence of his close working relationship with Marvel.⁶¹ Therefore, if Marvel prevailed under this argument, the Kirbys would not have termination rights under the Act.

In order for the court to reconcile whether Jack Kirby's works were works made for hire, the court had to first interpret the term, as used in case law under the Copyright Act of 1909, which was— “the law in effect when the works were created.”⁶² A work for hire agreement can be impliedly found by looking at the relationship between the hired party and the artist.⁶³ The 1909 Act did not provide a definition of a work made for hire, but it did state, “the word ‘author’

⁵⁹ *Marvel*, 726 F.3d at 124.

⁶⁰ 17 U.S.C. § 304(c) (emphasis added). If an author is no longer alive, § 304(c)(2) grants his or her termination rights to specified heirs. See § 304(c)(3) for when a copyright owner is allowed to send notice of termination.

⁶¹ *Marvel*, 726 F.3d at 127.

⁶² *Id.* at 137. Marvel argued that the works were works made for hire under 304(c) of the 1976 Act because the issue of termination rights falls under the current Act. *Id.* at 136. The actual meaning of a work made for hire developed first under the 1909 Act. *Id.* at 137. While the work for hire doctrine has expanded under the current Act, “[it] did not cause any immediate break in the courts’ reasoning; thus, it is necessary to consult cases decided under the current Act to round out one’s understanding of the work for hire doctrine under the 1909 Act as well.” 1 NIMMER, *supra* note 58, at § 5.03[B][1][a][i].

⁶³ *Marvel*, 726 F.3d at 139. See also *Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc.*, 380 F.3d 624, 634-35 (2d Cir. 2004) (providing the test used for finding an implied work for hire agreement). “In determining whether a work is a work for hire under the 1909 Act, we have generally applied the ‘instance and expense’ test. The copyright belongs to the person at whose ‘instance and expense’ the work was created.” *Id.*

shall include an employer in the case of works made for hire.”⁶⁴ This meant that if the work was made for hire, the author of the work was the employer, rather than the artist.⁶⁵ However, terms such as “works made for hire” and “employer” were not specifically defined under the Act.⁶⁶ Therefore, it was up to the courts to develop these terms and shape the meaning of the work for hire doctrine.⁶⁷

B. Early Development of the Doctrine

Because the work for hire doctrine focused on whether the owner of a copyright was the artist or the artist’s employer, the courts analyzed common law employment relationships.⁶⁸ Looking to the Second Circuit’s development of the work for hire doctrine, the courts focused on “whether the work at issue was created within the scope of a traditional employment relationship”⁶⁹ in order to determine which party was the statutory “author.”⁷⁰

Under the law of agency, the employer would be the owner of his employee’s work in a traditional employer-employee relationship.⁷¹ However, the courts realized that although the parties were not engaged in a traditional employer-employee relationship, the hired party could be controlled to such an extent by the hiring party that he is considered an employee.⁷² The courts then needed to determine when the hired party was acting as an employee within the scope of employment for work for hire purposes.⁷³ Initially, the Second Circuit resolved this issue by stating, “[i]f a [party] ‘is solicited by a patron to execute a commission for pay, the presumption should be indulged that the patron desires to *control* the publication . . . unless by the terms of the contract, express or implicit, the artist has reserved the copyright [in] himself.’ ”⁷⁴ The right to control the pro-

⁶⁴ *Marvel*, 726 F.3d at 137.

⁶⁵ *Id.*

⁶⁶ 1 NIMMER, *supra* note 58, at § 5.03[B][1][a][i].

⁶⁷ *Marvel*, 726 F.3d at 137.

⁶⁸ *Id.* at 137-38.

⁶⁹ *Id.* at 137.

⁷⁰ *Id.*

⁷¹ *Id.* at 137-38.

⁷² *Marvel*, 726 F.3d at 139.

⁷³ *Id.* at 137.

⁷⁴ *Id.* at 138 (quoting *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28, 31 (2d Cir. 1939) (emphasis added)).

duction of the work was a determining factor as to whether the creator of the work was a mere independent contractor or an employee.

C. Development Under the 1976 Act—The *Reid* Decision

After the enactment of the Copyright Act of 1976, the Act provided a definition of what constituted a work made for hire, and it seemed to incorporate the judicial decisions under the previous Act:

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 . . . if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.⁷⁵

However, similar to the issue with the 1909 Act, it was still left to the courts to define the terms “scope of employment” and “employer/employee” as they applied to the 1976 Act.

The Supreme Court decision in *Community for Creative Non-Violence v. Reid*⁷⁶ followed the enactment of the present Act and resolved a split in the circuits on the appropriate test to use for work for hire issues.⁷⁷ The Court officially adopted the common law of agency to determine whether the hired party was an employee acting within the scope of employment for work for hire purposes.⁷⁸ In this case, the plaintiff, a nonprofit organization benefitting the homeless, brought an action to establish a copyright in a sculpture that the defendant created for the organization.⁷⁹ The parties initially entered

⁷⁵ 17 U.S.C. § 101 (2006).

⁷⁶ 490 U.S. 730 (1989).

⁷⁷ See 1 NIMMER, *supra* note 58, at § 5.03[B][1][a]-[a][iii] (noting the circuit split regarding what standard to apply in work for hire cases).

⁷⁸ *Reid*, 490 U.S. at 739-40. See also RESTATEMENT (THIRD) OF AGENCY § 7.07(2) (2006):

An employee acts within the scope of employment when performing work assigned by the employer or engaging in a course of conduct subject to the employer's control. An employee's act is not within the scope of employment when it occurs within an independent course of conduct not intended by the employee to serve any purpose of the employer.

