

No. 21-____

IN THE
Supreme Court of the United States

MARKHAM CONCEPTS, INC. ET AL.,
Petitioners,

v.

HASBRO, INC. ET AL.,
Respondents.

On Petition for a Writ of Certiorari to the United
States Court of Appeals for the First Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Federal law generally bestows upon authors and other creators a copyright in the work they produce. One critical exception under both the Copyright Act of 1909 (“1909 Act”), Pub. L. No. 60-349, 35 Stat. 1075, and the current Copyright Act of 1976 (“1976 Act”), Pub. L. No. 94-553, 90 Stat. 2541, is provided by the “works made for hire” doctrine. Historically, the work-for-hire doctrine applied only to works created in the course of a common law employer-employee relationship. The 1909 Act thus provided that copyrights in works for hire belong to the creator’s “employer.” 35 Stat. at 1087-88. In the 1960s, however, the Second and Ninth Circuits—the principal fora for U.S. copyright litigation—created an entirely new class of works covered by the work-for-hire doctrine, namely works produced by independent contractors at the “instance and expense” of a commissioning party. Other circuits later adopted the same rule and applied it to cases under both the 1909 and 1976 Acts. In *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), this Court unanimously rejected the expansion of the work-for-hire doctrine to independent contractors as untethered to text and history. But because that case arose under the 1976 Act, the Court did not address whether the test could nonetheless continue to be applied under 1909 Act. That question controls ownership of copyrights in countless works created before the 1976 Act, copyrights that will endure for decades yet to come. The question presented is:

Whether a party that commissions a work from an independent contractor qualifies as the creator’s “employer” within the meaning of the Copyright Act of 1909’s work-for-hire provision.

PARTIES TO THE PROCEEDING

In addition to the parties listed in the caption, petitioners include Lorraine Markham, individually and in her capacity as trustee of the Bill & Lorraine Markham Exemption Trust and the Lorraine Markham Family Trust, and Susan Garretson.

Respondents include Reuben Klamer; Dawn Linkletter Griffin; Sharon Linkletter; Michael Linkletter; Laura Linkletter Rich; Dennis Linkletter; Thomas Feiman, in his capacity as co-trustee of the Irvin S. and Ida Mae Atkins Family Trust; Robert Miller, in his capacity as co-trustee of the Irvin S. and Ida Mae Atkins Family Trust; Max Candiotty, in his capacity as co-trustee of the Irvin S. and Ida Mae Atkins Family Trust.

RULE 29.6 STATEMENT

Markham Concepts, Inc. has no parent corporation, and no publicly held company owns 10% or more of the corporation's stock.

RELATED PROCEEDINGS

Markham Concepts, Inc. v. Hasbro, Inc., No. 15-419-WES (D.R.I. Jan. 25, 2019)

Markham Concepts, Inc. v. Hasbro, Inc., No. 19-1927 (1st Cir. June 14, 2021)

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PETITION FOR A WRIT OF CERTIORARI

Petitioners Markham Concepts, Inc., Lorraine Markham (individually and in her capacity as trustee of the Bill & Lorraine Markham Exemption Trust and the Lorraine Markham Family Trust), and Susan Garretson respectfully petition this Court for a writ of certiorari to review the judgment of the U.S. Court of Appeals for the First Circuit.

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-22a) is reported at 1 F.4th 74. The opinion of the district court (Pet. App. 23a-44a) is reported at 355 F. Supp. 3d 119.

JURISDICTION

The judgment of the court of appeals was entered on June 14, 2021. This petition is timely under this Court's March 19, 2020 and July 19, 2021 orders, which extended the deadline to file a petition for a writ of certiorari to 150 days from the date of the lower court judgment.

This Court has jurisdiction under 28 U.S.C. § 1254(1).

RELEVANT STATUTORY PROVISIONS

The 1909 Copyright Act provides in relevant part (35 Stat. at 1087-88):

In the interpretation and construction of this title . . . the word "author" shall include an employer in the case of works made for hire.

* * *

The 1976 Copyright Act provides in relevant part (17 U.S.C. § 101):

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

* * *

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, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. . . .

* * *

INTRODUCTION

This petition addresses a fundamental question of copyright law—who owns the copyright in a work created by an independent contractor on commission, the creator or the party that commissioned the work?

All agree on this much—the creator has an interest in the copyright unless the work was created as a “work for hire,” a common law concept later written into the Copyright Act of 1909 (“1909 Act”), Pub. L. No. 60-349, 35 Stat. 1075, and the Copyright Act of 1976 (“1976 Act”), Pub. L. No. 94-553, 90 Stat. 2541. In *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, (1989), this Court explained that courts had long “concluded that the work for hire doctrine codified in [the 1909 Act] referred only to works made by employees in the regular course of their employment,” and not to commissioned works from independent contractors. *Id.* at 744. The Court further held that Congress retained that traditional rule in the 1976 Act, while making a narrow exception for certain commissioned works if the artist agreed in writing to give up the copyright.

In this case, Bill Markham was commissioned as an independent contractor to develop The Game of Life (“the Game”), one of America’s most successful board games. There is no question, therefore, that he would hold an ownership interest in his creation under the common law work-for-hire rule, the original understanding of that rule in the 1909 Act, and under the 1976 Act as interpreted by *Reid* (the limited exceptions for commissioned works in that statute not applying in this case). The First Circuit nonetheless held that the Game *was* a work for hire because it was created at the “instance and expense” of the parties

that hired Markham, even though they were not his employer in the traditional common law sense. The court justified that result by explaining that this case is governed by the 1909 version of the Act (because the Game was developed prior to the 1976 Act); that the holding of *Reid* therefore did not directly apply to the case (because *Reid* was decided under the 1976 Act, making its description of the 1909 regime “dicta”); and because in the 1960s a number of circuits had judicially expanded the work-for-hire doctrine under the 1909 Act to extend to independent contractors. Pet. App. 9a-15a.

That holding is consistent with the law of the Second and Ninth Circuits, but conflicts with a decision from the Eleventh Circuit and with this Court’s interpretation of the 1909 Act in *Reid*. Hanging in the balance is the ownership of the copyrights in thousands upon thousands of works authored before the 1976 Act, including numerous paintings, sculptures, movies, plays, and other creative works like the board game here. Given the extraordinary duration of copyrights under the 1909 Act (approaching a century long), those ownership disputes will continue to arise for decades to come, subject to fundamentally conflicting rules unless and until this Court intervenes. *See, e.g.*, Brooks Barnes, *Disney Sues to Keep Complete Rights to Marvel Characters*, N.Y. Times (Sept. 24, 2021), <https://nyti.ms/3C2i4zu> (Disney and Marvel recently filed multiple suits asserting ownership of copyrights in several iconic comic book characters under the work-for-hire doctrine of the 1909 Act).

STATEMENT OF THE CASE

I. Legal Background

A. The Original Understanding Of The Work-For-Hire Doctrine

At common law, copyrights were bestowed on the creator, except when the work was made by an employee within the course of employment. *Reid*, 490 U.S. at 743-44; *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 248 (1903). In that situation, the copyright in the work belonged to the employer. *Ibid.* The doctrine did not extend to commissioned works created by independent contractors. *Ibid.*

Congress first codified the work-for-hire rule in the 1909 Act, providing that “the word ‘author’ shall include an employer in the case of works made for hire.” 35 Stat. at 1087-88 (codified as amended at 17 U.S.C. § 26 (Supp. I 1947), and repealed 1978). Congress did not expressly define “employer” or “works made for hire.” But for the next fifty years or so, courts uniformly understood the statute to apply the traditional rule, limiting works for hire to common law employment relationships and excluding independent contractors. *See, e.g., Reid*, 490 U.S. at 749 (until at least 1965, “courts had applied the work for hire doctrine under the 1909 Act exclusively to traditional employees” and not to “commissioned works”).

B. The Doctrinal Drift Of The 1960s

In the 1960s, two influential circuits expanded the work-for-hire doctrine well beyond traditional employment relationships to award copyrights to non-employers who commissioned works from independent

contractors in certain circumstances. Through a process of judicial improvisation and precedent drift, the courts eventually arrived at the “instance-and-expense” test at the heart of this case. *See generally Marvel Characters, Inc. v. Kirby*, 726 F.3d 119, 137-38 (2d Cir. 2013) (recounting history).

Ironically enough, the instance-and-expense test began in a series of cases that *accepted* that commissioned works were not works for hire because they were not made by common law employees, but rather independent contractors. In *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2d Cir. 1939), the Second Circuit, perhaps unsatisfied with that arrangement, nonetheless declared that if a commissioned artist:

[I]s solicited by a patron to execute a commission for pay, the presumption should be indulged that the patron desires to control the publication of copies and that the artist consents that he may, unless by the terms of the contract, express or implicit, the artist has reserved the copyright to himself.

Id. at 31. In other words, while recognizing that the Copyright Act awarded a copyright in a commissioned work in the artist who took the commission, the Second Circuit declared that the law would imply an *assignment* of that copyright to the commissioning entity, unless the parties agreed otherwise. The independent contractor, however, was still considered the author of the work and still retained important rights under the Copyright Act. *See id.* at 32. Notably, while the work-for-hire doctrine had been well established in the common law and codified in the

1909 Act at the time of *Yardley*, the opinion makes no mention of the doctrine.

In announcing its implied-assignment rule, the Second Circuit pointed to nothing in the text or history of the Copyright Act that supported the inference or authorized the courts to create it. Instead, the court apparently acted on nothing more than its sense of fairness and sound policy. Nonetheless, the rule was widely adopted by other courts in the following years. *See Reid*, 490 U.S. at 744.

As several courts of appeals have since recounted, in the mid-1960s, that precedent began to drift.¹ The transition began in the Ninth Circuit, with *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298 (9th Cir. 1965). Relying principally on *Yardley*, the Ninth Circuit declared that:

[W]hen one person engages another, whether as employee or as an independent contractor, to produce a work of an artistic nature, that in the absence of an express contractual reservation of the copyright in the artist, the presumption arises that the mutual intent of the parties is that the title to the copyright shall be in the person *at whose instance and expense the work is done*.

Id. at 300 (emphasis added). It is unclear whether the court intended this “instance and expense” test to describe the conditions for implying an assignment (as in *Yardley*) or as new standard for judging whether a

¹ *See Kirby*, 726 F.3d at 138; *Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc.*, 342 F.3d 149, 158-62 (2d Cir. 2003); *Easter Seal Soc’y for Crippled Children & Adults of La., Inc. v. Playboy Enters.*, 815 F.2d 323, 326 (5th Cir. 1987).

work was made for hire. *See Easter Seal*, 815 F.2d at 328 n.8 (noting ambiguity). But whatever its intentions, the Ninth Circuit betrayed no recognition of its potential expansion of the work-for-hire doctrine, and certainly made no effort to square any such alteration of existing law with the text of the 1909 Act or its history.

The year after *Lin-Brook*, the Second Circuit unambiguously embraced the instance-and-expense formulation as a substitute for the traditional common law employment test for works for hire. In *Brattleboro Publishing Co. v. Winmill Publishing Co.*, 369 F.2d 565 (2d Cir. 1966), the circuit held that the work-for-hire doctrine “is applicable whenever an employee’s work is produced at the instance and expense of his employer. In such circumstances, the employer has been presumed to have the copyright.” *Id.* at 567. For this proposition, the Second Circuit cited a series of authorities that held no such thing. *Compare ibid.* (attributing rule to *Nimmer on Copyright*), *with Kirby*, 726 F.3d at 138 (acknowledging test is “not to be found” in *Nimmer* treatise, but “seems instead to be drawn from” *Lin-Brook*); *compare also Brattleboro*, 369 F.2d at 568 (relying on *Yardley*), *with supra* 6 (explaining *Yardley* was not a work-for-hire case). The Second Circuit did, however, at least openly acknowledge that it was expanding the work-for-hire doctrine to independent contractors. 369 F.2d at 568. But its only justification for the expansion (other than its mistaken view of prior authorities) was that the court saw “no sound reason why these same principles are not applicable when the parties bear the relationship of employer and independent contractor.” *Ibid.*

With this, “the simple rule of *Yardley* for allocating the risk of uncertainty about whether the copyrights were assigned to the buyer” was transformed “into an almost irrebuttable presumption that any person who paid another to create a copyrightable work was the statutory ‘author’ under the ‘work for hire’ doctrine.” *Easter Seal*, 815 F.2d at 327; see also *Hogarth*, 342 F.3d at 159 (*Brattleboro* “‘merged’ the *Yardley* presumption into the work-for-hire doctrine.”). Three other circuits later followed suit, relying on the Second and Ninth Circuits’ precedents without providing any meaningful additional analysis. See, e.g., *Forward v. Thorogood*, 985 F.2d 604, 606 (1st Cir. 1993); *Real Estate Data, Inc. v. Sidwell Co.*, 809 F.2d 366, 371 (7th Cir. 1987); *Murray v. Gelderman*, 566 F.2d 1307, 1309-10 (5th Cir. 1978).

C. The 1976 Act Increases The Stakes In The Fights Over Works For Hire

Even in the 1960s, the “contours of the work for hire doctrine” were of “profound significance for freelance creators.” *Reid*, 490 U.S. at 737. But the 1976 Act raised the stakes even more.

Throughout the 1960s, Congress engaged in an extensive study of the Nation’s copyright laws. One area of acute concern was the unequal bargaining power that often prevailed under the 1909 Act, under which authors were frequently coerced into assigning their copyrights to publishers on terms Congress deemed unfair. See, e.g., *Reid*, 490 U.S. at 745-46. In response, the 1976 Act granted authors an “inalienable authorial right to revoke a copyright

transfer”² made under the 1909 Act, in order to “relieve authors of the consequences of ill-advised and unremunerative grants.”³ So long as certain conditions were met, those authors could revoke their assignments and renegotiate the terms of the continued use of their works. *See* 17 U.S.C. § 304(c).

