

HOW FINE ART FARES POST-VARA

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I. INTRODUCTION

A. The issue of moral rights protection had arisen in 1988, in conjunction with our adherence to the Berne Convention, but many believed that separate moral rights protections were unnecessary given existing federal and state laws.

B. VARA was passed on December 1, 1990 and became effective on June 1, 1991. VARA was passed by the full Senate only because it was appended to a bill authorizing 85 new federal judgeships. There was little debate or discussion. Given this history, the statute's problematic drafting becomes understandable.

C. VARA provides qualifying artists with limited rights of attribution and integrity.

1. Works covered: VARA only applies to works of visual art, defined as fine art in either limited editions (200 or fewer) signed and consecutively numbered, or one of a kind pieces. The statute's definition of fine art is restricted to visual works including paintings, prints, sculptures, and still photographic images produced "for exhibition purposes only." The statute specifically excludes more troublesome categories such as motion pictures, posters, maps, other technical drawings, as well as works made for hire.

2. Rights covered: limited attribution and integrity rights.

a. Attribution—artists gain the rights to claim authorship of a work; to prevent the use of their names as the author of works not created by them, and to disclaim authorship of a work that has undergone distortion, mutilation, or other modification. Attribution under VARA doesn't include negative rights of anonymity or pseudonymity.

b. Integrity—authors have the right to prevent intentional distortions or mutilations that will prejudice their honor or reputation, and to prevent the intentional or grossly negligent destruction of a work of recognized stature (modifications that result from the passage of time, presentation, conservation, or the work's inherent nature will not give rise to a civil action).

D. Scope of rights: duration and waiver. Duration—varies, depending on when the work was created. Protection expires with copyright protection for works created before the effective date of VARA (see Section IID1 *infra* for more detail). For works created on or after VARA’s effective date, protection expires with the death of the author (note that older works get more protection durationally). Waiver—VARA rights cannot be transferred but can be waived if the author expressly agrees to waiver in a signed written instrument with the required specificity.

II. THE LITIGATED ISSUES

A. *Limitations on Artists’ Rights Under VARA*

Lilley v. Stout, 384 F. Supp.2d 83 (D.D.C. 2005). This case presents a controversy arising from the collaboration of a photographer (Lilley) and his one-time girl friend (Stout), who incorporated Lilley’s photographs into an artwork without providing appropriate attribution. The photographer sued under VARA. The artwork in question consists of six of Lilley’s photographs that had been selected and arranged by Stout and placed in a binder with a red cover and illustration. The question here is whether the photographs qualify as “still photographic image[s] produced for exhibition purposes only.” *Id.* at 86. Initially, the court noted that both the photographs and the negatives qualify as “still photographic” images. Here, the defendant argued that the fact that the photographs were taken “as studies for paintings defendant planned to create” precludes their having been produced for “exhibition purposes.” The plaintiff argued that he had the proper intent to exhibit. In addressing this issue, the court noted the complexity of the question of “intent to exhibit” in the realm of photography in light of the rather pedestrian use of photography by the majority of people. Moreover, the three distinct phrases of the photographic process (the practical camera handling, the negative development, and the printing) provide further complications. According to Lilley, the term “for exhibition purposes only” cannot “be limited to the author’s ‘purpose’ at the moment she clicks the camera’s shutter” because “then only the photographic negative would ever be protected, as its production and purpose were contemporaneous with the click of the shutter.” *Id.* Instead, the court determined that Lilley’s “intent when clicking the shutter of his camera and creating the negatives is irrelevant to his claim.” Instead, the real issue is “his probably different purpose in developing the negatives to produce the prints.” *Id.* Ultimately, the court concluded that the evidence supported that Lilley did not have in mind “exhibition purposes only” in taking the photographs, because his purpose was to assist the defendant in her artistic project. Therefore, the court granted the defendant’s motion to dismiss, thus leaving the plaintiff without any right of attribution.

National Association for Stock Car Auto Racing, Inc. v. Scharle, 356 F. Supp.2d 515 (E.D.Pa. 2005). Court held that original drawings that were used as the basis for a trophy are not “works of visual art” as defined in VARA: “[B]y definition, the narrow protection of VARA does not extend to the many drafts of [the artist’s] designs created to lay a foundation for the eventual manufacturing of the trophy.” *Id.* at 529.

Phillips v. Pembroke Real Estate, Inc., 288 F.Supp.2d 89 (D. Mass. 2003). Plaintiff sculptor brought action under VARA and state moral rights statute against manager of public sculpture park seeking to enjoin modification of park and alteration of sculptures he created specifically for the park. The court granted the plaintiff the requested relief pursuant to the state moral rights statute but held that under VARA, the park as a whole does not qualify as a work of visual art. Also, the court ruled that under VARA, an artist does not have a right to the placement or public presentation of his sculpture.

