

TECHNOLOGY/IP

Do You Own Your Website?

BY RICHARD E. KORB

The Internet has expanded as a business and marketing tool at a rate few anticipated, and scores of lawyers and company managers have hired designers to construct websites and independent programmers to help develop software and write source code for their businesses.

Under prevailing copyright law, specifically the “work for hire” doctrine, if an employee writes a software program or designs a Web page in the course of employment, the employer owns the copyright. By contrast, an independent contractor or consultant who develops software or a Web design and then licenses it generally owns the copyright.

In today’s world of downsizing and outsourcing, however, functions such as Web design and computer program development are increasingly conducted by teams of workers, blurring the traditional lines between employee and independent consultant. And although more than a quarter century has passed since the Copyright Law Revision Act of 1976 was implemented, confusion remains over basic ownership rights—particularly when several contributors fashion a final work product.

In almost all cases, a well-drafted copyright assignment clause in a consulting agreement can prevent costly ownership battles. Unfortunately, most hiring firms fail to include such clauses in their written contracts with independent designers or programmers—if they even have a written contract.

WORKS FOR HIRE

The Copyright Revision Act protects “original works of authorship” that are “fixed in any tangible medium of expression,” including Web content, design, and computer programs. (17 U.S.C. § 101.) The copyright of a work initially vests in the author. (17 U.S.C. § 201(a).) Therefore, when questions arise, the first step toward resolving them is to determine the original author of a website or program.

A hiring firm that does not contribute any significant copyrightable work of authorship to the site or program is not deemed its original author, and the copyright will

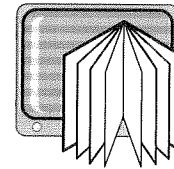
generally not vest in its favor. However, the firm can “become” the author and acquire the copyright under the work-for-hire doctrine. Section 201(b) of the Copyright Revision Act provides: “In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author” and “unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.”

Section 101 of the statute distinguishes between two different types of works that may become works for hire. First, a work for hire is “a work prepared by an employee within the scope of his or her employment.” Unfortunately, the law does not define “employee” or “scope of employment.” The second type is limited to works that are created by nonemployees that are specially ordered or commissioned.

DEFINING “EMPLOYEES”

In *Community for Creative Non-Violence (CCNV) v. Reid* (490 U.S. 730 (1989)), a nonprofit organization commissioned an independent artist to produce a sculpture—with no employment contract. The nonprofit argued that it owned the sculpture because it was a work made for hire, and that the artist had no right to keep the work when it was returned to him for routine repairs.

The U.S. Supreme Court disagreed. It rejected the established legal theory that when the hiring party instigates the creation of a work and pays for it—the



EARN CREDIT ONLINE
You can now earn MCLE credit without leaving your computer. Go to www.dailyjournal.com

and click on MCLE Tests for access to dozens of articles and tests on a range of topics.

MCLE CREDIT

Earn one hour of MCLE credit by reading the article and answering the questions that follow. Mail your answers with a check for \$28 to the address on the answer form. You will receive the correct answers with explanations and an MCLE certificate within six weeks. Price subject to change without notice.

CERTIFICATION

The Daily Journal Corp., publisher of CALIFORNIA LAWYER, has been approved by the State Bar of California as a continuing legal education provider. This self-study activity qualifies for Minimum Continuing Legal Education credit in the amount of one hour of general credit.

GENERAL CREDIT

Richard E. Korb (rkorb@jgpc.com) is a member of JGPC Business and Corporate Law in Pleasanton, specializing in business and intellectual property counsel and litigation for start-up and midsize companies.

“instance and expense test”—an employer/employee relationship is created for work-for-hire purposes. Instead, the Court set out a list of factors, based on agency and contract law, to be considered in determining employee status: the right of the hiring party to control the manner and means by which the work is created; the skill required; the source of instrumentalities and tools; the location of the work; the duration of the relationship between the parties; whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party’s discretion over when and how long to work; the method of payment; the hired party’s role in hiring and paying assistants; whether the work is part of the regular business of the hiring party; whether the hiring party is in business; the provision of employee benefits; and the tax treatment of the hiring party.