That statutory termination right, however, applied to any work protected under the 1909 Act “other than a copyright in a work made for hire.” 17 U.S.C. § 304(c). As a consequence, the proper test for works-for-hire took on renewed significance, determining which authors could take advantage of the new termination right. If a commission gave rise only to an *assignment*, as *Yardley* had held, that assignment was now terminable. But if the commissioned work was instead deemed a work for hire, as subsequent cases had held, then the copyright always belonged to the commissioning party and was not subject to termination.

The 1976 Act also included for the first time an express statutory definition of a “work made for hire.” The statute defined the term as:

- (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, as a test, as answer

² *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 495 n.3 (2001).

³ *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172-73 (1985).

material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. . . .

17 U.S.C. § 101.

D. This Court Rejects The Instance-And-Expense Test For 1976 Act Cases

Notably, the 1976 definition of a work for hire was considerably narrower than the instance-and-expense test of *Lin-Brook* and *Brattleboro*, permitting only a small subset of commissioned works to qualify as works for hire, and even then only if the parties agreed to it in writing. A number of circuits nonetheless continued to apply variations of the instance-and-expense tests under the 1976 Act, on the pretense that commissioned works qualified as a “work prepared by an employee” under the first subsection, even if they did not meet the criteria for a covered commission under the second. *See Reid*, 490 U.S. at 739.

Reid unanimously rejected that line of cases out of hand. The Court explained that Congress enacted the 1976 “work-for-hire” definition against the backdrop of settled understanding that the word “employee” refers to “the conventional relation of employer and employ[ee]” as defined by the common law of agency. 490 U.S. at 740 (internal quotation marks omitted). The Court further observed that courts had long “concluded that the work for hire doctrine codified in [the 1909 Act] referred only to works made by employees in the regular course of their employment.” *Id.* at 744. The Court acknowledged *Brattleboro* and other cases had begun to chip away at that understanding, through the instance-and-expense

test. *Id.* at 748. But the Court concluded that at the time “the structure of the work for hire provisions [of the 1976 Act] was fully developed” in the mid-1960s, “the courts had applied the work for hire doctrine under the 1909 Act exclusively to traditional employees.” *Id.* at 749.⁴

E. The Lingering Question Of Whether The Instance-And-Expense Test Survives For 1909 Act Cases

Reid thus spelled the end of the road for the instance-and-expense test for works governed by the 1976 Act. However, the 1976 Act was prospective only, leaving open the question of whether the test could still apply to commissioned works governed by the 1909 Act. That question continues to arise in many cases, including this one, determining ownership and termination rights for thousands upon thousands of works copyrighted before January 1, 1978 (the effective date of the 1976 Act).

Given the substantial duration of copyrights, such disputes will continue to arise for decades to come. Section 23 of the 1909 Act provided 28 years of protection from the date of publication or registration, with the option for a renewal term of another 28 years. 1909 Act § 23, 35 Stat. at 1080. The 1976 Act then extended that renewal term to 47 years. 1976 Act, 90 Stat. at 2573. And in 1988, Congress further expanded the renewal term to 67 years in most instances. *See* Sonny Bono Copyright Term Extension Act, Pub. L.

⁴ Although enacted in 1976, Congress had been working on the revision in earnest since 1961, 490 U.S. at 744, and had settled on the provisions regarding work for hire by 1965, *id.* at 747-48.

No. 105-298, 112 Stat. 2827 (1998); 17 U.S.C. § 304(a). Thus, the full term of many works protected under the 1909 Act is now 95 years (the original 28 years plus the 67-year extension under the 1998 Act). Accordingly, the rights in a movie like *Star Wars* (1977) will continue to be governed by the 1909 Act until the 2070s.

II. Factual Background

In this case, the 1909 Act governs rights in The Game of Life, an immensely popular board game introduced in the 1960s where players spin a wheel and move along a designed pathway on a board that mimics stages of life, making critical life decisions along the way.

The original version of the game was developed by Milton Bradley in 1860 as “The Checkered Game of Life.” Pet. App. 3a; *see also id.* at 25a-32a (detailed discussion of factual history by district court). After visiting Milton Bradley’s headquarters in the late 1950s, Reuben Klamer, a toy developer, had an idea for updating the game to celebrate the 100-year anniversary of the development of the original game. *Id.* at 3a. Klamer then reached out to Bill Markham, a game designer, to pitch Markham on developing a modern version of Bradley’s original game idea. *Ibid.* Markham and his two employees would develop a working prototype on a highly expedited schedule based on Bradley’s design and some thoughts Kramer provided on how to update the game for then-modern aesthetics. *Id.* at 3a-4a. Markham and his employees then created a prototype game board and box, while Markham and Kramer developed the rules of the game and tweaked different aspects of game play. *Ibid.*

After six weeks, Markham and his team had completed the prototype. Pet. App. 4a. Markham, Klamer, and Klamer's business partner—radio and television personality Art Linkletter—pitched the game to Milton Bradley executives. *Ibid.* The Milton Bradley team saw the potential for the game to be a massive success, and agreed to produce and sell the game. *Ibid.*

The relationships between Markham, Milton Bradley, and Klamer and Linkletter—who had co-founded Link Research Corporation to control their joint ventures—were set forth in two agreements. Pet. App. 4a-5a. First, Milton Bradley and Link Research entered into a license agreement which granted Milton Bradley the exclusive right to make and sell the game in exchange for a 6% royalty on all sales and a \$5,000 non-refundable advance. *Ibid.* Second, Link Research and Markham entered an assignment agreement whereby Markham assigned all of his right, title, and interest in the game in exchange for 30% of Link Research's 6% royalty on sales of the game, and compensation for the costs of producing the prototype. *Id.* at 5a.

Milton Bradley began selling The Game of Life in 1960. Pet. App. 5a. Milton Bradley eventually registered copyrights in the game, identifying itself as the author.⁵ *Ibid.* The Game would become a hit, remaining one of Milton Bradley's (and now Hasbro's, after acquiring Milton Bradley) most profitable games over the past 60 years. *See id.* at 32a.

⁵ Because the copyright to The Game existed prior to January 1, 1976, it remains protected under the provisions of the 1909 Act. Pet. App. 10a.

III. Procedural Background

Petitioners—Markham’s heirs—brought this declaratory judgment action in the U.S. District Court for the District of Rhode Island, seeking a declaration that they could exercise Markham’s right to terminate the assignment to Link Research under 17 U.S.C. § 304(c). Pet. App. 6a, 23a-25a. Petitioners argued that because Markham had created The Game on commission as an independent contractor, he retained the copyright under the 1909 Act and was entitled to exercise termination rights under the 1976 Act. After a bench trial, however, the district court concluded that The Game was a work for hire and, therefore, Markham was ineligible for termination rights under the 1976 Act. *Id.* at 2a, 38a-44a. The court did not question petitioners’ claim that Markham was an independent contractor and not an employee. But under the circuit’s prevailing instance-and-expense test, that made no difference. *See id.* at 36a-38a (applying test from *Forward*, *supra*).

On appeal, the First Circuit affirmed. The court first concluded that it was required, under the law-of-the-circuit doctrine, to apply the instance-and-expense test. Pet. App. 11a-13a. The court acknowledged that *Reid* had rejected that test for cases under the 1976 Act. *Id.* at 13a-14a. But it noted that a prior panel had continued to apply the instance-and-expense test even after *Reid*. *Ibid.* In any event, the court declared that even if it “had authority to abrogate” the prior rule, “we would be disinclined to do so in this case,” for two reasons. *Id.* at 14a. First, the court was “skeptical that the Supreme Court, in construing the 1976 Act, causally and implicitly did away with a well-established test under a different Act.” *Ibid.* Second,

it observed that “the Second and Ninth Circuits have determined that *Reid* does not require abandonment of the” test. *Id.* at 14a-15a (citing *Twentieth Century Fox Film Corp. v. Entm’t Distrib.*, 429 F.3d 869, 878 (9th Cir. 2005), and *Hogarth*, 342 F.3d at 162-63).

Applying the instance-and-expense test, the First Circuit then upheld the district court’s determination that *The Game of Life* was a work for hire. Pet. App. 15a-22a.

REASONS FOR GRANTING THE PETITION

As this case illustrates, the scope of the work-for-hire doctrine has important implications for rights in thousands of commissioned works first copyrighted prior to 1978. In *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), this Court rejected the instance-and-expense test as a judicial invention untethered to the text or history of the Act, specifically relying on the fact that the 1909 version of the statute limited works for hire to works produced in the course of a traditional employment relationship. Yet several circuits—including the Second and Ninth, which hear an outsized portion of the Nation’s copyright cases—continue to apply the discredited test to 1909 Act cases. Meanwhile, the Eleventh Circuit has held that prior incident-and-expense precedent under the 1909 Act did not survive *Reid*. See *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486 (11th Cir. 1990). And the principal copyright treatises have long criticized the doctrine as untethered from the statute and in conflict with its purposes. See 1 Melville B. Nimmer et al., *Nimmer on Copyright* § 5.03[B], Lexis (database updated Aug. 2021) (“Nimmer”); 3 Nimmer § 9.03[D]; 2 William F. Patry, *Patry on Copyright*

§ 5.45, Westlaw (database updated Mar. 2021) (“Patry”).

The Court should not allow such conflict and error to persist. To be sure, eventually the question presented will become unimportant as the copyrights under the 1909 Act expire. But given the near 100-year duration of many copyrights, that day is at least fifty years into the future. The Court should take this opportunity to reject circuits’ continued refusal to take *Reid* seriously and to restore the historic meaning of the Copyright Act as Congress intended it to operate.

I. The Instance-And-Expense Test Conflicts With This Court’s Decision In *Reid* And The Plain Meaning Of The 1909 Act.

Certiorari is warranted first because the instance-and-expense test, while accepted by several circuits, is irreconcilable with this Court’s decision in *Reid* and the plain meaning of the 1909 Act.

1. In *Reid*, the Court considered whether copyright in a sculpture belonged to the artist who created it or to the party that commissioned the work. The 1976 Act included a definition of “work made for hire” that had two parts. The first encompassed a “work prepared by an employee within the scope of his or her employment.” 17 U.S.C. § 101(1). The second, and seemingly more applicable provision, extended to certain “work[s] specially ordered or commissioned” (like an atlas), “if the parties expressly agree in a written instrument” that the copyright will go to the commissioners. *Id.* § 101(2). Because the sculpture did not qualify under the second subsection for commissioned works, the petitioner was forced to argue that the sculptor was its “employee” within the

meaning of the first subsection of the definition. *Reid*, 490 U.S. at 738.

In doing so, the petitioner relied on the Second Circuit's decision in *Brattleboro Publishing Co. v. Winmill Publishing Co.*, 369 F.2d 565 (2d Cir. 1966), and other cases applying versions of the incident-and-expense test under the 1909 Act. 490 U.S. at 748-49. Petitioner reasoned that the 1909 Act awarded rights in a work for hire in the "employer," that the incident-and-expense test was therefore a gloss on what it meant to be an "employer" under the 1909 Act, and that Congress intended to carry forward that interpretation in the 1976 provision addressing a "work prepared by an employee." *See id.* at 749.

This Court unanimously rejected that argument root and branch. The Court explained that "where Congress uses terms that have accumulated settled meaning under the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms." 490 U.S. at 739 (citation and alterations omitted). And since well before the 1909 Act, the words "employer" and "employee" had been understood to "describe the conventional master-servant relationship as understood by common-law agency doctrine." *Id.* at 740 (collecting authorities).⁶

In addition, the Court explained that courts had long "concluded that the work for hire doctrine codified in [the 1909 Act] referred only to works made by employees in the regular course of their employment,"

⁶ *See also, e.g., Black's Law Dictionary* 421-22 (2d ed. 1910) (same); *Restatement (First) of Agency* § 220(2) (1933) (same).

in contrast to “commissioned works.” 490 U.S. at 744. And while acknowledging the late expansion of the doctrine to commissioned works by *Brattleboro* and similar decisions, this Court explained that “the structure of the work for hire provisions” in the 1976 Act “was fully developed in 1965, and the text was agreed upon in essentially final form by 1966.” *Id.* at 749. “At that time,” this Court explained, “the courts had applied the work for hire doctrine under the 1909 Act exclusively to traditional employees.” *Ibid.* It was “not until after the 1965 compromise was forged and adopted by Congress that a federal court for the first time applied the work for hire doctrine to commissioned works.” *Ibid.* (citing *Brattleboro*, 369 F.2d at 567-68) (footnote omitted).

2. The textual question under the 1909 Act is materially identical to the one this Court answered in *Reid*. The 1909 Act gives rights in works for hire to an “employer,” 17 U.S.C. § 26 (Supp. I 1947), while the question in *Reid* was whether a commissioned work could be considered “prepared by an employee,” 490 U.S. at 732. *Reid* held that both terms—employer and employee—must be understood to refer to a traditional, common law employment relationship, thereby excluding cases involving a commission to an independent contractor. *Id.* at 739-43, 751. And in explaining that decision, the Court directly addressed the meaning of the 1909 Act, twice confirming that it was limited to traditional employment relationships. *Id.* at 743-44, 748-49. Finally, the Court identified cases like *Brattleboro* as late-breaking departures from that settled understanding that lacked even prospective congressional approval. *Id.* at 748-49.

