

TAKE STEPS TO RETAIN COPYRIGHT

Businesses often outsource projects that involve copyrightable materials, such as the design of the company Web site and collateral materials or the drafting of an employee handbook or user manual. Frequently, the business and the independent contractor will enter into an agreement to complete the project without considering or addressing the ownership of the copyright to such materials. Copyright ownership of these works is critical, since the copyright owner retains exclusive right to reproduce, distribute, or sell the work, or to create derivative works (such as future upgraded, modified, or expanded versions). Unless a business retains the copyright to the work developed by the independent contractor on its behalf, the business has no right to undertake such activities without the independent contractor's permission, and risks a copyright infringement claim by the independent contractor if such activities are undertaken without permission.

This type of situation is addressed by the Copyright Act, Title 17 of the United States Code. The general rule is that the author of a work owns the copyright to the work. However, the Copyright Act includes an important exception commonly called the "work for hire" doctrine, which modifies this general rule and gives ownership of the copyright to someone other than the author: (a) when employees create works within the scope of their employment; or (b) where a certain type of work is specially commissioned and is specifically identified as a work for hire in a written agreement. Where the "work for hire" doctrine applies, the employer or business commissioning the work owns the copyright, rather than the author.

The employee portion of the "work for hire" doctrine does not apply to independent contractors because they are not considered employees of the business. However, if a business develops a work "in house" using its own employees, the employee portion of the "work for hire" doctrine applies and the copyright to the work will be owned by the employer without the need for a separate, specific written agreement.

In order for the "work for hire" doctrine to apply to an independent contractor, the facts must establish the following three conditions:

1. The business must have hired and paid the independent contractor to create a new work, as opposed to paying for an existing work.
2. Both parties must agree in writing, prior to beginning the work, that the work will be considered a work for hire.
3. The work must fall within one of the following nine categories under the Copyright Act:

- a. A collective work contribution (like a magazine article);
- b. A motion picture contribution or other audiovisual work;
- c. A translation;
- d. A supplemental work (such as a preface to a book);
- e. A compilation (an assembly of preexisting materials or data);
- f. An instructional text;
- g. A test;
- h. Answer materials for a test; or
- i. An atlas.

If all three conditions are satisfied, the work is a “work for hire” and the business, rather than the independent contractor, owns the copyright to the work. But if any of the three conditions are not met, the “work for hire” doctrine does not apply and the independent contractor owns the copyright to the work under the general rule.

Since both parties must agree in writing that the work is going to be considered a work for hire for the “work for hire” doctrine to apply, any agreement between a business and an independent contractor related to the creation of copyrightable material should contain a “work for hire” clause which specifically identifies the work as a “work for hire.”

One common project that businesses hire an independent contractor to complete is the programming of business software designed by the business, where the independent contractor is hired only to write the code for the program. Software is a special case when considering the ownership of the copyright to the software, as courts have held that software is not included in any of the nine categories set forth in the Copyright Act and, therefore, the “work for hire” doctrine does not apply unless the author is an employee of the business. Therefore, if a business wants to own the copyright to a piece of software, any agreement which involves the development or programming of the software should include both a “work for hire” clause and a clause assigning the copyright to the software to the business. If an assignment clause is not included in the agreement, the independent contractor will retain the copyright to the software because the “work for hire” doctrine does not apply.

In general, most businesses have independent contractors work on single projects and on an irregular basis. In such a case, there should be a written agreement addressing the copyright ownership issues discussed in this article for each project. However, if a business has an ongoing relationship with a particular independent contractor that undertakes projects for the

business on a regular basis, several projects, or all of the projects undertaken by the independent contractor, can be covered by a single, broader agreement that addresses these issues for all of the work created by the independent contractor.

When a business retains an independent contractor to create specific copyrightable works on the business' behalf, a written agreement addressing the issue of the ownership of the copyright to the works is highly recommended. If you have any questions regarding this article or wish to discuss issues related to copyrights, please contact Derek Prestin at (715) 834-3425.

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