1999 AMENDMENT TO WORK MADE FOR HIRE DOCTRINE COMES FULL CIRCLE: WHERE IT CAME FROM, WHAT IT'S BEEN THROUGH, AND WHERE IT IS NOW

Introduction

Copyright ownership of a sound recording can prove to be invaluable intellectual property. Typically, when an individual's assets are threatened, efforts to protect these assets are anticipated. This is specifically what occurred after recent amendments to the "Works Made for Hire" doctrine of the Copyright Act of 1976.[1] This note explores how record companies have utilized this doctrine to try to extend the life of the copyright ownership of artists' sound recordings. The note further explores the relentless efforts of the artistic community to stop these practices.

First, this note discusses the extent of the works-made-for-hire doctrine as it exists under the Copyright Act of 1976 and its recent amendments. Thereafter, this note analyzes the scope of the amendments and opposing arguments. Finally, the conclusive results and proposals of this note follows case law and eventual actions on the issue of sound recordings as works made for hire.

I. Copyright Law and the 'Works Made For Hire' Controversy

Under the Copyright Act of 1976, exclusive rights are initially granted "in original works of authorship" to the author or authors of such works.[2] These works include sound recordings, among others.[3] However, in the exception of a work made for hire, "the employer or other person for whom the work was prepared is considered the author for purposes of this title . . . ."[4] Essentially, an individual who creates a work made for hire does not retain ownership of the work.

A work made for hire exists in one of two situations. First, when an employee prepares a work during the course of employment, the work is considered a work made for hire.[5] Second, a work that is specially ordered or commissioned from an indepen-

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1 17 U.S.C. § 201(b) (1994)
2 *Id.* § 201(a).
3 *See id.* §102(a).
4 *Id.* §201(b).
5 *See id.* §101.

dent contractor for use as one of nine categories listed in the section is a work made for hire if the parties expressly agree in writing.[6]

As originally drafted, the nine categories of commissioned works for hire included: a contribution to a collective work, part of a motion picture or other audiovisual work, a translation, supplementary work, a compilation, an instructional text, a test, answer material for a test, and an atlas.[7] In November 1999, however, the section was amended. A section entitled "sound recordings" was inserted as an additional category after "other audiovisual work."[8] After the amendment was enacted, a heated controversy surrounding artists' termination rights ensued between two groups, the recording industry and the artistic community. Under § 203(a) of the Copyright Act, an author may terminate an exclusive or nonexclusive transfer or license, other than works made for hire, beginning thirty-five years from the date of execution of the grant.[9] By including sound recordings as a category of works made for hire, the amendment effectively strips artists and/or producers of their right to terminate copyright ownership in the record company. The subsequent effect is that the record company remains the copyright owner for the life of the copyright. Consequently, the incentive to create new works is diminished because the author cannot be sure that he will one day reap the benefits of his work.

II. Amendment and Argument

As this note will demonstrate, the 1999 amendment would only prove to benefit the recording industry, and as such, it was the Recording Industry Association of America ("RIAA") that brought about the change.[10] Interestingly, the amendment was passed with no discussion or debate on November 29, 1999 in an appendix to a completely unrelated appropriations bill.[11] It was placed under the heading labeled "Technical Amendments,"[12] which are usually

6 *See id.*

7 *See id.*

8 *See* Consolidated Appropriations Act, Pub. L. No. 106-113, § 101(d), 113 Stat. 1501 (1999) (amended 2000).

9 *See* 17 U.S.C. §203(a).

10 *See* David Moser, *Criticism of RIAA Press Release On Sound Recordings As Works Made For Hire, at* http://www.grammy.com/news/national/ (last visited Dec. 14, 2000) (stating that "the four-line amendment was surreptitiously concealed in a totally unrelated bill at the request of a lobbyist [Mitch Glazier] for the RIAA. . . .") (on file with author). It should be noted that Mr. Glazier was later hired by the RIAA. *See Complete Text of Michael Greene's Pre-Admitted Testimony, at* http://www.grammy.com/news/national/ (last visited Dec. 14, 2000) (on file with author) [hereinafter Greene].

11 *See* § 101(d), 113 Stat. 1501.

