

Third Circuit Analyzes Work for Hire and Assignment Requirements and Explains Why the Distinction Matters

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When a judicial opinion refers to a “bitter feud”, a plaintiff “beset by acrimony”, and a “rock star” banker who “faced his peripeteia” (we looked it up for you –it’s Greek for

“reversal of fortune”), you know there’s gotta be a good story behind a copyright dispute. That is indeed the case in *TD Bank N.A. v. Hill*, a recent Third Circuit decision that provides an in-depth analysis about whether the copyright in a business book manuscript co-authored by a former bank CEO is owned by his bank employer as a work for hire or by assignment – and why the distinction matters. The appellate court concludes that a letter agreement “deeming” the manuscript a work for hire, without more, could not make it so unless it meets the specific requirements of the work for hire provisions of the Copyright Act. The court further held that rights in the work were in fact assigned by that letter agreement, even though the word “assignment” was never mentioned.

The man at the center of this copyright drama is Vernon W. Hill II, the founder of Commerce Bank, who led and grew the institution from 1973 until it was acquired by TD Bank in 2007 for \$8.5 billion. In 2006, Hill decided to write a book about his business philosophy. Commerce Bank supported this endeavor by hiring a collaborator to help him write the manuscript and by entering into an agreement with the Portfolio Division of Penguin Books. In the publishing agreement with Portfolio, Commerce Bank was defined as the “Author”, and represented and warranted that it was the exclusive owner of all rights in the manuscript. Hill signed an accompanying letter agreement in which he agreed that “the Author [i.e., Commerce Bank] will fulfill all obligations of the Agreement.” Hill also guaranteed that the “Work is a work made for hire within the meaning of the

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United States Copyright Law and that the Author is the owner of Copyright in the Work and has full power and authority to enter into the Agreement.”

Hill’s manuscript was finished in 2007, but then the relationship between Hill and Commerce Bank “soured” and TD Bank acquired Commerce Bank shortly after. The manuscript was never published, and by 2008, Commerce Bank terminated its publishing agreement with Portfolio. Several years later, Hill decided to co-author another book about the founding of a bank in the UK, which was published in November 2012. TD Bank learned about this new book published by Hill, “suddenly registered” its copyright in the 2007 unpublished manuscript and sued Hill for copyright infringement. Interestingly, TD Bank admitted during the litigation that “at most 16%” of the 2012 book infringed the 2007 unpublished manuscript and that it had no intention of ever publishing the 2007 manuscript.

On a motion for summary judgment, the district court concluded that because the letter agreement “deem[ed] the work to be a work for hire,” it was a work for hire, vesting the copyright in the 2007 manuscript in Commerce Bank as Hill’s employer. Although the district court initially declined to issue an injunction, it did so a year later after Hill continued to promote the 2012 book and TD Bank presented evidence of irreparable harm. Hill then appealed.

Work for Hire - Back to the Basics

On appeal, the Third Circuit overturned the district court’s holding that the 2007 unpublished manuscript was a work for hire.

Revisiting the basics of what constitutes a work for hire, which often get overlooked or conflated with an assignment or transfer, the appellate court laid out the work for hire provisions of the Copyright Act (summarized [here](#)). These say that a work can be considered a work for hire in only one of two ways. The first is where a work is created by an employee within the scope of employment. The second is where a work is specially ordered or commissioned, but only if it falls within nine specifically enumerated categories of works (including a contribution to a collective work or part of a movie). As the court put it, these are “two mutually exclusive means”, with “the first for employees, and the second for independent contractors.”

Applying these two statutory provisions to the operative facts, the Third Circuit held that the 2007 manuscript did not meet the second definition because Hill was not an independent contractor and the manuscript did not fall within any of the nine enumerated categories of works. As for the first part of the definition, Hill was an employee of Commerce Bank when the manuscript was authored, but to be a work for hire, the manuscript would have had to have been created within the scope of his employment.

The district court had correctly recited these principles but then went in a different direction, holding that TD Bank owned the rights to the 2007 manuscript based on the letter agreement, which deemed the manuscript to be a work for hire. The Third Circuit rejected this approach, holding that “a bare statement that a particular work is ‘for hire’

says nothing about the scope of any individual's employment and cannot suffice on its own. Had Congress intended to permit parties to 'deem' works by employees as 'for hire', it would have so specified" in the statute.

Wrong Label – Same Outcome

The appellate court then explored whether TD Bank had acquired rights in the 2007 manuscript by assignment, rather than as a work for hire, emphasizing both the technical distinctions and practical consequences between the two. In particular, the court highlighted that a work for hire vests both authorship and ownership in an employer or principal, effectively removing any rights from the creator of the work, whether as employee or independent contractor. In contrast, where there is an assignment, the creator of the work, as author, still "retains certain non-waivable rights to cancel the transfer after 35-40 years" and, for some types of works, certain waivable moral rights too. The court highlighted that these fundamental differences explain why an employee's work created outside the scope of employment cannot simply be "deem[ed] for hire."

The Third Circuit next concluded that "although it affixed the wrong label", the lower court was correct in finding that TD Bank owned the 2007 unpublished manuscript because the letter agreement operated as an assignment, even though the word "assignment" was not expressly mentioned in the agreement. Specifically, the appellate court found that Hill's commitments in the letter agreement, including "Hill's assurance that the manuscript 'is a work made for hire'" (even if it was insufficient to render it a work for hire), and acknowledgement that Commerce Bank was the owner of copyright, "denote[d] an intent to relinquish his interest in the copyright", when considered as a whole, under both the Copyright Act and New York law. As the court explained, to constitute an assignment, an agreement "need not comply with any formalities or invoke particular language to constitute an assignment; any writing will suffice as long as 'the assignor has, in some fashion, manifested an intention to make a present transfer of his rights to the assignee.'" Although the court's assignment holding ultimately turned on the specific language used in the letter agreement, the decision highlights important basic distinctions and requirements between work for hire and assignment provisions that need to be kept in mind if businesses want to retain ownership and control of employee work product and creative output.

Concluding its analysis of the ownership of the 2007 manuscript, the court stated that while the letter agreement constituted a valid assignment, the question remained whether it could also be considered a work for hire under the first part of the statutory definition because it was written by Hill within the scope of his duties as a bank employee. The Third Circuit outlined the legal test that should apply, but found that it had an insufficient factual record before it, leaving it open whether the parties wished to address the issue on remand (and thus prolong their bitter litigation). The Third Circuit reiterated the potential legal advantage to TD Bank of a work for hire finding, which would then remove Hill's right to terminate the rights transferred by assignment.

The Third Circuit's analysis and holdings help to cement basic copyright ownership principles, particularly in the corporate context, where documents providing for the

transfer of rights in creative output to a corporation often simply deem a work to be a work for hire, without specifying anything more, such as the category of work involved (in the case of an independent contractor), or the scope of the employment duties within which the work falls (in the case of an employee). The decision also highlights the importance of having a clearly expressed assignment provision in an agreement to transfer rights to an employer if it is likely a work will not be “deemed” a work for hire.