⁷⁹ *Reid*, 490 U.S. at 733, 735.

into a contract for the defendant to build a sculpture to “dramatize the plight of the homeless” that would be on display at the plaintiff’s Christmas pageant.⁸⁰ The plaintiff’s members often visited the defendant to check on the progress of the work, and the defendant sculptor took most of their suggestions regarding the appearance and structure of the piece.⁸¹ The defendant was paid his final installment check upon completion of the work.⁸²

The controversy reached the Supreme Court, which held that the sculpture was not a work made for hire under Section 101(1), and therefore, the defendant owned the sculpture.⁸³ The Court relied heavily on the traditional common law principles of agency to determine whether the defendant was acting within the scope of employment when he built the sculpture.⁸⁴ Under the law of agency, an employee is an agent whose employer controls “the *manner and means*” of the employee’s performance or work.⁸⁵ However, an independent contractor is someone who contracts with another to do work, but is not controlled by that person.⁸⁶ Based on this theory, the Court held that the defendant was not an employee, but rather an independent contractor because he set his own hours, supplied his own tools, and was not paid employee benefits by the plaintiff which also did not manifest an intent to assign future work to the defendant.⁸⁷ Because

⁸⁰ *Id.* at 733.

⁸¹ *Id.* at 734.

⁸² *Id.* at 735.

⁸³ *Id.* at 736.

⁸⁴ *Reid*, 490 U.S. at 739-40. *See* NIMMER, *supra* note 58, at § 5.01[B][1][a][iii] (“[T]he court unanimously ruled that Congress’ use of the terms ‘employee’ and ‘scope of employment’ evinced its intent to invoke traditional agency law principles.”).

⁸⁵ *Reid*, 490 U.S. at 751-52 (emphasis added); *see also* RESTATEMENT (THIRD) OF AGENCY § 7.07(3)(a) (stating that “an employee is an agent whose principal controls or has the right to control the manner and means of the agent’s performance of work.”). *See generally* *Parker v. Domino’s Pizza*, 629 So. 2d 1027 (Fla. Dist. Ct. App. 1993).

⁸⁶ *Parker*, 629 So. 2d at 1027.

⁸⁷ *Reid*, 490 U.S. at 752-53. In determining the scope of employment, the Court in *Reid* also determined other relevant factors such as:

[T]he 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.

Id. at 751-52.

the plaintiff had no right to control the defendant's work, it was not a work made for hire.

The decision in *Reid* was crucial to the development of the work for hire doctrine. The Court heavily applied agency law precedent to scrutinize the parties' relationships and determine whether a work was made for hire.⁸⁸ In addition, this decision redefined "the "right to control."⁸⁹ Early cases examined whether the employer had the right to control *production*, but the Court in *Reid* rejected that approach because it was "inconsistent with the language, structure, and legislative history of the work for hire provisions."⁹⁰ The Court specified that under the principles of agency law, the analysis must be whether the hiring party had the "*right to control the manner and means* by which the product is accomplished."⁹¹ "The "manner and means" approach expanded the work for hire doctrine by including elements of agency.⁹² Although the Court in *Reid* established a new standard for works arising under the 1976 Act, the court in *Marvel* continued with its own standard when it applied the instance and expense test to works arising under the 1909 Act.⁹³

The Copyright Act of 1909 and the Copyright Act of 1976, as well as case law under both Acts, looked to traditional employment relationships to determine whether a person's works fell under the works for hire doctrine. As the approach to determining ownership of works became clearer, tests such as the instance and expense test would further clarify the work for hire doctrine under the 1909 Act.

IV. INSTANCE AND EXPENSE TEST & ITS APPLICATION IN *MARVEL*

A. Origins of Instance and Expense Test

After the Supreme Court's discussion in *Reid*, the law of agency was the new standard, and courts examined "the hiring party's right to control the "manner and means" of the artist's work to

⁸⁸ *Id.* at 736. Section 101(2) was not applicable in *Reid* because the sculpture was not considered a contribution to a collective work and there was no written agreement between the two parties. 17 U.S.C. § 101(2).

⁸⁹ *Reid*, 490 U.S. at 736-37, 751.

⁹⁰ *Id.* at 750-51.

⁹¹ *Id.* at 751 (emphasis added)

⁹² *Id.*

⁹³ *Marvel*, 726 F.3d at 140-41.

determine the scope of employment.⁹⁴ However, the court in *Marvel* applied the instance and expense test to determine the owner of Jack Kirby's works.⁹⁵ The test allows the work of an independent contractor to be a work made for hire based on the parties' agreement or right to control.⁹⁶ Although the standard in *Reid* is applied to works governed under the current Act, the Second Circuit applies "the 'instance and expense' test" to works arising under the 1909 Act.⁹⁷

The court in *Marvel* interpreted the terms "instance" and "expense" based on case law which established the test. The court stated that the term "'instance' refers to the extent to which the hiring party provided the impetus for, participated in, or had the power to supervise the creation of the work."⁹⁸ The term expense "refers to the resources the hiring party invests in the creation of the work."⁹⁹ While the components of the test portray a general idea of what this approach entails, the courts have more thoroughly defined the test to show which relationships comprise a work for hire situation.