3. Nothing in the history or purposes of the 1909 Act provides a basis for distinguishing *Reid*. What would be codified as Section 26 of the 1909 Act was included by Congress to address a specific problem. Publishers of encyclopedias and dictionaries traditionally had to obtain assignments from all of their employees covering every section of the encyclopedias or dictionaries drafted by the employees, which could be a laborious and time-intensive task. See Barbara A. Ringer, 86th Cong., Copyright Law Revision Study No. 31: Renewal of Copyright 137-38 (Comm. Print 1961) (1960).⁷ Thus, these publishers lobbied Congress to provide for automatic transfer of copyrights over the sections of collected works drafted by their employees once the employees completed or updated the individual sections of the work. Fisk, *supra*, at 62-67.

But, as recognized in the authoritative *Stenographic Report of the Proceedings of the Librarian's Conf. on Copyright*, 2d Sess. (Nov. 1-4, 1905),⁸ the limited rights granted to publishers to obtain a copyright in a collected work is fundamentally different from the rights retained by an independent contractor. As that Report noted, the “right belonging to that artist who is employed for the purpose of making a work of art so many hours a day . . . should be very different from the right that is held by the

⁷ See also Catherine L. Fisk, *Authors at Work: The Origins of the Work-for-Hire Doctrine*, 15 Yale J.L. & Humans. 1, 62-67 (2003).

⁸ Republished in 2 *Legislative History of the 1909 Copyright Act* (E. Fulton Brylawski & Abe Goldman eds., 1976).

independent artist.” Fisk, *supra*, at 65 (quoting 2 *Legislative History of the 1909 Copyright Act* 188).

Similarly, in preparation for drafting the 1976 Act, Congress commissioned a study to propose changes to the 1909 Act. In a report from that study focused on works for hire, the study explained that contemporaneous materials at the time of drafting the 1909 Act clarified “that section 26 refers only to works made by salaried employees in the regular course of their employment.” Borge Varmer, 86th Cong., Copyright Law Revision Study No. 13: Works Made for Hire and on Commission 130 (Comm. Print 1960) (1958). Similarly, the study pointed to a previous draft of the 1909 Act (dated March 2, 1906) that defined work for hire “in terms of salaried employment.” *Id.* at 128.

4. Finally, nothing in the 1976 Act itself justifies applying the instance-and-expense test to works copyrighted under the 1909 Act.

To start, *Reid* expressly rejected the suggestion that the 1976 legislation ratified *Brattleboro* or similar cases that treated commissioned works as works for hire under the 1909 statute. *Reid*, 490 U.S. at 748-49.

In addition, the text of the statute itself reflects that Congress intended the 1976 Act to provide a limited *extension* of the doctrine to only *some* commissioned works. 490 U.S. at 742-48. That understanding is apparent in Congress’s decision to treat “employers” and those who commission works as distinct and separate categories for purposes of the work-for-hire doctrine, awarding the rights in the work to “the employer *or* other person for whom the work was prepared.” 17 U.S.C. § 201(b) (emphasis

added). That distinction tracked the two-pronged definition of a “work made for hire” that treats separately works by an “employee” and works made on “commission[],” *id.* § 101. But as in *Reid*, respondents here can claim a copyright in the Game of Life only by collapsing that distinction and claiming that commissioning parties and common law masters are *both* “employers” within the meaning of the 1909 Act.

The First Circuit’s construction of the work-for-hire doctrine is thus particularly anomalous in a termination case such as this. While the 1976 Act’s termination provision includes a carve out for “works made for hire,” that phrase is a defined term in the 1976 Act. *See* 90 Stat. at 2544, 2569. No one claims that Markham’s creation was a “work made for hire” so defined. Yet, the First Circuit nonetheless concluded that Congress intended to withhold termination rights from petitioners because some courts had adopted a different conception of works for hire in the 1960s—a conception that Congress rejected in the 1976 Act itself. *See Reid*, 490 U.S. at 748-49.

Accordingly, the decision below conflicts not only with the purposes of the 1909 Congress (which intended to exclude independent contractors from the work-for-hire doctrine) but also with the text and purposes of the 1976 Act (which intended to extend termination rights to independent contractors like Markham).

It is no surprise, then, that the two most influential treatises on copyright law agree that the instance-and-expense test has been improperly applied to the 1909 Act. According to Nimmer, the decisions applying the test to potential works for hire by independent contractors are “wrong both on

principle and under the rule of early cases.” 3 Nimmer § 9.03[D] (footnotes omitted); *see also* 1 Nimmer § 5.03[B]. Patry explains that the modern approach in the Second and Ninth Circuit have highlighted the “worst features” of the instance-and-expense test, which is “a football field wide loophole for work for hire treatment under the 1909 Act.” 2 Patry § 5.45.

II. The Circuits Are Divided Over Whether The Instance-And-Expense Test Survives *Reid* In 1909 Act Cases.

Certiorari is further warranted because the circuits are divided over whether the instance-and-expense test can apply to 1909 Act cases after *Reid*.

A. The Eleventh Circuit Has Heeded *Reid* While The First, Second, And Ninth Circuits Persist In Applying Their Instance-And-Expense Precedents To 1909 Act Cases.

As noted above, the Second and Ninth Circuits have refused to reconsider their instance-and-expense precedents in 1909 cases after *Reid*, as did the First Circuit in this case. *See Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc.*, 342 F.3d 149, 158-62 (2d Cir. 2003); *Twentieth Century Fox Film Corp. v. Entm’t Distrib.*, 429 F.3d 869, 877-78 (9th Cir. 2005); Pet. App. 14a-15a.

In contrast, the Eleventh Circuit has recognized that *Reid* abrogated prior decisions extending the work-for-hire doctrine to independent contractors under the 1909 Act. In *M.G.B. Homes*, the Eleventh Circuit held that its 1909 Act instance-and-expense authority “is no longer valid precedent because . . . its

rationale was rejected by [*Reid*].” 903 F.2d at 1490-91.⁹ The court then explained how *Reid*’s analysis should leave little question that there is a distinction between traditional employees and independent contractors in how the work-for-hire doctrine is applied. *Ibid.* Although *M.G.B. Homes* arose under the 1976 Act, the court did not base its rejection of the instance-and-expense test on that ground alone. *See id.* at 1490-91 (citing *Reid* as an independent reason why the circuit’s 1909 Act precedent was abrogated). That alternative holding is binding in 1909 Act cases. *See Hitchcock v. Sec’y, Fla. Dep’t of Corr.*, 745 F.3d 476, 484 n.3 (11th Cir. 2014) (“[A]n alternative holding is not dicta but instead is binding precedent.”).

B. This Court Should Resolve The Conflict Now.

The First, Second, and Ninth Circuits’ refusals to reconsider their precedents in the face of *Reid*, or to offer any reasoned legal analysis in support of the instance-and-expense test, demonstrate the need for the Court’s immediate intervention and the futility of waiting for further percolation.

As several circuits, including the Second, have acknowledged, the instance-and-expense test is not the product of anything resembling modern legal analysis. *See Marvel Characters, Inc. v. Kirby*, 726 F.3d 119, 137-38 (2d Cir. 2013). The initial cases,

⁹ The decision in question was from the Fifth Circuit prior to its subdivision into the Fifth and Eleventh Circuits. *See* 903 F.2d at 1490-91 (citing *Murray v. Gelderman*, 566 F.2d 1307, 1309-10 (5th Cir. 1978)); *see also Bonner v. City of Prichard*, 661 F.2d 1206, 1207 (11th Cir. 1981) (en banc) (adopting the Fifth Circuit’s pre-division precedent as binding Eleventh Circuit authority).

seemingly through inadvertence, extended what had been a presumption about implied assignments into a dramatic expansion of the work-for-hire doctrine well beyond its historic boundaries and the statutory text. And while later cases recognized the shift, courts viewed themselves bound by that accidental precedent and stuck to it, never even attempting to justify their circuit law as consistent with the statute.

As a consequence, the law in these circuits is largely the product of an unreasoned drift in the precedents. To the extent the current test is not simply a mistake, it is founded in the freewheeling policy analysis of 1960s-era courts that viewed themselves as empowered to develop new copyright rules that made sense to them but had no basis in the actual statute they were purporting to enforce. *See supra* 6-9.

An issue of such “profound significance for freelance creators” as well as “for the publishing, advertising, music, and other industries which commission their works,” *Reid*, 490 U.S. at 737, should be resolved through thoughtful legal analysis, not historical accident or bare judicial fiat.

There is no reason to believe that such an analysis will be forthcoming absent this Court’s intervention. Even after *Reid*, the First, Second, and Ninth Circuits have refused to provide any meaningful justification for retaining their instance-and-expense precedent. Instead, they have largely been content to claim that this Court’s analysis of the 1909 Act was dicta and cite to each others’ precedents refusing to give the matter any further consideration. *See* Pet. App. 14a-15a; *Twentieth Century Fox*, 429 F.3d at 878; *Hogarth*, 342 F.3d at 163. Certainly, none has provided any basis

for disputing this Court’s conclusion that the incident-and-expense test is an atextual, ahistorical judicial revision of the original statute. *See Hogarth*, 342 F.3d at 163 (arguing that Second Circuit judges (not Congress) “erased” the distinction “between employees and independent contractors”) (citation omitted); *Twentieth Century Fox*, 429 F.3d at 878 n.2 (faulting *Reid* for failing to recognize that “in the final ten years that it was effective, the 1909 Act work-for-hire doctrine expanded to include independent contractors,” as if the meaning of the statute could change after 60 years).

Accordingly, further useful developments cannot be expected from the First, Second, or Ninth Circuits. And while it is conceivable that other circuits could yet weigh in on the question presented, the percolation benefit to the Court would be minimal. Given their positions as homes to the publishing and entertainment industries, the Second and Ninth Circuits hear the bulk of the Nation’s copyright cases.¹⁰ It follows that opportunities for other courts to weigh in will be few and far between. Moreover, given their influence, other courts routinely adopt the

¹⁰ William K. Ford, *Judging Expertise in Copyright Law*, 14 J. Intell. Prop. L. 1, 41 (2006) (noting that, dating to the 1970s, the Second and Ninth Circuits issued over 40% of published opinions annually on copyright matters); *Just the Facts: Intellectual Property Cases—Patent, Copyright, and Trademark*, U.S. Courts (Feb. 13, 2020), <https://bit.ly/3aVakUP> (in 2018, 23% of copyright cases were filed in New York federal court and 20% were filed in California federal court, with the next highest jurisdiction (New Jersey) having less than 7% of cases).

Second and Ninth Circuits' copyright precedents as their own,¹¹ without further significant analysis.¹²

Nor is the question of such difficulty that the Court should hesitate to resolve it without greater percolation in the lower courts, particularly given the extensive consideration the Court already conducted in *Reid*.

III. The Question Presented Is Recurring And Important.

Finally, the Court should act now given the importance of the question presented and the need for clarity in the law for creators and publishers alike.

1. The scope of creators' ownership rights under the Copyright Acts is a matter of immense importance to both the development of the arts and culture in our country, and to the role of intellectual property law in incentivizing artistic expression. As *Reid* explained,

¹¹ *Gracen v. Bradford Exch.*, 698 F.2d 300, 305 (7th Cir. 1983) (calling Second Circuit “the nation’s premier copyright court”); Mark P. Gergen, John M. Golden & Henry E. Smith, *The Supreme Court’s Accidental Revolution? The Test for Permanent Injunctions*, 112 Colum. L. Rev. 203, 218 n.74 (2012) (“In the context of U.S. copyright law, the conclusions of the Second and Ninth Circuits are particularly significant because of their status as leading copyright law jurisdictions.”); Ford, *supra*, at 41-42 (empirical analysis placing the Second and Ninth Circuits as most influential circuits in development of copyright law by a significant margin); *see also, e.g., Nelson v. Grisham*, 942 F. Supp. 649, 652 n.1 (D.D.C. 1996) (adopting Second Circuit test without analysis because “the Second Circuit . . . is by far the most experienced in matters of copyright infringement”).

¹² For the same reasons, in this particular case, the lack of a broader circuit conflict does not provide any reason to believe that the majority rule is correct (and, therefore, in no need of review).

the scope of ownership rights in a work “not only [dictates] the initial ownership of its copyright, but also the copyright’s duration, and the owners’ renewal rights, termination rights, and right to import certain goods bearing the copyright.” 490 U.S. at 737 (citations omitted). Although artistic expression often transcends economic incentives, the expansive bundle of rights granted through copyright ownership is unquestionably critical to maintaining a commercially viable and diverse artistic community.

Congress has consistently sought to protect the ownership rights of creators through the Copyright Acts. *See supra* 5, 9-11. Indeed, a central reason why Congress included a termination right in the 1976 Act was its recognition that creators faced severe power imbalances in negotiating assignment agreements with publishers, and Congress sought to provide additional benefits to the original owners of the works through the power to terminate those assignments. *Ibid.* Congress understood that there was an entire class of creators—independent developers and “freelance creators—including writers, photographers, designers, composers, and computer programmers”—that had suffered under inequitable assignments, and it used the 1976 Act to return some of the value created by that artistic expression back to its original creators and owners. *Ibid.*

The instance-and-expense test, however, places a heavy thumb on the scale in favor of the *publishers*, not the original owners of the works that Congress has continually sought to protect.

2. Litigation over the work-for-hire doctrine is also commonplace, arising in a wide range of contexts throughout the country.

For example, Disney and Marvel recently filed multiple suits against artists involved in creating some of Marvel's most iconic characters. *See, e.g.*, Brooks Barnes, *Disney Sues to Keep Complete Rights to Marvel Characters*, N.Y. Times (Sept. 24, 2021), <https://nyti.ms/3C2i4zu> (Disney and Marvel recently filed suit challenging copyright termination notices involving commissioned works for characters such as Iron Man, Spider-Man, Doctor Strange, and Thor).

