

# An Employer's Guide to Copyright Law's Work for Hire Doctrine

By Andrew Murphy

Your company just launched a new website. Great. Now the question is who owns the copyright in that website? The answer – as with most legal questions – is that it depends. The general rule in copyright law is: you create it; you own it. The “work for hire” doctrine also known as the “work made for hire” doctrine is a statutory exception to the general rule.

In the case of a work for hire, the owner of the copyright is someone other than the work's creator.<sup>1</sup> Designating a work as a work for hire has a number of copyright ramifications beyond ownership. It determines the copyright's duration<sup>2</sup>, the owner's renewal rights,<sup>3</sup> the owner's termination rights,<sup>4</sup> the right to import certain goods bearing the copyright,<sup>5</sup> and whether certain “moral rights” attach to the work.<sup>6</sup>

Section 101 of the Copyright Act of 1976 (“Copyright Act”) defines a work for hire as: (1) a work created by an employee in the scope of his employment; or (2) a work, falling into one of nine enumerated categories, created by an independent contractor pursuant to a written work for hire agreement.<sup>7</sup> If a work meets one of these definitions, “the employer or other person for whom the work was prepared is considered the author” for purposes of copyright law.<sup>8</sup> Parties are free to alter this statutory default in a written, signed agreement.<sup>9</sup>

## The Copyright Act of 1909

Works created prior to 1978 are governed by the Copyright Act of 1909. Although the 1909 Act used the term work for hire, it did not define the term. Courts interpreted this as a codification of the judicially created “work for hire” doctrine. Under this doctrine, copyright ownership presumptively belonged to the commissioning party, not the creating party, and the onus was on the creating party to rebut this presumption.<sup>10</sup>

Some of the greatest developments to the “work for hire” doctrine have come from comic books. Back in the day, artists who created comic book characters largely were not employees of the publishers but were paid on a per character or per page basis. Often, a character would not become popular for many years after the artist created it. When a character did become popular, the artist and publisher would fight over the rights to the character (and more importantly to the money earned from use of the character). Under the 1909 Act, publishers frequently won these battles because the characters were created “at the instance and expense” of the publishers, meaning the publishers requested and paid for the characters. This, courts held, made them works for hire.<sup>11</sup>

1. 17 U.S.C. § 201(b).

2. 17 U.S.C. § 302(c).

3. 17 U.S.C. § 304(a).

4. 17 U.S.C. § 203(a).

5. 17 U.S.C. § 601(b)(1).

6. 17 U.S.C. § 106A.

7. 17 U.S.C. § 101.

8. 17 U.S.C. § 201(b).

9. *Id.*

10. *Real Estate Data, Inc. v. Sidwell Co.*, 809 F.2d 366, 371 (7th Cir. 1987).

11. See, e.g., *Marvel Characters, Inc. v. Kirby*, 726 F.3d 119, 141-43 (2d Cir. 2013); *In re Marvel Entm't Grp., Inc.*, 254 B.R. 817, 828-30 (D. Del. 2000).

### **The Copyright Act of 1976 and *CCNV v. Reid***

With the Copyright Act of 1976, Congress attempted to swing the pendulum back in favor of the artists by creating a statutory work for hire doctrine to supplant the judicially created one. Under this statutory doctrine, the work's creator presumptively owns the work and the burden is on the commissioning party to establish that the work qualifies as a work for hire – reversing the presumption under the then-existing doctrine.

The seminal case on works for hire is *Community for Creative Non-Violence v. Reid*.<sup>12</sup> In *Reid*, a nonprofit organization hired an artist to create a statute for the annual Christmastime Pageant of Peace in Washington, D.C. Upon completion, both parties attempted to copyright the statute. The primary issue for the *Reid* court was whether the statute was a work for hire. Since the statutory definition has different requirements for works created by employees and works created by independent contractors, the court first had to determine whether the artist was an employee or independent contractor. The circuits had developed a number of tests for making this determination. The *Reid* court endorsed the Fifth and D.C. Circuits' approach of using a multi-factor test based on common law agency principles.<sup>13</sup> After laying out a non-exhaustive list of factors (frequently referred to as the "*Reid* factors") and weighing each one, the *Reid* court concluded that the artist was not an employee for copyright purposes.<sup>14</sup> Federal courts around the country still rely on the *Reid* factors to this day.