The Second Circuit first discussed the test in *Brattleboro Publishing Co. v. Winmill Publishing Corp.*,¹⁰⁰ in which the court determined whether the plaintiff, the publisher of a daily newspaper, owned the advertisements placed in his newspaper.¹⁰¹ The defendant, a publisher of a weekly news pamphlet, had the same advertisements as those in the plaintiff's paper.¹⁰² The plaintiff argued that he owned the rights to the advertisements.¹⁰³ The court looked the plaintiff newspaper's staff's control over the works and stated, "[the work for hire doctrine] is applicable whenever an employee's work is produced at the *instance* and *expense* of his employer."¹⁰⁴ However, the court did not articulate the factors of the test.¹⁰⁵ It was up to later courts to further develop the test, and its parameters were delineated

⁹⁴ *Reid*, 490 U.S. at 751.

⁹⁵ *Marvel*, 726 F.3d at 140-41.

⁹⁶ *Id.* at 139.

⁹⁷ *Playboy Enter, Inc. v. Dumas*, 53 F.3d 549, 556 (2d Cir. 1995); *Martha Graham*, 380 F.3d at 634-35.

⁹⁸ *Marvel*, 726 F.3d at 139.

⁹⁹ *Id.*

¹⁰⁰ 369 F.2d 565 (2d Cir. 1966).

¹⁰¹ *Id.* at 567.

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.* (emphasis added).

¹⁰⁵ *Brattleboro*, 369 F.2d at 567-68.

in subsequent cases decided by the Second Circuit.

The decision in *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*¹⁰⁶ demonstrated how the instance and expense test could be used to find an implied work for hire agreement concerning works created under the 1909 Act.¹⁰⁷ In this case, the court resolved the issue of whether numerous choreographed dances created by the famed dance instructor, Martha Graham, were works made for hire.¹⁰⁸ Graham also created the Martha Graham Center of Contemporary Dance, which was the defendant in this case.¹⁰⁹ Although she founded the school in the 1920s, Graham did not become a full-time employee until 1966.¹¹⁰ The dispute began when the beneficiary under Graham's will claimed that he owned the rights to the choreographed work.¹¹¹ When Graham died, the beneficiary became the defendant school's artistic director and placed in a trust the copyrighted dances and other intellectual property that passed to him under the will.¹¹² After numerous disputes between the beneficiary and the school, the beneficiary acted through the trust and created the plaintiff non-profit organization.¹¹³ The plaintiff then became the sole licensee of Graham's live dance performances and trademark.¹¹⁴ When the defendant school reopened, the beneficiary sought to enjoin the defendant school from using the dances, but the defendant argued that it owned the works under the work for hire doctrine.¹¹⁵

Because the dances in question were created under the 1909 Act, the court analyzed the circumstances to find evidence of an implied work for hire agreement.¹¹⁶ The court stated that under the work for hire doctrine, "[a] work is made at the hiring party's 'instance and expense' when the employer induces the creation of the

¹⁰⁶ 380 F.3d 624 (2d Cir. 2004).

¹⁰⁷ *Id.* at 634-35.

¹⁰⁸ *Id.* at 628.

¹⁰⁹ *Id.* at 629-30.

¹¹⁰ *Id.* at 628, 639.

¹¹¹ *Martha Graham*, 380 F.3d at 630-31.

¹¹² *Id.* at 629-30. Originally, the trust assigned many of dances and other property to the defendant school. *Id.* at 630. A dispute arose over the beneficiary's role in the defendant school and the board of trustees voted him out. *Id.* Soon after, the school temporarily closed due to financial difficulties. *Id.*

¹¹³ *Martha Graham*, 380 F.3d at 630.

¹¹⁴ *Id.*

¹¹⁵ *Id.* at 630-31.

¹¹⁶ *Id.* at 634-35, 637, 639.

work and has the right to direct and supervise the manner in which the work is carried out.”¹¹⁷ The court analyzed each of Graham’s dances to determine which dances were choreographed within the scope of her employment with the school.¹¹⁸ The court held that any dances choreographed before 1956 were not works made for hire because Graham was not employed by the school; thus, the school had no right to supervise or participate in her work.¹¹⁹ The court also held that the dances choreographed during the years 1956-1965 were not works made for hire because Graham was only a “part-time employee” during those years.¹²⁰ There was “no evidence that the school . . . commissioned [Graham] to create the dances;” thus, the dances were not created at the school’s instance.¹²¹ Also, Graham’s employment contract during the relevant time stated that she was only “to teach and supervise the School’s educational program, and not to choreograph;” therefore, choreographing her own dances was not within the scope of her employment.¹²² Looking at the law of agency and Graham’s employment relationship with the school under the instance and expense test, the court concluded that the specific works created were her own and were not created on behalf of the school.¹²³ However, the court in *Martha Graham* then went on to hold that the works created during the years 1966-1977 were works made for hire and belonged to the school.¹²⁴ During this period, Graham entered into a new employment contract in which she went from “part-time dance instructor to full-time *choreographer*.”¹²⁵ Because Graham was acting as a traditional employee when choreographing the dances, the court held that those dances were works made for hire.¹²⁶ Furthermore, in terms of the expense component, Graham was a salaried employee at that time, so she choreographed the dances at the

¹¹⁷ *Id.* at 635.

¹¹⁸ *Martha Graham*, 380 F.3d at 637, 639.

¹¹⁹ *Id.* at 637.

¹²⁰ *Id.* at 637-38.

¹²¹ *Id.* at 638.

¹²² *Id.*

¹²³ *Martha Graham*, 380 F.3d at 637-38.