But the issue arises in many other cases and contexts as well. *See, e.g.*, *Stern v. Lavender*, 319 F. Supp. 3d 650 (S.D.N.Y. 2018); *Sid Bernstein Presents, LLC v. Apple Corps Ltd.*, 2017 WL 4640149 (S.D.N.Y. July 26, 2017); *Skidmore v. Led Zeppelin*, 2016 WL 1442461 (C.D. Cal. Apr. 8, 2016); *TufAmerica, Inc. v.Codigo Music LLC*, 162 F. Supp. 3d 295 (S.D.N.Y. 2016); *Lewin v. Richard Avedon Found.*, 2015 WL 3948824 (S.D.N.Y. June 26, 2015); *Urbont v. Sony Music Ent.*, 100 F. Supp. 3d 342, 352 (S.D.N.Y. 2015), *aff'd in part, vacated in part*, 831 F.3d 80 (2d Cir. 2016); *Marvel Worldwide, Inc. v. Kirby*, 777 F. Supp. 2d 720 (S.D.N.Y. 2011), *aff'd in part, vacated in part, Kirby, supra*; *Fifty-Six Hope Rd. Music Ltd. v. UMG Recordings, Inc.*, 2010 WL 3564258 (S.D.N.Y. Sept. 10, 2010); *Brumley v. Albert E. Brumley & Sons, Inc.*, 2010 WL 1439972 (M.D. Tenn. Apr. 9, 2010); *Perrey v. Televisa S.A. de C.V.*, 2010 WL 11462884 (C.D. Cal. Mar. 25, 2010); *Siegel v. Warner Bros. Ent. Inc.*, 658 F. Supp. 2d 1036 (C.D. Cal. 2009); *Warren Publ'g Co. v. Spurlock*, 645 F. Supp. 2d 402 (E.D. Pa. 2009); *Brevet Press, Inc. v. Fenn*, 2007 WL 9773251 (D.S.D. Sept. 17, 2007); *Siegel v. Time Warner Inc.*, 496 F. Supp. 2d 1111 (C.D. Cal. 2007); *Livingston v. Morgan*, 2007 WL 2140900 (N.D. Cal. July 25, 2007);

Maldonado v. Valsyn, S.A., 2006 WL 8450157 (D.P.R. Nov. 8, 2006); *Piche v. Warner Bros., Inc.*, 2006 WL 8449116 (C.D. Cal. May 16, 2006).¹³

3. That this petition involves an interpretation of the 1909 Act, as opposed to the 1976 Act, does not diminish its importance or the likelihood that the issue will recur. The full term of copyright protection for many works copyrighted under the 1909 Act is nearly a century. That means that many works written in the 1960s and 1970s will continue to be protected under the terms of the 1909 Act for another 30-50 years. *See supra* 12-13.

This includes countless works of art, books, sculpture, movies, photography, and music. The 1909 Act governs some of the most important pieces of creative expression in our history, spanning from the Roaring 20s through the Great Depression, World War II, the post-War period, and the turbulent 60s and 70s. *See, e.g., Twentieth Century Fox*, 429 F.3d at 872 (deciding whether General Dwight D. Eisenhower's written account of World War II was a work for hire). Such works of art, music, and movies represent contemporary expositions of some of the most triumphant and turbulent times in our Nation's history.

Works for hire are common across disciplines in the arts, including movies, comic books, paintings and sculptures, and sound recordings. Many famous works in these disciplines could potentially fall within the purview of the work-for-hire doctrine under the

¹³ As this list illustrates, such litigation is overwhelming filed in the Second and Ninth Circuits (as were the recent suits by Disney and Marvel).

1909 Act. This could potentially include early cinema—*Gone with the Wind* (1939), *Snow White* (1937), *Citizen Kane* (1941), and *Casablanca* (1942)—to more recent classics—*The Godfather* and *The Godfather Part II*, *Rocky*, *2001: A Space Odyssey*, and *Star Wars*; famous comic book characters like *Superman* (1938) and *Batman* (1939); artwork by celebrated artists like Andy Warhol; and influential sound recordings from the early 1970s—including Stevie Wonder, the Temptations, Marvin Gaye, Paul Simon, Lynyrd Skynyrd, the Eagles, John Denver, Fleetwood Mac, and James Taylor. And the more recent of these works, published in the last half of the 1960s through the mid-1970s, could receive protection under the 1909 Act through the 2060s and into the early 2070s. Thus, the importance of ownership rights of works protected by the 1909 Act will not soon wane.

Further, the economic importance of these works will only continue to grow, along with a concomitant likelihood of litigation. The dispute in *Kirby*, as well as the recent suits filed by Disney and Marvel, involved the ownership rights over Marvel comics characters created prior to the 1976 Act, but now are at the center of one of today's most profitable movie franchises. Similarly, *The Game of Life* at issue in this case is protected under the 1909 Act, but continues to be one of Hasbro's most successful products.

Accordingly, resolving the proper standard for determining a work for hire under the 1909 Act presents a recurring issue that requires resolution now, before more creators are deprived of the rights Congress provided to them under the Copyright Acts.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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November 10, 2021

APPENDIX

APPENDIX A

**UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT**

No. 19-1927

MARKHAM CONCEPTS, INC.; LORRAINE
MARKHAM, individually and in her capacity as
trustee of the Bill and Lorraine Markham Exemption
Trust and the Lorraine Markham Family Trust;
SUSAN GARRETSON,
Plaintiffs, Appellants,

v.

HASBRO, INC.; REUBEN KLAMER; DAWN
LINKLETTER GRIFFIN; SHARON LINKLETTER;
MICHAEL LINKLETTER; LAURA LINKLETTER
RICH; DENNIS LINKLETTER; THOMAS FEIMAN,
in his capacity as co-trustee of the Irvin S. and Ida
Mae Atkins Family Trust; ROBERT MILLER, in his
capacity as co-trustee of the Irvin S. and Ida Mae
Atkins Family Trust; MAX CANDIOTTY, in his
capacity as co-trustee of the Irvin S. and Ida Mae
Atkins Family Trust,
Defendants, Appellees,
IDA MAE ATKINS,
Defendant.

APPEAL FROM THE UNITED STATES DISTRICT
COURT FOR THE DISTRICT OF RHODE ISLAND
[Hon. William E. Smith, *U.S. District Judge*]

2a

Before

Thompson, Lipez, and Kayatta,
Circuit Judges.

* * *

June 14, 2021

LIPEZ, *Circuit Judge.* “The Game of Life” is a classic family board game, introduced in 1960 by the Milton Bradley Company to great success. This case involves a long-running dispute between Rueben Klammer, a toy developer who came up with the initial concept of the game, and Bill Markham, a game designer whom Klammer approached to design and create the actual game prototype. Eventually, their dispute (which now involves various assignees, heirs, and successors-in-interest) reduced to one primary issue: whether the game qualified as a “work for hire” under the Copyright Act of 1909. If it did, Markham’s successors-in-interest would not possess the termination rights that would allow them to reassert control over the copyright in the game. After considering the evidence produced at a bench trial, the district court concluded that the game was, indeed, such a work. Plaintiff-appellants, who all trace their interest in the game to Markham, challenge that determination. We affirm.

I.

We begin with a summary of the facts, as found by the district court. In 1959, Bill Markham, an experienced game designer and the head of a California-based product development company, was

approached by Rueben Klamer, a toy developer with extensive industry contacts. Klamer had just visited Milton Bradley's Massachusetts headquarters, where he had been asked to develop an idea for a product that would commemorate the company's 1960 centennial. While searching for inspiration in the company's archive, he discovered a copy of the company's first board game: "The Checkered Game of Life," created by Milton Bradley himself in 1860. The original game was intended to instill its youthful players with lessons about vice and virtue. Klamer saw potential in an updated version, modified to reflect contemporary American society and values. On the trip back to California, Klamer developed the concept, even scribbling some thoughts on the flight home. Klamer was more of an ideas person, though, and he needed help developing the concept and creating a working prototype that could be pitched to Milton Bradley. Klamer chose Markham's firm partly because of two talented artists who worked there: Grace Chambers and Leonard Israel.

Markham and his team started work on the project in the summer of 1959. To ensure that a product launch coincided with Milton Bradley's 1960 centennial, they rushed to produce a prototype in just a few weeks. Markham and Klamer together contributed key features of the game: play would advance along a track winding through a three-dimensional game board, with a spinner determining how far players would move on each turn (thereby progressing through various "life milestones"). Klamer visited Markham's firm once or twice per week to offer feedback on the development of the physical game board and the box cover. Chambers built most of the

prototype board. She constructed houses, mountains, and the elevated track out of balsa wood, cardboard, and paper. Israel focused on the art for the prototype's box cover. He produced various sketches, Markham and Klamer chose the one they liked best, and Chambers integrated it into a box cover. As the game took shape, Markham, Klamer, Chambers, and Israel would all play the prototype together, suggesting (and vetoing) various rules and refinements. Sue Markham, Bill's wife and a copywriter by trade, memorialized the agreed-upon changes in what became the prototype's rulebook.

After approximately six weeks, the prototype was ready. At a meeting at Chasen's (a famous Hollywood restaurant), Klamer and Markham pitched it to a group of Milton Bradley executives. Also present was an associate of Klamer's, Art Linkletter, a well-known radio and television personality. Klamer and Linkletter were co-founders of a company called Link Research Corporation, which developed products and used Linkletter's celebrity to promote them. Part of the pitch was that Linkletter could help market the game. The pitch worked. The Milton Bradley executives liked the game and thought that it had commercial potential.

The parties subsequently entered into two agreements regarding rights to the game. The first was a license agreement between Link Research and Milton Bradley. It gave Milton Bradley the exclusive right to make and sell the game and noted that Link Research "ha[d] had . . . [the game] designed and constructed." The license agreement also gave Milton Bradley the right to use Linkletter's name and image in promoting the game. In exchange, Link Research

would receive a six percent royalty on sales, including a \$5,000 non-refundable advance. The second was an assignment agreement between Link Research and Markham. Stating that Markham had “invented, designed[,] and developed [the] game,” it assigned “all of [Markham’s] right, title[,] and interest in and to the Game[] to LINK.” In exchange, it gave Markham thirty percent of Link Research’s six percent royalty, including a \$773.05 non-refundable advance. It also noted that Markham would be paid \$2,423.16 to cover the costs of producing the prototype. In fact, Klamer had agreed at the beginning of the project to cover Markham’s costs, and Markham had already billed Link Research for his expenses (including the salaries of Chambers and Israel and the cost of the materials used to create the prototype). Klamer ultimately paid Markham’s bill from the \$5,000 Milton Bradley advance.

Milton Bradley, meanwhile, began refining the prototype and made some design changes, often with input from Markham and Klamer. It ultimately published the game in early 1960. Milton Bradley applied to register copyrights in the game board and rules later that year, identifying itself as the author of both. Separately, Link Research applied for copyright registration of the game’s box, and likewise identified Milton Bradley as the author. The game was a hit, and even today remains a money-maker for Hasbro, which acquired Milton Bradley (and rights to the game) in the 1980s.

In the decades following publication, however, Markham and Klamer clashed (in and out of court) over who deserved credit for creating the game. Generally speaking, Markham felt that he was not

given proper public recognition for his role, and that his share of the royalties under the assignment agreement was unfairly low. Markham passed away in 1993.

This litigation is the latest chapter in the dispute over the origins of the game. Markham's successors-in-interest sued Klamer, the heirs of Art Linkletter, and Hasbro, seeking (among other things) a judicial declaration that they possess "termination rights" under the 1976 Copyright Act. Such rights give the authors of works the power to terminate the grant of a copyright after a certain period of time, *see* 17 U.S.C. §§ 203, 304(c), and 304(d),¹ thereby permitting them to extricate themselves from "ill-advised" grants made before the "true value" of their work was apparent. *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172-73 (1985). With termination rights, Markham's successors-in-interest would be able to cancel the original assignment agreement and presumably negotiate a more lucrative royalty deal. There is, however, a crucial qualifier. As all parties agree, termination rights do not extend to "work[s] made for

¹ These various termination provisions apply in different circumstances. Here, because the copyright in the game was secured, and any relevant grant was executed, before 1978, § 304(c) governs. It provides:

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 under the following conditions: [listing conditions].

17 U.S.C. § 304(c).

hire.” 17 U.S.C. § 304(c); *see also* 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 11.02[A][2] (2020) (noting that the law “disallow[s] all works for hire from termination”). Accordingly, whether the game qualified as a work for hire became the focal point of the case.

After a bench trial (which included testimony from Klamer, Chambers, and Israel), the district court concluded that the game *was* a work for hire under the so-called “instance and expense” test. Specifically, the court found that Klamer “provided the instance for and b[ore] the expense of the prototype’s invention.” As a result, according to the court, Markham’s successors-in-interest lacked termination rights under the 1976 Copyright Act. They now challenge that conclusion on appeal, arguing that the district court erred in using the instance and expense test, and, even under that test, reached the wrong conclusion. They also challenge the court’s failure to strike one of the defendants’ discovery responses.

II.

A. Standard of review

When reviewing a district court’s judgment following a bench trial, we defer to the court’s findings of fact (unless clearly erroneous), but not to its legal conclusions (which we consider *de novo*). *See Rojas-Buscaglia v. Taburno-Vasarhelyi*, 897 F.3d 15, 23 (1st Cir. 2018). A more flexible standard governs so-called mixed questions of fact and law. *See In re IDC Clambakes, Inc.*, 727 F.3d 58, 64 (1st Cir. 2013) (“The more fact intensive the question, the more deferential the level of review (though never more deferential

than the ‘clear error’ standard); the more law intensive the question, the less deferential the level of review.”).

