

“QUACK, QUACK!” BUT IT AIN’T A DUCK: MISCONCEPTIONS ABOUT “WORK MADE FOR HIRE”

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In technology, ownership of intellectual property is critical. Any contract between hiring and creative parties needs to clearly define this. In many instances, the hiring party who’s paying to have something created will insist upon ownership. In this case, the contract will often contain the ubiquitous “work made for hire” clause, which allows the hiring party to be the owner (and author). Without it, ownership would automatically vest with the creative party.

This provision typically reads as follows: *“The parties agree that the [content] shall be deemed a ‘work made for hire’ pursuant to federal copyright law and shall be the property of [the hiring party].”* This hopefully isn’t the only language which addresses ownership, but I’ve seen many contracts which include nothing more. This is a critical mistake, and—if you’re the hiring party—can cost you a great deal of money and aggravation down the road, especially if valuable content is created.

It’s also particularly relevant in the technology field, where many people classify themselves as “independent contractors.” As explained below, simply calling yourself an independent contractor and receiving a 1099 doesn’t make you one. In fact, such thinking can be disastrous here. If a company isn’t careful, it will end up losing ownership after paying to have something created. If a contractor isn’t careful, she will be deemed to be an employee and forced to give up ownership. There are risks on both sides.

Copyright Envy. First, this doctrine only applies to copyrightable subject matter. A copyright protects creative “expression” and can take any number of forms, including literary works, musical compositions, motion pictures, and others. Neither patent nor trademark law have similar doctrines. Under patent law, if someone’s hired to invent something and there’s no formal agreement as to ownership, the hiring party will not be the owner or inventor. Work made for hire is unique to copyright, which is federal law.

The definition is found in Section 101 of Title 17 of the United States Code. A work made for hire is defined 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 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. . . .*

“You’re not the boss of me!” The language in subsection (1) is deceptively simple and potentially misleading. When most people think of being an “employee,” they think in traditional terms of having a salary, boss, office, and schedule. While these are part of the equation, there’s much more to it than that under the work made for hire doctrine.

The Supreme Court has defined an “employee” by focusing upon the hiring party’s right to control the manner and means of the work’s creation. These factors include: (a) who provides the tools and materials used to create the work; (b) the work’s location; (c) the duration of the parties’ relationship; (d) whether the hiring party could assign additional projects to the creative party; (e) the payment method; (f) who had discretion over the creative party’s schedule; (g) the creative party’s role in hiring and paying assistants; (h) whether the work consists of the hiring party’s regular business; (i) whether the hiring party is in business; (j) whether employee benefits are given to the creative party; and (k) the tax treatment of the creative party.

While this test looks easy to apply, don’t be fooled. It can be quite complicated. No one factor alone

determines who's an "employee," and this list isn't exhaustive. Other elements can be considered. Even if the hiring party retains control or supervises, this still isn't controlling. While these factors provide some guidance, how a court will actually weigh them could yield surprising results. Let's look at a scenario:

Assume you're an employer who runs a travel agency. You hire a receptionist who develops a travel website in her spare time at home, without your input, and which ends up generating money for your company. Do you own the site? She is "your employee" after all, isn't she? Using the factors above, a court may find that she's not an employee under copyright law (or that it wasn't within the "scope" of her employment). If so, she owns the site.

The Lucky 9. Subsection (2) addresses independent contractors, but only in certain situations. First, the work must be "specially ordered or commissioned." This means that the hiring party must specifically ask the artist to create the work. This also prohibits the hiring party from acquiring ownership in any pre-existing work that was created before the relationship began.

It then lists 9 specific categories into which the work must fall: "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." Why does the law include these special categories? At the risk of sounding cynical, this was probably due to the lobbying efforts by these industries. No doubt they wanted to stack the deck in their favor to ensure that any content produced for them fell within this provision, regardless of whether there is an employee relationship.

Yet these categories can be broad in the technology field. Video games, for example, are audiovisual works and can be works made for hire. A multimedia website could also be an audiovisual work. In addition, a "collective work" is a "*work . . . in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.*" Software modules developed as part of a larger IT project can be contributions to a collective work and thus works made for hire. So the simple question: "Is it work made for hire?" may not always be so simple to answer.

It's Not a Widget. The key point about subsection (2) is this: If a person isn't an employee but an independent contractor—and the work falls outside of these 9 categories—it's not work made for hire. This means that the hiring party doesn't own what it just paid a lot of money to have created. It doesn't matter what the contract says and whether the parties call it "work made for hire." It's not. Period.

While parties are often free to define their contractual terms as they see fit, this definition is dictated entirely by statute and cannot be changed or modified. Many lawyers still don't understand this point. I've had attorneys in large, expensive law firms condescendingly lecture me that their client owns my client's software simply because he signed a work made for hire provision—even though he didn't qualify as an employee and the 9 categories didn't apply. This misunderstanding is common.

Put It in Writing. For independent contractors, a "written instrument" must also be signed by both parties. While this doesn't have to be a contract *per se*, signing one at the outset is the most prudent thing to do. Signing something later can be problematic, although in one case a court allowed it because it confirmed a prior oral agreement between the parties before the work was created. Nevertheless, it's always wise to execute a contract before beginning any work.

The contract must also state that the parties intended to create a work made for hire relationship. While the exact term, "work made for hire" doesn't have to be used, there's simply no reason not to use it. While creative lawyering may be necessary in some contexts, this isn't one of them. Using these 4 simple words is best.

A Simple Fix. As mentioned earlier, I've seen many contracts over the years that only contain a basic work made for hire provision and nothing else. This is easy to correct. If you're the hiring party and intend to own whatever is created, you may want to include a valid "assignment clause" to remove any ambiguity. So in

addition to the work made for hire provision, I typically include some variation of the following language:

To the extent that ownership of the [content] does not automatically vest in [the hiring party] and the [content] is not deemed to be a 'work made for hire,' [the creative party] irrevocably transfers and assigns all right, title, and interest in the [content] to [the hiring party].

It's a single sentence, but an important one. And given the obvious benefits of ownership, don't take any chances—there may be a great deal at stake. After all, why pay to mine the gold if you don't own it?



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