¹²⁴ *Id.* at 639. The court also held that the dances created by Graham from 1978 through 1991 were works made for hire. *Id.* at 641. Those dances are governed under the present Copyright Act of 1976. *Id.*

¹²⁵ *Id.* at 639 (emphasis added) (stressing the importance of Martha Graham’s scope of employment during the relevant time).

¹²⁶ *Martha Graham*, 380 F.3d at 139-40.

school's expense.¹²⁷ The court explained that the expense requirement was satisfied because the school took a risk by having the dances created on its time and resources, and in return, it compensated Graham for her work.¹²⁸ An analysis of Graham's role as an employee of the school at different time periods evidenced an implied work for hire agreement. Graham only acted at the school's instance and expense when she was a full-time employee acting within the scope of her employment, and thus, those works were the only ones subject to the work for hire doctrine.

Examining the hiring party's creative contributions to the artist's work and the artist's payment upon completion of the work may help determine whether the work was created at the hiring party's instance and expense. This notion was discussed in *Playboy Enterprises, Inc. v. Dumas*,¹²⁹ in which the plaintiff magazine publisher argued that it owned works of the defendant's husband as works made for hire.¹³⁰ The facts of *Playboy*, which involved the works of a freelance artist who created his works with the magazine publisher's themes in mind, are similar to the facts in *Marvel*.¹³¹ In this case, the artist created hundreds of works which were published by the plaintiff.¹³² The defendant was the artist's wife who inherited the artist's works after his death, and the dispute arose after the defendant granted reproduction rights to the artist's paintings to a third party.¹³³ Because the assigned works were featured in several of the plaintiff's publications, the plaintiff sought a declaratory judgment stating it owned the works under the work for hire doctrine.¹³⁴ The district court held that the works by the artists were created at the plaintiff's instance but not expense, so the plaintiff appealed.¹³⁵

The case reached the Second Circuit, which analyzed the relationship between the plaintiff and the artist in order to determine the

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ 53 F.3d 549 (2d Cir. 1995).

¹³⁰ *Id.* at 551.

¹³¹ *Id.* at 555. See *Marvel*, 726 F.3d at 141 (noting the majority of Jack Kirby's work was based on Marvel themes).

¹³² *Playboy Enters.*, 53 F.3d at 552. The works created by the artist on or after January 1, 1978 were governed by the current Act. *Id.* at 557.

¹³³ *Id.* at 553.

¹³⁴ *Id.*

¹³⁵ *Id.* at 553, 555.

type of working relationship that was established.¹³⁶ Under the instance component, the plaintiff claimed that it owned the works because it gave the artist specific instructions on how the paintings had to coincide with the magazine's articles.¹³⁷ Over the years, the artist's paintings were used more frequently, and he was given freer range to produce paintings without specific instructions from the plaintiff.¹³⁸ However, the court agreed with the lower court's reasoning and found evidence of the plaintiff's instructions to be controlling.¹³⁹ Even though the plaintiff's direct control over the artist's works decreased over the years, the prior dealings between the two parties were enough to prove that the plaintiff had the right to supervise and control the work.¹⁴⁰ The instance component was further satisfied because a majority of the artist's works were motivated or induced by the plaintiff.¹⁴¹ Because the artist had the expectation of the plaintiff's publishing his works, it proved that the plaintiff induced the creation of the artist's works.

The court's focus on the hiring party's payment to the artist indicated that the work was made at the plaintiff's expense.¹⁴² The lower court stated that the expense component was not satisfied because the artist created the works using his own tools and office.¹⁴³ Furthermore, the plaintiff did not pay employee benefits or taxes on behalf of the artist.¹⁴⁴ Based on these factors, the lower court stated that the plaintiff assumed no real risk by having the works created.¹⁴⁵ However, the Second Circuit resolved the issue when it found that evidence of the artist's being paid a "sum certain" for his works was enough to satisfy the expense component.¹⁴⁶ The court stated that the lower court incorrectly considered the expense factors that the Supreme Court considered in *Reid* because that standard is inapplicable

¹³⁶ *Playboy Enters.*, 53 F.3d at 553.

¹³⁷ *Id.* at 556.

¹³⁸ *Id.* at 552.

¹³⁹ *Id.* at 556.

¹⁴⁰ *Id.*

¹⁴¹ *Playboy Enters.*, 53 F.3d at 556.

¹⁴² *Id.* at 555.

¹⁴³ *Id.*

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ *Playboy Enters.*, 53 F.3d at 555 (interpreting the holding in *Brattleboro*, 369 F.2d 565).

to works created under the 1909 Act.¹⁴⁷ It stated that factors such as whether the artist supplied his own tools and materials, were irrelevant because those factors were used to determine whether the artist was an independent contractor or employee, not specifically whether the work was made at the hiring party's expense.¹⁴⁸ Therefore, the court broadly held that because the plaintiff took a financial risk, *i.e.*, payment for the artist's work, the expense component was fulfilled.¹⁴⁹ The court stated that it was relying on previous Second Circuit case law for this determination, so it did not find other factors, such as the use of the artist's own resources, relevant to the analysis.¹⁵⁰

The instance and expense test was used by the Second Circuit to determine whether the hiring party influenced an independent contractor to such an extent that the independent contractor was actually considered an employee under the employer's control. Creating a work at the direction or encouragement of the hiring party may prove the artist's works were made at the party's instance. Evidence of the hiring party's expending resources or even giving payment to the artist may show the hiring party took the risk of having the works created, and thus, the works were created at the party's expense. The court in *Marvel* applied this case law in its own analysis under the instance and expense test.