12 *See id.*

those that do not change the law, but rather help to clarify with changes in spelling, grammar or punctuation.[13] Additionally, the only legislative history associated with the amendment was the statements from Senator Trent Lott. Senator Lott introduced the bill noting that because sound recordings have been registered in the Copyright Office as works made for hire, this was only a "clarifying amendment" of statutory construction.[14] Obviously Congress did not understand the implications of the amendment; nor did the RIAA, for the criticisms and arguments that mounted against them became extremely cumbersome. Summarized, critics contended that the amendment was a substantive change in the law made by the RIAA "to offer protection to record companies who have increasingly sought to gain ownership of artists' identities and intellectual property."[15]

Once the amendment became law and the artistic community became aware of the change, the Recording Academy ("Academy") immediately took action. On May 25, 2000, Michael Greene, President/CEO of the Academy, along with other members of the industry, testified before the U.S. House of Representatives, Subcommittee on Courts and Intellectual Property, to inform Congress of the impact of the amendment on the artistic community and to stress the importance of a "conscientious and fair debate" of the issue.[16] The Academy belied all arguments that the RIAA made to defend the amendment.

A. *Artist Termination Rights Should Not Apply to Sound Recordings*

The most significant impact of the amendment is on an artist's termination rights. Congress afforded these termination rights to artists as a copyright protection device. Artists often assign their copyrights to record companies in exchange for a record deal at a time when the value of their work is undetermined. Termination rights allow artists to reclaim their copyrights thirty-five years from the execution of the grant.[17] This timeframe permits the work to prove its value. After thirty-five years, an artist may finally reap the benefits of his work. If, however, sound recordings are given work-

13 *See* Geoffrey Hull, *Work-for-Hire Controversy; Copyright Act Amendment Seen As Blow to Artists' Sound Recording Rights*, 10 Ent. L. & Fin. 1, 4 (2000).

14 *See id.*

15 Lily Fu, *House Passes Repeal of Work For Hire Amendment, at* http:www.grammy.com/news/national (last visited Dec. 14, 2000) (on file with author).

16 *See* Greene, *supra* note 10.

17 *See* 17 U.S.C. §203(a)(3) (2000).

made-for-hire status, then the artist loses this termination right.[18]

The recording industry claims that if sound recordings were provided this copyright protection, all of the creative contributors to the work (songwriter, vocalist, producer, etc.) would have an equal right to the termination provisions.[19] The recording industry believes that allowing multiple parties to exercise simultaneous terminations would be chaotic; thus, they argue that the best solution would be to dispel termination rights by giving sound recordings works made for hire status.[20] This, however, is not what actually occurs in the industry. Generally, most sound recordings have only two authors—the artist and the producer. These are in fact the parties for whom termination rights were primarily created to protect.[21] Yet when multiple authors do exist, they often work together with the contractual understanding that any contributions are made without any claims to ownership.[22] As artist Sheryl Crow testified at the May 25, 2000 hearing: "We give the record labels our work to exploit for 35 years. Like other authors, we should be able to reclaim our work as Congress intended."[23]

B. *Sound Recordings are Registered with the Copyright Office as Works Made for Hire*

The RIAA contends that record companies often register sound recordings as works made for hire.[24] Nonetheless, this registration is not the determinative factor as to whether a work was created as a work made for hire.[25] A sound recording can only be created as a work made for hire in accordance with the two-prong test set forth in the Copyright Act. Artists are generally unaware of this practice because they are often not provided with notice or copies of the registration.[26] Even the Register of the Copyright Office, Marybeth Peters, maintains that, "the Copyright Office does not necessarily look behind the face of an application in accepting a registration as a work made for hire."[27] Thus, it becomes clear

18 *See id.* (stating that termination applies "in the case of any work other than a work made for hire").
19 *See* Greene, *supra* note 10.
20 *See id.*
21 *See* Moser, *supra* note 10.
22 *See id.*
23 Fu, *supra* note 15.
24 *See* Greene, *supra* note 10.
25 *See id.*
26 *See id.*
27 Michael Rudell, *Artists Groups and RIAA Discuss Reversing Copyright Amendment*, N.Y.L.J., Aug. 25, 2000, at 3.

that the final determination rests with the courts and the written agreement, where one exists.

C. *Sound Recordings are Routinely Given Works for Hire Status in Recording Contracts*

The RIAA also alleges that it has been a customary practice in the industry to include work-made-for-hire clauses in recording contracts.[28] Such clauses, however, are often supplemented by providing for a copyright assignment in the alternative.[29] This fact may serve as evidence that record companies are sufficiently aware that these work-made-for-hire clauses are usually unenforceable, as courts have unanimously held that the two-prong test "cannot be contractually overridden."[30] Despite this, many artists have no knowledge of these issues at the start of their careers. Young artists just want to sign a record contract, and often at any cost. Thus, if the contract provides that their sound recordings are works made for hire, then this is what they may accept without question.[31] Unexperienced artists may honestly believe this false representation.[32] In such a situation, the artist may prevail on a claim for fraud in the acquisition of copyrights.[33] This fact is another reason that record companies should insert an alternative assignment clause. Consequently, just as when a record company registers a work as work made for hire with the Copyright Office, labeling a work as such in a recording contract is similarly not the determinative factor. Rather, the work must fall within one of the two prongs in the Copyright Act to be considered a work made for hire.

