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WORK FOR HIRE REVISITED: *AYMES V. BONELLI*

by SUE GANSKE MOTA*

INTRODUCTION

In June 1989, the U.S. Supreme Court in *Community for Non-Violence v. Reid*¹ set out twelve factors to use when deciding whether a work is made for hire under the Copyright Act. In December 1992, the Second Circuit Court of Appeal in *Aymes v. Bonelli*² held that some of these factors should be weighed more heavily than others when deciding ownership of a copyright.

This article will discuss *Aymes v. Bonelli*,³ which held that the computer programmer plaintiff was an independent contractor, will analyze the twelve factors set out by the Supreme Court in light of the Second Circuit's weighing of these factors, and will recommend ways for parties potentially to avoid litigation by ensuring that a work is made for hire or owned by the independent author.

II. WORK FOR HIRE

Under the Copyright Act of 1976, copyright protection exists in original works of authorship fixed in any tangible medium of expression.⁴ The Computer Software Act of 1980 specifically added a defini-

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1. 490 U.S. 730 (1989).
2. No. 92-7098, 1992 WL 351197 (2d Cir. Dec. 2, 1992).
3. *Id.*
4. 17 U.S.C. § 102(a) (1988) states that a work of authorship includes:
 1. literary works;
 2. musical works, including any accompanying works;
 3. dramatic works, including any accompanying music;
 4. pantomimes and choreographic works;
 5. pictorial, graphics, and sculptural works;
 6. motion pictures and other audiovisual works; and
 7. sound recordings.

tion of *computer programs* to the Copyright Act.⁵ Under the current Copyright Act, the owner of a copyright has the exclusive right to exploit the work, including the right to reproduce the copyrighted work, to prepare derivative works based upon the copyrighted work, and to distribute copies by sale, lease, loan or other transfer.⁶

While generally the author or authors of a work are the owner or owners of the copyright,⁷ if the work is made for hire, "the employer or other person for whom the work is prepared is considered the author and owns the copyright, unless there is a written agreement to the contrary."⁸ The Copyright Act provides that a work is "made for hire" if the work is prepared by an employee within the scope of his or her employment⁹ or if the work is a specially ordered or commissioned work of one of nine types and the parties expressly agree in a writing signed by them that the work should be considered a work made for hire.¹⁰

Whether a work is made for hire or not has many important ramifications¹¹ including ownership,¹² copyright duration,¹³ the owner's renewal rights,¹⁴ termination rights,¹⁵ and the right to import certain goods bearing the copyright.¹⁶ The work for hire doctrine, thus, has profound significance for many authors, including computer programmers.¹⁷

5. Act of Dec. 12, 1980, Pub. L. No. 96-517, § 10, *amending* 17 U.S.C. § 101 (1988). A computer program is defined as "a set of statements or instructions to be used directly or indirectly in a computer to bring about a certain result."

6. 17 U.S. § 106 (1988). There are limits on these exclusive rights. For example, fair use of a copyrighted work for criticism, comment, new reporting, teaching, scholarship, or research is allowed. *Id.* § 107.

7. *Id.* § 201(a).

8. *Id.* § 201(b).

9. *Id.* § 101(1).

10. *Id.* § 101(2) (a work is for hire if it is: "a work specifically 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 agreement signed by them that the work shall be made for hire").

11. 1 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHTS § 5.03(A), at 5-10 (1988).

12. 17 U.S.C. § 106 (1988).

13. *Id.* § 302(c). Copyright ownership lasts for the author's life plus fifty years, or in the case of works for hire, seventy-five years.

14. *Id.* § 304(a).

15. *Id.* § 203(a).

16. *Id.* § 601(b)(1).

17. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 737 (1989).

III. *COMMUNITY FOR CREATIVE NON-VIOLENCE V. REID*

The Copyright Act does not define what is a "work prepared by an employee within the scope of his or her employment." Before the Supreme Court decided *Community of Creative Non-Violence v. Reid*,¹⁸ four interpretations had emerged.¹⁹ The Supreme Court in *Reid* agreed with the interpretation that the term "employee" carries its common law agency meaning,²⁰ and set out the following factors in deciding whether a hired party is an employee under the general common law of agency:²¹ the hiring party's right to control the manner and means by which the product is accomplished; the skill required; the source of the instrumentalities and tools; the location of 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.

Community for Creative Non-Violence v. Reid was not a computer software case. An association to combat homelessness brought an action against a sculptor who was commissioned to prepare a sculpture under an oral agreement. Although the parties never discussed copyright in the sculpture, both filed competing copyright registration certificates.²² Since the product was not one of the statutory nine types of commissioned works and since there was no agreement in writing, the sculpture did not fit into the second definition of work for hire.²³ The Court had to determine whether Reid, the sculptor, was an employee. Applying the common law of agency, the Court held that Reid was an independent contractor. While one factor weighed against Reid in that the Community for Creative Non-Violence directed enough of the work

18. 490 U.S. 730 (1989).