### **Works created by employees**

To be a work for hire under § 101(1), two requirements must be met: (1) the work's creator must be an employee; and (2) the employee must create the work in the scope of his employment.<sup>15</sup>

12. 490 U.S. 730 (1989).

13. *Id.* at 750-51.

14. The factors identified by the *Reid* court were: (1) the skill required in the particular occupation; (2) who supplies the instrumentalities, tools; (3) the location of the work; (4) the duration of the relationship between the parties; (5) the method of payment, whether by the time or by the job; (6) whether or not the work is a part of the employer's regular business; (7) whether the employer is or is not in business; (8) whether the hiring party has the right to assign additional projects to the hired party; (9) the extent of the hired party's discretion over when and how long to work; (10) the hired party's role in hiring and paying assistants; (11) the provision of employee benefits; and (12) the tax treatment of the hired party. *Id.* at 751-52.

15. 17 U.S.C. § 101(1).

16. *Gaiman v. McFarlane*, 360 F.3d 644, 650 (7th Cir. 2004); see, e.g., *JustMed, Inc. v. Byce*, 600 F.3d 1118, 1128 (9th Cir. 2010) (the absence of many hallmarks of a formal employment relationship was due to the start-up nature of the company and did not make the individual an independent contractor).

17. *Aymes v. Bonelli*, 980 F.2d 857, 862-63 (2d Cir. 1992) (explaining that the hiring party's treatment of benefits and payroll taxes is a "virtual admission" of the nature of the parties' relationship).

18. *JustMed*, 600 F.3d at 1128; see, e.g., *Huebbe v. Oklahoma Casting Co.*, 663 F. Supp. 2d 1196 (W.D. Okla. 2009).

19. *Reid*, 490 U.S. at 739-40.

### **Who is an "Employee"?**

The Copyright Act does not define the term "employee." This is where the *Reid* factors come into play. The *Reid* factors can be lumped into three basic groups: (1) control over the work (i.e. does the employer have the right to control the outcome of the final product?); (2) control over the worker (i.e. does the employer have the right to control the actions of the worker?); and (3) the employer's status and conduct (i.e. how does the employer treat the worker for tax purposes and is the work something the employer regularly makes?). After analyzing the factors, courts decide whether the balance of factors weighs in favor of finding that the individual is an employee.

The *Reid* court rejected the notion that the term "employee" is limited to formal employment relationships. Courts instead consider the realities of the relationship and often find individuals to be employees for copyright purposes in the absence of formal employment relationships – particularly in small start-ups or non-traditional industries like technology.<sup>16</sup>

While none of the *Reid* factors are determinative, provision of employee benefits and tax treatment are two factors that generally carry the greatest weight.<sup>17</sup> The rationale is that it would be inequitable to allow an employer to treat someone as a contractor for benefits and tax purposes while treating him as an employee for copyright purposes. Failing to provide benefits or paying payroll taxes, however, does not automatically make one an independent contractor.<sup>18</sup>

### **What is "in the Scope of Employment"?**

Like the term employee, the Copyright Act does not define the term "scope of employment." Courts look to agency law to define this term as well.<sup>19</sup> Under agency law, a work is created within the scope of employment if: (1) it is of the kind of work

## About the Author



Andrew C. Murphy is an associate at DiTommaso Lubin Austermuehle in Oakbrook Terrace where he focuses on complex commercial and intellectual property litigation. In addition, he advises clients in general corporate law matters. Andrew received his JD from Chicago-Kent College of Law in 2011 and his BA from Oral Roberts University in 2008.

the employee was employed to create; (2) it occurs substantially within authorized work hours; and (3) it is created, at least in part, to serve the employer.<sup>20</sup>