DETERMINING EMPLOYEE STATUS

It was generally presumed that the Ninth Circuit, which governs California, would follow *CCNV* as the guiding case for determining worker status. However, the work-for-hire doctrine was recently questioned in *Twentieth Century Fox Film Corporation v. Entertainment Distributing* (429 E3d 869 (2005)).

The case stemmed from a dispute over the ownership rights to Dwight Eisenhower’s World War II memoirs. Eisenhower had declined previous offers to publish his memoirs, reasoning that others had already written about the war. However, he also believed that many of those accounts were inaccurate. So in the late 1940s Doubleday, a book publisher, convinced the former Allied commander that he was in a unique position to set the record straight.

Doubleday sold Fox the exclusive television rights to Eisenhower’s book, *Crusade in Europe*, agreeing to register the copyright and granting Fox the right to use portions of the text to narrate any film version of the book. The book and the film came out simultaneously, in 1949.

Many years later, Fox sublicensed the right to distribute the film on home

video. Then, in 1995, Entertainment Distributing (Dastar) created a video documentary, *Campaigns in Europe*. Fox sued Dastar for copyright infringement, alleging that its film infringed on *Crusade in Europe* by using large sections of Eisenhower’s book as the video narration without permission; Dastar cross-claimed against Fox.

The district court granted summary judgment in favor of Fox on the grounds that the book was a work for hire, and as such, the publisher had exclusive rights to the original copyright and subsequent renewals. Dastar, relying heavily on the Supreme Court’s decision in *CCNV*, appealed and argued that the work belonged to Eisenhower’s estate, since Eisenhower himself had controlled the work product.

The Ninth Circuit upheld the lower court’s decision, citing the instance-and-expense test, which many practitioners assumed had died under *CCNV*. The court emphasized that Eisenhower wrote his memoirs only after being persuaded by the publisher to do so. In addition, the publisher paid a significant sum to the author, covered his writing-related expenses, and exercised a “significant degree” of supervision over the writing.

The court was careful to note that the case was decided under the 1909 Copyright Act, which supported the traditional instance-and-expense test, rather than the 1976 Revision Act cited by *CCNV*. If the court had stopped there, all could assume that, consistent with *CCNV*, the instance-and-expense test was no longer the law after 1976. However, the Ninth Circuit then traced a long line of cases upholding the old concept that copyrights are owned by the person at whose instance and expense the work is done and specifically noted that two post-*CCNV* cases reaffirmed the principle.

Reading the two cases together, it would now seem unwise to rely exclusively on the *CCNV* factors in determining copyright ownership; rather, the pre-1976 instance-and-expense test should be included as part of an overall analysis.

Once the “author” is determined to be an “employee” for copyright purposes, the next question becomes whether the work was created “within the course and scope” of employment. Today, in view of *CCNV*, courts generally apply a common law agency theory to answer that question. And in most cases, if the consultant is deemed to be an employee, his or her work will also be held to fall within the course and scope of employment.

COMMISSIONED WORKS FOR HIRE

Section 101 of the Copyright Revision Act specifies which works created by nonemployees can be treated as works for hire, rendering the hiring party the author. These works must be specially ordered or commissioned and are limited to those works used as: a contribution to a collective work; part of a motion picture or other audiovisual work; a translation; a supplementary work; a compilation; an instructional text; a test; answer material for a test; or an atlas.

To satisfy this part of the statute, both parties must sign a written statement specifying that the work shall be a work for hire, and the work must also be within the nine enumerated categories. Software and Web content are not included in these categories, so they do not appear to qualify as commissioned works until a court or Congress indicates otherwise.

JOINT WORKS AND AUTHORSHIP

Section 101 defines a “joint work” as “a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” Under section 201, each author has an undivided interest in the whole and the joint contributions must create a “unitary whole” with “inseparable or interdependent parts.” A classic example is music and lyrics by joint authors.