19. *Id.* at 738. The first interpretation held that a work is prepared by an employee whenever the hiring party retains the right to control the product. The second and closely related view, held by the Second, Fourth, and Seventh Circuits, held that a work is prepared by an employee when the hiring party has actually wielded control with respect to the creation of a particular work. The third view, endorsed by the Fifth and D.C. Circuit, was that the term "employee" carries its common law agency meaning. Finally, the Ninth Circuit held that "employee" only refers to formal, salaried employees.

20. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 740 (1989). The Supreme Court adopted a third view and affirmed the Court of Appeals for the D.C. Circuit's decision.

21. *Id.* at 751.

22. An owner may register the copyright with the Copyright Office under 17 U.S.C. § 408 (1988), and registration is a prerequisite to an infringement suit. 17 U.S.C. § 411 (1988).

23. *See supra* note 10.

to ensure that the sculpture met their specifications, all the other factors weighed against finding an employment relationship.²⁴

IV. *AYMES V. BONELLI*

The Second Circuit Court of Appeals, on December 2, 1992, decided an important work for hire case involving a computer programmer in *Aymes v. Bonelli*.²⁵ Aymes, the computer programmer plaintiff, was hired by Bonelli, the president and chief executive officer of Island Swimming Sales, Inc., a chain of retail stores selling swimming pools and supplies, to write a series of programs called "CSALIB" to be used by Island to maintain records of cash receipts, physical inventory, sales figures, purchase orders, merchandise transfers, and price changes. There was no written agreement assigning ownership of copyright in CSALIB, and Aymes claims that Bonelli verbally promised that CSALIB would be used at one computer in one Island office. Aymes

24. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 752-53 (1989). Reid was a sculptor, a skilled occupation, and he supplied his own tools and worked in his own studio in a different city. Reid was retained for a relatively short period of time, and the Community for Creative Non-Violence had no right to assign additional projects. Reid had total discretion to hire and pay assistants. The Community for Creative Non-Violence was not in the business of creating sculptures and they did not pay payroll or social security taxes on Reid's pay, nor did they provide him benefits.

Commentators' opinions of *Community for Creative Non-Violence v. Reid* vary. This case has been called a "new certainty" and "clearer picture," but also "reducing certainty." The case has also been called a compromise and an incomplete resolution. See generally Weinberg, Note, *Community for Creative Non-Violence v. Reid: A Specious Solution to the "Work Made for Hire" Problem*, 32 B.C.L. REV. 663 (1991); Marik, Note, *Community for Creative Non-Violence v. Reid: New Certainty for the Copyright Work for Hire Doctrine*, 18 PEPP. L. REV. 589 (1991); Devan, Comment, *Community for Creative Non-Violence v. Reid: The Supreme Court Reduces Predictability by Attributing an Agency Standard to the Work for Hire Doctrine of the 1976 Copyright Act*, 56 BROOK L. REV. 1 (1990); Messer, Note, *The Restoration of Compromise: Community for Creative Non-Violence v. Reid*, 18 N. KY. L. REV. 97 (1990); Morris, Note, *Community for Creative Non-Violence v. Reid: An Incomplete Resolution of the Work for Hire Controversy*, 11 PACE L. REV. 167 (1990); Boyle, *Community for Creative Non-Violence v. Reid: Work Made for Hire Doctrine Unraveled*, 64 TUL. L. REV. 1709 (1990); Naugle, Note, *Work for Hire Copyright Defined: Community for Creative Non-Violence v. Reid*, 109 S. Ct. 2166 (1989), 13 HAMLINE L. REV. 353 (1990); Windle, *Community for Creative Non-Violence v. James Earl Reid: A Clearer Picture for Artists*, 20 GOLDEN GATE U. L. REV. 155 (1990); Tepper, Note, *Works Made for Hire and the Copyright Act of 109 S. Ct. 2166 (1989)*, 59 U. CIN. L. REV. 299 (1990); Landau, "Works Made for Hire" After *Community for Creative Non-Violence v. Reid: The Need for Statutory Reform and the Importance of Contract*, 9 CARDOZA ARTS & ENT. L.J. 107 (1990); Fine, Note, *The Fate of Joint Authorship After Community for Non-Violence v. Reid*, 9 CARDOZA ARTS & ENT. L.J. 151 (1990); Siblesz, *It's Not Who You Are, But Who You Work For: Limitation in the Works Made for Hire Doctrine Community for Creative Non-Violence v. Reid*, 109 S. Ct. 2166 (1989), 7 U. MIAMI ENT. & SPORTS L. REV. 117 (1989).