**“ To be a work for hire under § 101(1) of the Copyright Act, two requirements must be met: (1) the work’s creator must be an employee; and (2) the employee must create the work in the scope of his employment.**

Courts normally rely heavily on an employee’s job description to determine if the work is the kind that the employee was employed to create.<sup>21</sup> They will disregard vague or overly broad job descriptions, however. Courts do not give much weight to where and when a work is created and regularly find that works created entirely at an employee’s home after hours were created in the scope of employment.<sup>22</sup> The main concern is whether the employee created the work to benefit the employer (or to make the employee’s job easier).<sup>23</sup>

### Works created by independent contractors

If the work’s creator is an independent contractor, three requirements must be met for a work to qualify as a work for hire under § 101(2): (1) the work must be “specially ordered” or “commissioned”; (2) the parties must sign a written work for hire agreement; and (3) the work must fall into one of nine enumerated categories of works.<sup>24</sup>

### Is the Work “Specially Ordered” or “Commissioned”?

To be “specially ordered” or “commissioned,” the independent contractor must be hired to create something new – a pre-existing work that is later sold is not specially ordered or commissioned.<sup>25</sup> The hiring party need not specifically request creation of the work or exercise control over its creation; it is sufficient that the hiring party is the “motivating factor” for the work’s creation.<sup>26</sup>

### Did the Parties Sign a Written Work for Hire Agreement?

A work for hire agreement does not require any magic language; however, a few key elements are needed to make one enforceable. First, it must be written; oral agreements are not enforceable.<sup>27</sup> Second, it must clearly convey the parties’ intent to designate the work as a work for hire.<sup>28</sup> Finally, it must be signed by all parties to the agreement.<sup>29</sup> A work for hire agreement need not be a formal contract though.<sup>30</sup> Under the Electronic Signatures in Global and National Commerce Act, it is possible – although not advisable – to have an enforceable work for hire agreement that consists entirely of a series of emails.<sup>31</sup>

The law is clear that the parties must designate a work as one for hire *before* starting the work.<sup>32</sup> The law is less clear on when such an agreement must be reduced to writing and signed though.<sup>33</sup> In the Seventh Circuit, a work for hire agreement must be written and signed before the work is started to be valid.<sup>34</sup>

24. 17 U.S.C. § 101(2).

25. *TCA Television Corp. v. McCollum*, 839 F.3d 168, 190-91 (2d Cir. 2016) (comedy routine created three years before the alleged work for hire could not be specially ordered or commissioned).

26. *Playboy Enterprises, Inc. v. Dumas*, 53 F.3d 549, 561-63 (2d Cir. 1995).

27. *Gaiman*, 360 F.3d at 649-50.

28. 17 U.S.C. § 101(2); *Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136, 1140-42 (9th Cir. 2003).

29. *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 412 (7th Cir. 1992).

30. *See, e.g., Playboy*, 53 F.3d at 560 (legend stamped on the back of check satisfied §101(2)’s writing requirement).

31. 15 U.S.C. § 7001 *et seq.* (broadly defining the term “electronic signature” and providing that an agreement containing an electronic signature must be given the same effect as an agreement with a physical signature).

32. *Playboy*, 53 F.3d at 559; *see, e.g., Billy-Bob Teeth, Inc. v. Novelty, Inc.*, 329 F.3d 586, 591 (7th Cir. 2003) (fact that novelty teeth were created before the company existed precluded “an advance agreement . . . that they would be commissioned works”).

33. Compare *Schiller*, 969 F.2d at 412-13 (work for hire agreement must be signed before the work is created) with *Playboy*, 53 F.3d at 559 (agreement may be signed after work is created).

34. *Schiller*, 969 F.2d at 412-13.

20. Restatement (Second) of Agency §228 (1958).

21. *City of Newark v. Beasley*, 883 F. Supp. 3, 8 (D.N.J. 1995).

22. *See Le v. City of Wilmington*, 736 F. Supp. 2d 842, 849-50 (D. Del. 2010) (collecting cases).

