

Work Made for Hire Doctrine Does Not Generally Apply to Computer Software

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One of the most common misconceptions about copyright law is that if you pay someone to develop software for you, it is a work made for hire and you own it. This is not necessarily correct! Erroneously relying on this misunderstanding can result in you not owning software that you have paid to have developed.

Copyright in a work vests initially in the author or authors of the work. 17 U.S.C. § 201(a). 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 in the copyright. 17 U.S.C. § 201(b).

It seems pretty straightforward then, that in the case of a work made for hire, the person for whom the work was prepared is the author and owner of the work. As a result, many people believe that if you pay someone to develop software for you that it is a work made for hire and you own it. However, the catch is that most people do not fully understand the meaning of the term “work made for hire” in the context of the U.S. Copyright statute (“Copyright Laws”).

A work made for hire is not **any** work that you pay someone to create for you. Nor is it any work that you and a developer *agree* is a work made for hire.¹ Rather, “work made for hire” is a specifically defined term in the Copyright Laws and applies only when certain conditions are all met.

Section 101 of the Copyright Laws defines a “work made for hire” 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

¹ Agreement that a work is a work made for hire is a necessary, but insufficient, condition for a work to be a work made for hire.

expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.²

If a work is created by an employee, part 1 of the statutory definition applies, and generally the work would be considered a work made for hire. The term “employee” here is not necessarily the same as the common understanding of the term. For copyright purposes, it may include an employee under the general common law of agency.³ If a work is created by an independent contractor, then, if the work is a specially ordered or commissioned work, part 2 of the statutory definition applies. Such a work can be a work made for hire **only if both of the following conditions are met:** (1) it comes within one of the nine categories of works listed in part 2 of the definition and (2) there is a written agreement between the parties specifying that the work is a work made for hire.

The Nine Categories Do Not Include Literary Works

The nine categories listed in part 2 of the definition include: 1) 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.

Noticeably absent from this list is a category of work under copyright law known as literary work.⁴ This is significant because computer software, in general, is deemed to be a literary work for copyright purposes.⁵ As a result, unless computer software that you have developed for you (by a nonemployee) falls within one of the other nine categories, it is not a work made for hire under the copyright statute.⁶ Absent a proper written agreement assigning the work to you, the developer will likely be deemed to be the author of the work and the owner.

In some cases, if you do not have a written assignment from the developer, it may be possible to argue that the work is common law work made for hire (e.g., the developer was an employee under the common law of agency, as was done in the *Reid* case) or that you are a joint author of the work and thus,

² For the purpose of the foregoing sentence, a “supplementary work” is a work prepared for a publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes; and an “instructional text” is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

³ To help determine who is an employee, the *Supreme Court in CCNV v. Reid* identified certain factors that characterize an “employer-employee” relationship as defined by agency law: 1. Control by the employer over the work (e.g., the employer may determine how the work is done, has the work done at the employer’s location, and provides equipment or other means to create work); 2. Control by employer over the employee (e.g., the employer controls the employee’s schedule in creating work, has the right to have the employee perform other assignments, determines the method of payment, and/or has the right to hire the employee’s assistants); 3. Status and conduct of employer (e.g., the employer is in business to produce such works, provides the employee with benefits, and/or withholds tax from the employee’s payment). These factors are not exhaustive. The court left unclear which of these factors must be present to establish the employment relationship under the work made for hire definition, but held that supervision or control over creation of the work alone is not controlling. All or most of these factors characterize a regular, salaried employment relationship, and it is clear that a work created within the scope of such employment typically is a work made for hire.

⁴ The Copyright Laws define works of authorship to include the following categories: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.

⁵ Title 17 U.S.C. § 102(a)(1) extends copyright protection to “literary works,” and computer programs are classified as literary works for the purposes of copyright. See H.R.Rep. No. 1476, 94th Cong., 2d Sess. 54, reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5667.

⁶ Some computer programs, such as video games or virtual worlds, may qualify in another category such as an audiovisual work. Each case needs to be considered based on the relevant facts.

a co-owner of the copyright under § 201(a). Other options may exist, but it is best to get the agreement done right from the start to avoid the risks if not owning or only co-owning that which you might otherwise be able to own exclusively.

Does it Matter if a Work is a Work Made for Hire?

Recognizing that many software programs are not likely to have decades of life, there are a couple of points relevant to whether a work is deemed a work made for hire. The designation of a work as a work made for hire can have an effect on the term of copyright protection. The term of copyright protection of a work made for hire is 95 years from the date of publication or 120 years from the date of creation, whichever expires first. (A work not made for hire is ordinarily protected by copyright for the life of the author plus 70 years.)

The designation of a work as a work made for hire also can have an effect on termination rights. The copyright code provides that certain grants of the rights in a work that were made by the author may be terminated 35 to 40 years after the grant was made or after publication, depending on the circumstances. These termination provisions of the Copyright Laws do not apply to works made for hire.

Depending on the relevant jurisdiction, state law effects may also come into play. For example, under California law, an individual who is commissioned to perform work on a work made for hire basis can be deemed to be a "Statutory Employee." If such an individual is deemed to be a Statutory Employee, the company may be liable for employee-related expenses such as State Disability Insurance and Unemployment Insurance.

California Labor Code Section 3351.5 states in part:

"Employee" includes: (c) Any person while engaged by contract for the creation of a specially ordered or commissioned work of authorship in which the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire, as defined in Section 101 of Title 17 of the United States Code, and the ordering or commissioning party obtains ownership of all the rights comprised in the copyright in the work.

What is worse is that failure to obtain workers compensation insurance when the work made for hire agreement is entered into may be a crime under California law. *Labor Code* section 3700.5 provides:

(a) The failure to secure the payment of compensation as required by this article by one who knew, or because of his or her knowledge or experience should be reasonably expected to have known, of the obligation to secure the payment of compensation, is a misdemeanor punishable by imprisonment in the county jail for up to one year, or by a fine of up to double the amount of premium, as determined by the court, that would otherwise have been due to secure the payment of compensation during the time compensation was not secured, but not less than ten thousand dollars (\$10,000), or by both that imprisonment and fine.

(b) A second or subsequent conviction shall be punished by imprisonment in the county jail for a period not to exceed one year, by a fine of triple the amount of premium, or by both that imprisonment and fine, as determined by the court, that would otherwise have been due to secure the payment of compensation during the time payment was not secured, but not less than fifty thousand dollars (\$50,000).

Arguably, this can apply if there was a specially commissioned work of authorship for which the parties expressly agreed in writing that the work shall be considered a work made for hire and that the ordering or commissioning party obtains ownership of all copyrights in the work. Thus, potential state law consequences also should be considered in deciding whether to classify a work as a work for hire.

Conclusion

Copyright protection for computer software can be a powerful tool. But you must ensure that you own the copyright to ensure that you obtain these benefits. Various subtleties exist in the U.S. copyright laws, particularly as applied to computer software. Certain risks can arise by blindly designating a work as a work made for hire. To maximize the benefits and value of IP protection you should consult with an intellectual property attorney who is familiar with these issues and can develop an overall intellectual property protection strategy for your software.

If you have any questions about the content of this advisory, please contact the Pillsbury attorney with whom you regularly work or one of the attorneys below.

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