

No. 21-711

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

REPLY BRIEF FOR PETITIONERS

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REPLY BRIEF FOR PETITIONERS

The parties seem to agree on this much: the instance-and-expense test presently applied by numerous circuits is wrong. Petitioners argue that it's wrong because "employer" encompasses only common law masters. Respondents, on the other hand, argue that "in 1909 'employer' was widely understood to include those who hired independent contractors as well as employees." Klamer BIO 17; *see also* Hasbro BIO 12; Linkletter BIO 11. That, however, is not the law in *any* circuit. Instead, the majority rule extends the work-for-hire doctrine to only a *subset* of those who commission works from independent contractors, namely those who "provided the impetus for, participated in, or had the power to supervise the creation of the work" and who bore the financial "risk with respect to the work's success." Klamer BIO 8 (citations omitted). Respondents insist that this "focus on the hiring party's right to oversee the work" "regularly" excludes commissioned works. *Id.* at 29. And amici explain that additional requirements of the instance-and-expense test are vague, inconsistently applied, and unadministrable. *See, e.g.*, PK Br. 4-6.

Respondents do not acknowledge the disconnect between their legal analysis and the test actually applied in the lower courts. And for their part, the majority circuits have never adopted anything like respondents' reasoning. Instead, as the petition explained, the present rule is the product of precedential drift and naked judicial policymaking. Pet. 5-9, 24-25.

The question presented thus cries out for this Court's review. The circuits are either applying the

work-for-hire doctrine too broadly or too narrowly, for reasons no one can defend. They have further shown no willingness to reconsider the issue absent this Court's intervention. And as the outpouring of amicus support for the petition demonstrates, the question will have recurring significance for creators and those who hire them for decades to come. The petition should be granted.

I. Respondents Offer No Cogent Defense Of The Instance-And-Expense Test.

Four things about respondents' defense of the instance-and-expense test stand out.

First, as noted, it is not a defense of the instance-and-expense test. Respondents say that "employer" "refers to a person who hires either employees or independent contractors." Klamer BIO 18. But the instance-and-expense test asks a materially different question that requires a complex, multi-factored inquiry to whittle down the universe of those whom respondents consider "employers" to a subset awarded copyrights under the work-for-hire doctrine. Indeed, nearly every word in the First Circuit's application of the instance-and-expense test in this case is devoted to matters *other* than whether Markham was hired as an independent contractor. *See* Pet. App. 15a-21a.

Second, respondents offer almost no textual or other defense of these additional "instance" and "expense" requirements. Indeed, their arguments would serve just as well in a *challenge* to those limitations.

Third, because they do not defend the test the majority circuits apply, respondents offer no response to scholars' and amici's showing that, in addition to

lacking legal support, the instance-and-expense test has generated conflict, uncertainty, and inconsistency. SAG-AFTRA Br. 19-21, 23-26; CSEL Br. 7-10; PK Br. 4-6; *see also* Pet. 16 (citing treatises by Nimmer and Patry).

Fourth, no circuit has embraced respondents' rationales in adopting or retaining the instance-and-expense test. Consequently, no court has tested respondents' textual and historical arguments. Such an important question deserves the careful consideration that, at this point, only this Court can provide.

II. The Instance-And-Expense Test Conflicts With *Reid* And The 1909 Act.

Respondents' attempts to reconcile the instance-and-expense test with this Court's decision in *Reid* and the 1909 Act are unpersuasive.

A. The Instance-And-Expense Test Is Irreconcilable With *Reid*.

As the petition explained, *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), resolved the scope of the work-for-hire doctrine under the 1976 Act by presuming that "Congress intended terms such as 'employee,' 'employer,' and 'scope of employment' to be understood in light of agency law" and then asking whether other aspects of the statute's language, structure, or history overcame that presumption. *Id.* at 740. As part of the latter investigation, the Court examined the statutory backdrop to the 1976 Act. It explained that for the first 50 years of the 1909 Act's existence, and at the time the 1976 Act was being drafted, lower courts "concluded that the work for hire doctrine . . . referred only to works made by employees

in the regular course of their employment” and not to the works of independent contractors. *Id.* at 744.