25. No. 92-7098, 1992 WL 351197 (2d Cir. Dec. 2, 1992).

generally worked alone from 1980-82 at the Island office using Island's hardware. Bonelli, who was not sufficiently skilled to write the program himself, directed and instructed Aymes on what Bonelli wanted from the program. Aymes was sometimes paid by the hour, but was sometimes paid by the project and given a bonus. Bonelli and Island never paid payroll or withholding taxes from Aymes' pay, and Aymes never received health or insurance benefits.²⁶

Aymes left Island in 1982 when Bonelli unilaterally cut Aymes' hours. Aymes was owed \$14,560 in wages, and also requested payment for the multi-site use of CSALIB. Before he would pay, Bonelli insisted that Aymes sign a release of his rights to CSALIB. Aymes refused. In March 1985, Aymes registered CSALIB in his own name with the Copyright Office and sued Bonelli and Island claiming copyright infringement and various state claims. The copyright infringement claims were bifurcated from the pendant state claims and the district court held that CSALIB was a work for hire and, therefore, dismissed Aymes' copyright infringement claims in 1991.²⁷

Aymes then filed a motion for reconsideration in light of *Community for Creative Non-Violence v. Reid*.²⁸ The district court addressed the *Reid* factors, concluded that Aymes was an employee, and adhered to its original decision.²⁹ Aymes appealed *pro se*.

The Second Circuit reversed the district court's decision.³⁰ In its rationale, the Second Circuit stated that the programs were not work made for hire under the second statutory definition of a commissioned

26. *Id.*

27. *Aymes v. Bonelli*, No. 85 Civ. 2228, 1991 WL 195975 (S.D. N.Y. Sept. 25, 1991). The district court stated that, "[w]hile Mr. Aymes may not have been an employee in the classic sense when he performed the work at issue for Island Swimming Sales, it is clear that he performed this work under the direction and supervision of Mr. Bonelli." The district court did not cite or weigh the factors of *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989).

28. 490 U.S. 730 (1989).

29. *Aymes v. Bonelli*, No. 85 Civ. 2228, 1991 WL 243376 (S.D. N.Y. Nov. 12, 1991). The court looked at each of the twelve factors, and ruled in Bonelli's favor. Another trial was held to address the only new issue raised by Aymes, which was his claim that he is entitled to rescission because of the failure by the defendant to pay the monies due. The district court held that rescission was not the appropriate remedy as it was not unreasonable for the defendant to seek a release in return for full payment. The parties both agreed that \$14,560 plus interest was due to Aymes, and the parties were directed to submit their calculations of interest. *Aymes v. Bonelli*, No. 85 Civ. 2228, 191 WL 274811 (S.D. N.Y. Dec. 9, 1991). Defendants by letter claimed that Aymes was owed \$14,525; Aymes claimed that he was owed \$14,085 and an additional claim of \$2,500 plus interest. The district court ordered that \$14,549 be paid Aymes, denied Aymes' claims for further monies and further proceedings, and awarded no costs. *Aymes v. Bonelli*, No. 85-2228, 1991 WL 278913 (S.D. N.Y. Dec. 18, 1991).

30. *Aymes v. Bonelli*, No. 85-2228, 1991 WL 351197 (2d Cir. Dec. 2, 1992).

work,³¹ as it was undisputed that there was never a signed written agreement assigning ownership rights in CSALIB. Therefore the court had to determine whether Aymes was an employee within the scope of his employment³²—the first statutory method under the Copyright Act.³³ The Second Circuit cited *Community for Creative Non-Violence v. Reid* and its twelve factors,³⁴ and stated that the district court applied the *Reid* test thoroughly, factor by factor.³⁵ What makes this Second Circuit decision so important is that the court reversed the trial court's decision because the Second Circuit held that certain factors should be given more weight than others.³⁶

The Second Circuit stated that some factors will often have little or no significance in determining whether a party is an employee, while some factors, such as the hiring party's right to control the manner and means of creation, the skill required, the provision of employee benefits, the tax treatment of the hired party, and whether the hiring party has the right to assign additional projects, will almost always be relevant and should be given more weight.³⁷ Further, a court should only address those factors significant in that case, not go through them all as the district court did, thus over-emphasizing the irrelevant factors.³⁸

In addressing the significant factors, the Second Circuit found that Bonelli and Island did have the right to control the manner in which CSALIB was created, thus this factor weighed toward Aymes being an employee. The Second Circuit disagreed with the district court's finding that the programming required no particular expertise; rather, the Second Circuit stated that Aymes was a "skilled craftsman," and this factor weighed in Aymes' favor.³⁹ Further, the Second Circuit weighed the lack of employee benefits and the tax treatment of Aymes as an independent contractor strongly in Aymes favor, because they are undisputed, they are admissions of Aymes' status by Bonelli himself, and it would be inequitable to allow Bonelli to claim Aymes as an independent contractor for favorable tax treatment, then later deny the independent contractor status to avoid a copyright infringement suit. The Second

31. 17 U.S.C. § 101(2) (1988).

