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SMALL BUSINESS AND COPYRIGHT OWNERSHIP

Niels B. Schaumann[†]

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I. INTRODUCTION

Businesses of all sizes are discovering intellectual property rights to be among their most important assets. Large enterprises may have staffs of lawyers and other intellectual property specialists, while small businesses usually do not. Small businesses, therefore, more often risk losing their rights in these valuable assets, simply because they are unaware of the steps that must be taken to protect themselves.

Assume, for example, that a business owner hires a software consultant to assist in computerizing the business's operations. After several planning sessions, in which our business owner explains many details of her enterprise to the consultant, she and the consultant agree on computer hardware and the specifications for the necessary software. The consultant writes

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the software, and after some initial debugging, everything works well. It works so well, in fact, that our business owner soon realizes that she may have, in the software, a product more valuable than anything in her ordinary inventory. But does she own the software, or does the consultant? Can she sell copies of the software?

These facts raise questions of copyright law in perhaps the area of intellectual property law that is the most accessible, and at the same time most confusing, to the nonspecialist. It is accessible because its subject matter is familiar—books, records, movies, and so on. It is confusing because of its history of arcane dogma having to do with such things as the copyright notice (O mystical “©”!) and the supposedly supreme importance of registering a claim to copyright.

Dogma and “common” sense aside, copyright is important to many businesses—many more than are aware of its importance. So-called “literary works” protected by copyright include (among other things) *anything* expressed in “words, numbers, or other verbal or numerical symbols or indicia.”¹ The value of a copyright may exist in a marketplace, as our hypothetical business owner above learned. The value may also be present in a strategic sense when it confers an operational advantage without becoming a product or service that the business sells. A distributor of perfume might find, for example, that its best route to exclude “gray market” importers from its territory is via a claim of copyright in the label and packaging of a certain brand of perfume.²

A little knowledge about copyright can be a useful thing. In particular, questions of copyright *ownership* typically arise at a time when the parties are not being counseled by copyright lawyers. At this stage, two tasks are most important. First, the lawyer must recognize situations involving a copyright. Second, when a copyright is involved, she must make appropriate

1. Copyright Act of 1976, 17 U.S.C. § 101 (1994).

2. See *Parfums Givenchy, Inc. v. Drug Emporium, Inc.*, 3 F.3d 477 (9th Cir. 1994); *BMG Music v. Perez*, 952 F.2d 318 (9th Cir. 1991); *Parfums Givenchy, Inc. v. C&C Beauty Sales, Inc.*, 832 F. Supp. 1378, 1391-92 (C.D. Cal. 1993). The reasons underlying the utility of copyright for these purposes, rather than trademark, are beyond the scope of this article, but are discussed in *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); see also 2 MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 8.11[B] (1995); 1 J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* §§ 6.01-10 (3rd ed. 1937).

arrangements regarding ownership of the right.

This article attempts to facilitate both of these tasks. Part II briefly outlines some copyright basics, including the varieties of copyrightable subject matter under the Copyright Act of 1976 (the "Act"). Part III describes copyright ownership, focusing on the kinds of transactions most likely to take place in the context of small business, including the "work for hire" doctrine. Armed with these fundamentals, the small-business lawyer may find that copyright litigation will rarely become necessary.

II. COPYRIGHT BASICS

No complete analysis of copyright is attempted here, nor would it be appropriate to do so, given the limited scope of this article. Rather, the purpose here is first, to sensitize the non-copyright lawyer to situations that may raise copyright issues, and second, to provide the essential framework for an understanding of copyright ownership. The latter requires an overview of several of the most important features of the copyright terrain; the former involves primarily issues of protectable subject matter.

A. *Copyrightable Subject Matter*

Copyright law has expanded far beyond its early borders when it protected primarily works of high authorship, such as poetry, drama, fine art, and music.³ Copyright continues to protect such works, but it also protects a wide range of items that are less intuitively copyrightable. Belt buckles,⁴ taxidermists'

3. In the United States, copyright has been more catholic than it has in Europe. Fairly early on, in a case involving advertising for a circus, Mr. Justice Holmes noted the irrelevance for American copyright purposes of aesthetic merit. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251-52 (1903). Likewise, American copyright law protects certain kinds of interest that on the Continent are viewed as questionable, because they do not reflect the quality of "authorship" considered prerequisite to copyright there. For example, in the United States sound recordings are considered proper subject matter for copyright protection. 17 U.S.C. § 102(a)(7) (1994). By contrast, many European nations protect sound recordings by so-called "neighboring rights" (rights "neighboring" to copyright) and remain reluctant to acknowledge authorship in works so influenced by technology. See, e.g., *COPYRIGHT LAWS AND TREATIES OF THE WORLD*, Vol. 3 (discussing the Rome Convention).

4. *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989, 993 (2d Cir. 1980) (holding that decorative belt buckles that were used principally for ornamentation could be copyrighted as primary ornamental aspect of buckles).

forms,⁵ video games,⁶ the addition of color to a previously black-and-white picture,⁷ and product labels⁸ have all been held copyrightable.

From a technical perspective, copyright imposes two requirements for protection. To achieve protection, a work must be an "original work of authorship" that is "fixed in a tangible medium of expression."⁹ Each of these requirements is fairly complex, but for purposes of this article, the "fixation" requirement can be quickly described: to be "fixed," a work must be embodied in a tangible copy, and this embodiment of the work must have been done by the author, or under the author's authority. The requirement of "tangibility" means that the copy must be in a medium that will persist for some non-trivial, non-ephemeral period of time.¹⁰ Thus, the image resulting from the activation of phosphors on a television tube is not a "fixation"; the image resulting from a photocopying process is a fixation. The requirement that the fixation occur by or under the author's authority is intended to preclude a claim of copyright in a work that was made tangible by a person lacking the author's permission to do so. For example, a person who illicitly tape-records a musical performance cannot claim a copyright in a musical work—the work was neither fixed by, nor under the authority of, the author of the work.¹¹

5. *Superior Form Builders v. Dan Chase Taxidermy Supply Co.*, 851 F. Supp. 222, 224 (E.D. Va. 1994) (holding that taxidermist forms are property copyrightable as sculptural works).