Respondents argue that *Reid* has nothing to say about the question presented here because the only issue before the Court was the meaning of the 1976 Act, which used different language (“employee” instead of “employer”) in a different statutory context. But the organizing premise of the Court’s decision—that Congress generally intends “terms such as ‘employee,’ ‘employer,’ and ‘scope of employment to be understood in light of agency law,” 490 U.S. at 740—applies equally to the 1909 Act. Respondents claim the Court was only saying that *when* it presumes that Congress intended “employer” to have a common law meaning, it relies on the general common law of agency rather than any particular State’s law. *Klamer BIO 24*. But there would have been no point to including “employer” in the list if the presumption never applied to it.¹

The Court’s understanding of the scope of the 1909 Act was not dicta either. Rather, it was an essential part of the Court’s consideration of whether the common-law-meaning presumption was overcome. *See* 490 U.S. at 743 (the common law “reading of the undefined statutory term finds considerable support in the Act’s legislative history”); *see also id.* at 748 (considering history in rejecting the petitioners’

¹ Respondents emphasize that *Reid* relied on other aspects of the 1976 Act as well. But as the Court later explained, “[w]hile we supported this reading of the Copyright Act with other observations, the general rule stood as independent authority for the decision.” *Nationwide Mut. Ins. Co. v. Darden*, 503 U.S. 318, 323 (1992).

argument that the 1976 Act incorporated the instance-and-expense test they claimed was part of the 1909 version of the statute).

Accordingly, the Court was not simply describing the lower courts' initial interpretation of the 1909 Act without endorsing it. *Contra* Hasbro BIO 10. If the Court had agreed with the *Reid* petitioners that commissioned works were covered by the 1909 Act, that background would have undermined the presumption of common law meaning, rather than providing it "considerable support." 490 U.S. at 743.

B. *Reid* Correctly Interpreted The 1909 Act.

That leaves respondents' claim that *Reid* was simply wrong about the 1909 Act.

1. Respondents begin with the fair point that the words "employer" and "employee" cannot automatically be equated, citing this Court's decision in *New Prime Inc. v. Oliveira*, 139 S. Ct. 532 (2019). Klamer BIO 17. But respondents then commit the very error they accuse petitioners of making, claiming that *New Prime's* construction of "contract of employment" "all but forecloses petitioners' position" on the meaning of the different term "employer." *Id.* at 18; *see also* Hasbro BIO 13 (relying on purported definition of "employment").

When they address the actual statutory term, respondents insist that the canon *Reid* applied to construe "employee" does not apply to "employer" here because in 1909 "employer" could include those who commissioned works from independent contractors. *See, e.g.*, Klamer BIO 17-20, 23. Respondents misunderstand the function of the common-law-meaning canon. The Court does not apply the canon

because a word like “employee” or “employer” could *only* refer to a master-servant relationship at the time of the relevant statute. It was clear in *Reid*, for example, that “employee” *could* encompass independent contractors; otherwise there would have been no point in examining the statute’s structure and history to determine if Congress intended that broader meaning. *See* 490 U.S. at 740-42. The same was true in earlier cases applying the canon. *Compare id.* at 739-40 (relying on cases construing “employee” in the Federal Employers’ Liability Act, ch. 149, 35 Stat. 6 (1908)), *with Black’s Law Dictionary* 421-22 (2d ed. 1910) (defining “employee” broadly). Instead, this “stabilizing canon[]” resolves the recurring ambiguity over which meaning Congress intended and assures a measure of stability and predictability in the law. *See* Antonin Scalia & Bryan A. Garner, *Reading Law* 318, 320-21 (2012) (capitalization altered).

It is therefore unsurprising that respondents cite no case restricting the canon to the employee side of the employer-employee relationship. *Compare e.g., Browning-Ferris Indus. of Cal., Inc. v. NLRB*, 911 F.3d 1195, 1206-07 (D.C. Cir. 2018) (interpreting “employer” using canon); *Garcia-Celestino v. Ruiz Harvesting, Inc.*, 843 F.3d 1276, 1290 (11th Cir. 2016) (same).

Even on its own terms, respondents’ argument is unpersuasive because it relies not on courts’ interpretation of “employer” as a *statutory* term, but almost entirely on casual use of the word in describing the test for imputing liability in tort cases. *See* Klamer BIO 18-20; Hasbro BIO 12-18. Moreover, in that context, nothing turned on the precise meaning of “employer,” but rather whether a worker met the

common law criteria to be an independent contractor. *See, e.g.*, Restatement (First) of Torts § 409 & cmt. a (1934).

