

## How the Second Circuit's Decision in 'Horror v. Miller' May Haunt Production Companies for Years To Come

Like Jason's appearance at the end of Friday the 13th, the Second Circuit's recent decision in *Horror Inc. v. Miller*, No. 18-3123-cv, 2021 U.S. App. LEXIS 29479 (2d Cir. Sept. 30, 2021) invokes new life into the Copyright Act's termination provision. 17 U.S.C.S. §203. Although the statute became effective on Jan. 1, 1978, the prospective nature of its terms meant that it did not have practical applicability until relatively recently. Under certain conditions, §203 of the Copyright Act provides that the author of a work "other than a work made for hire" may terminate the grant of a transfer or license under any copyright executed on or after Jan. 1, 1978, upon between two and 10 years of notice, during a five-year period, beginning 35 years after the execution or publication of the work, but no more than 40 years after execution thereof. *Id.*

For copyrights registered under the 1909 Copyright Act, which does not contain a definition of "work for hire," Circuit Courts of Appeals have generally applied the "instance and expense" test to determine if a work was a work for hire. See *Marvel Characters v. Kirby*, 726 F.3d 119, 137 (2d Cir. 2013) (explaining the history and application of the "instance and expense test."). Under the "instance and expense" test, courts created "a presumption of copyright ownership in the commissioning party at whose 'instance and expense' the work was done." *Forward v. Thorogood*, 985 F.2d 604, 606 (1st Cir. 1993), quoted in *Markham Concepts v. Hasbro*, No. 19-1927, 2021 U.S. App. LEXIS 17693, at \*10 (1st Cir. June 14, 2021) (determining that Markham's work on "The Game of Life" was work for hire and depriving Markham of termination rights under 17 U.S.C.S. §203). This test generally leads to a finding that the copyright is owned by the corporate entity or hiring party. Courts continue to apply this test to works created prior to 1976 to determine whether the work was a work for hire. *Markham Concept v. Hasbro*, No. 19-1927, 2021 U.S. App. LEXIS 17693 (1st Cir. June 14, 2021).

Congress overhauled the Copyright Act in 1976 to provide that copyright ownership vests in the author of the work, except for "works made for hire." 17 U.S.C. §201(a) & §102. For "works made for hire," "the employer or other person for whom the work was prepared is considered the author" and owns the copyright, unless there is a written agreement that provides otherwise. 17 U.S.C. §201(b). Section 101 of the 1976 Act defines a work is "for hire" as being either (1) a work created by an employee within his/her scope of

employment or (2) specifically commissioned work in discrete categories, as agreed by the parties in a written agreement to be a work for hire. 17 U.S.C. §§101; see *Cmt. for Creative Non-Violence v. Reid*, 490 U.S. 730, 737-38, 109 S. Ct. 2166, 2170 (1989).

For works created after enactment of the Copyright Act of 1976, the Supreme Court has rejected applying the “instance and expense” test to determine if a work was “made for hire,” in favor of a test based on principles of the general common law of agency. *Cmt. for Creative Non-Violence v. Reid*, 490 U.S. at 750-52. The initial inquiry is determining whether the person who created the work is an employee under these principles. *Id.* The *Reid* court set out 13 factors that the court should consider. *Id.* The factors include: (1) which party has control over the manner and means by which the product is created; (2) the degree of skill required; (3) the source of instrumentalities and tools; (4) the location of work; (5) the duration of the relationship between the parties; (6) whether the hiring party has the right to assign additional projects; (7) the author’s discretion over when and how long to work; (8) the method of payment; (9) the author’s role in hiring and paying assistants; (10) whether the work is part of the regular business of the hiring party; (11) whether the hiring party is in business; (12) the provision of employee benefits; and the (13) tax treatment of the author. *Id.*

Under *Reid*, where the author is determined not to be an employee, then the work is only “for hire” if it fits into one of the discrete categories of specifically commissioned works under §101(2) and there is an express written agreement between the parties that the work shall be considered a work made for hire. *Cmt. for Creative Non-Violence v. Reid*, 490 U.S. at 738. For all other works, even if they were specifically commissioned, the creator of the work continues to own the copyright and all the rights that go along with it, including the right to terminate any license or assignment of the copyright pursuant to the constraints of §203.

In the *Horror Inc.* case, Mr. Miller was the author of the screenplay for the film “Friday the 13th.” Mr. Miller sought to terminate his transfer of ownership of the copyright during the requisite time period set forth in §203. The defendants argued that the screenplay was a work for hire because Mr. Miller had created the work after signing an employment agreement and was a member of the writer’s union at the time that he prepared the work.

The Second Circuit rejected this analysis, finding that neither the employment agreement nor membership in the labor union were sufficient to make the author an employee and the work that he created a work for hire under the Copyright Act. Instead, the court applied the 13-factor test set out in *Reid* to determine if Mr. Miller was an employee for the purpose of copyright law. Applying these factors, the court determined that the majority of the factors, including the most important ones in this context, did not favor treating Mr. Miller as an employee. Specifically, Mr. Miller was not

subject to the defendants' control, he used his own skill to develop the work, he was not afforded any traditional employee benefits, the defendants did not denote him as an employee for tax purposes, the agreement entered into did not give the defendants the right to assign Mr. Miller additional projects, the assignment was for a limited duration (two months), Mr. Miller was paid in two lump-sum payments, Mr. Miller primarily worked on his own equipment, that Mr. Miller worked primarily from his own home, and Mr. Miller set his own schedule. The court accorded no weight to the factor about whether Mr. Miller had authority to hire assistants because writing is ordinarily solitary work in the court's opinion. The court also found that the fact that defendant Manny was a business that is consistent with having employees is a factor that marginally weights in the defendant's favor and that the type of business weighs in favor of finding Mr. Miller is an employee. As a result, the Second Circuit affirmed the district court's decision giving effect to Mr. Miller's notice to terminate the transfer of his copyright in the screenplay to "Friday the 13th."

Section 203 may turn out to be a hobgoblin with real teeth if other authors like Mr. Miller decide to assert their rights to terminate the transfers of their copyrights. Production companies and others whose products are creative works should review their relationships with the creators of those works to be sure that they have a clear and enforceable work for hire relationship to prevent the right of termination from cutting off future profits.

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