6. *E.g.*, *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527 (9th Cir. 1992); *Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832, 847 (Fed. Cir. 1992); *Atari Games Corp. v. Oman*, 888 F.2d 878, 886 (D.C. Cir. 1989); *Midway Mfg. Co. v. Artic Int'l, Inc.*, 704 F.2d 1009 (7th Cir. 1983).

7. *Sargent v. American Greetings Corp.*, 588 F. Supp. 912, 924, 1014 (N.D. Ohio 1984).

8. *E.g.*, *Fargo Mercantile Co. v. Brechet & Richter Co.*, 295 F. 823 (8th Cir. 1924); *GB Mktg. USA, Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 776 (W.D.N.Y. 1991).

9. 17 U.S.C. § 102(a) (1994).

10. 17 U.S.C. § 101 (1994) (definition of "fixed"). Possible complexities can arise here if the work exists in a medium that is dependent on the maintenance of some condition. For example, a work may exist in the memory of a computer for only so long as electrical power is applied to the circuit of which the memory is a part. Is the work "fixed?" Courts have so far held it is. *See* *Advanced Computer Servs. of Mich., Inc. v. MAI Sys. Corp.*, 845 F. Supp. 356, 362-63 (E.D. Va. 1994).

11. This provision is probably redundant, insofar as our hypothetical bootlegger cannot claim "originality" with respect to the musical work either. *See infra* notes 13-16 and accompanying text.

The "fixation" requirement also emphasizes that copyright protects only *expression*, and never an idea.¹² Ideas can be freely copied, and indeed it is a goal of copyright to aid the dissemination of ideas while protecting, for a limited time, the manner in which those ideas are expressed. Once a work is fixed, its ideas have necessarily been expressed (one could argue that what is fixed is the expression, ideas being inherently incapable of being fixed) and the likelihood of protection increases substantially.

Protection is not yet certain. There remains the requirement of "originality." In copyright law, the term "originality" has a dual meaning. First, to say that the work is "original" to its author means that the work owes its origin to that person, or in other words that the work was not copied.¹³ Second, to say a work is "original" means that it exhibits at least some minimal creativity, some "creative spark." Uniqueness or novelty is not required, merely some minimal degree of creativity is necessary: a creative "spark,"¹⁴ not a bonfire, is necessary.¹⁵ This requirement of at least a little creativity is constitutional, and therefore cannot be legislatively changed.¹⁶

12. See 17 U.S.C. § 102(b) (1994). The rule raises a problem, however: what if an idea can be expressed in only one, or a very limited number, of ways? The difficulty is that protecting the expression in such a case could amount to protecting the idea, because no one else could use the idea without infringing the expression. Copyright's pragmatic answer to this problem is that while the expression remains protectable, as a question of subject matter, the copyright in such expression (referred to as "merged" with the idea) cannot be enforced. *Autoskill Inc. v. National Educ. Supply Sys., Inc.*, 994 F.2d 1476, 1494 (10th Cir. 1993); *Financial Control Assocs., Inc. v. Equity Builders Inc.*, 799 F. Supp. 1103, 1118 (D. Kan. 1992). At least one court has gone further, holding that merger actually extinguishes the copyrightability of the work. *Morrissey v. Proctor & Gamble Co.*, 379 F.2d 675, 678-79 (1st Cir. 1967). This approach is less desirable, although conceptually the result may be the same. It is preferable to keep the requirements for copyrightability uncluttered (originality plus fixation), and leave more complex and metaphysical questions regarding the number of distinct ways in which an idea can be expressed for the later determination whether a particular act of copying in fact infringed the copyright.

13. *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991). It is possible, of course, that exactly the same work (*e.g.*, an identical poem) was earlier created by another. This, however, at least in theory, is no bar to copyright in the later poem, because *that* (later-created) poem nevertheless owes its origin to the later poet. This remains true as long as the later poet did not copy the earlier work. As a practical matter, however, a fact-finder is not compelled to *believe* assertions of independent creation, and is permitted to infer copying from a high degree of similarity between the two works.

14. *Feist*, 499 U.S. at 345.

15. *Id.*

16. *Id.* at 346.

Originality, in both senses, is fundamental to copyright protection. No copyright can subsist in a work that is not original. What then of a work that, while not the least bit "creative," nevertheless required a great deal of time, effort, money, or all three, to assemble? Is there any possibility for protecting by copyright the laborious collection of data, none of which can be said to have "originated" with the author? The answer will depend upon whether the "*selection, coordination and arrangement*"¹⁷ of the data are original, that is, whether these elements can be said both to have originated with the author of the collection, and to be at least minimally creative. Regardless of the nature of a work or the medium of its execution, copyright in it exists only if the work is "original."¹⁸ Failing that, no copyright is available. Mere "sweat of the brow" is not protected.