Flack v. Friends of Queen Catherine, Inc., 139 F. Supp.2d 526 (S.D.N.Y. 2001). Plaintiff had won the right to create a statute of Queen Catherine to be erected in New York City. Before the clay model for the statute could be completed, however, controversy arose and the clay head of Queen Catherine was placed in an outdoor storage site by the company commissioned to assemble the statute. While stored there, the face of the clay model suffered weather damage. One of Flack's assistants further damaged the face while attempting to repair it. The repairs were done at the order of the storage company, but without Flack's knowledge or consent. Flack brought suit under VARA against the parties involved. Initially, the court held that the "model" clay sculpture at issue meets VARA's definition of "a work of visual art" despite the statutory exclusion of "models" from protection. It also noted that despite the fact that the ultimate aim of the project was to produce a bronze statute, the intermediate model was still eligible for protection: "The statutory definition of 'a work of visual art,' ... does not exclude an otherwise qualifying work simply because it is part of a larger project." *Id.* at 532. Regarding the merits of the VARA claim, however, the court dismissed the plaintiff's allegation that the damage due to defendant's placement outdoors of the head of the clay sculpture constituted an intentional modification actionable under VARA. The court also rejected the plaintiff's claim that VARA grants an artist the right to complete an unfinished work in accordance with the artist's wishes and vision. In contrast, the court upheld the plaintiff's claim that the assistant's efforts at conservation could be considered gross negligence.

B. The Works Made for Hire Exclusion

Carter v. Helmsley-Spear, Inc., 71 F.3d 77 (2d Cir. 1995), *cert. denied*, 517 U.S. 1208 (1996).

a. **Facts:** The original agreement between the plaintiffs and the building's net lessee, the defendants' predecessor, called for the plaintiffs to design, create and install sculpture, and granted the plaintiffs "full authority in design, color and style." The sculpture had a recycling motif and it consisted of numerous elements from recycled matter that were affixed to the walls and ceiling, and an expansive mosaic embedded in the floor and walls which was made from pieces of recycled glass. The defendants' predecessor retained the authority to "direct the location and installation of the art work within the building." When the defendant took over the management of the building, it informed the plaintiffs that they could no longer continue to install the art work and also implied that they intended to alter or remove the art work already installed in the building's lobby.

b. **History:** After a bench trial, the lower court granted the plaintiffs a permanent injunction enjoining the defendants from removing, modifying or destroying the art work for the duration of the lifetimes of the three plaintiffs. The Second Circuit reversed, holding that the sculpture was a work made for hire, and thus outside the scope of VARA.

c. **District Court's Application of Work for Hire Test:** Applying the common law agency test articulated in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), the court held that the plaintiffs were independent contractors, relying primarily on:

- 1) the artistic freedom enjoyed by the plaintiffs;
- 2) the level of skill required to create the art work;
- 3) the absence of additional assigned projects unrelated to the work they were hired to produce;
- 4) the absence of a prior relationship with the hiring party;
- 5) the finite duration of the plaintiffs' work relationship with the defendants and their predecessors;
- 6) the significant discretion exercised by the plaintiffs regarding their work hours; and
- 7) the fact that creating art was not part of the hiring party's regular business.

861 F. Supp. 303 (S.D.N.Y. 1994). In addition, the district court was persuaded that the plaintiffs' ownership of the copyright to the work was indicative of their independent contractor status. In so holding, the district court discounted the following *Reid* factors:

- 1) taxes were withheld from the plaintiffs' payments for several years;
- 2) plaintiffs were each paid weekly checks of \$1000;
- 3) the plaintiffs received health and insurance benefits for several years but continued to work on the sculpture even after these benefits were withdrawn.

d. **Second Circuit's Application of Work for Hire Test:** The following factors supported the court's work for hire determination:

- 1) the facts did not support the lower court's determination that the defendants could not assign the plaintiffs projects in addition to the principal sculpture;
- 2) the provision of employee benefits and the plaintiffs' tax treatment;
- 3) the weekly salary paid to the plaintiffs;
- 4) the defendants furnished the plaintiffs with needed supplies;
- 5) the plaintiffs needed to obtain the defendants' consent to hire assistants.

Moreover, the Second Circuit rejected the district court's conclusion that the plaintiffs' ownership of the copyright is a "plus factor," and expressly "put off for another day deciding whether copyright ownership is probative of independent contractor status." 71 F.3d at 87. In so holding, the court discounted the following factors:

- 1) the plaintiffs were highly skilled; and
- 2) the plaintiffs enjoyed artistic freedom.

e. **Analysis:** The court paid lip service to the importance of artistic control, but then discounted this factor in favor of others. This logic is even more questionable in light of its recognition that “payroll formalities alone” should not “be controlling.” 71 F.3d at 87. The factors relied on in support of the work made for hire determination also could be consistent with interpreting the plaintiffs’ status as independent art consultants. The Second Circuit never expressly stated why these factors, even taken together, should outweigh the strong showing of artistic skill and control. Nor did the court explain its decision to refrain from determining the significance of the fact that the plaintiffs actually owned the copyright in the sculpture.