B. What work-for-hire test applies?

1. Doctrinal background

American copyright law has long recognized that a work created by an employee belongs to the employer, who is then viewed as the author and copyright holder. See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 248 (1903). This judge-made doctrine was “later codified in the Copyright Act of 1909.” *Forward v. Thorogood*, 985 F.2d 604, 606 (1st Cir. 1993). However, the 1909 Act did not provide much detail. It indicated that “[t]he word ‘author’ shall include an employer in the case of works made for hire,” 17 U.S.C. § 26 (1976 ed.) (1909 Act), but did not define “employer” or “works made for hire.” As a result, “the task of shaping these terms fell to the courts.” *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 744 (1989).

Initially, courts limited the doctrine to “the traditional employer-employee relationship,” that is, to “a work created by an employee acting within the scope of employment.” *Forward*, 985 F.2d at 606. Later, however, courts extended the doctrine “to include commissioned works created by independent contractors.” *Id.* In these situations, courts would “treat[] the contractor as an employee and creat[e] a presumption of copyright ownership in the commissioning party at whose ‘instance and expense’ the work was done.” *Id.*; see also 1 *Nimmer on Copyright* § 5.03[B][1][a][i] (noting that, under the 1909 Act, “the courts expanded the definition of ‘employer’ to include a hiring party who had the right

to control or supervise the artist's work"). In practice, this test often favors the hiring party. See Roger E. Schechter & John R. Thomas, *Principles of Copyright Law* § 5.2.1 (1st ed. 2010) (noting that, "[e]ven in situations very far removed from the typical employer-employee case," the test "was often satisfied because the hiring party was the one who was the 'motivating factor' for the project and who had at least a theoretical 'right to supervise' the work").

In the Copyright Act of 1976, Congress introduced a more explicit, two-part framework that applied to works created on or after January 1, 1978 (the effective date of the Act). 17 U.S.C. § 101; *Forward*, 985 F.2d at 605. The 1976 Act defined a "work made for hire" as either:

- (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, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

17 U.S.C. § 101. By adopting this two-part definition, Congress seemingly "meant to address the situation of the full-time or conventional employee in the first provision, and the situation of the independent contractor in the second." *Principles of Copyright Law* § 5.2.2. Significantly, Congress's new approach was

friendlier to commissioned parties than under the 1909 Act, at least in certain ways. In the absence of an employee-employer relationship, only specific kinds of works could be treated as works for hire, and then only if there was a written agreement to do so. *See id.*

The latest relevant development, for our purposes, came in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989). *Reid* dealt with the proper interpretation of “a work prepared by an employee within the scope of his or her employment” — that is, the first way in which a work can qualify as a work for hire under the 1976 Act. 490 U.S. at 738 (quoting 17 U.S.C. § 101(1)). Noting that the Act did not define “employee,” *Reid* explained that the term should “be understood in light of the general common law of agency.” *Id.* at 739-41. In so holding, the Court rejected an approach to § 101(1), adopted by some circuits, that had deemed a hired party an “employee” if the hiring party had “a right to control” or “actual control of” the work. *Id.* at 742.

2. Discussion

Because The Game of Life was created long before the 1976 Act took effect, there is no question that the standard for a work for hire under the 1909 Act governs. *See Forward*, 985 F.2d at 606 n.2 (noting that the 1976 Act “altered the works for hire doctrine,” but only “prospectively”). However, appellants claim that the instance and expense test — the prevailing approach under the 1909 Act for determining whether a commissioned work is a work for hire — is no longer applicable, even as to pre-1978 works. This is so, they argue, because of *Reid*. Appellants acknowledge that *Reid* addressed the 1976 Act, but they maintain that

its underlying logic applies equally to the 1909 Act. They argue that *Reid* requires courts to read the 1909 Act's reference to "employer"² in light of standard agency principles, and thus forecloses the instance and expense test. In other words, according to appellants, the work-for-hire doctrine under the 1909 Act is limited to works produced under a traditional employer-employee relationship defined by principles of agency law, and does not extend to commissioned works, for which the lower courts developed the instance and expense test. In that circumstance, Markham would retain his status as the original author, a status precluded by the work for hire doctrine, and enjoy the termination rights that go with that original author status. Appellants thus urge us (or the district court on remand) to apply the agency law factors set forth in *Reid* in order to determine whether Klammer qualifies as an employer. Upon doing so, they say, it would be clear that he does not, and the game would therefore not qualify as a work for hire.

Even if we were disposed to appellants' view, however, it does not account for our own precedent. In *Forward*, which was decided four years after *Reid*, we applied the instance and expense test to a work

² *Reid* did not specifically address the meaning of the word "employer" because the provision at issue – the first part of the work-for-hire definition in the 1976 Act – does not use the term. See 17 U.S.C. § 101(1) (referring to "a work prepared by an employee within the scope of his or her employment"). Nonetheless, *Reid* could fairly be read to mean that the term "employer" also should be understood in light of standard agency principles. See 490 U.S. at 740 (noting that, in the past, "we have concluded that Congress intended terms such as 'employee,' 'employer,' and 'scope of employment' to be understood in light of agency law").

governed by the 1909 Act, noting that the test controlled whether a commissioned work qualified as a work for hire. *See id.* at 606. Under our law of the circuit doctrine, we are bound to apply a prior panel decision that is closely on point. *Tomasella v. Nestlé USA, Inc.*, 962 F.3d 60, 83 (1st Cir. 2020) (citing *San Juan Cable LLC v. P.R. Tel. Co.*, 612 F.3d 25, 33 (1st Cir. 2010)). Facing this obstacle, appellants argue that *Forward* is not binding precedent on the validity of the instance and expense test because the applicability of the test was not contested there (and, indeed, both the test and *Reid* were “barely mentioned” in the opinion). We disagree. As we have often observed, “when a statement in a judicial decision is essential to the result reached in the case, it becomes part of the court’s holding.’ The result, along with those portions of the opinion necessary to the result, are binding.” *Arcam Pharm. Corp. v. Faría*, 513 F.3d 1, 3 (1st Cir. 2007) (quoting *Rossiter v. Potter*, 357 F.3d 26, 31 (1st Cir. 2004)).

The facts of *Forward* plainly demonstrate that the instance and expense test was essential to the result there. John Forward was a music aficionado and record collector who became a fan of a band – George Thorogood and the Destroyers – after seeing them play at a Boston nightclub in 1975. *Forward*, 985 F.2d at 604. Drawing on his industry contacts, Forward arranged and paid for two recording sessions for the band at Rounder Records, with the aim of producing a demo tape that would get the attention of the label. *Id.* at 604-05. Besides suggesting specific songs to be recorded, Forward’s input was limited to arranging and paying for the sessions. *Id.* at 605. Rounder Records liked what it heard and signed the band to a

contract; the band agreed that Forward could keep the 1976 demo tapes for his own use and enjoyment. *Id.* More than a decade later, after the band had achieved wider success, Forward informed the band that he was planning to sell the tapes as part of a commercial release. *Id.* The band objected, and Forward sought a declaratory judgment that he held copyright ownership in the tapes. *Id.* In part, he argued that the tapes were commissioned works for hire under the 1909 Act because they were created at his instance and expense – and, thus, he was the presumptive copyright owner. *Id.* at 606.

Applying the instance and expense test, the panel rejected Forward’s argument. *Id.* The panel found that the evidence supported the district court’s conclusion that “although Forward booked and paid for the studio time, he neither employed nor commissioned the band members nor did he compensate or agree to compensate them.” *Id.* In short, “Forward was a fan and friend who fostered [the band’s] effort [to secure a record contract], not the Archbishop of Salzburg [sic] commissioning works by Mozart.” *Id.* Put simply, *Forward* applied the instance and expense test to reach the outcome it did. Accordingly, the panel necessarily held that, post-*Reid*, the instance and expense test remained applicable to commissioned works under the 1909 Act. That holding is binding on us here.

Anticipating that we might conclude that *Forward* is binding, Markham’s successors-in-interest also argue that we are somehow free to “correct” it because the instance and expense test is inconsistent with the Court’s analysis in *Reid*. That argument misses the mark. Although a “controlling intervening

event” – such as “a Supreme Court opinion on the point” – can allow a panel to depart from our court’s precedent, *United States v. Walker-Couvertier*, 860 F.3d 1, 8 (1st Cir. 2017) (quoting *United States v. Chhien*, 266 F.3d 1, 11 (1st Cir. 2001)), that is not the situation here. *Reid* was decided before *Forward*, and, indeed, the *Forward* panel cited *Reid* three times. See 985 F.2d at 605, 606, & 606 n.2. Hence, as a panel, we are not free to abandon *Forward*. See *United States v. García-Cartagena*, 953 F.3d 14, 27-28 (1st Cir. 2020) (rejecting a party’s attempt to cast doubt on an applicable panel decision based on a case decided before that panel decision); *United States v. Troy*, 618 F.3d 27, 36 (1st Cir. 2010) (noting that Supreme Court cases that precede prior panel decisions are “impuissant against the law of the circuit rule”).

Moreover, even if we had authority to abrogate a prior panel opinion on the ground that it misconstrued then-existing Supreme Court precedent, we would be disinclined to do so in this case. While appellants’ view of *Reid* has at least one influential adherent,³ we are skeptical that the Supreme Court, in construing the 1976 Act, casually and implicitly did away with a well-established test under a different Act. We also note that the Second and Ninth Circuits have determined that *Reid* does not require abandonment of the 1909 Act’s instance and expense test. See *Twentieth Century Fox Film Corp. v. Entm’t Distrib.*, 429 F.3d 869, 878

³ See 1 Nimmer on Copyright § 5.03 [B][2][c] n.157 (arguing that the correct view under the 1909 Act is that “A [the hiring party] acquire[s] initial copyright in the work, but that this occur[s] by implied assignment from B, an independent contractor, and not by reason of A’s status as ‘author’ under an employment for hire”).

(9th Cir. 2005), *abrogated on other grounds by Rimini St., Inc. v. Oracle USA, Inc.*, 139 S. Ct. 873 (2019); *Estate of Burne Hogarth v. Edgar Rice Burroughs, Inc.*, 342 F.3d 149, 162-63 (2d Cir. 2003).⁴ And finally, although the Eleventh Circuit noted that some of *Reid*'s observations were in tension with the instance and expense test, see *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486, 1490 (11th Cir. 1990), *abrogated in part by Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 160 & n.2 (2010), those comments were made in a case, like *Reid*, that was governed by the 1976 Act and thus are dicta. See *id.* at 1490 n.10.

In sum, we stand by the approach in *Forward* and reiterate that the instance and expense test applies to works governed by the 1909 Act.

C. Application of the instance and expense test

Even under the instance and expense test, Markham's successors-in-interest insist that they prevail. They offer two arguments, both of which were considered and rejected by the district court. First, they maintain that the game fails to satisfy the second prong of the test because it was not made at Klamer's expense. Second, arguing that the test creates only a *presumption* that the work qualifies as a work for hire, they contend that language in the assignment

⁴ The Supreme Court has also been presented with, but has declined to take up, the question of whether *Reid* abrogated the instance and expense test as to commissioned works. See Pet. for Writ of Cert., *Dastar Corp. v. Random House, Inc.*, No. 05-1259, 2006 WL 849912 at *i (Mar. 28, 2006), *cert. denied*, 548 U.S. 919 (June 26, 2006) (presenting the question of “[w]hether under the Copyright Act of 1909 a commissioning party is an ‘employer’ entitled to renew the copyright in a work for hire”).

agreement between Link Research and Markham is enough to rebut the presumption. We construe these arguments as raising fact-intensive mixed questions, which we review with some deference to the district court. *See In re IDC Clambakes, Inc.*, 727 F.3d at 64.

As to the first argument, the evidence amply supports the district court's finding that the game was created at Klamer's expense. In general, the expense requirement looks to the parties' relative investment of resources in the work and the related financial risk. *See Marvel Characters, Inc. v. Kirby*, 726 F.3d 119, 140 (2d Cir. 2013) (noting that the overall purpose of the expense requirement is to "reward[] with ownership the party that bears the risk with respect to the work's success"). Here, Klamer promised at the outset to pay Markham any costs incurred – regardless of whether Milton Bradley ultimately liked the game and paid for the rights. Hence, if the dinner at Chasen's had gone poorly, Klamer still would have been obligated to pay Markham's costs.⁵ As a result, Markham's downside was limited.

Appellants argue that the game was in fact made at the expense of Milton Bradley, not Klamer, with the result that Klamer cannot satisfy the instance and expense test. They seize on the district court's passing remark that "[a]n argument could have been made (but was not)" that the game was made at the expense

⁵ Appellants claim that Klamer's "alleged" oral promise to reimburse Markham was "unenforceable," and thus "if the deal to sell the Game had fallen apart, Klamer could have walked away with no legal obligation to actually reimburse [Bill] Markham." But they provide no factual basis for the assertion that the alleged promise was never made and no legal support for the notion that such an oral promise is unenforceable.

of Milton Bradley, as “it was Milton Bradley that, once it accepted the Game, paid Klamer \$5,000 and bore the risk of its failure to sell to the public.” *Markham Concepts, Inc. v. Hasbro, Inc.*, 355 F. Supp. 3d 119, 129 n.5 (D.R.I. 2019). But the district court’s remark focuses on a later stage in the chronology, after the creation of the work. No doubt, after Milton Bradley paid for the rights to the game, it ran the risk of not recouping its investment. But at the more relevant time period – when the prototype was being developed – it was Klamer who bore the primary risk, as he was on the hook for the costs if Milton Bradley passed on the game.