Thus, if an outside consultant and a regular employee of a business together write a software program and they both intend that their contributions be merged into inseparable or

interdependent parts of a whole, they are joint authors—entitled to equal undivided interests in the whole work, much as tenants in common hold real estate. Each would have the right to use or license the work, subject only to the obligation to account for and share any profits with the other joint owner. Neither may destroy the work or diminish its value, and neither can be held liable for copyright infringement to the other owner. Although this rule may appear simple to grasp in theory, in practice courts have interpreted it inconsistently.

Unlike several other courts, the Ninth Circuit has specified that each joint author must make a separate, independently copyrightable contribution. (*Ashton-Tate Corp. v. Ross*, 916 F.2d 516 (9th Cir. 1990).) This creates a great hurdle to overcome, because frequently the entity commissioning the work has not itself created “copyrightable subject matter.” Furthermore, the statute requires that to qualify as a joint work, the parties must enter into the arrangement “with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” This has resulted in a huge debate over whether evidence of intent must be subjective or objective and whether the parties must intend to be joint owners or only intend to jointly create a piece of work without regard to their legal status.

EACH CONTRIBUTION COPYRIGHTABLE

In *Ashton-Tate* the hiring party supplied a list of common computer user commands, and the programmer supplied the source code. The court ruled that though source or object code is copyrightable (a noncontroversial position)—any lesser contribution is not (a very questionable position). Because the court found no copyrightable contribution in the user commands the hiring party contributed, it was found not to be a joint author.

In *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.* (609 F. Supp. 1307 (1985)), a dental laboratory owner commissioned software for his business,

dictating the functions it must perform. As the hiring party, he even helped design the language and format for some of the visual screens—not unlike contributing pictures and text to be used in a Web page. The *Whelan* court found the hiring party’s contribution too insignificant to constitute joint authorship. Notably, the only expression incorporated into the final product was the wording and abbreviations contained on some screens.

SUBJECTIVE OR OBJECTIVE INTENT

The Copyright Revision Act also expressly requires that for a piece of work to be considered joint, the parties must prepare it “with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.”

“ A well-drafted copyright assignment clause in a consulting agreement usually can prevent costly ownership battles. ”

A seminal case regarding the criteria needed for joint authorship is *Childress v. Taylor* (945 F.2d 500 (1991)). In *Childress* the hiring party came up with the idea for a play; he also performed some of the basic research on a historical figure, suggested a few general ideas for scenes, and developed some mannerisms of the character that could be included. Except for these limited contributions, the hired party was the author of the play.

In determining whether there was joint authorship, the court refused to apply the traditional formula that a joint work is “a joint laboring in furtherance of a common design.” Instead, it focused on whether the putative joint authors regarded themselves as joint authors. The court reasoned that it was not so important that they both intend the legal consequences of joint ownership; rather,

what was critical was the mutual intent to be joint authors, even if the authors were unaware that this would give them the legal status of co-owners.

Under the *Childress* subjective intent test, a website designer would probably not be a joint author, as normally those involved enter such relationships without a specific joint design or intent to be coauthors.

CHILDRESS AND THE NINTH CIRCUIT

Although the Ninth Circuit has not specifically rejected *Childress*, the holding’s application is suspect. In *Systems XIX, Inc. v. Parker* (30 F. Supp. 2d 1225 (1998)), the district court denied summary judgment to a performer and record company that had been sued by a recording studio for copyright infringement. The court, citing 17 U.S.C. section 101, acknowledged that for a joint work to exist, the putative authors must have intended to merge their contributions into a unitary whole. However, the court rejected the defendants’ argument under *Childress* that the parties’ intent turns on their subjective expectations.

Rather, the court in *Systems XIX* held that courts should scrutinize the subjective intent of the parties under the *Childress* test only when the copyright claimant does not occupy a traditional authorship role as contemplated by Congress in the statute.