B. Application in *Marvel*

The court in *Marvel* used the instance and expense test to determine that Jack Kirby was acting under the control of Marvel when he created the works.¹⁵¹ Under the instance factor, the court analyzed the continuous working relationship between Kirby and Marvel.¹⁵² Even though Kirby was a "freelancer," Marvel's director stated that Kirby was

¹⁴⁷ *Id.* at 555.

¹⁴⁸ *Id.* ("The factors considered by the district court . . . are among the factors listed by the Supreme Court in *Community for Creative Non-Violence v. Reid* which may be used to show that an artist worked as an independent contractor and not as a formal employee. The factors have no bearing on whether the work was made at the hiring party's expense.") (citation omitted).

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* The Second Circuit remanded the case to determine whether the artist's work after 1977 were works made for hire because "Playboy stopped giving Nagel specific assignments before January 1, 1978." *Playboy Enters.*, 53 F.3d at 556, 556 n.2.

¹⁵¹ *Marvel*, 726 F.3d at 140-41.

¹⁵² *Id.* at 141.

kept busy with assignments and Kirby's work was in high demand.¹⁵³ During the relevant time period, Marvel produced most of Kirby's works, and Kirby was influenced by Marvel themes when he created the work, so it was "hardly self-directed."¹⁵⁴ Marvel also played a creative role in the creation of Kirby's works because although he had more creative control than other Marvel artists, "he worked within the scope of Marvel's assignments and titles."¹⁵⁵ Marvel retained the power to reject Kirby's works or ask for revisions.¹⁵⁶ Therefore, evidence produced by Marvel showed Kirby's inclination to create works on behalf of Marvel, but Marvel retained the final say in the publication of his works.¹⁵⁷

The Kirbys claimed that the works were not made at the instance of Marvel because the "right to supervise" must stem from a contractual right.¹⁵⁸ The Kirbys attempted to narrowly define the work for hire doctrine when they argued a right to supervise and control the work came from a "contractual right."¹⁵⁹ The Kirbys based this claim on the analysis in *Martha Graham*, which discussed the hiring party's right to control, even if the right was never exercised.¹⁶⁰ The court rejected this claim because the decision in *Martha Graham* did not require a specific contractual agreement of the hiring party's right to control.¹⁶¹ Therefore, the Kirbys' argument construed the "right" too narrowly, and they were not able to support their position.¹⁶² If the Kirbys also analyzed the decision in *Reid* more closely, they would have noted that the Court settled this issue in its discussion.¹⁶³ While the Court in *Reid* adamantly noted the importance of the hiring party's right to control the manner and means of the artist's work, the Court made no reference to contractual agreements being relevant to an analysis of scope of employment.¹⁶⁴

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ *Marvel*, 726 F.3d at 141.

¹⁵⁷ *Id.*

¹⁵⁸ *Id.* at 141-42.

¹⁵⁹ *Id.* (emphasis added).

¹⁶⁰ Brief for Appellant at 42-43, *Marvel v. Kirby*, 726 F.3d 119 (2d Cir. 2013) (No. 11-3333) (emphasis added). See also *Martha Graham*, 380 F.3d at 635 ("The right to direct and supervise the manner in which work is created need never be exercised.").

¹⁶¹ *Martha Graham*, 380 F.3d at 634-35 (noting the use of the instance and expense test to determine an implied work for hire agreement under the 1909 Act).

¹⁶² *Marvel*, 726 F.3d at 141-42.

¹⁶³ *Reid*, 490 U.S. at 751.

¹⁶⁴ *Id.*

The Kirbys also attempted to survive summary judgment by pointing to factual disputes regarding which party actually created the plots, characters, and concepts of the works.¹⁶⁵ However, the court stated it was not necessary to resolve which party put forth its creativity in this case.¹⁶⁶ It was obvious that Kirby was hired for his insight and creativity, but the Kirbys argued that did not evidence a work made for hire because Kirby used his intelligence and resourcefulness when he created all his works.¹⁶⁷ The Kirbys' arguments were shown to be outside the focus of the work for hire analysis and, therefore, not relevant to the court's determination.

The court in *Marvel* was correct in concluding that Jack Kirby's works were made at the instance of Marvel. Kirby acted under the direction of Marvel when he sought to create specific works relating to Marvel characters and concepts. Although Kirby's work was produced by other publishers, the existence of the steady relationship between Kirby and Marvel showed Kirby's dedication and creativity remained focused on Marvel.

The Kirbys then argued that the works were not created at Marvel's expense because Kirby was the one who bore the risk of loss—he did not receive steady payment for his works and he provided his own supplies and office space.¹⁶⁸ The Kirbys also argued that Jack Kirby took a risk by creating the works because Kirby was uncertain whether Marvel would purchase them.¹⁶⁹

Although a more difficult determination for the court, it concluded that Jack Kirby's works were made at Marvel's expense.¹⁷⁰ Marvel asked the court to analyze the holding in *Playboy* to conclude that the evidence of Kirby's payment was enough to fulfill the expense requirement.¹⁷¹ The court noted that if the relationship between Marvel and Kirby was sporadic or consisted of discreet engagements, it would be prompted to rely on the extraneous factors presented by the Kirbys.¹⁷² However, the court agreed with Marvel

¹⁶⁵ *Marvel*, 726 F.3d at 142.