As for Markham himself, it is true that he was paid in the form of a royalty, rather than a sum certain, which “generally weighs against finding a ‘work for hire’ relationship.” *Urbont v. Sony Music Entm’t*, 831 F.3d 80, 90 (2d Cir. 2016). However, the form of payment is “not conclusive,” *Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136, 1142 (9th Cir. 2003), and distinguishing between a royalty and fixed sum payment can be “a rather inexact method” of determining which party bears the main financial risk. *Marvel Characters*, 726 F.3d at 140. In this case, we think it significant that Markham’s initial royalty payment (\$773.05) was a non-refundable advance, meaning that he could keep the money even if the game did not sell a single copy. In that respect, the arrangement resembled payment of a sum certain plus a running royalty, rather than a pure royalty deal. *See Warren*, 328 F.3d at 1142-43 (finding a work-for-hire relationship when the hired party was paid a fixed sum *and* a royalty); *cf. Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640, 651 (S.D.N.Y. 1970), *aff’d*, 457

F.2d 1213 (2d Cir. 1972) (“[T]he fact that the author *was* obliged to repay advances on royalties which were never accrued is an indicant that the relationship was *not* an employment for hire[.]” (emphasis added)). Overall, we find no error, clear or otherwise, in the district court’s determination that the game was made at Klamer’s expense.⁶

The second argument – that the assignment agreement rebuts the presumption created by the instance and expense test – presents a closer question. Some cases suggest that a contemporaneous agreement can clarify that a work, even if made at the instance and expense of another, is not a work for hire (and therefore that the hired party remains the “author,” entitled to termination rights). Assuming that a contemporaneous agreement could indeed alter

⁶ Appellants argue that the district court’s factfinding was flawed because the court credited Israel’s and Chambers’ testimony at trial (which emphasized their and Sue Markham’s contributions to the game) over contemporaneous written evidence and prior statements (which reflected a larger role for Bill Markham). But even if the court erred by giving greater weight to the trial testimony – and thus understating Bill Markham’s contributions – that mistake would be immaterial to the instance and expense inquiry as to Klamer. As described above, that doctrine does not consider whose hands-on efforts produced the work – it focuses on who paid for and directed the work. Regardless, we are unpersuaded that there was error. Appellants were free to impeach the testimony they criticize. Thereafter, it was the district court’s job to sort through the evidence and decide what and who was credible. *See, e.g., Carr v. PMS Fishing Corp.*, 191 F.3d 1, 7 (1st Cir. 1999) (“[I]n a bench trial, credibility calls are for the trier.”).

the game's work-for-hire status,⁷ the independent contractor bears the burden of showing that such a contrary agreement was made, *see Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 554-55 (2d Cir. 1995), and courts generally demand clear and specific evidence of such an agreement, *see Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965) (requiring "an express contractual reservation of the copyright in the artist" to rebut the presumption); *see also* 1 *Nimmer on Copyright* § 5.03[B][2][c] (requiring "persuasive evidence" of a contrary agreement).

Markham's successors-in-interest point to two parts of the assignment agreement which, they say, overcome the presumption. First, the agreement

⁷ We merely assume this point because the cases explaining how an agreement affects the work-for-hire designation are inconsistent, and this case does not require us to make a choice. Some cases do suggest that an agreement can rebut the presumption that a work qualifies as a work for hire in the first instance. *See Marvel Characters*, 726 F.3d at 143 ("Because Marvel has satisfied the instance and expense test, a presumption arises that the works in question were 'works made for hire' under section 304(c). This presumption can be overcome only by evidence of an agreement to the contrary contemporaneous with the creation of the works."). But other sources suggest that an agreement can only clarify who holds the copyright in the work. *See Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 556 n.3 (2d Cir. 1995) ("The district court held that even if the instance and expense test was met, the works were not made for hire because of th[e] agreement. This finding is in error because once the instance and expense . . . [test is] met, the works are for hire under the 1909 Act."); *see also* 3 *Nimmer on Copyright* § 11.02[A][2] ("Generally, the parties may not, by agreement, alter the legal consequences – such as the term of copyright – that flow from the fact that a work is made 'for hire.' But the parties may, by agreement, vary the ownership between them of rights in a work made 'for hire.'").

recited that, “[a]t the request of LINK, MARKHAM has invented, designed[,] and developed a game tentatively known as “THE GAME OF LIFE.” But that language falls well short of an express reservation of copyright. In fact, insofar as it makes clear that the work was done “[a]t the request” of Link, it supports, rather than undermines, the idea that the game was a work for hire.

Second, the agreement provided that

[u]pon the request of LINK, MARKHAM will pursue any copyright, trade-mark and patent applications . . . to which he may be entitled as the inventor, designer and developer of the Game MARKHAM will assign any such copyright, trade-mark, patent or application therefor to LINK, provided that said assignments will revert to MARKHAM upon the termination of this agreement.

We agree with the district court that this language is best read not as a reservation in Markham, but as a kind of failsafe for Link. That is, it makes clear that if, contrary to expectations, Markham were entitled to the copyright in the game, he would, at Link’s request, assign it over. *See Marvel Characters*, 726 F.3d at 143 (suggesting that a freelancer’s assignments could be “redundancies insisted upon by [the hiring party] to protect its rights” rather than an indication that the hiring party “did not already own the rights”). This reading is supported by the tentative, open-ended language (“to which he *may* be entitled,” “*any such* copyright”) (emphasis added), which appears to be an attempt to cover all conceivable bases without acknowledging that any rights actually belong to Markham. Regardless, this language is not the

required “express contractual reservation of the copyright in the artist.” *Lin-Brook*, 352 F.2d at 300. The district court thus supportably found that the assignment agreement did not overcome the presumption that the game was a work for hire made for Klamer. As a result, Markham “never owned the copyrights to assign,” and “there are no rights the assignment of which his . . . heirs may now terminate.” *Marvel Characters*, 726 F.3d at 137.⁸

Because the evidence amply supports the district court’s conclusion that the game was created at the instance and expense of Klamer and that there is insufficient evidence to rebut the resulting work for hire presumption, we need not address the defendants’ alternative theory for affirmance: that the game was a work for hire created by Chambers and Israel – with Markham as the “employer.” This alternative argument – essentially, another way of establishing that the game was a work for hire – would also mean that no termination rights exist and would similarly spell defeat for Markham’s successors-in-interest.

⁸ In a separate provision not relied upon by Markham’s successors-in-interest, the agreement also states that “MARKHAM does hereby assign all of his right, title[,] and interest in and to the Game, to LINK, and LINK accepts said assignment.” This statement is consistent with the understanding that the agreement gave Link whatever rights Markham may have had in the game, without making any representation about the nature of those rights or the status of the work. In other words, the provision falls short of clear and specific evidence that the game was not intended to be a work for hire. *See 1 Nimmer on Copyright* § 5.03[B][2][c] (requiring “persuasive evidence” of a contrary agreement).

The outline of this alternative theory seems to have emerged in supplementary interrogatory responses made after the close of discovery and shortly before trial. Plaintiffs unsuccessfully moved to “preclude” this new theory and strike the underlying responses. They challenge the district court’s rejection of their motion on appeal. But discovery rulings are reviewed only for abuse of discretion, and reversal requires a showing that the ruling was both “plainly wrong” and resulted in “substantial prejudice.” *In re Subpoena to Witzel*, 531 F.3d 113, 117 (1st Cir. 2008) (quoting *Saldana–Sanchez v. Lopez–Gerena*, 256 F.3d 1, 8 (1st Cir. 2001)).

Even assuming the district court erred, and we are not suggesting that it did, we fail to understand how its ruling caused substantial prejudice. As appellants essentially concede, the district court did not adopt the alternative theory – and neither do we. Appellants’ real concern, as we understand it, is that the interrogatories introduced novel testimony from Israel and Chambers indicating that they had a much more prominent role in the creation of the game than previously disclosed. But, as noted above, to the extent the updated interrogatory responses were inconsistent with earlier depositions of Israel and Chambers (or their ultimate testimony at trial), appellants had the opportunity to cross-examine them at trial and impeach them with any inconsistencies. *See supra* note 6.

Accordingly, the judgment of the district court is affirmed. *So ordered.*

APPENDIX B

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND**

C.A. No. 15-419 WES

MARKHAM CONCEPTS, INC.; SUSAN
GARRETSON; and LORRAINE MARKHAM,
individually and in her capacity as trustee of the Bill
and Lorraine Markham Exemption Trust and the
Lorraine Markham Family Trust,
Plaintiffs,

v.

HASBRO, INC.; REUBEN KLAMER; DAWN
LINKLETTER GRIFFIN; SHARON LINKLETTER;
MICHAEL LINKLETTER; LAURA LINKLETTER
RICH; DENNIS LINKLETTER; THOMAS FEIMAN,
in his capacity as co-trustee of the Irvin S. and Ida
Mae Atkins Family Trust; ROBERT MILLER, in his
capacity as co-trustee of the Irvin S. and Ida Mae
Atkins Family Trust; and MAX CANDIOTTY, in his
capacity as co-trustee of the Irvin S. and Ida Mae
Atkins Family Trust,
Defendants.

**FINDINGS OF FACT AND
CONCLUSIONS OF LAW**

WILLIAM E. SMITH, Chief Judge.

To people of a certain age, who grew up in the
America of the 1960s and 70s – where television meant

three channels and shows like *Bonanza*, *Star Trek*, and *The Art Linkletter Show* (more on that to come); where cars were made in America, period; and where phones were connected to wires, not cell towers – the Game of Life was a gangbuster hit found (it seemed) in every household in the country, alongside Twister, Clue, and Monopoly. In the Game of Life, the winner retires to “Millionaire Acres.” In this suit, life imitates art as the heirs of toy developer Bill Markham have sued over what they see as proceeds from the exploitation of the Game that they have been wrongfully denied.

The Game of Life was inspired by the first boardgame invented by Milton Bradley himself, in 1860, called the Checkered Game of Life. It sold millions of copies after hitting the market in 1960, and continues to sell to this day. Based on the idea that “life’s a game that can be played well, or badly,” historian Jill Lepore writes in *The New Yorker*, “[o]nly a handful of games have had as long a shelf life.” Jill Lepore, *The Meaning of Life*, *The New Yorker*, May 21, 2007, at 38, 39. This case, filed in 2015, has had a shelf life of its own. But after two amendments to the complaint and considerable motion practice, the parties tried to the Court (in Los Angeles¹ and Rhode Island) Plaintiffs’ third claim for relief, which asks for a declaratory judgment that Markham’s heirs control the Game’s intellectual property. Specifically, Plaintiffs ask the Court to find that they have

¹ Through the courtesy of the United States District Court for the Central District of California, this Court was able to hear live testimony from critical witnesses who, because of their age, could not travel to Rhode Island. The Court is most grateful to those who worked to make this possible.

termination rights under section 304 of the Copyright Act of 1976.

With these, Plaintiffs would be able to acquire the copyrights to the Game that were long ago transferred to Defendant Hasbro, Inc.,’s predecessor-in-interest, the Milton Bradley Company. Plaintiffs lose this turn, however: the facts found below show that the physical creation of the Game’s prototype was done by Markham’s erstwhile employees – Grace Chambers and Leonard Israel – as well as Markham’s wife, Sue, and unnamed parties hired by Markham to furnish finishing touches. They also show that this work was done at the instance and expense of Defendant and toy developer Reuben Klamer.

I. Findings of Fact

The series of events leading to the Game² hitting the market in 1960 began a year earlier. *See, e.g.*, Exs. JTX 9, JTX 11, JTX 12. In 1959, a Reuben Klamer traveled from his home in Beverly Hills, California, to Milton Bradley’s headquarters in Springfield, Massachusetts. Ex. JTX 9; Nov. 16, 2017, Trial Tr. (“Trial Tr. I”) 23-26. Klamer was a toy developer with myriad contacts in the industry, and had come to pitch Milton Bradley executives a concept for a new toy. *See* Trial Tr. I 18-26.

Milton Bradley passed on the pitch. *Id.* at 25. But the company’s president at the time, Jim Shay, asked Klamer to develop a product idea to commemorate Milton Bradley’s 1960 centennial. *Id.* at 23; Ex. JTX 9.

² When the Court refers to the “Game” or the “prototype” without specifying any of their composite parts (the box cover, board, rules, etc.), it means to refer to these in their entirety.

Intrigued, Klamer agreed to do so and went searching for inspiration in Milton Bradley's archive, where he stumbled upon an old copy of the Checkered Game of Life, *see* Ex. JTX 9, Trial Tr. I 23, which had been invented by the company's namesake just before the Civil War to "forcibly impress upon the minds of youth the great moral principles of virtue and vice," Lepore, *supra*, at 41. The concept Klamer developed on the trip back home to California was to update the Checkered Game of Life to reflect post-World War II American society and values.³ *See* Trial Tr. I 25-27; Exs. JTX 10., PTX 20, PTX 275.

But Klamer was mostly an ideas man – he needed help refining his concept and, importantly, translating it into a prototype he could actually sell to Milton Bradley. *See* Trial Tr. I 28-31, 64; Ex. JTX 10. For this he reached out to one of his toy-industry contacts, Bill Markham. Trial Tr. I 28-33. An experienced advertiser, Markham was head of a firm set to that purpose named California Product Development ("CPD"). *See* JTX 2; Trial Tr. I 112; Nov. 17, 2017, Trial Tr. ("Trial Tr. II") 64. CPD employed two artists at the time, Grace Chambers and Leonard Israel, who were very good in Klamer's estimation, and whose presence at CPD convinced Klamer to hire Markham's firm over others he considered. Trial Tr. I 28-31. Chambers had received her training from the Art Center College of

³ Klamer testified that he had scribbled some of the thoughts he had on the plane ride from Massachusetts to California. These notes were admitted into evidence, and reflect many of the attributes that eventually found their way into the Game. Ex. JTX 10; Trial Tr. I 27-31.

Design in Los Angeles, Trial Tr. II 60; Israel his from the Chicago Art Institute, Trial Tr. I 100.