23. *Id.*

### Does the Work Fall into One of the Nine Categories Enumerated in §101(2)?

Not all works meeting the first two requirements of § 101(2) will qualify as works for hire. Only those that fall into one of the nine categories listed in § 101(2) are eligible.<sup>35</sup> Even if a work does not fall into one of the categories, the hiring party may nonetheless still own rights in the work as a joint author.<sup>36</sup> Alternatively, the hiring party may still own the copyright in a work that does not qualify as a work for hire if the parties have signed a copyright assignment.<sup>37</sup>

### Considerations for Employers

*Include a copyright assignment provision in all employment agreements.* Even though employers own copyrights in works created by employees in the scope of their employment, you should still include a copyright assignment provision in all employment agreements. The provision should provide that the employee assigns all copyrights in: (1) works created by the employee during his employment; and (2) works created by the employee prior to his employment that he uses in connection with his work. The assignment of copyrights in works created during the employee's employment is a belt-and-suspenders approach that protects you even if the employee is later determined to have been an independent contractor. The assignment of copyrights in pre-existing works protects you from claims of infringement for using the employee's pre-existing works (or demands to pay to license such works from the employee).<sup>38</sup> As with a work for hire agreement, a copyright assignment must be in writing and signed.<sup>39</sup>

*Create a written job description for each employee or position and update it regularly.* Creating and maintaining a detailed job description makes it easier to prove that a work was created in the scope of one's employment. If you ask an employee to create something or learn that the employee is creating some-

thing for you, update the employee's job description to expressly include creation of that work.

*Include work for hire and copyright assignment provisions in all contractor agreements.* By including both work for hire and assignment provisions, this ensures that you will own the copyrights in any works falling into one of § 101(2)'s nine categories and also in works that do not. To ensure that the provisions are enforceable, it is important that both you and the contractor sign the agreement before any work is started.

*Make certain contractors have permission to use pre-existing works.* Contractors often use pre-existing works to avoid having to reinvent the wheel for every project (e.g. using existing software code or modules). Ensuring that the contractor has permission to use these pre-existing works is important for a couple of reasons. First, copyright infringement is a strict liability tort – meaning you don't have to intend to infringe someone's copyright to be liable.<sup>40</sup> Second, if the new work is an unauthorized derivative work of a pre-existing work, your company will not even own a copyright in that new work.<sup>41</sup>

In some instances, it simply is not feasible to monitor a contractor's work to ensure that he has permission to use all pre-existing works. In such instances, your contractor agreement should at least include a representation and warranty that all pre-existing works are used with permission. Additionally, the agreement should include a provision providing that the contractor will indemnify your company if a third party asserts a claim for infringement.

By understanding the work for hire doctrine and adding a few provisions to your agreements, you can avoid a potentially costly (and distracting) dispute over copyright ownership. □

35. The nine categories of works in § 101(2) are: (1) a contribution to a collective work, (2) a part of a motion picture or other audiovisual work, (3) a translation, (4) a supplementary work, (5) a compilation, (6) an instructional text, (7) a test, (8) answer material for a test, or (9) an atlas.

36. See *Reid*, 490 U.S. at 753 (concluding that sculpture was not a work for hire but remanding case for determination of whether hiring party could be considered a joint author of the sculpture).

37. In the absence of any assignment agreement, the hiring party may still have permission to use the work if a court determines that the work's creator gave the hiring party an implied license to do so.

38. See, e.g., *Berg v. CI Investments, Inc.*, No. 15 C 11534, 2017 WL 1304082 (N.D. Ill. Apr. 7, 2017) (contractor argued that software program was not work for hire because it included code that he had written before being hired).

39. 17 U.S.C. § 204; *Gaiman*, 360 F.3d at 650.

40. *Buck v. Jewell-La Salle Realty Co.*, 283 U.S. 191, 198 (1931); *EMI Christian Music Grp., Inc. v. MP3tunes, LLC*, 844 F.3d 79, 89 (2d Cir. 2016).

41. *Pickett v. Prince*, 207 F.3d 402 (7th Cir. 2000).