¹⁶⁶ *Id.*

¹⁶⁷ *Id.* ("It makes little sense to foreclose a finding that work is made for hire because the hired artist indeed put his exceptional gifts to work for the party that contracted for their benefit.").

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*

¹⁷⁰ *Marvel*, 726 F.3d at 143.

¹⁷¹ *Id.* at 142; *Playboy Enters.*, 53 F.3d at 555.

¹⁷² *Marvel*, 726 F.3d at 142.

and rejected the Kirbys' argument because the evidence showed that the relationship between Marvel and Kirby was continuous and mutually beneficial.¹⁷³ Kirby was expected to produce works within specific Marvel themes, and in return, Marvel would buy Kirby's work.¹⁷⁴ Even though Kirby's payment was technically on a contingent basis, Marvel was rarely prompted to refuse Kirby's work.¹⁷⁵ Therefore, Kirby had a grounded expectation that his work would be bought by Marvel, and this suggested the existence of a formal employment relationship.¹⁷⁶

In its analysis of the expense component, the court concluded that Kirby's works were not easily marketable to other publishers because the majority of Kirby's works were for Marvel projects.¹⁷⁷ The works were built on preexisting themes Marvel had created, and thus, it is determined that Marvel supplied Kirby with some of the resources to do the work.¹⁷⁸ Finally, although the court in *Marvel* considered more factors in the expense analysis than the court in *Playboy* did, the court in *Marvel* relied on *Playboy* when it stated that "Marvel's payment of a flat rate and its contribution of both creative and production value . . . [were] enough to satisfy the expense requirement."¹⁷⁹ Because Marvel paid Kirby a sum certain for his work and developed the resources Kirby cultivated, the work was made at Marvel's expense.

Although there was persuasive evidence that Jack Kirby's works were made at Marvel's instance, the fulfilment of the expense component is a weaker argument. The court should have relied more upon the Kirbys' argument, which presented issues of fact. The arguments in the appellant's brief contained many factual issues that the court in *Marvel* prematurely dismissed.¹⁸⁰ For example, it is plausible to conclude that disputes over the parties' intent, at the time the works were created, as to who owned the works should have sur-

¹⁷³ *Id.*

¹⁷⁴ *Id.* at 142-43.

¹⁷⁵ *Id.*

¹⁷⁶ *Id.*

¹⁷⁷ *Marvel*, 726 F.3d at 143.

¹⁷⁸ *Id.*

¹⁷⁹ *Id.* (emphasis added) (stressing the evaluation of the hired party's payment to the artist, along with other factors of the parties' relationship); see also *Playboy Enters.*, 53 F.3d at 555.

¹⁸⁰ See Brief for the Appellant, *supra* note 160, at 47, 51.

vived summary judgment.¹⁸¹ The Kirbys stated that Jack Kirby's checks from Marvel during the relevant time period contained a "legend" acknowledging Kirby's *assignment* of his copyrights to Marvel.¹⁸² If Marvel stated that Kirby had assignment rights, it meant Kirby owned the work to be assigned, not Marvel.¹⁸³

The court then wrongfully determined that Kirby's work was not marketable to other publishers even though the Kirbys offered evidence to the contrary.¹⁸⁴ During the relevant time period, Jack Kirby developed a plot line for *Thor* based on Marvel themes, but Marvel rejected it.¹⁸⁵ Even though the work may have been created at Marvel's instance, it was not created at Marvel's expense because Jack Kirby ended up selling *Thor* to Marvel's rival, DC Comics, and Marvel did not object.¹⁸⁶ Although the court mentioned that Marvel had supplied Kirby with preexisting themes, the other factual disputes offered by the Kirbys should have been considered by the court before it broadly concluded Jack Kirby's works were made at Marvel's expense. Relying only on Marvel's payment of Kirby, as the court in *Playboy* did, the court dismissed critical factual issues which should have survived summary judgment.

Although the Kirbys offered viable evidence to the contrary, the court in *Marvel* held that Jack Kirby's works were made at "Marvel's instance and expense," and thus, Jack Kirby's works were works made for hire during the relevant time period.¹⁸⁷ Because Kirby created the works with Marvel themes in mind and Marvel paid Kirby for the works, it suggested the creation of Kirby's works was under Marvel's control. Therefore, Marvel owned the rights to Jack Kirby's works, and the Kirbys did not have termination rights under the Copyright Act of 1976.

¹⁸¹ *Id.* at 47-48.

¹⁸² *Id.*

¹⁸³ *Id.*

¹⁸⁴ *Id.* at 51.

¹⁸⁵ Brief for the Appellant, *supra* note 160, at 51.

¹⁸⁶ *Id.*

¹⁸⁷ *Marvel*, 726 F.3d at 143. After the instance and expense test is satisfied, a presumption "arises that the works were 'works made for hire'." *Id.* "This presumption can be overcome only by evidence of an agreement to the contrary . . ." *Id.* In this case, the court stated the Kirbys failed to establish evidence which would support an agreement to the contrary. *Id.*

V. WORK FOR HIRE DOCTRINE AND ITS MODERN IMPLICATIONS

The development of the work for hire doctrine has significantly evolved since its initial creation under the Copyright Act of 1909. Illustrative works created decades ago are constantly being reborn through motion picture adaptations, video games, and toys, and the application of the work for hire doctrine is critical in determining ownership of these potentially lucrative works. As seen in *Marvel*, the modern application of the work for hire doctrine affects all artists whose work may be turned into a derivative production.