Markham agreed to take on the project in the summer of 1959. *See* Trial Tr. I 29-33. With little time to waste – Milton Bradley wanted the product ready for market by January 1, 1960, *see id.* at 55 – Markham and his team went to work, *see id.* at 34-35. As to who did what during the approximately six weeks it took to produce the prototype, the Court credits especially the testimony of Chambers and Israel, which the Court heard live in Los Angeles.⁴ *See generally* Trial Tr. II 58-111 (Chambers); Trial Tr. I 99-136 (Israel). Neither has received a cent in royalties from the Game, nor have they any financial interest in the outcome of this suit. *See* Trial Tr. I 108-09; Trial Tr. II 58, 80. The testimony each gave was largely consistent with that of the other. *See generally* Trial Tr. II 58-111; Trial Tr. I 99-136. Both, moreover, had only good things to say about their time working for Markham at CPD and with Klamer on the project. *See* Trial Tr. I 101; Trial Tr. II 65-66.

They testified that labor was divided: Klamer and Markham combined to provide the big ideas, many ahead of their time. *See* Trial Tr. I 34, 103, 107-08, 127; Trial Tr. II 67-71, 75; *see also* Ex. JTX 25. These included that the Game would be played on a circuitous path; the Game's board would contain three-dimensional elements; the Game's object would

⁴ Klamer also testified to these events. *See* Trial Tr. I 36-37. And although he, as a successor to the now-defunct Link Research Corporation, *see* Ex. JTX 569, has a financial interest in this suit, the Court found his testimony credible, and largely corroborative of Chambers's and Israel's.

be to achieve various life milestones; and a spinner would dictate movement of the Game's players. *See* Trial Tr. I 107, 126-29; Trial Tr. II 68-71; Ex. JTX 25. Klamer also visited Markham's firm once or twice a week during development to give real-time edits to Chambers and Israel while they worked – the former on the game board, the latter on the box cover – to produce a physical instantiation of Klamer's and Markham's ideas. Trial Tr. I 103-04, 106-08, 129, 130-33; Trial Tr. II 71-78.

Chambers and Israel both testified that they – not Markham or Klamer – were the ones at CPD who built the prototype. Trial Tr. I 103-04, 106-07, 130-33; Trial Tr. II 71-78. Asked who constructed the prototype's game board, Chambers said that she did “most of it.” Trial Tr. II 72. Israel went further, testifying that “once it was decided what we wanted to have on the board, [Chambers] was the one who put it all together and did the final art work on it.” Trial Tr. I 106. Chambers was the one who built the houses, the mountains, and the elevated track out of balsa wood, cardboard, and colored pantone paper. Trial Tr. II 99-103. Chambers also placed the printing on the track and constructed a cardboard spinner. *See id.* at 101, 132-33. Some of these objects, such as the spinner and the mountains, were later converted to the plastic replicas used for the prototype by an outside firm Markham hired for that purpose. *See* Trial Tr. I 121-22; Trial Tr. II 103-04; Ex. JTX 13. An outside firm also bound the game board and printed the play money that was part of the prototype. *See* Trial Tr. II 106-07; Ex. JTX 13.

The art for the prototype's box cover was Israel's handiwork, according to both his and Chambers's

testimony. Trial Tr. I 103-04, 110-11; Trial Tr. II 72, 74. Israel created several small-scale sketches as possibilities for the box cover, from which Markham and Klammer selected the one they preferred. Trial Tr. I 103. The favored design was then made by Chambers into a box cover of proper scale. *Id.* at 134. As with the board, Markham had “nothing to do” with the physical creation of the box cover. *Id.* at 107. Indeed, it was the testimony of both Israel and Chambers that Markham was often attending to other matters at CPD during the time the prototype was taking physical form. *Id.* at 116; Trial Tr. II 73-74.

The third major component to the prototype besides the board and the box – the rules – were a collective, iterative effort. Trial Tr. I 105-06, 116-18; Trial Tr. II 76-77, 105. Once the Game was operational, everyone in and around the CPD offices at the time – Markham, Klammer, Chambers, and Israel – would play it, and then throw out suggested rule changes for the group to consider. Trial Tr. I 105-06, 118-19, 128; Trial Tr. II 76-77, 105. Some of these were tried and, because of some unforeseen disruptive effect on another rule, discarded. Trial Tr. I 105-06. Some, however, were ultimately adopted, then copied by Sue Markham (Bill’s wife, and a copywriter by profession) into the prototype’s rule book. Trial Tr. I 105-06, 116-18, 128; Trial Tr. II 105.

Once completed, Markham and Klammer presented the prototype to Milton Bradley executives, including its vice president, Mel Taft, on or around August 10, 1959, at the famous Chasen’s restaurant in Hollywood, California. *See* Trial Tr. I 38-39, 65-68, 86; Exs. JTX 25, JTX 29. Also at Chasen’s was radio and television personality Art Linkletter. *See* Trial Tr. I

33, 39; Exs. JTX 25, JTX 29. He was there on behalf of Link Research Corporation (“Link”), the firm Linkletter had founded with Klamer to develop consumer products that could be marketed using Linkletter’s considerable celebrity. *See* Trial Tr. I 20, 33; Exs. JTX 29, JTX 34, JTX 39, JTX 42. Part of Klamer’s pitch to Milton Bradley at the Chasen’s meeting was that Linkletter could help promote the Game. *See* Trial Tr. I 38-39; Exs. JTX 11, JTX 12. The pitch worked: Taft and Shea were impressed by the prototype, and left the restaurant thinking that with some tweaks it could be a commercial success. *See* Exs. JTX 18, JTX 19, JTX 20, JTX 21, JTX 25, JTX 33; Trial Tr. I 40-41. Soon thereafter, on August 19, Klamer mailed the prototype to Milton Bradley. Ex. JTX 12; Trial Tr. I 96.

Two agreements regarding rights to the Game followed. *See* Exs. JTX 1, JTX 2. The first, entered on September 21, 1959, was a License Agreement between Link and Milton Bradley. Ex. JTX 1. This agreement gave Milton Bradley the exclusive right to manufacture and market the Game, which Link “had . . . designed and constructed.” *Id.* The License Agreement also allowed Milton Bradley to use Linkletter’s name and image in its advertising of the Game, and required Linkletter to plug the Game fifty-two times on his nationally televised show. *Id.* In return, Link received a six percent royalty on sales of the Game and an immediate, non-refundable \$5,000 advance against these royalties. *Id.* Absent termination or breach, the Agreement was to last as long as Milton Bradley marketed the Game. *Id.*

The second agreement, the Assignment Agreement, was one between Link and Markham. Ex.

JTX 2. Executed October 20, 1959, this agreement assigned “all of [Markham’s] right, title, and interest in and to the Game[] to Link.” *Id.* Markham received the right to a royalty stream amounting to thirty percent of the six percent royalty Link had negotiated with Milton Bradley in their License Agreement. *Id.* Along with a nonrefundable \$773.05 advance on Markham’s thirty percent, Link agreed to pay Markham the \$2,423.16 he spent producing the prototype, *id.*, for which he had billed Link, and which included Chambers’s and Israel’s salary, *see* Ex. JTX 13. Klamer paid Markham’s bill – a bill he had promised would be his responsibility at the outset of the project, Trial Tr. I 41-42, 57-58; Trial Tr. II 49 – out of the aforementioned \$5,000 royalty advance Link secured from Milton Bradley. Ex. JTX 2. The Assignment Agreement stated that Markham had “invented, designed[,] and developed” the Game. *Id.* It also provided that Milton Bradley would communicate to Markham any contemplated changes to the Game, allowing Markham to share his thoughts on these with Milton Bradley. *Id.* “[T]he final decision regarding such changes,” however, was to “rest with either LINK or [Milton Bradley].” *Id.*

While the parties hammered out these contractual arrangements, Milton Bradley was at work turning the prototype into a commercially viable boardgame. Trial Tr. I 45-50; *see also* Exs. JTX 18, JTX 20, JTX 21, JTX 25, JTX 26, JTX 33, JTX 40, JTX 43. Both Markham and Klamer helped advise the company as to how best to carry out this transformation. *See* Exs. JTX 26, JTX 27, JTX, 28, JTX 33, JTX 35, JTX 36. Comparing early versions of the Game with the prototype shows a host of changes made – many with

a view toward making the Game less expensive to manufacture, but that nevertheless altered its aesthetics. *Compare* Ex. JTX 509, *with* Ex. HTX 14; *see also* Trial Tr. I 45-50. For instance, the early versions had the raised mountains directly on the Game's circuitous track, whereas the prototype had them as background scenery surrounding the track. *Compare* Ex. JTX 509, *with* Ex. HTX 14; *see also* Trial Tr. I 45-50. Moreover, the board in the early versions had fewer, and smaller, three-dimensional elements than the prototype. *Compare* Ex. JTX 509, *with* Ex. HTX 14; *see also* Trial Tr. I 45-50. Milton Bradley also changed the font on the Game's box cover to make it more visually appealing, and varied the wording and order of certain of the Game's rules to make them more intelligible. *Compare* Ex. JTX 509, *with* Ex. HTX 14.

Milton Bradley first published the Game on March 12, 1960. Exs. JTX 3, JTX 4, JTX 5; Trial Tr. I 58. Later that year, on December 19, 1960, Milton Bradley applied to register copyrights in the Game's board and rules. Exs. JTX 4, JTX 5. These identified the company as the author. Exs. JTX 4, JTX 5. Milton Bradley was also noted as the author of the Game's box in a copyright application submitted the same day by Link. Ex. JTX 3. The Game, an instant classic, sold like crazy, and is still a source of revenue for Milton Bradley's successor-in-interest Hasbro, as the latter continues to market the original version of the Game, Ex. JTX 520, as well as updated versions incorporating various themes and characters, such as one recent rendition introduced at trial that included intellectual property from the popular *Despicable Me* children's movie franchise, Ex. JTX 511.

The ensuing “Pay Day!” has sometimes been the cause of consternation, however. Even before the Game hit stores, there was a struggle, mostly on Markham’s part, to take credit for its genius. Trial Tr. I 54-56; see Exs. JTX 2, JTX 16, JTX 32. A provision in the Assignment Agreement, for example, required Link to ask Milton Bradley if Markham’s name could appear on the Game’s box cover. Ex. JTX 2. Klamer fulfilled this requirement on behalf of Link. Ex. JTX 16. But Milton Bradley kindly declined the request. Ex. JTX 32.

Then, in 1965, Markham came upon what he considered a false statement in the trade publication *Toy & Hobby World*, identifying Klamer as the designer of the Game. Exs. PTX 20, PTX 87. He responded with a brusque letter to Klamer. Ex. PTX 20. “I am sure you are not so in need of recognition that you take credit for something in which your only connection was to sell it to Milton Bradley,” he wrote. *Id.* Markham sought to correct the alleged misattribution – which he found “very damaging to [his] reputation” – by asking Klamer that he prepare a letter recognizing Markham as the “sole inventor, designer and developer” of the Game. *Id.* Markham would append this letter to the press release correcting the error that he was preparing for publication. *Id.*

Klamer responded that he was “puzzled” by Markham’s letter, and pushed back on Markham’s suggestion that Klamer’s only role in what had already become a “great success” was selling the Game to Milton Bradley. *Id.* Disinclined to upset the applecart, however, Klamer grudgingly acceded to Markham’s demand for recognition, writing that the Assignment Agreement obligated Klamer to agree that Markham

invented the Game. *Id.* Going forward, Klamer went out of his way to prevent any publicity that would similarly offend Markham. *See, e.g.*, Ex. PTX 20. For instance, Klamer preemptively wrote a publication called *The Westerner* to warn that they not associate him with the Game in a forthcoming article. *Id.* “Although I know what my contribution was in the project,” Klamer wrote, “I want to eliminate any hassle with this particular individual” *Id.*

Markham and Klamer fought not just over the limelight, but over money too. In a letter to Klamer dated August 15, 1963, Markham complained that the Assignment Agreement had been a raw deal, grumbling that his share of the royalties was “ridiculously low” and that Art Linkletter had done little to promote the Game on television. Ex. PTX 21. Markham, feeling slighted, asked that he receive fifty percent of the three percent royalty Milton Bradley was then offering Link on sales of the Game overseas, instead of the thirty percent of Link’s share he had been receiving under the Assignment Agreement. *Id.*

Klamer waited until October 3, 1963, to respond, explaining his delay as follows: “Someone whom I respected very much told me to count to twenty-five, not just to ten, when I got annoyed about a situation.” *Id.* Setting the pattern he would follow in his later skirmishes with Markham over public recognition, Klamer noted his disagreement with Markham’s version of history, before caving to Markham’s demands. *Id.* That is to say, Klamer agreed to hand over fifty percent of the royalty Link received on foreign sales, but stated his belief that this was more than Markham was due under the Assignment Agreement, which, contrary to Markham’s laments,

“was and is a fair one.” *Id.* Klamer also came to Linkletter’s defense, asserting that Milton Bradley was more than satisfied with Linkletter’s promotion of the Game, and indeed “was highly impressed with the TV commercial which Art did on the Game.” *Id.*

An exchange of passive-aggressive letters was not enough to settle the next royalty dispute. Again having to do with Markham’s share of foreign royalties, this skirmish led to Markham and Klamer suing each other in California state court in the late 1980s. *See* Ex. HTX 111. The litigation ended on July 9, 1989, when the parties signed a handwritten settlement agreement. Ex. JTX 58. Among other things, the agreement set Markham’s share of overseas sales at 36.66 percent of Link’s foreign royalties, while keeping his share of U.S. sales at thirty percent of Link’s domestic royalties, as stipulated in the Assignment Agreement. *Id.* The parties styled the Settlement Agreement as an amendment to the Assignment Agreement, which they agreed in 1989 they “continue[d] to be governed by.” *Id.*

The present litigation is an attempt by Markham’s successors in interest – Markham passed away in 1993, *see* Ex. PTX 218 – to put an end to government by Assignment Agreement. *See* Third Am. Compl. ¶¶ 77–82. These Plaintiffs insist that their right to do so lies in section 304 of the Copyright Act of 1976.