A recent U.S. Supreme Court case, *Feist v. Rural Telephone Service Co.*,¹⁹ provides a comprehensive overview of originality under the Copyright Act. *Feist* involved a "white pages" telephone directory published by the imaginatively-named Rural Telephone Company. Feist, publisher of a multi-county directory (but not a provider of telephone service), requested permission from Rural to copy Rural's directory. Permission was refused, but Feist used the listing anyway, and Rural sued for copyright infringement. When the case reached the Court, Justice O'Connor wrote for the majority, holding that the listings in the white pages lacked enough originality to qualify for copyright protection. After all, reasoned Justice O'Connor, the white pages are nothing more than an alphabetical listing of the names of Rural's subscribers. Neither the names, nor their alphabetical arrangement, can be said to have "originated" with Rural, and in that sense, they are not original to Rural. Moreover, she continued, an alphabetical listing of the names of a company's customers does not evidence the necessary small amount of "creativity." The threshold may be low, but *some* creativity is essential before copyright will attach. Were the white pages to qualify as "creative," opined Justice O'Connor, it would be difficult indeed to point to an example of a work that was *not*

17. 17 U.S.C. § 101 (1994) (defining "compilation").

18. 17 U.S.C. § 102 (1994).

19. 499 U.S. 340 (1991).

creative.²⁰

Where does *Feist* leave the requirement of originality? The case has provided a thorough analysis of the nature and origin²¹ of the requirement, and it also provided a glimpse of what will *not* be found original. Beyond that, however, no lines are drawn, and it is probably impossible to construct a test that will serve for all works. Creative works are each different. There is no real comparability between one and the other. One consequence of this reality is that each work must be evaluated for originality on its own merit, and there is no one yardstick that can measure them all adequately.

In section 102, the Copyright Act gives a number of examples of copyrightable works. These are non-exclusive, and other categories may be added by Congress or the courts. Among the examples are musical works (including accompanying words); dramatic works (including accompanying music); pantomimes and choreographic works; pictorial, graphic and sculptural works; movies and other audiovisual works; sound recordings; architectural works; and literary works.²²

Probably the broadest category in the statutory list is that of "literary works," which includes computer software,²³ the microcode in silicon ROM chips,²⁴ and even text from a bottle of hair treatment describing the product.²⁵ It is not far off the mark to say that "literary works," for copyright purposes, include

20. *Id.* at 362.

21. *Id.* Justice O'Connor held that the originality requirement is based on the Constitution. This aspect of the holding essentially ensures that Congress cannot undo what the Court hath wrought.

22. 17 U.S.C. § 102(a)(1)-(8) (1994).

23. See generally NATIONAL COMMISSION ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS, FINAL REPORT, 9-43 (July 31, 1978) (discussing computers and copyright).

24. *E.g.*, Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240, 1249 (3d Cir. 1983).

25. Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd., 664 F. Supp. 909, 913 (D.N.J. 1987), *rev'd on other grounds*, 847 F.2d 1093 (3d Cir. 1988) (holding that this language was copyrightable):

Hair stays wet-looking as long as you like. Brushes out to full-bodied dry look. WET 4 is one step-four choice (finishing) in Sebastian's four-step program for a healthy scalp and head of hair. WET is not oily, won't flake and keeps hair wet-looking for hours, allowing you to sculpture, contour, wave or curl. It stays looking wet until it's brushed out. When brushed, hair looks and feels thicker, extra full. Try brushing partly, leaving some parts wet for a different look.

anything that can be expressed in writing and that is not specifically covered elsewhere in the statute.

B. Duration of Copyright

Also fundamental to copyright is the duration of the protection it provides. In the United States, copyright has essentially two rules for duration (at least insofar as works created on or after January 1, 1978 are concerned).²⁶ Under the first rule, which applies when the author is a natural person whose identity is determinable, copyright lasts for the life of the author plus fifty years.²⁷ In cases of joint authorship, the rule provides that copyright lasts for the lifetime of the last survivor plus fifty years.²⁸

The second rule regarding duration applies when the author is not a natural person and therefore does not have a measuring lifetime, and when the author's identity cannot be determined. Under this rule, copyright lasts for 100 years from the creation of the work, or seventy-five years from its first publication, whichever ends first.²⁹

The rather long duration of copyright protection no doubt served important policies in the age when exploitation of copyrighted works proceeded slowly. At that time in history, the value of a copyrighted work normally could not be realized within the author's lifetime. Therefore, extending protection into the succeeding generation of the author's heirs at least ensured that the author's progeny would benefit from the author's creative labors. The long duration is less justifiable today, and in some cases (*e.g.*, computer programs) results in the author receiving *all* of the economic benefit from the work, with the public succeeding to the author's interest only after it is entirely played out. This change in the speed with which works are fully exploited, however, has not deterred proposals to

26. Works created before that date are subject to some additional complexity that, while not unmanageable, is beyond the scope of this article. See 17 U.S.C. § 303 (1994) (works created but not published or copyrighted before January 1, 1978); § 304(a) (copyrights in their first term on January 1, 1978); § 304(b) (copyrights in their renewal term on January 1, 1978).

27. 17 U.S.C. § 302(a) (1994). There is a proposal pending before Congress to extend the term provided by this rule to the author's life plus 70 years; the European Union (EU) has already adopted such a term.

28. 17 U.S.C. § 302(b) (1994).

29. 17 U.S.C. § 302(c) (1994).

extend copyright's term of protection still further, for *seventy* years after the author's death.³⁰

C. Copyright Formalities

Historically, U.S. copyright law has been somewhat notorious for relying upon arcane formalities, noncompliance with which could easily result in forfeiture of the copyright. Since the U.S. accession to the Berne Convention, however, the formalities have been for the most part eliminated.³¹ Thus, a copyright notice is no longer required.³² Likewise, registration of copyright is no longer required for a copyright to subsist in a work.³³ For works whose country of origin is the United States, however, registration is required before copyright can be enforced,³⁴ and in most cases, neither statutory damages nor attorney's fees are available for infringements taking place before copyright in the infringed work has been registered.³⁵

In sum, then, the chief formality that remains relevant today is registration, which for many works is a prerequisite to enforcement of a copyright. At the planning for ownership stage, with which this article is primarily concerned, no formalities are required. Attaching a copyright notice, however, is *recommended*—it's cheap, it's easy, and it may prevent an unauthorized use.