2. Even setting aside the canon, any ambiguity in the word “employee” is resolved by the settled understanding of the scope of the work-for-hire doctrine at the time of the 1909 Act and during the first half century of its application. *See Reid*, 490 U.S. at 743-44, 748; Pet. 5. Respondents dispute this Court’s reading of the history. Klammer BIO 5-7, 20-21. While space constraints preclude a full refutation here, a few points bear emphasis.

First, even if Klammer’s citation (at 5, 20) to two trial court decisions could tell the Court anything meaningful about the state of the law prior to the 1909 Act, both decisions held that copyright passed to the commissioning party as a matter of *implied contract*, not that the copyright vested with the commissioning party as an *author* under the Act. *See Dielman v. White*, 102 F. 892, 894 (D. Mass. 1900) (“The unrestricted right to produce a work of art thus commissioned is *implied in a sale* to a nation or a municipality as well as to an individual.”) (emphasis added); *Lawrence v. Dana*, 15 F. Cas. 26, 51 (D. Mass. 1869) (defendant was “entitled to an assignment of the” work).

Second, the principal authority upon which Klammer relies for the early history of 1909 Act cases, the Varmer report,² fully supports this Court’s reading. *Compare* Klammer BIO 5-7, *with Reid*, 490 U.S. at 744

² Borge Varmer, 86th Cong., Copyright Law Revision Study No. 13: Works Made for Hire and on Commission (Comm. Print 1960) (1958) (“Varmer Report”).

& n.10 (relying on Varmer for proposition that early courts treated commissioned works as involving assignments, not an application of the work-for-hire doctrine); *see also* Varmer Report, *supra*, at 130 (summarizing review of case law as of 1958: “Hence, it may be concluded that section 26 refers only to works made by salaried employees in the regular course of their employment.”); *ibid.* (explaining that special rule developed for a “portrait or group photographs” under which copyright was *assigned* through an “implied agreement” or “held in trust” for the commissioning party) (citations omitted); *id.* at 138 (“[O]nly the laws of China and Venezuela provide generally that the copyright in any commissioned work belongs to the person who commissioned it, in the absence of an agreement to the contrary.”).

Third, although there is much more to say on the merits, for present purposes it suffices to emphasize again that *no court* has considered these arguments or engaged in anything approaching the kind of interpretative analysis this Court’s precedents require. And unless this Court grants certiorari, it is unlikely any ever will. Pet. 24-27.

III. The Circuits Are Divided.

In denying the circuit conflict, respondents misread *M.G.B. Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486 (11th Cir. 1990). The Eleventh Circuit’s decision is unambiguous: “[w]e *hold* that *Murray* [*v. Gelderman*, 566 F.2d 1307 (5th Cir. 1978)] is no longer valid precedent.” 903 F.2d at 1490 (emphasis added). And the only relevant precedent *Murray* established was to adopt the instance-and-expense test for 1909 Act cases. *See* Klamer BIO 8.

Respondents nonetheless say that this open overruling of *Murray* was dicta (even though it was prefaced by “[w]e hold”) because *M.G.B. Homes* was governed by the 1976 Act. But the district court had applied *Murray*’s interpretation of the 1909 Act to the case. 903 F.2d at 1490. So it was entirely appropriate for the Eleventh Circuit to explain that the district court was wrong on two independent grounds: (1) the 1976 Act included a new provision for which *Murray* was inapt precedent; and (2) even if *Murray* otherwise applied, its “rationale was rejected” by *Reid*’s interpretation of the 1909 Act in the course of construing the 1976 Act. *Ibid.* That is an alternative holding, not dicta, and binds future courts. Pet. 24. Notably, respondents cite no subsequent decision from any Eleventh Circuit court applying the instance-and-expense test in a 1909 Act case.

IV. The Question Presented Is Recurring And Important.

Although respondents argue that the question presented is of limited and diminishing importance, they insist in the next breath that the Court should leave the status quo in place lest it “throw so many transactions into disarray.” Klamer BIO 30. Both cannot be true, and neither is.