II. Conclusions of Law

Plaintiffs are, however, mistaken in their insistence: the facts as found above show that this case

fits squarely within the work-for-hire exception to the termination right granted authors in section 304.

The Copyright Act of 1976 provides a work's author the right to terminate a previously bestowed grant of copyright in that work. 17 U.S.C. § 304(c). The idea behind this right is to give an author a second chance to negotiate the rights to her work when – after it has been exploited during the term of an initial grant – she can better gauge the work's value. *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 172–73 (1985). Termination rights are especially important when hindsight shows the author made a bad deal the first time around. *Id.*; see 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 11.01[A] (Matthew Bender rev. ed.).

Although necessary to achieve fairness in these circumstances, termination rights are not without various qualifications, Nimmer & Nimmer, *supra*, § 11.02, one of which – that excepting works for hire, 17 U.S.C. § 304(c) – determines this case. Section 304(c) states, in relevant part, that “[i]n the case of any copyright subsisting in either its first or renewal term on January 1, 1978, *other than a work made for hire*, the . . . grant of a transfer . . . of the renewal copyright, executed before January 1, 1978, . . . is subject to termination” 17 U.S.C. § 304(c) (emphasis added). The rule, then, is that copyrights granted prior to January 1, 1978, are subject to termination, but not if the copyright is one in a work for hire. See Nimmer & Nimmer, *supra*, § 11.02 (“[The 1976 Act] moves in categorical fashion, disallowing all works for hire from termination.”).

What counts as a work for hire depends on when the work was created. See *Martha Graham Sch. &*

Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc., 380 F.3d 624, 633-34 (2d Cir. 2004); *Forward v. Thorogood*, 985 F.2d 604, 606 n.2 (1st Cir. 1993). Works created on or after the effective date of the 1976 Act (January 1, 1978) have their work-for-hire status determined according to the statutory definition given in the 1976 Act. See 17 U.S.C. § 101. However, for works created before that date, this status is determined under the Copyright Act of 1909, predecessor to the 1976 Act, which contained the concept, but lacked a statutory definition, of a work for hire See 17 U.S.C. § 26 (repealed 1978) (“[T]he word ‘author’ shall include an employer in the case of works made for hire.”); *Forward*, 985 F.2d at 606 n.2. Without definitional guidance from the statute, courts have had the task of tracing the term’s 1909 Act contours. *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 744 (1989).

The First Circuit’s efforts in this regard led it to adopt a definition of the term that tracks the instance-and-expense test. *Forward*, 985 F.2d at 606 & n.2. Borrowed from the Second and Ninth Circuits, this test has it that the presumptive “‘author’ and copyright holder of . . . [a] commissioned work[] created by independent contractors” is “the commissioning party at whose ‘instance and expense’ the work was done.” *Id.* at 606 (citing *Brattleboro Publ’g Co. v. Winmill Publ’g Corp.*, 369 F.2d 565, 567-68 (2d Cir. 1966)); see also *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965) (adopting instance-and-expense test).

In *Forward*, the First Circuit held that demo tapes with music from the blues band George Thorogood and

the Destroyers were not works for hire where there was no evidence they were “prepared for the use and benefit of” plaintiff music aficionado, who had arranged for the band to record the tapes. *Forward*, 985 F.2d at 604-06. Instead, the tapes had been recorded for the purpose of enticing a record company to sign the band to a record deal. *Id.* at 606. Moreover, the aficionado, as the alleged commissioning party, “neither employed nor commissioned the band members nor did he compensate or agree to compensate them.” *Id.* Because the tapes were not produced at plaintiff’s instance and expense, the First Circuit ruled, he was not their author under the 1909 Act. *Id.*

In this case, though, the work at issue was “prepared for the use and benefit” of, and paid for by, a commissioning party, namely Reuben Klamer. *See id.* That is to say, the Game’s prototype was produced at his instance and expense. Instance here “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.” *Marvel Characters, Inc. v. Kirby*, 726 F.3d 119, 139 (2d Cir. 2013). And it was Klamer who provided the impetus for the prototype’s creation when, after visiting the archives at Milton Bradley, he selected Markham’s company to help him make the prototype. Ex. JTX 9; Trial Tr. I 23-26, 28-33; *see Twentieth Century Fox Film Corp. v. Entertainment Distrib.*, 429 F.3d 869, 879 (9th Cir. 2005) (describing “the ‘instance’ test as an inquiry into whether the motivating factor in producing the work was the employer who induced the creation” (quotation marks omitted)). This selection is the sole reason for Markham’s involvement, and

spurred everything that came after: the fast work of everyone at CPD to bring the prototype into existence, Trial Tr. I 99-136; Trial Tr. II 58-111; the presentation of the prototype to Milton Bradley executives at Chasen's restaurant, Trial Tr. I 38-39; Exs. JTX 25, JTX 29; and ultimately the manufacture and sale of the Game, Exs. JTX 12, JTX 18, JTX 19, JTX 20, JTX 21, JTX 25, JTX 33.

Klamer had the power to supervise the prototype's creation. *See Twentieth Century Fox*, 429 F.3d at 879 ("The 'instance' test is shaped in part by the degree to which the hiring party had the right to control or supervise the artist's work." (quotation marks omitted)); *Martha Graham*, 380 F.3d at 635. Both Chambers and Israel testified to Klamer's frequent presence at CPD while they worked on the prototype. Trial Tr. I 106-08; Trial Tr. II 73. They considered Klamer the client for the project, and one whose suggestions for changes they were expected to, and did, implement. Trial Tr. I 103-04, 106-07, 130-33; Trial Tr. II 71-78; *see Marvel*, 726 F.3d at 139 ("Actual creative contributions or direction strongly suggest that the work is made at the hiring party's instance."). They also considered Klamer the final arbiter of the prototype's look and feel. Trial Tr. I 103-04, 106-07, 130-33; Trial Tr. II 71-78.

The preeminence of Klamer's predilections is further evidenced in the Assignment Agreement. *See* Ex. JTX 2. There, Markham recognized that while he had a right to learn of any contemplated changes to the prototype's design, he "understood that the final decision regarding such changes shall rest with either LINK or [Milton Bradley]." *Id.*; *see Picture Music, Inc. v. Bourne, Inc.*, 457 F.2d 1213, 1217 (2d Cir. 1972)

(finding the song “Who’s Afraid of the Big Bad Wolf” a work-for-hire because commissioning parties had “the power to accept, reject, or modify [the composer’s] work”).

Because Klamer “provided the impetus for, participated in, [and] had the power to supervise the creation of [the prototype],” the Court concludes it was made at his instance. *Marvel*, 726 F.3d at 139, 141 (“Marvel’s inducement, right to supervise, exercise of that right, and creative contribution with respect to [comic-book artist Jack] Kirby’s work during the relevant time period is more than enough to establish that the works were created at Marvel’s instance.”).

The prototype was also created at Klamer’s expense.⁵ In determining who bore the expense of creation, the lodestar is financial risk; the question being who took it, or most of it. *See, e.g., id.* at 140 (noting that the law here is ultimately interested in who took the “risk with respect to the work’s success”); *Twentieth Century Fox*, 429 F.3d at 881 (affirming that General Dwight D. Eisenhower’s World War II memoir was produced at the publisher’s expense because it

⁵ An argument could have been made (but was not) that the Game was created at the instance and expense of Milton Bradley. After all, it was Milton Bradley that solicited Klamer to come up with something for the company’s anniversary, and it was Milton Bradley that, once it accepted the Game, paid Klamer \$5,000 and bore the risk of its failure to sell to the public. There are problems with this theory. For example, it was Klamer who hired Markham, not Milton Bradley. In any event, this argument was not made by Hasbro, presumably because, as a recipient of a license in the prototype, it would not affect the result, and because Hasbro thought it in the company’s interest to present a unified theory.

“took on all the financial risk of the book’s success”); *Siegel v. Warner Bros. Entm’t. Inc.*, 658 F. Supp. 2d 1036, 1058 (C.D. Cal. 2009) (noting that the focus of the expense calculus is “on who bore the *risk* of the work's profitability”).

One feature of Klamer’s arrangement with Markham and his company – and what likely accounted for the level of control Klamer had over the making of the prototype – was that Klamer would pay any and all costs Markham incurred during the project. Trial Tr. I 41-42, 57-58; Trial Tr. II 49; *see* Exs. JTX 2, JTX 13. This was true even if Klamer was unable to convince Milton Bradley to manufacture the Game. Trial Tr. I 41-42, 57-58; Trial Tr. II 49 *see* Exs. JTX 2, JTX 13. In other words, if the Milton Bradley executives at Chasen’s had been thoroughly unimpressed by the prototype and passed on it completely – as they had on the other idea Klamer brought to them just months earlier – Klamer would have remained on the hook for the \$2,423.16 Markham billed him on October 12, 1959. Trial Tr. I 41-42, 57-58; Trial Tr. II 49; *see* Exs. JTX 2, JTX 13; *see also* Ex. PTX 20 (evidencing Markham’s understanding that Klamer’s role in creating the Game was “to sell it to Milton Bradley”). This sum included the cost of Chambers’s and Israel’s labor along with the material used in the prototype. Ex. JTX 13.

Klamer also agreed to pay Markham thirty percent of the royalty he negotiated for himself from Milton Bradley. Ex. JTX 2. And while the use of royalties as payment, as opposed to a fixed sum, “generally weighs against finding a work-for-hire relationship,” *Playboy Enters. v. Dumas*, 53 F.3d 549, 555 (2d Cir. 1995), “[t]he absence of a fixed salary . . .

is never conclusive,” *Picture Music*, 457 F.2d at 1216, and has been found “a rather inexact method of properly rewarding with ownership the party that bears the risk with respect to the work’s success,” *Marvel*, 726 F.3d at 141. Markham was, moreover, not obliged to pay back the \$773.05 advance on royalties he received from Klamer. Ex. JTX 2; cf. *Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640, 651 (S.D.N.Y. 1970) (“[T]he fact that the author was obliged to repay advances on royalties which were never accrued is an indicant that the relationship was not an employment for hire.”). So the royalties involved here do nothing to change the reality that the risk, and therefore the expense, was Klamer’s.

Klamer having provided the instance for and bearing the expense of the prototype’s invention, the presumption arises under the 1909 Act that he was the prototype’s author and entitled to its copyright ab initio. See *Twentieth Century Fox*, 429 F.3d at 881; *Forward*, 985 F.2d at 606. And contrary to Markham’s contention, nothing in the Assignment Agreement overcomes this presumption. See *Lin-Brook Builders*, 352 F.2d at 300 (holding that “an express contractual reservation of the copyright in the artist” is necessary to rebut the presumption of the copyright in the hiring party); *Nimmer & Nimmer*, *supra*, § 5.03 (noting that under the 1909 Act, “in the absence of persuasive evidence of an agreement to the contrary, it was generally held that if an artist, writer, photographer, architect or other ‘author’ is commissioned to create a work, the copyright in such work would vest in the person commissioning the work”). The Agreement states that “[u]pon the request of LINK, MARKHAM will pursue any copyright . . . to which he may be

entitled as the inventor, designer and developer of the Game . . . [and] will assign any such copyright . . . to LINK.” Ex. JTX 2.

But this language, far from naming a copyright holder other than Klamer, is operative only in a hypothetical world where Markham held a copyright in the prototype. The Assignment Agreement’s post hoc description of Markham as the “inventor, designer and developer of the Game” does not make this hypothetical world a reality. *Id.*; see Nimmer & Nimmer, *supra*, § 11.02 (“Insofar as a work is made ‘for hire’ because it has been prepared by an employee within the scope of his employment, it is the relationship that actually exists between the parties, not their description of that relationship, that is determinative.”). Neither does anything else in the Agreement. See Ex. JTX 2. So it remains the case that in the real world – where, as the foregoing has shown, the presumption was that copyright ownership was Klamer’s – this clause in the Assignment Agreement is but an empty precaution. *Cf. Marvel*, 726 F.3d at 143 (“It is all too likely that, if the parties thought about it at all, Kirby’s assignments at the time he was paid or later were redundancies insisted upon by Marvel to protect its rights; we decline to infer from Marvel’s suspenders that it had agreed to give Kirby its belt.”). Decades of post-publication history show this was the parties’ understanding as well: Markham was never asked to “pursue any copyright” because he had no copyright to pursue. Ex. JTX 2; see Exs. JTX 7, JTX 8, JTX 9, JTX 23.

In the final analysis, the prototype was a “work[] made for hire” under the 1909 Act, 17 U.S.C. § 26 (repealed 1978), and Plaintiffs are thus without

termination rights under the 1976 Act, 17 U.S.C. § 304(c).

III. Conclusion

Like the Game of Life itself, this fifty-nine-year tug-of-war for renown and royalties has followed a long, circuitous path. And one that – on this “Day of Reckoning,” to use the Game’s parlance – ends essentially where it began: for it is sometimes said, in disbelief, that success has many fathers, but failure is an orphan; nevertheless, the weight of the evidence in this case is that the success that met the Game of Life was, in fact, nothing if not the result of collective effort. And although the credit, in the colloquial sense, can be split pro rata, the law dictates that the copyrights cannot be. For this reason – and not because of the unparalleled contribution of any one person as compared to another – Plaintiffs’ third claim for relief fails.

IT IS SO ORDERED.

s/ William E. Smith

William E. Smith

Chief Judge

Date: January 25, 2019