D. *Sound Recordings Fall Within Some Categories of Commissioned Works as Stated in the Second Prong of the Works-Made-for-Hire Doctrine of the Copyright Act*

The RIAA's final argument is that four of the nine categories of commissioned works could be construed to reference sound recordings.

28 *See* Greene, *supra* note 10.
29 *See* Ryan Ashley Rafoth, *Limitations of the 1999 Work-For-Hire Amendment: Courts Should Not Consider Sound Recordings to Be Works-For-Hire When Artists' Termination Rights Begin Vesting in Year 2013*, 53 VAND. L. REV. 1021, 1045 (2000).
30 *Id.* at 1046 (citing Eliscu v. T.B. Harms Corp., 151 U.S.P.Q. 603, 604 (N.Y. Sup. Ct. 1966)); *see also* Robert A. Kreiss, *Scope of Employment and Being an Employee Under the Work-Made-For-Hire Provision of the Copyright Law: Applying the Common-Law Agency Tests*, 40 U. KAN. L. REV. 119, 146 (1991) (stating that the Copyright Act, not the contract, determines whether a work is "made for hire").
31 *See* Rafoth, *supra* note 29, at 1046.
32 *See id.*
33 *See id.*

1. A Motion Picture or Other Audiovisual Work

The recording industry contends that a sound recording could be a work made for hire when commissioned as part of an audiovisual work.[34] In *Lulirama Ltd., Inc. v. Axcess Broadcast Services, Inc.*,[35] the court relied on the plain language of the statute to distinguish sound recordings and audiovisual works.[36] A "sound recording" is "a series of musical, spoken, or other sounds, *but not including the sounds accompanying a motion picture or other audiovisual work* . . . ."[37] Whereas "audiovisual work" is defined as "works that consist of a series of related images . . . together with accompanying sounds, if any . . . ."[38] Therefore, this definition implies that an audiovisual work must include a visual component and the audio work which accompanies this visual component does not constitute a sound recording, but rather an element of the audiovisual work.

Additionally, the court noted that § 102 of the Copyright Act, lists "'audiovisual works' and 'sound recordings' as distinct categories of works entitled to copyright protection."[39] This is evidence of Congress's intent to keep the two categories separate.[40] Thus, as determined by the court in *Lulirama*, a sound recording is not within the definition of an audiovisual work as necessary to be a work made for hire.[41]

2. A Compilation or Contribution to a Collective Work

It is also asserted by the recording industry that sound recordings may fall within either a compilation or contribution to a collective work.[42] An album could be considered a compilation or a collective work of which each sound recording is just one of many individual tracks that makes up the album.[43] However, to be considered a commissioned work, the album must be an assembled collection of separately preexisting materials "arranged in such a way that the resulting work as a whole constitutes an original work of authorship" in the commissioning party.[44]

The same reasoning could be applied to a sound recording.

34 *See* Greene, *supra* note 10.
35 128 F.3d 872 (5th Cir. 1997).
36 *See id.* at 878.
37 *Id.* (quoting 17 U.S.C. §101 (1994)).
38 *Id.* (quoting 17 U.S.C. § 101).
39 *Id.* (quoting 17 U.S.C. § 102(a)).
40 *See id.*
41 *See Lulirama*, 128 F.3d at 878.
42 *See* Greene, *supra* note 10.
43 *See* Rafoth, *supra* note 29, at 1043.
44 17 U.S.C. §101 (1994).

The sheet music, vocals and production are all compiled to make up a "whole" song. Unless these elements of the song are preexisting material, however, the sound recording cannot be considered a commissioned work. Typically, most songs are "assembled to form a unitary whole,"[45] and the components are not meant to be distinguished separately. Moreover, recent developments in technology have increased the number of individual tracks being downloaded from the Internet, strengthening the assertion that sound recordings can exist independently of albums.[46] Therefore, "if [each] sound recording[ ] [is] considered a unitary whole, then the album cannot be a compilation, and the songs on the album cannot be contributions to a collective work."[47]

3. A Supplementary Work

A sound recording may be a supplementary work if it is "secondary" to another's work.[48] A work will be considered secondary where it is not the predominate recording in the work, such as a "sample" within a song or a song on an another artist's album.[49] In these instances, the sound recording would be considered a work made for hire as a supplementary work because the primary artist is usually the commissioning party, and thus, the author of the final work. However, without multiple artists, a sound recording cannot be considered a supplementary work.