A. Marvel Attempts to Prove Work for Hire for *Ghost Rider*

The Second Circuit decided *Gary Friedrich Enterprises, LLC v. Marvel Characters, Inc.*,¹⁸⁸ shortly before the decision in *Marvel* was rendered.¹⁸⁹ The plaintiff, a freelancer for Marvel, appealed from summary judgment dismissal and argued, *inter alia*, that he owned the rights to the character “Ghost Rider.”¹⁹⁰ In 1971, the plaintiff approached a former Marvel publisher with an idea for a storyline of a motorcycle-riding villain named “Ghost Rider.”¹⁹¹ A meeting was then set up with the director of Marvel, Stan Lee, who approved the book idea, but also interjected his own ideas for the character.¹⁹²

After the meeting, the plaintiff began writing story lines for the character.¹⁹³ However, “[t]he rest of the book was produced according to the ‘Marvel Method,’ ” which was a template Marvel required all its artists follow.¹⁹⁴ Marvel also retained editorial control

¹⁸⁸ 716 F.3d 302 (2d Cir. 2013).

¹⁸⁹ *Id.* at 308. The plaintiff in this case appealed the district court’s ruling of summary judgment for Marvel. *Id.* at 307-08.

¹⁹⁰ *Id.* at 307.

¹⁹¹ *Id.* at 321.

¹⁹² *Gary Friedrich*, 716 F.3d at 321.

¹⁹³ *Id.*

¹⁹⁴ *Id.* The “Marvel Method” was a way in which to keep Marvel artists busy in order to produce more comic book plots efficiently and in a timely manner. See *Marvel Comics*, CRACKED.COM, <http://www.cracked.com/funny-55-marvel-comics/> (last visited May 2, 2014) (“[T]he Marvel Method meant that the writer came up with a basic plot, the penciler drew whatever he wanted as long as it corresponded to that plot, and the writer went back over the penciled pages and filled in captions and dialogue.”).

and paid the plaintiff at a per page rate.¹⁹⁵

The court discussed the work for hire agreement that the plaintiff signed after the 1976 Act came into effect.¹⁹⁶ The document stated that any works which “have been or are in the future created” belong to Marvel as a work made for hire.¹⁹⁷ While it seemed as though it was an effective work for hire agreement covering the plaintiff’s past and future works, the Second Circuit held that the agreement was sufficiently vague to constitute a factual dispute.¹⁹⁸ Furthermore, the parties’ intentions embodied in the agreement were irrelevant because many of the works at issue were created pursuant to the 1909 Act as opposed to the 1976 Act.¹⁹⁹ Therefore, on remand, Marvel could only offer evidence of the parties’ intention to show an implied work for hire agreement.²⁰⁰

Although the case was remanded based on factual issues, the court stated that a jury would most likely find the plaintiff’s work to be one made for hire.²⁰¹ The court noted that the plaintiff had “nothing more than an uncopyrightable idea for a motorcycle-riding character when he presented it to Marvel because he had not yet fixed the idea into a tangible medium.”²⁰² The court stated that Marvel “induced the creation of” the character and “had the right” to supervise the plaintiff’s work.²⁰³ The director of Marvel also commissioned the costs; thus, the work was made at Marvel’s expense.²⁰⁴ Therefore, even if the work for hire agreement between the two parties was held to be unenforceable, the evidence of the relationship between the plaintiff and Marvel could prove the work for “Ghost Rider” was made for hire.²⁰⁵

The issues presented in *Gary Friedrich* were similar to the issues presented in *Marvel* because it was argued that both artists originated the work. There were more factual issues in *Marvel* concern-

¹⁹⁵ *Gary Friedrich*, 716 F.3d at 321.

¹⁹⁶ *Id.* at 309. If a work does not fall within the scope of employment under 17 U.S.C. § 101(1), then an express work for hire agreement is needed for a work to fall under 17 U.S.C. § 101(2). 17 U.S.C. § 101(2).

¹⁹⁷ *Gary Friedrich*, 716 F.3d at 310.

¹⁹⁸ *Id.* at 314–15.

¹⁹⁹ *Id.* at 316.

²⁰⁰ *Id.*

²⁰¹ *Id.* at 321.

²⁰² *Gary Friedrich*, 716 F.3d at 321.

²⁰³ *Id.*

²⁰⁴ *Id.*

²⁰⁵ *Id.*

ing the instance and expense components, but unlike the outcome of *Gary Friedrich*, the controversy in *Marvel* was not remanded for a determination of the factual issues.²⁰⁶ Unlike the artist in *Gary Friedrich*, Kirby was not subjected to the “Marvel Method” according to creative director, Stan Lee.²⁰⁷ This shows Kirby had more creative control than other artists; thus, the argument of Marvel’s control over Kirby may not have been as strong as it was for the artist in *Gary Friedrich*. However, in both cases, Marvel maintained some editorial control of the work with the right to reject and edit the work.²⁰⁸

Overall, in comparing the relationships between Marvel and the artists, the work by the artist in *Gary Friedrich* was clearly at the instance and expense of Marvel. Because the “Ghost Rider” character was a Marvel character prior to the artist’s plotline for the series, the work was created at Marvel’s instance.²⁰⁹ The court in *Gary Friedrich* also found that Marvel paid all costs throughout the production of the book, which weighed strongly in favor of the expense component.²¹⁰ Therefore, the Second Circuit applies the instance and expense component on a case by case basis.