C. The Limitation of Integrity Violations to Intentional Actions that are Prejudicial to the Plaintiff's Honor or Reputation/Integrity Violations due to Destruction of Works of "Recognized Stature".

1. **Prejudicial to honor or reputation:** In *Carter*, the district court interpreted the provision of VARA which allows an author to “prevent any intentional distortion, mutilation, or other modification of that work which would be prejudicial to his or her honor or reputation” in light of their “readily understood meanings.” Specifically, the court considered whether the proposed alteration “would cause injury or damage to plaintiffs' good name, public esteem, or reputation in the artistic community,” and emphasized that the focus of the author's reputation should derive from the art work in question. 861 F. Supp. at 323.

2. **Destruction to works of "recognized stature":** VARA also provides that an author has the right to prevent intentional or grossly negligent destructions to a work of “recognized stature.” This provision does not contain the “prejudicial to the author's honor or reputation” caveat.

a. VARA does not define “recognized stature.”

b. In *Carter*, the district court observed that the goal of this provision was to prevent the destruction of art work whose loss would be socially significant. Therefore, the court interpreted the “recognized stature” requirement as “a gate-keeping mechanism” affording protection only to art work “that art experts, the art community, or society in general views as possessing stature.” Thus, the court required that a plaintiff make the following two-tiered showing to satisfy VARA's “recognized stature” requirement: “(1) that the visual art in question has 'stature,' i.e. is viewed as meritorious, and (2) that this stature is 'recognized' by art experts, other members of the artistic community, or by some cross-section of society.” A plaintiff also must show that the defendant either has begun, or intends to begin, the destruction of the art work in question in order to obtain injunctive relief. 861 F. Supp. at 325.

- c. This issue arose in *Martin v. City of Indianapolis* 192 F.3d 608 (7th Cir. 1999), although the Seventh Circuit did not clarify the test for “recognized stature.”

D. The "Takings" Issue

1. Relevant statutory provisions

Section 610 of the Copyright Act provides that VARA applies to works created after VARA's effective date, as well as to works created before its effective date but only if the author has not transferred title to the work as of the statute's effective date (note that VARA apparently can apply if the copyrights have been transferred prior to the effective date, however). For works created prior to VARA's effective date, VARA does not apply to any modification or destruction which occurred prior to the statute's effective date.

2. Does prospective application of VARA constitute a taking?

a. *Carter* also involved a prospective application of VARA. The defendants argued that VARA was unconstitutional because it allowed a third party, the building's net lessee, the right to control the use of the defendants' property. The district court in *Carter* rejected this argument, based largely on the view that VARA does not authorize a permanent, physical invasion, it contains a waiver provision, it leaves the property owner with other strands in her bundle of rights, and it provides reciprocal benefits to the property owners by allowing them to benefit generally from the preservation of cultural resources and specifically from the added commercial value to their properties resulting the installation of the art work. The Second Circuit never reviewed this aspect of the case.

b. **Analysis:** In general, the district court's conclusion that VARA does not effectuate a taking is correct. If the Supreme Court does not believe that the prohibition of the sale of lawfully acquired property which deprives the owners of the most profitable use of their property effectuates a taking (*Andrus v. Allard*, 444 U.S. 51 (1979)), then it is difficult to imagine that the Court would conclude that applying VARA prospectively constitutes a taking, even with respect to art work whose copyrights were transferred prior to VARA's passage.

Carter should have recognized that the permanency of the restriction is irrelevant because the Supreme Court has held that both temporary physical as well as regulatory takings require compensation. Section 113(d), which governs the removal of art work incorporated in buildings, probably would not be construed as a physical taking. If viewed as a regulatory taking, it should have been analogized to a development exaction, which requires the property owner to grant something of value to the government if the owner seeks to develop the land in some fashion. Specifically, VARA provides that the property owner must comply with certain requirements if she desires the installation of art work in her building.

3. Does retroactive application of VARA regarding the right of attribution effectuate a taking?

VARA should apply its right of attribution similarly to its right of integrity and preclude liability for acts committed prior to VARA's effective date.

Pavia v. 1120 Avenue of the Americas Associates, 901 F. Supp. 620 (S.D.N.Y. 1995).

a. **Facts:** Plaintiff's sculpture was displayed in the lobby of one of the defendant's hotels until 1988, when it was dismantled and displayed in an incomplete state in a parking garage. The plaintiff alleged that this improper display damaged his honor and reputation as an artist, and that such damage would continue as long as the work was displayed improperly.

b. **Ruling:** The court granted the defendants' motion to dismiss the complaint insofar as it was based on VARA, and denied the motion with respect to claims for improper display arising under the New York state moral rights law. Unlike the New York statute, VARA claims arise from improper alterations rather than improper displays. VARA is silent as to whether the ongoing display of a work that was altered prior to the effective date of VARA gives rise to a cause of action. The court concluded that Congress "could not have intended to give artists the right to prevent the continued display after VARA's effective date of works distorted, mutilated, or modified before that date." 901 F. Supp. at 629.