D. Rights Protected by Copyright

Finally, a basic working knowledge of copyright requires

30. See *supra* note 27. Certain EU countries, for example Germany, have already extended their terms of protection. Although this does not require the United States to similarly extend its term, there are some who believe that U.S. credibility in persuading other nations to strengthen their intellectual property laws is undermined if the United States itself has laws that are noticeably weaker than the EU countries.

31. The Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853 (1988) made copyright notice optional and eliminated the requirement of registration as a prerequisite to suit for works whose country of origin is not the United States. See generally 17 U.S.C. §§ 401-02, 411 (1994).

32. The copyright notice, however, remains worthwhile. Attaching a copyright notice is probably the cheapest form of protection available, and will deter many potential infringements. See Warren L. Patton & John C. Hogan, *The Copyrightable Notice Requirement—Deliberate Omission of Notice*, 5 HASTINGS COMM. & ENT. L.J. 225 (1983).

33. In fact, registration was seldom prerequisite to the existence of a copyright, even under the 1909 Act.

34. 17 U.S.C. § 411(a) (1994).

35. 17 U.S.C. § 412 (1994).

some understanding of the rights that are protected when copyright subsists in a work. First and foremost is the right to make copies (the "reproduction right").³⁶ This is the essence of copyright and is very likely the most-exploited right in the "bundle of rights" copyright comprises. A work is copied whenever a fixation of the work is made, and each fixation of a work constitutes a "copy."³⁷ But making copies is not the only exclusive right an author gets under the Copyright Act. Section 106, the key provision of the Act conferring rights on copyright owners,³⁸ also provides for exclusive rights to do the following: create "derivative works" (that is, adaptations, translations, and other kinds of works *based on* the author's work) (the "adaptation right");³⁹ distribute copies of the work to the public (the "publication right");⁴⁰ perform certain kinds of works publicly (the "performance right");⁴¹ display certain kinds of works publicly (the "display right");⁴² and distribute digital performances of musical works to the public (the "digital performance right").⁴³

These exclusive rights protect the ability to exploit the work economically. They are not intended to shield against the kind of use that might demean a copyrighted work, or harm the reputation of its author, unless the use directly impairs the

36. 17 U.S.C. § 106(1) (1994).

37. 17 U.S.C. § 101 (1994).

38. Copyright Act § 106 addresses rights of the copyright owner, but it is not the only such provision. For example, section 106A confers so-called "moral rights" on certain authors. In addition, other provisions of the Act can be considered to confer rights on copyright owners, although they are not worded specifically as such. For example, section 602 creates what may be thought of as an "importation right," pursuant to which an author (or licensee, for example an exclusive distributor) may exclude at the U.S. border articles that are being imported without authority of the owner of right. 17 U.S.C. § 106 (1994). See *Parfums Givenchy, Inc. v. Drug Emporium*, 38 F.3d 477, 480 (9th Cir. 1994); *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991); *Sebastian Int'l, Inc. v. Consumer Contact Ltd.*, 847 F.2d 1093, 1097 (3rd Cir. 1988); *Columbia Broadcasting Sys., Inc. v. Scorpio Music Distribs.*, 569 F. Supp. 47, 48 (E.D. Penn. 1983).

39. 17 U.S.C.A. § 106(2) (West 1996).

40. 17 U.S.C. § 106(3) (1994).

41. 17 U.S.C. § 106(4) (1994). The performance right extends only to literary, musical, dramatic, and choreographic works, and to pantomimes, motion pictures, and other audiovisual works. *Id.*

42. 17 U.S.C. § 106(5) (1994). The display right, like the performance right, is limited to certain kinds of works: literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic and sculptural works. *Id.*

43. 17 U.S.C. § 106(6) (1994).

rights-owner's ability to exploit the work commercially.⁴⁴ That kind of protection, still very new in the United States, is provided only by the so-called "moral rights," and is available explicitly only to certain works of fine art⁴⁵ (although it may in certain cases be available to other kinds of works pursuant to court interpretations of the Copyright Act and other federal and state intellectual property doctrines).⁴⁶ Still, the economic rights provided by the Copyright Act are substantial and certainly well worth protecting.

III. COPYRIGHT OWNERSHIP AND WORKS FOR HIRE

The foregoing will serve to give the reader some basic information about *what* is copyrightable (a great variety of works, including almost everything that can be written down), *how* it is copyrighted (simply by creating the work—copyright attaches automatically, with no further action needed, when a work is fixed in a tangible medium of expression), *how long* copyright protection lasts, and finally *what rights* are reserved to the copyright owner. We turn now to questions of *who* owns the copyright.

A. Initial Ownership

In general, the initial owner of the copyright in a work is the person who created the work, *i.e.*, the work's "author."⁴⁷ This is presupposed by some of the basics covered immediately above, *i.e.*, that there are no mandatory formalities attached to copyright. This can be true only if the copyright springs into being at the moment of the work's creation. As a general rule, the creator of a work is the "author" of the work, and the author has all the exclusive rights discussed above. Of course, every rule has its exceptions. In this case, the exception concerns a circumstance in which the *creator* of the work is *not* legally the work's "author."⁴⁸

The idea that the creator of the work initially owns copy-

44. See *Arnstein v. Porter*, 154 F.2d 464, 473 (2d Cir. 1946), *cert. denied*, 330 U.S. 851 (1947).

45. 17 U.S.C. § 106A (1994) (defining rights limited to authors of "work[s] of visual art").

46. See, e.g., *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 24 (2d Cir. 1976).

47. 17 U.S.C. § 201(a) (1994).

48. 17 U.S.C. § 201(b) (1994).

right in the work depends, of course, on original creation. Thus, if a work is simply copied from a preexisting work, nothing has been created and for this reason, an infringer of copyright cannot gain a copyright in the infringing work. Originality is a subject matter requirement, but it has implications for authorship as well.