III. *BALLAS V. TEDESCO*

In *Ballas v. Tedesco*,[50] the court dealt with the issue of sound recordings as works made for hire.[51] In this case, the parties made a deal that the plaintiff would pay the defendant for the music and production of a compact disc ("CD") in exchange for the exclusive right to sell certain quantities of the CD.[52] The parties never reached a final settlement.[53] Nonetheless, the defendant registered the work with the Copyright Office and began to sell the music.[54] Thereafter, a copyright ownership dispute ensued concerning the underlying sound recordings.[55] Plaintiff claimed

45 *See* Rafoth, *supra* note 29, at 1042-43.
46 *See* Rudell, *supra* note 27, at 3.
47 Rafoth, *supra* note 29, at 1043.
48 *See* 17 U.S.C. §101.
49 *See* Rafoth, *supra* note 29, at 1044.
50 41 F. Supp. 2d 531 (D.N.J. 1999)
51 *See id.* at 540-41.
52 *See id.* at 534.
53 *See id.*
54 *See id.*
55 *See id.* at 534-35.

that the CD was produced at his request and was therefore a work made for hire.[56] In rejecting the plaintiff's claim, the court declared that "the sound recordings are not a work made for hire . . . because they do not fit within any of the nine enumerated categories."[57] Accordingly, congressional intent, legislative history, and case law all seem to indicate that sound recordings should not be considered as a work made for hire.

IV. Amendment Repealed

Following months of controversy and challenges, Congress removed the phrase "as a sound recording" from the works-made-for-hire amendment.[58] The revised amendment titled, "The Work for Hire and Copyright Corrections Act of 2000," was signed into law on October 27, 2000, almost a full year after the original amendment was passed.[59] Essentially, this revision nullified the changes made to the works-made-for-hire doctrine in the 1999 amendment and thus, restored the Copyright Act to its original form.[60] According to the final proposal, the law should now be interpreted "as if those sections were never enacted."[61]

Conclusion

This repeal, therefore, brings the controversy full circle. If the entire issue stemmed from the ambiguous language of the works-made-for-hire doctrine, then what sense does it make to restore the provision as it was before? The opportunity still exists to construe the works-made-for-hire doctrine to include sound recordings. Nothing has changed that. Perhaps it is time for yet another amendment to clarify the existing law.

Congressional history reveals that copyright ownership in sound recordings should be construed in accordance with the two prongs of the works-made-for-hire doctrine. A report associated with the Sound Recording Act of 1971[62] declared, "[t]he bill does not fix authorship, or the resulting ownership, of sound recordings, but leaves these matters to the employment relationship and

56 *See Ballas*, 41 F. Supp. 2d at 540.
57 *Id.* at 541.
58 *See* Work Made for Hire and Copyright Corrections Act of 2000, Pub. L. No. 106-379, 114 Stat. 1444 (codified as amended at 17 U.S.C. §101 (1976)).
59 *See id.*
60 *See id.*
61 146 Cong. Rec. S10,498-99 (daily ed. Oct. 12, 2000) (statement of Sen. Leahy).
62 Pub. L. No. 92-140, 85 Stat. 391 (1971) (current version in scattered sections of 17 U.S.C.)

bargaining among the interests involved."[63] Therefore, another "clarifying" amendment to the works-made-for-hire doctrine should be proposed. The amendment should simply state that sound recordings are NOT to be deemed works made for hire UNLESS:

1) an employment relationship exists,
2) the work was created as a compilation or contribution to a collective work of separately preexisting materials, or
3) the work was created as a supplement to another's work.

Without any changes to the existing doctrine, the recording industry will continue to assert that sound recordings are works made for hire. If these avenues are left available to the RIAA, it will seem as if the artistic community fought a never-ending battle this past year. As RIAA President/CEO Hillary Rosen stated, "[w]e said from the beginning we did not intend to change the law . . . ."[64] Whether this is literally interpreted to account for the amendment or the repeal, the RIAA has accomplished this exactly. It was the RIAA's intention not to change the law. It should be the artistic community's objective to see that the law is changed.

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63 H.R. Rep. No. 94-487, at 124 (1976), *reprinted in* 1971 U.S.C.C.A.N. 1566, 1570.
64 David Konjoyan, *Industry and Artists Resolve Work for Hire, at* http://www.grammy.com/news/national/ (last visited Dec. 14, 2000) (on file with author).

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