E. The Preemption Provisions

1. **Rights and subject matter denied by VARA:** Several states such as California, New York, Louisiana, Maine, Massachusetts, Nevada, New Jersey, New Mexico, Pennsylvania, and Rhode Island have moral rights statutes. The specific content of these statutes vary. Some of these statutes offer more extensive protections than VARA. For example, California, Massachusetts and New Mexico apparently presume that any alteration will harm a creator's honor or reputation. Massachusetts and New Mexico allow relief for alterations resulting from gross negligence. The provisions in Louisiana, Maine, New Jersey, New York and Rhode Island extend to reproductions of protected works and thus embrace a broader of definition of works of visual art. Similarly, some states such as Pennsylvania and Massachusetts extend protection to a broader range of works than VARA. Additionally, some statutes protect rights that are not protected by VARA (*i.e.*, in Louisiana, the right of display). These differences raise significant preemption questions.

2. **Board of Managers of Soho International Arts Condominium v. New York**, No. 01 Civ.1226 DAB, 2003 WL 21403333 (S.D.N.Y. June 17, 2003)(holding that VARA preempted New York's Artists' Authorship Rights Act).

3. **Gegenhuber v. Hystopolis Productions, Inc.**, No. 92 C 1055, 1992 WL 168836 (N.D. Ill. July 13, 1992)(holding that state law breach of contract and deceptive trade practice actions based on defendants' failure to provide right of attribution should not be removed to federal court

since VARA does not apply to puppets, costumes and show sets which were the works at issue there).

4. Suggested preemption analysis: In enacting VARA, Congress sought to protect artists' personal interests in their works and to preserve society's cultural heritage as reflected in unique artwork. That Congress limited the scope of VARA's protection to certain types of works does not necessarily mean that Congress believed that moral rights should not attach at any level to other works of authorship. Congress' circumscribed protection for moral rights also was largely due to the lobbying efforts of major copyright industries. The legislative history is consistent with the view that states should be free to protect moral rights in conjunction with a wider range of copyrightable works. Also, for state statutes governing copyrightable works whose coverage is excluded from VARA, and governing rights implicated by the 1976 Act but omitted from VARA, the impact of the preemptive provisions of the 1976 Act must be considered (§301 (a) and (b)).

III. THE 1996 FINAL REPORT OF THE REGISTER OF COPYRIGHTS ON WAIVER

A. Circulation and Composition: The primary vehicle for examining the waiver issue for the Final Report was a comprehensive questionnaire sent nationally to visual artists and people strongly associated with the arts. Over 1000 people responded. The survey's primary goal was to determine whether waivers in art contracts routinely occur based on the disparity of the parties' relative bargaining power. The survey also had an educational objective and began with a short explanation of VARA and included various excerpts from the statute. The Copyright Office also sponsored panel discussions on VARA that were co-sponsored by various arts organizations.

B. Findings and recommendations: Much of the information contained in the Final Report is not surprising. The respondents had a fairly high level of VARA awareness but a much lower level of waiver awareness. Artists who were represented by an agent or who had a higher annual gross income derived from their artwork had a higher awareness of the waiver's operation. Artists from states with moral rights statutes enacted prior to VARA had a higher degree of general moral rights awareness, but no greater awareness of waiver. The responses showed a relatively low level of waiver frequency and perception of waiver frequency. The responses also showed a relatively small impact of the waiver provision on artists' bargaining positions.

C. Copyright Office Recommendations: Based on the survey as well as the oral and written input of all of panel participants, the Copyright Office recommended: 1) more VARA education is needed; 2) Congress should clarify VARA to show how waivability should identify the uses to which the waiver applies; 3) waivers are needed for works incorporated into buildings and therefore ' 113 needs no modification; 4) the waiver provision in ' 106A also needs no modification at this time since most contracts for the sale of moveable art are oral, and since the survey was inconclusive on whether eliminating the waiver provision for moveable art would strengthen artists' bargaining power or impact them negatively in any way; 5) if Congress does eliminate the waiver provision for moveable art, it should consider retaining waiver for installed,

site-specific and commissioned works; 6) Congress should consider amending §106A to parallel §113(d)(2) by assuring creators of statutory works the right to remove or pay for removal within a specified period before such works are destroyed or mutilated; and 7) Congress should amend VARA so that one joint author cannot waive the moral rights of other joint authors absent their written consent.

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