B. Originality and Authorship; Joint Authorship

We noted above that in copyright law, the term "originality" has a dual meaning. First, the work owes its origin to its creator, that is the work was not copied.⁴⁹ Second, to be original the work must exhibit at least some minimal creativity, some "creative spark." The act of authorship, then, can be conceived as the act not merely of "making something," but of making something *creative*. It is the act of "creation" in the truest sense of the word. It follows, then, that in the absence of this kind of contribution to a work, a person is not an "author."

This point can become significant in evaluating claims of joint authorship by a person who contributed to a work to which another has also contributed. Courts have struggled with such claims, because of the difficulty of deciding at what point a contribution is no longer *de minimis* and rises to a level deserving recognition as an author. The goal of the Copyright Act, to encourage the dissemination of works of authorship, might be met regardless of whether a contribution is recognized as authorship in any particular case.⁵⁰ The dominant approach at present is to require that the contribution of each joint author be copyrightable, at least when joint authorship is contested.⁵¹ Under this view, "creation" is required of *every* author, even joint authors.⁵²

49. See *supra* note 13 and accompanying text.

50. One could argue that a consistent pattern of recognizing *de minimis* contributions as authority might discourage the "real" authors, who would be required to share ownership with the "impostors." Still, the latter almost always have contributed something of value to the work, and the testimony of the parties on this point is generally noticeably self-serving.

51. See *Childress v. Taylor*, 945 F.2d 500, 506 (2nd Cir. 1991); 1 PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE § 4.2.1.2 (1989); WILLIAM F. PATRY, LATMAN'S THE COPYRIGHT LAW 116 (6th ed. 1986). *But see* 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 6.07 (1996).

52. The main problem with this approach is that it seems to preclude certain intuitive strategies for joint authorship. For example, "You have the ideas, and I write

C. *Transfers of Copyright*

To say that copyright initially vests in the author of a work does not mean that it must stay there, or that it usually stays there. The norm is for the author to transfer the copyright (or some significant portion of it) to an entity that is more capable of exploiting the work commercially; the normal consideration to the author for this transfer is a royalty based on distribution of the work. The Act provides that “[t]he ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law”⁵³ This is subject to a statute of frauds provision that requires a transfer to be in writing to be valid.⁵⁴

Significantly, however, the author or her survivors have a statutory privilege to *terminate* a transfer thirty-five years after the transfer was executed.⁵⁵ This right to reclaim the copyright recognizes that it is impossible to accurately value a copyright at its inception; only the marketplace can supply that information. Should the work become a success in the marketplace, the law seeks to spread some of the benefit of that success to the author and her heirs by permitting them to reclaim and relicense the copyright at a price more accurately reflecting its value.

D. *Works for Hire*

Most of this discussion of authorship has emphasized the artistic contribution made by the author to the work. Copyright, however, is not principally concerned with art. Copyright focuses on the author and is primarily concerned with the economic benefits of authorship. Not surprisingly, then, U.S. copyright law also recognizes an economic kind of authorship. This economic authorship emphasizes the role of a person who makes creation of a work *economically feasible* and who is economi-

them down” would not, under this approach, result in joint authorship if the person contributing the fixation were to challenge the authorship of the other contributor. In such a case, the “idea person” has not contributed anything copyrightable, and therefore would not be entitled to protection. See *Childress*, 945 F.2d at 502.

53. 17 U.S.C. § 201(d)(1) (1994).

54. 17 U.S.C. § 204(a) (1994). Transfers may be registered, just as initial ownership may be, although (like original ownership) they are valid regardless of registration. 17 U.S.C. § 204(b) (1994).

55. 17 U.S.C. § 203 (1994).

cally essential to the creation of the work. This approach to authorship, which stresses the importance of the financial investment that makes creation of works possible, is embodied in the work-for-hire doctrine. The work-for-hire doctrine grants the status of author to the *employer* of a person who creates a work within the scope of her employment.

1. *History*

The 1909 Copyright Act (the immediate predecessor of the current Copyright Act) treated the work-for-hire doctrine only briefly, in the statute's definitional section, which provided that "the word 'author' shall include an employer in the case of works made for hire."⁵⁶ The statute did not, however, define the term "employer" or "employee." The courts first construed the law to mean that if the creator of the work was an employee in the formal sense of the term then the author would be deemed to be the employer. Eventually, the provision achieved a broader scope and some courts applied it to situations involving works "commissioned" by a hiring party from an independent contractor. The results, however, were inconsistent. Without a court ruling, a person could never be completely sure that a particular relationship was one to which the work-for-hire doctrine would apply.

2. *Works for Hire under the 1976 Act*

The 1976 Act attempted to relieve this uncertainty by spelling out in some detail who was and who was not covered by the work-for-hire doctrine. The definition of "work for hire" in the 1976 Act is divided into two parts: (1) a work created by an employee within the scope of his employment is considered a work for hire (and therefore, the employer is considered to be the author);⁵⁷ and (2) a work that is "specially ordered or commissioned" may also be a work for hire, if two additional requirements are met. First, the work must fall into one of the following nine categories:

- (1) a contribution to a collective work;
- (2) a part of a motion picture or other audiovisual work;
- (3) a translation;

56. 17 U.S.C. § 26 (immediate predecessor to the current Act that was repealed).

57. 17 U.S.C. § 101 (1994) (defining "work made for hire").