MITIGATING LOSSES

To mitigate potential losses over ownership issues, it would be proper for a hiring party to hand over the content to be included in a website to a designer; have the hypertext program developed; and, if a falling out subsequently occurs with the first hired party, hand that content to a second hired programmer to independently develop another website. As long as the second hired party does not copy the work created by the first, there would be no copyright infringement. In such cases, it is essential to document that the product of the second work was created independently. ■

Do You Own Your Website?

1. In the seminal case of *Childress v. Taylor*, the court held that joint ownership is best determined by objective criteria—especially whether others are likely to perceive the parties as joint owners of the work.
 True False
2. Under section 201(b) of the 1976 Copyright Revision Act, the employer or other person for whom a work for hire is prepared is considered the author.
 True False
3. Section 101 of the Copyright Revision Act states that a work for hire is “a work prepared by a salaried employee within the scope of his or her employment.”
 True False
4. Under section 101 of the Act, works that may become works for hire are those created by nonemployees that are specially ordered or commissioned.
 True False
5. “Software” is a type of work that falls under the statutory category of specially ordered or commissioned works that may qualify as works for hire.
 True False
6. In *Community for Creative Non-Violence (CCNV) v. Reid*, the U.S. Supreme Court reaffirmed the “instance and expense test” for determining whether a work qualifies as a work for hire.
 True False
7. In *CCNV*, among the factors the U.S. Supreme Court examined to determine work-for-hire status are whether the hiring party has the right to assign additional projects to the hired party, the extent of the hired party’s discretion over when and how long to work, the method of payment, and the hired party’s role in hiring and paying assistants.
 True False
8. In *Twentieth Century Fox Film Corporation v. Entertainment Distributing*, the Ninth Circuit reaffirmed that the instance-and-expense test applies for works created prior to the 1976 Act.
 True False
9. In *Twentieth Century Fox Film Corporation v. Entertainment Distributing*, the Ninth Circuit held that the instance-and-expense test may not be applied to cases decided after *CCNV* or after enactment of the 1976 Copyright Revision Act.
 True False
10. The Copyright Revision Act defines a “joint work” as “a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.”
 True False
11. The current copyright statute requires that the contributions of a joint work must create a “unitary whole” with “separate but interrelated parts.”
 True False
12. The Ninth Circuit has specified that for joint authorship, each joint author’s contribution must constitute separate, independently copyrightable parts for joint authorship status to arise.
 True False
13. The district court in *Systems XIX, Inc. v. Parker* ruled that for a joint work to exist, the putative authors must have *intended* to merge their contributions into a unitary whole.
 True False
14. Under the *Childress* test focusing on intent, a website designer would probably not be a joint author.
 True False
15. A firm that hires a consultant to create software it intends to license to third parties need not enter a written contract with that worker assigning copyright interests to the firm, so long as the firm pays the consultant a reasonable fee.
 True False
16. A hiring firm that does not contribute any significant copyrightable work of authorship to the site or program is not deemed its original author, and the copyright will generally not vest in its favor.
 True False
17. In *Ashton-Tate Corp. v. Ross*, the court specifically held that an individual or firm must contribute more than mere source code to qualify as a “copyrightable” contributor.
 True False
18. The ruling in *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.* pointed up the need for a party’s contribution to be “significant” to constitute joint authorship.
 True False
19. After a putative author is determined to be an “employee” for copyright purposes, the next inquiry should be whether the work was created “within the course and scope” of employment.
 True False

HOW TO RECEIVE ONE HOUR OF MCLE CREDIT

Answer the test questions above, choosing the one best answer to each question. For timely processing, print or type your name/address/bar number below. Mail this page and a \$28 check made payable to CALIFORNIA LAWYER to:

California Lawyer/MCLE
 P.O. Box 54026
 Los Angeles, CA 90054-0026

name (required) _____

date (required) _____

law firm, company, or organization _____

practice area _____

address _____

city, state, zip _____

phone _____ state bar number (required) _____

email _____

please check here if this is a new address