Respondents do not dispute that the 1909 Act controls ownership of often immensely valuable copyrights in thousands of works whose copyrights will run for decades to come. *See, e.g.,* William Morris Br. 5-11. They further provide no basis to dispute amici’s explanation that the work-for-hire doctrine plays a critical role in ownership disputes regarding

many of those works, particularly in the entertainment industry. *See id.* at 9-11; PK Br. 9-17.

Instead, respondents principally argue there is a “limited window to exercise termination rights.” Klamer BIO 27-28. But respondents acknowledge that the termination window will not close for another *decade and a half*. *Ibid.* They imply that few cases will be filed during that time because all must involve copyrights secured within a five-year window which now begins in 1963. *Ibid.* But that rolling five-year window has consistently generated more than a *thousand* termination claims every year. *See* PK Br. 8. And while it is not possible to quantify how many of those terminations involve commissioned works, respondents do not dispute that commissions are common in many sectors, as the recent suits regarding ownership of some of Marvel’s most iconic characters, and the litigation in this case, illustrate. Lieber Br. 1-2, 22-23.

Respondents point to the purported scarcity of litigated cases under the instance-and-expense test. But they disregard that under the present regime, asserting termination rights for commissioned works is frequently hopeless and always expensive, given the indeterminate, fact-intensive nature of the instance-and-expense test. *See* SAG-AFTRA Br. 19-21, 23-26; CSEL Br. 7-10. Respondents’ focus on litigation also ignores that the vast majority of termination claims are resolved through negotiation, a context in which the answer to the question presented is no less important.

Finally, the work-for-hire doctrine is not limited to termination disputes. It also determines who owns a copyright in the first place, an important and distinct

issue raised in this case. *See* Dist. Ct. Doc. 127 (Third Am. Compl.) ¶ 1(a). That question presented can continue to arise in that context well into the 2070s. Pet. 12-13.

Respondents' invocation of reliance interests is also no ground to deny review. *Reid*, for example, rejected work-for-hire rules more than a decade into the 1976 Act. *See* 490 U.S. at 738-39. And as this case illustrates, the instance-and-expense test applies to works that predate the relevant circuit's adoption of that rule (which can be well past the 1960s and 1970s, *contra* Hasbro BIO 32). Here, for example, the work was created in 1960, at a time when no court had applied the work-for-hire doctrine to commissioned works, but the case was resolved in respondents' favor on the basis of a First Circuit decision adopting the instance-and-expense test in 1993. *See* Pet. App. 5a, 11a-12a.

V. This Case Provides An Appropriate Vehicle.

The Linkletter respondents—but notably no others—argue the case is a poor vehicle because petitioners would ultimately lose even under the *Reid* rule. Linkletter BIO 7-10. Because Markham was assisted by his *own* employees, they argue, the Game was still a work for hire. As a result, they insist, Markham would have no termination rights even if *his* contribution was not a work-for-hire. *Id.* at 8-9.

That argument assumes that so long as *anyone* who contributed to a work did so as an employee, *none* of the co-authors can exercise termination rights, even those whose work was *not* for hire. Neither the district court nor the First Circuit addressed that claim, and the Linkletters cite no case ever accepting it. *See* Pet.

App. 22a; Linkletter BIO 7-10. The existence of a novel, unresolved alternative ground for affirmance is no basis to deny review of an otherwise certworthy question. *See, e.g., Georgia v. Public.Resource.Org., Inc.*, 140 S. Ct. 1498, 1513 (2020) (granting certiorari to decide whether legal annotations were copyrightable despite potential alternative fair use defense).

Finally, to the extent the Linkletters imply (at 9) that the district court found that Markham was not even a co-author of the work, they distort the opinion and the record. While the court did not need to resolve Markham's authorship claim given the court's work-for-hire holding, it nonetheless acknowledged that at the very least Markham was part of the "collective" authorship of a "the rules," which where a "major component" of the game beyond the box and game board design. Pet. App. 29a.³

³ That Markham's then-wife Sue Markham "memorialized" the rules "in what became the prototype's rulebook," Pet. App. 4a, does not make her the author of the rules for copyright purposes. *See, e.g., Andrien v. S. Ocean Cnty. Chamber of Com.*, 927 F.2d 132, 134-35 (3d Cir. 1991).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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