- (4) a supplementary work;
- (5) a compilation;
- (6) an instructional text;
- (7) a test;
- (8) answer material for a test; or
- (9) an atlas.⁵⁸

Second, the parties must have executed a written agreement that the work was to be considered a work for hire.⁵⁹

Although certainly more detailed than its predecessor, the 1976 Act still left a number of important questions unanswered under each of its two routes to work-for-hire status. Predictably, the questions arising under the "employer-employee" provision centered on first, who would be considered an "employee" and second, what activities would be considered within the scope of employment? As to "specially ordered or commissioned works," the principal question arising to date involves the timing of the writing requirement: when must a writing classifying the work as a work for hire be executed? Each of these questions is considered below.

a. *Works Created by an Employee: Community for Creative Non-Violence v. Reid and Its Progeny*

The first of the work-for-hire questions under the new statute—who is an "employee" for copyright purposes?—proved especially troublesome. Indeed, the federal circuit courts of appeal came up with no less than four distinct answers. Thus, it was left to the U.S. Supreme Court to resolve the conflict and answer the question in the landmark *Community for Creative Non-Violence v. Reid* (CCNV)⁶⁰ case.

In CCNV, Reid sculpted three human figures at the behest of the Community for Creative Non-Violence, a non-profit organization devoted, among other things, to publicizing the plight of the homeless in America.⁶¹ The completed sculpture depicted a homeless family huddled, with their meager belongings, over a steam grate on a city street.⁶² Intended to be unveiled near Christmas, the work had an inscription at its base

58. *Id.*

59. *Id.*

60. 490 U.S. 730 (1989) [hereinafter CCNV].

61. *Id.* at 733.

62. *Id.*

that read as follows: "And still there is no room at the inn."⁶³ The idea for the sculpture, a latter-day scene reminiscent of the Nativity, originated with Mitch Snyder, a member and trustee of the Community.⁶⁴ Snyder saw and commented upon preliminary sketches of the work and the Community paid Reid \$15,000 to cover expenses.⁶⁵

After the sculpture had been on display for one month, it was returned to Reid's studio for some minor repairs.⁶⁶ A few months later, Snyder requested its return, to take it on a fund-raising tour of several cities.⁶⁷ Reid refused and filed a certificate of copyright registration for the sculpture.⁶⁸ Snyder, as trustee for the Community, filed a competing certificate of registration and the battle was joined.⁶⁹

The district court held a trial and ruled that the sculpture was a work for hire, and therefore the copyright belonged to the Community, as Reid's employer.⁷⁰ The Court of Appeals for the District of Columbia Circuit reversed and remanded on the ground that the Act creates a dichotomy between employees and independent contractors, and that therefore the appropriate test for employee status would rely upon common-law principles of agency.⁷¹ Applying those principles, the court of appeals concluded that the work was not one created by an employee.⁷² The court of appeals, however, suggested that the parties might be joint authors of the work and remanded to determine whether that was the case.⁷³ The U.S. Supreme Court granted certiorari and, with a few modifications, affirmed the court of appeals.

Under *CCNV*, employee status is determined by common law

63. *Id.*

64. *Id.*

65. *Id.* at 734. Reid donated his services to the Community's cause. *Id.*

66. *Id.* at 735.

67. *Id.*

68. *Id.*

69. *Id.*

70. *Id.*

71. *Id.* at 736.

72. *Id.* at 739. Nor did the sculpture fit within the nine categories of works potentially work for hire under the second prong of the definition. In any event, that prong could not be satisfied because there was no written agreement to the effect that the work was to be one for hire. *Id.*

73. *Id.*

agency principles.⁷⁴ The Court, however, recognized that this conclusion might subject substantive federal copyright law to the vagaries of state common law doctrine and therefore, in its most important deviation from the holding of the court of appeals, the Court further held that the common law to be applied was the federal common law of agency.⁷⁵ This body of law was then and still is largely non-existent, but it will no doubt evolve and grow to meet the new burden it must sustain. Justice Marshall, writing for the Court, relied heavily on section 220 of the Restatement (Second) of Agency in holding that the determination of employee status under the federal common law of agency requires evaluation of twelve factors:

- (1) the skill required to create the work;
- (2) the source of the instrumentalities and tools used to create the work;
- (3) the location of the work place;
- (4) the duration of the relationship between the hiring and hired parties;
- (5) whether the hiring party has the right to assign additional projects to the hired party;
- (6) the extent of the hiring party's discretion over the hours worked;
- (7) the method of payment;
- (8) the hiring party's role in hiring and paying assistants;
- (9) whether the work is part of the regular business of the hiring party;
- (10) whether the hiring party is in business at all;
- (11) the provision of employee benefits; and
- (12) the tax treatment of the relationship (*e.g.*, whether income taxes are withheld, etc.)⁷⁶

No single factor is determinative.⁷⁷ Applying these factors to the case before it, the Court concluded that Reid was not an employee of the Community, but that joint authorship remained a possibility and therefore affirmed the court of appeals.⁷⁸

Since *CCNV* a number of significant work-for-hire cases in

74. *CCNV*, 490 U.S. at 739-40 (citing *Kelle v. Southern Pac. Co.*, 419 U.S. 318, 322-23 (1974); *Baker v. Texas & Pac. Ry. Co.*, 359 U.S. 227, 228 (1959); *Robinson v. Baltimore & Ohio R.R. Co.*, 237 U.S. 84, 94 (1915)).

75. *Id.* at 740-41.

76. *Id.* at 751-52.

77. *Id.*

78. *Id.* at 753.

the lower courts have raised the question of whether a person doing the "hands-on" creative work was the employee of another. Chief among them is *Aymes v. Bonelli*,⁷⁹ which involved a dispute between a computer consultant, Aymes, and a business owner, Bonelli. Bonelli hired Aymes to work on certain computer programs that were originally written for an older generation of IBM computers.⁸⁰ The idea was to modify the programs to run on newer equipment.⁸¹ At issue was whether Aymes was Bonelli's "employee," so as to constitute Bonelli the author and owner of the rewritten programs.⁸²

In *Aymes*, the Second Circuit refined somewhat the *CCNV* test, noting that some of the factors cited by the Supreme Court would only rarely be of probative value, and identifying other factors that, in the circuit court's view, would be significant in virtually every case.⁸³ The latter include the hiring party's right to control the manner and means of creation;⁸⁴ the skill required; the hiring party's right to assign additional projects; the provision of employee benefits; and the tax treatment of the relationship.⁸⁵ The Second Circuit's approach simplifies and makes more manageable the *CCNV* test; this approach has been followed more or less consistently since the *Aymes* decision was handed down.

