

WORK-FOR-HIRE RULE CAN TRAP THE UNWARY

by David N. Schachter

Here's a familiar scenario. You need a specific software application for your business, and can't find it at retail, so you hire a freelance programmer to write it for you. You agree on terms and shake hands. The program is delivered, installed and paid for. Over time, you realize that this software could be marketed to other businesses, so you begin selling copies to third parties. Suddenly, you receive a letter from the programmer's lawyer, advising that you have just committed copyright infringement.

What? But you paid for it, didn't you? Welcome to the "work-for-hire" rule: an ancient tenet of copyright law, dictating who holds title to a copyrightable work when it is prepared by an author for someone else, and it's the speed bump that trips up many a well intentioned project. Under the above scenario, even if the programmer was paid for the work, and delivered the program as promised, there was no written agreement that transferred title. Without that essential ingredient, ownership never changes hands and the programmer still holds the copyright. You own but one copy, but not the right to make reproductions. Even making modifications might be a violation.

The work-for-hire rule wasn't designed to derail such business transactions, it was designed to establish uniform rules for the special situation where a copyrightable work is created by one party at the behest of another. It traces back to the earliest days of copyright law, rooted in the principle that the author of any copyrightable work is initially the owner of the copyright. The rule provides two basic mechanisms for ownership to transfer, but they must be carefully followed. Here is a quick road map.

The first method arises in the employment setting. A work created: (a) by an employee; and (b) in the course and scope of employment, is automatically deemed to be the property of the employer. To meet these criteria, it is first necessary to ensure that a true employment relationship exists, with benefits, withholdings, etc. Once that is achieved, it then must be shown that the work was within the course and scope of the author's employment. This can be fertile ground for litigation unless care is taken at the outset of the relationship to clearly define the scope of the employee's job. The rule can work in favor of, or against, either side. Thus, if an employee creates a copyrightable work, software for example, but it is not within the course and scope of employment, then the copyright does not belong to the employer even if the employer's resources were used in the project. Conversely, if an employee creates a work at home outside business hours, but it is within the course and scope of their employment, then the work-for-hire rule holds that the employer owns the copyright.

The employment relationship is the easier case. The real migraines arise in the second, often more commonplace, setting in which the author is hired as an independent contractor. Here, the rules change. If the author is not the employee of the party for whom the work is done, then ownership of the copyright does not transfer, under any circumstances, unless the parties “expressly agree, in a written instrument, that the work shall be considered a work made for hire.” There are countless situations, like the scenario above, where this rule is neglected, sometimes with nightmarish consequences. In the landmark 1989 U.S. Supreme Court case of *CCNV v. Reid*, a sculptor was paid \$15,000 to create a work of bronze for the Capitol Mall, which he appropriately finished and delivered. Because Reid was not an employee, however, and there was no written agreement, title to the work never changed hands. To complicate matters more, the independent contractor rule only applies to an odd and narrow range of works, such as a translation, an atlas and written test material. Garden variety software programs usually do not meet these criteria.

The good news is that there is a very easy way to avoid pitfalls, and it simply involves the use of a written agreement. In the employment setting, the employee should sign an agreement in which the employee’s job description is clearly and broadly defined, and to avoid doubt the agreement should expressly recite an understanding that works created by the employee will immediately become the property of the employer. In the case of independent contractors, a simple written agreement is an absolute necessity. It should recite that the work product of the contractor will be considered a work made for hire. In addition, because many works do not fall within the enumerated categories outside the employment setting, the agreement should include a catch-all provision stating that, even if a work does not constitute a work for hire, the contractor is deemed to assign title to the hiring party.

Work for hire agreements needn’t be more than a few paragraphs long, but the amount of heartburn and frustration saved is immeasurable. If ever there was a situation proving that an ounce of prevention is worth a pound of cure, it is here.