B. Does the Instance and Expense Test Favor the Hiring Party?

The Second Circuit’s use of the instance and expense test for works created under the Copyright Act of 1909 displays a thorough approach in determining an implied work for hire agreement; however, if too broadly applied, the test may tend to favor the hiring party as the owner of the works. Although this test has not been applied to works under the 1976 Act, this argument is applicable when determining scope of employment under the current Act based on the *Reid* analysis.

The argument of overbreadth was a focal point for the Kirbys in their appeal to the Second Circuit, although it did not gain recognition by the court.²¹¹ The Kirbys argued, “[i]f ‘instance and expense’ is too broadly or literally construed . . . the ‘test’ ceases to have any

²⁰⁶ *Id.*; *Marvel*, 726 F.3d at 140–41, 143.

²⁰⁷ *Gary Friedrich*, 716 F.3d at 321; *Marvel*, 726 F.3d at 141.

²⁰⁸ *Id.*

²⁰⁹ *Gary Friedrich*, 716 F.3d at 321.

²¹⁰ *Id.*

²¹¹ Brief for the Appellant, *supra* note 160, at 54–55.

meaning or to differentiate ‘work for hire’ and non-‘work for hire,’ as it applies equally to both.”²¹² The Kirbys’ argument was that a broad application of the test would create unfounded contradictions under the work for hire doctrine.²¹³ For example, if a traditional employee creates a work outside the scope of his duties, and the employer still has the right to supervise it, the work would not be considered a work made for hire.²¹⁴ However, if a court were to apply a *broad* application of the instance and expense test to an independent contractor’s work, *trace* evidence of a work being commissioned at the hiring party’s instance, control, and expense may incline the court to find a work made for hire.²¹⁵ How is it that a traditional employee could retain ownership of a work just because it was outside the scope of his duties, but an independent contractor may not have ownership of the work because the hiring party exercised some control and paid a sum certain?

The contradictions further demonstrate how a broad application of the instance and expense test defies the common law principles of agency as embodied under both Acts.²¹⁶ The instance and expense test is intended to prompt the courts to decide whether the hiring party’s actions displayed evidence of control similar to that of a traditional employer-employee relationship. In articulating the factors of a traditional employer-employee relationship, courts must adhere to the law of agency. Determining the scope of employment under the law of agency suggests there must be existence of a “conventional master-servant relationship” in the parties’ situation.²¹⁷ Trace evidence of work being done at the hiring party’s instance and expense does not support a master-servant relationship. If the test is applied too broadly, especially in cases of freelancers and independent contractors, it can be said that any work is a work made for hire.²¹⁸

If *Marvel* was decided under the standard established in *Reid*, several issues of fact would have survived summary judgment. Kirby was a freelancer for Marvel and set his own hours, used his own sup-

²¹² *Id.* at 54.

²¹³ *Id.* at 54 n.5.

²¹⁴ *Id.*

²¹⁵ *Id.*

²¹⁶ Brief for the Appellant, *supra* note 160, at 54 n.5.

²¹⁷ *Id.* at 55 (quoting *Clackamas Gastroenterology Assocs., P.C. v. Wells*, 538 U.S. 440, 445, 452 (2003)); *see also Reid*, 490 U.S. at 739-40.

²¹⁸ Brief for the Appellant, *supra* note 160, at 55.

plies, and had relatively broad discretion over his work.²¹⁹ This creates a notion that Kirby was an independent contractor like the artist in *Reid*, rather than a traditional employee.²²⁰ However, Marvel would argue that when applying other elements of common law agency, Marvel retained some type of editorial control and the parties maintained an extensive working relationship.²²¹ Although there is evidence supporting both arguments, Kirby as an independent contractor and Kirby as a traditional employee working within the scope of employment, it is more likely that Kirby would be considered a traditional employee. Because of Marvel and Kirby's ongoing relationship, and Kirby's consistent dedication to producing work within Marvel themes, Kirby was continuously acting as an employee within the scope of his employment at Marvel every time he sketched a new work.

These arguments point the conclusion that the instance and expense test cannot be applied too broadly without risking the loss of its credibility. Although the outcome in *Marvel* would most likely be the same if articulated under the *Reid* standard, the broad application of the instance and expense test creates a heavier burden for the artist. The test makes it more likely that hiring parties will prevail as long as the hiring party gathers *some* evidence of the hiring party's control over the creation of the work. The test needs to be narrowly applied, and the hiring party must present consistent and compelling evidence in order to show the relationship resembled a traditional employer-employee relationship.

VI. CONCLUSION

This note demonstrates the importance of the work for hire doctrine in determining ownership rights of copyrighted works. Under both the 1909 Act and the current Copyright Act of 1976, the work for hire doctrine is guided by the law of agency in order to determine whether a person's work was created on behalf of another. The instance and expense test further aids the courts in deciding whether the hiring party owns the work of a non-traditional employee. The application of the work for hire doctrine is crucial because whoever is deemed the owner of the work is the one who stands to

²¹⁹ *Marvel*, 726 F.3d at 125-26.

²²⁰ *Reid*, 490 U.S. at 752-53.

²²¹ *Marvel*, 726 F.3d at 141.

benefit from the work's earnings. This means an original artist may have no say in terminating the purportedly assigned rights because he may not have been the owner of those rights all along. Especially in today's world of multi-million dollar derivative works, an artist may stand to lose those potential earnings due to the application of the doctrine. In order to ensure an efficient ruling, the work for hire doctrine needs to be applied consistently and supported by compelling evidence.

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