The question remains whether the creative action of an employee is within her scope of employment. The Supreme Court has not yet spoken on this issue, but the lower courts apply *CCNV*.⁸⁶ For copyright purposes, common law principles of agency govern not only the question of employee status, but also the scope of that employee's employment.

79. 980 F.2d 857 (2d Cir. 1992).

80. *Id.* at 859.

81. *Id.*

82. *Id.* at 860.

83. *Id.* at 861.

84. Note that this was not actually a "factor" identified by the Supreme Court. Rather, it appears to be the ultimate purpose of the Court's analysis of the factors. *See CCNV*, 490 U.S. at 751.

85. *Aymes*, 980 F.2d at 861.

86. *See Avtec Sys., Inc. v. Peiffer*, No. 94-2364, 1995 WL 541610 at *4 (4th Cir. Sept. 13, 1995); *Roeslin v. District of Columbia*, 921 F. Supp. 793, 797, (D.D.C. 1995); *City of Newark v. Beasley*, 883 F. Supp. 3, 7 (D.N.J. 1995); *Favela v. Fritz Cos.*, No. CV 92-2450, 1993 WL 651875 at *4 (C.D. Cal. Sept. 20, 1993); *see also Saenger Org., Inc. v. Nationwide Ins. Licensing Assocs.*, 864 F. Supp. 246, 249 (D. Mass. 1994) (finding that the employee agreed, "in his capacity as Vice President," to create the work in dispute).

Typically, courts deciding scope of employment issues will seek guidance from the Second Restatement of Agency, as did the Court in deciding employee status in *CCNV*. The Restatement sets out a three-part test for the scope of employment. The court must determine whether the employee's conduct:

- (1) Is the kind of work the employee is employed to perform;
- (2) Occurs substantially within authorized work hours and on work premises; and
- (3) Is actuated, at least in part, by a purpose to serve the employer.⁸⁷

All three tests must be satisfied to establish that the conduct in question was within the scope of employment.⁸⁸

Applying the first Restatement factor, regarding the "kind of work the employee is employed to perform," courts give weight to the following factors: the employee's job description;⁸⁹ the skills possessed by the employee at the time of employment;⁹⁰ the employer's knowledge of the employee's skills;⁹¹ the degree of control the employer had over the employee's conduct;⁹² whether the work was of the sort commonly done by persons in the employee's position;⁹³ whether it was likely that the employee would have engaged in such activity;⁹⁴ and whether, to do the work in question, the employee relied solely on knowledge gained in the course of employment.⁹⁵

The second Restatement factor, whether the conduct "occur[red] substantially within the authorized time and space limits,"⁹⁶ is relatively uncomplicated in most cases, requiring only an examination of where and when the employee's efforts were made. Thus, an employee who testified credibly that he spent "approximately 3,000 hours outside of normal working hours" at home creating the work defeated the employer's claim

87. RESTATEMENT (SECOND) OF AGENCY § 228 (1) (1958).

88. See *Avtec Sys., Inc. v. Peiffer*, 21 F.3d 568, 571, (4th Cir. 1994).

89. See *Avtec Sys.*, 1995 WL 541610, at *4 (4th Cir. Sept. 13, 1995); *Roeslin*, 921 F. Supp. at 798 (D.D.C. 1995); *Beasley*, 883 F. Supp. at 8 (D.N.J. 1995).

90. *Roeslin*, 921 F. Supp. at 798.

91. *Id.*

92. *Beasley*, 883 F. Supp. at 8.

93. *Roeslin*, 921 F. Supp. at 798.

94. *Id.*

95. *Beasley*, 883 F. Supp. at 8.

96. RESTATEMENT (SECOND) OF AGENCY § 228 (1)(b) (1958).

to authorship based on employee creation within the scope of employment.⁹⁷

The third and final factor noted in the Restatement, whether the employee was motivated at least in part by a desire to serve the employer, would seem potentially to pose some difficulties. This factor turns on a finding of motive—a factual issue peculiarly susceptible to self-serving testimony by all concerned. So far, however, the courts have not been long detained by this determination, opting for practicality by simply deciding whom to believe and announcing their decision without fanfare or soul-searching.⁹⁸

It thus appears that the determination whether a work was created by an employee within the scope of employment will turn on the application of traditional common law principles of agency law. Although they may on occasion be factually complex, they are not conceptually difficult, and so far the common law principles have not been applied in novel or unusual ways. There remains only an examination of the second route to work-for-hire status, applicable to commissioned works, before our analysis of the work-for-hire exception to the “creator is the author” rule is complete.

b. Commissioned Works Subject to a Writing

As noted previously, most of the difficulty regarding commissioned works for hire has involved the writing requirement and in particular, when the writing stating that the work is to be considered a work for hire must be executed.⁹⁹ For example, suppose a work is created, and when the creator is paid, the reverse of the check tendered contains a legend to the effect that the payment represents all the monies due in respect

97. *Roeslin*, 921 F. Supp. at 798. See *Beasley*, 883 F. Supp. at 8 (stating that “Beasley testified that he drafted [the works in question] at home during off hours. . . . [H]e did not use [plaintiff’s] facilities to create these materials.”).