32. *Aymes v. Bonelli*, No. 85-2228, 1991 WL 351197 at *2.

33. 17 U.S.C. § 101(1) (1988).

34. 490 U.S. 730 (1989).

35. *Aymes v. Bonelli*, No. 85-2228, 1991 WL 351197 at *3.

36. *Id.* at *5.

37. *Id.* at *4.

38. *Id.* The Second Circuit stated that while the *Reid* test has not yet received widespread application, other courts using *Reid* have only addressed the factors significant in the individual case. For example, the Third Circuit held that a computer programmer could be an independent contractor without addressing several of the *Reid* factors. *Maclean Assoc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.* 952 F.2d 769 (3d Cir. 1991).

39. No. 85-2228, 1991 WL 351197 at *4.

Circuit stated that Bonelli was delegating additional projects to Aymes, which weighed strongly but not conclusively for Island.⁴⁰

In addressing the remaining factors, the Second Circuit stated that they are relatively insignificant or negligible because they are either indeterminate or inapplicable in this case. The method of payment normally is a fairly important factor, but it is indeterminate in this case as there is evidence to support both sides; sometimes Aymes was paid by the hour and other times Aymes was paid by the project. The Second Circuit found that the factor of "whether the work was the hirer's regular business" carries very little weight because most companies hire numerous support personnel. "Whether the hiring party is in business" is a factor that will always have very little weight, and weighs negligibly in favor of Island. "The discretion over when and how long to work," and "the source of the equipment" were accorded negligible weight in this case as Aymes had to work where Island's hardware was located. Finally, "the authority to hire assistants" is virtually meaningless where the hired party doesn't need assistants.⁴¹

Balancing the weighted *Reid* factors, the Second Circuit held that Aymes was an independent contractor, CSALIB was not a work for hire, and Aymes owns the copyright as author.⁴²

V. CONCLUSION

The Second Circuit's decision in *Aymes v. Bonelli* is important for the computer software industry. Companies hiring programmers should ensure that the resulting program is a work for hire by ensuring the Copyright Act is complied with, and that the *Aymes v. Bonelli* factors weigh in the employer's favor. Specifically, under the first statutory definitions, a work is made for hire if it is prepared by an employee within the scope of his or her employment.⁴³ Unless the Copyright Act is amended to define the terms, the common law of agency should be applied, according to *Reid*,⁴⁴ to determine if an employer-employee relationship exists. It would be beneficial for employers of programmers to have a written contract that includes a specific clause stating that the works of the employee are made for hire, and thus they and their copyrights are owned by the employer.

Further, the employer of the programmer should ensure the *Reid* factors, as weighted by the Second Circuit in *Aymes v. Bonelli*, clearly

40. *Id.* at *6.

41. *Id.* at *6-7.

42. *Id.* at *8. The case was remanded to the district court for a determination of infringement and also if Bonelli was a joint owner.

43. 17 U.S.C. § 101(1) (1988).

44. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989).

favor the employer's owning the work for hire. Specifically, the employer should have and exercise the right to control the manner and means of creation. It is to be hoped that the skill required tilts in the programmer-employee's favor to ensure a quality program. Although expensive, the employer should give the employee a W-2 instead of a 1099 and pay the payroll taxes such as the employer's half of Social Security, and withhold relevant federal, state, and local taxes. If possible, the employer should provide health and insurance benefits. If possible, the employer should retain, perhaps by contract, the right to assign further projects.

Concerning the rest of the factors, the method of payment should consistently be as other employees are paid, whether by the hour or salaried, as opposed to how independent contractors are paid, by program or project. If the employer is in the computer industry, the employer will be in business, and computer software will be the employer's regular business. If the employer is not in the computer industry, the employer should argue that the programmer is "necessary support personnel." The employer should retain discretion over when and how long to work, should be the source of the equipment, and should provide the location of the work. The employer should hire and pay any assistants, and if the programmer is good, it is to be hoped that the relationship is of a long duration.

Obviously, if a programmer such as Aymes wishes to retain copyright ownership in computer programs, the advice would be the converse of the above.