98. See, e.g., *Beasley*, 883 F. Supp. at 9 (holding that employee was not motivated by a desire to serve his employer because the employee testified as such and the employer offered no evidence to the contrary); *Roeslin*, 921 F. Supp. at 798-99 (finding that the employee was primarily motivated to serve his own interests).

99. Compare *Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 559 (2d Cir. 1995) (finding that a writing may be executed after the completion of the work, as long as agreement predates creation) with *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 412 (7th Cir. 1992) (Posner, J.) (finding that a writing must precede the creation of the work in order to make the ownership of rights clear and marketable).

to creation of the work. Putting aside the question whether the creator can sue for any unpaid balance due, is she bound by the statement that the work is a work for hire? What if the parties, in the course of an ongoing relationship in which numerous works are created, establish a custom of payment with such checks? These are the essential facts of *Playboy Enterprises, Inc. v. Dumas*.¹⁰⁰

At issue in *Dumas* was the ownership of copyright in numerous artworks created by Patrick Nagel for *Playboy* magazine.¹⁰¹ During his lifetime, the artist had been commissioned by *Playboy* to create numerous works, and after his death the magazine claimed authorship and, of course, ownership of the copyrights.¹⁰² However, the only writings to which the magazine could point in an attempt to support its claim were special check endorsements. The argument was that the artist, by negotiating the check, agreed that the relevant painting was created as a work for hire.¹⁰³

There were two potential problems with these "writings." First, it was unclear whether they were sufficient as writings to satisfy the statutory requirements. Second, none of the endorsements were executed until after the completion of the work in question—does the Act permit the execution of a writing after the work in question has been finished?¹⁰⁴

With respect to the first question, the court held that the writings (that used the words "work for hire") were sufficient to meet the statutory requirement that there be a writing; the writings that did not use the phrase "work for hire," however, were not sufficient.¹⁰⁵ The second question, whether the writings required by the statute may be executed after the completion of the work, also was answered affirmatively.¹⁰⁶ The rule appears to be that a writing may be executed after the work is done—but only if there is an agreement before the work is created.¹⁰⁷ Thus, while an oral agreement or custom may

100. 53 F.3d 549 (2d Cir. 1995).

101. *Id.* at 551.

102. *Id.* at 552-53.

103. *Id.*

104. *Id.* at 559.

105. *Id.* at 559-560.

106. *Id.* at 559.

107. The Second Circuit did not address the question whether the agreement must exist before the creation of the work has commenced.

suffice to make a work a work for hire, that agreement or understanding must be memorialized in writing before the hiring party can enforce its authorship rights.

Other courts, although not confronted with the *Dumas* facts, have held that the writing establishing the status of the work as a work for hire must precede the creation of the work.¹⁰⁸ The rationale for this approach begins with the premise that the writing requirement serves two purposes: first, to protect against false claims of ownership that are presumably asserted against the creator by the hiring party; and second, "to make the ownership of [intellectual property rights] clear and definite, so that such property will be readily marketable."¹⁰⁹ Certainly, if marketability is a primary purpose of the writing requirement, the writing should be executed in advance of the work's creation. Whether this purpose mandates execution of a writing, however, is less clear. It is a rather paternalistic view of the statute that would not permit the parties to execute their written agreement at some later date.¹¹⁰

IV. CONCLUSION

Copyrights are a part of the assets of almost every business. Some attention to copyright law is therefore advisable, otherwise significant value may be lost or overlooked. The passage of the 1976 Copyright Act, and its subsequent construction by the courts, have made copyright law more accessible, and this in turn makes a working knowledge of basic copyright easier to attain than ever before. A great deal can be accomplished with a working knowledge of only the basics of copyright, especially with respect to questions of copyright ownership. The latter are often simultaneously the most important, least advised, and

108. *E.g.*, *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 412 (7th Cir. 1992) (Posner, J.).

109. *Schiller & Schmidt*, 969 F.2d at 412.

110. In response, it might be noted that the statute is, in any event, paternalistic. There is no other way to describe any writing requirement, especially one that seeks in part to protect one party—the creator—against the possible fraud of the other party. Nevertheless, it is one thing to argue that the statute is intended to protect the creator of the work against possible intimidation and fraud by the hiring party, who may be presumed to have the superior economic position. It is quite another to maintain that the same statutory provision is also intended to protect the hiring party against the consequences of its own carelessness—which is the necessary implication of holding that "marketability" of the work is a primary purpose of the writing requirement.

easiest questions in the copyright arena.

The major complexity in copyright ownership involves the work-for-hire doctrine, some of which has been demystified by recent decisions of the Supreme Court and the lower federal courts. More importantly, most of the complexity of the doctrine arises only in the absence of sound planning for ownership of copyrights. Sound planning should include written agreements specifying the ownership of any copyrightable works created in the course of a business relationship. Further, such agreements should state that the parties agree that the creator of the work shall be considered an "employee" for copyright purposes. While this may not be conclusive in the event of litigation, it may help the court see the way in which the parties themselves saw their relationship.

The agreements also should state that the work is within one of the nine categories appearing in the "specially ordered or commissioned" portion of the work-for-hire definition, and that as such, the parties agree that the work will be considered a work for hire. This may function as a backup in the event a court does not view the relationship as employer-employee. Finally, the agreements should state that in the event a court does not consider the work to be "for hire," the parties agree that all of the author's copyright interest is transferred at the date of execution of the agreement to the hiring party. Planning should also include the following: attention to requirements for copyrightability, including originality and fixation; and attention to avoidance of infringement on the copyrights of others, such as covenants, representations and indemnities dealing with possible findings of liability based on infringement.

Attention paid to these questions is inevitably time well-spent. It provides some comfort regarding ownership of what may prove to be a valuable asset. It may provide some protection against competitor's "knock-offs." Finally, it may help a client avoid copyright litigation.

