McAfee & Taft

TIP SHEET™

an informational newsletter on intellectual property matters FEBRUARY 2009

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Copyright Law and Employee Derivative Works: *Your Doodles and Sketches May Belong to the Company*

BY RICHARD MILLER
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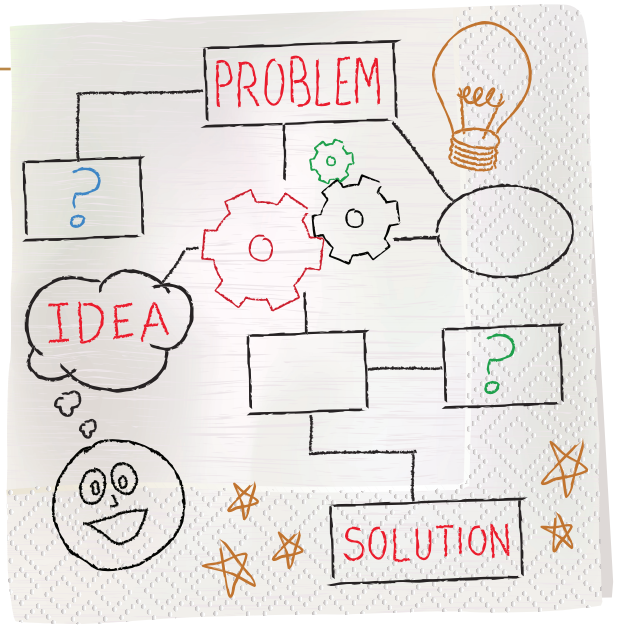

"Thank you for doodling. That sketch you started at home last night is now company property!"

Creative people working in a creative capacity may have an obligation to provide their work to their employers. That is, direct, indirect or derivative creative works of an employee, generated while employed as a creative person, may be subject to the "work made for hire" provisions of U.S. copyright law. Simply stated, the employer may have an interest or ownership rights in these works, even if the employee develops them "off the clock" on his or her own time.

Although U.S. Copyright law generally recognizes the creator of a work as being the copyright owner, an exception is created by the "work made for hire" doctrine. The definition of a "work made for hire," which is found in 17 U.S.C. § 101, is defined as "a work prepared by an employee within the scope of his or her employment." This may include works in the form of visual, audio, film, or printed works. Employees who typically fall into these categories are computer programmers, sound engineers, video editors, graphic artists, and staff journalists.

It is the "scope of employment" that presents the conundrum for the employer and

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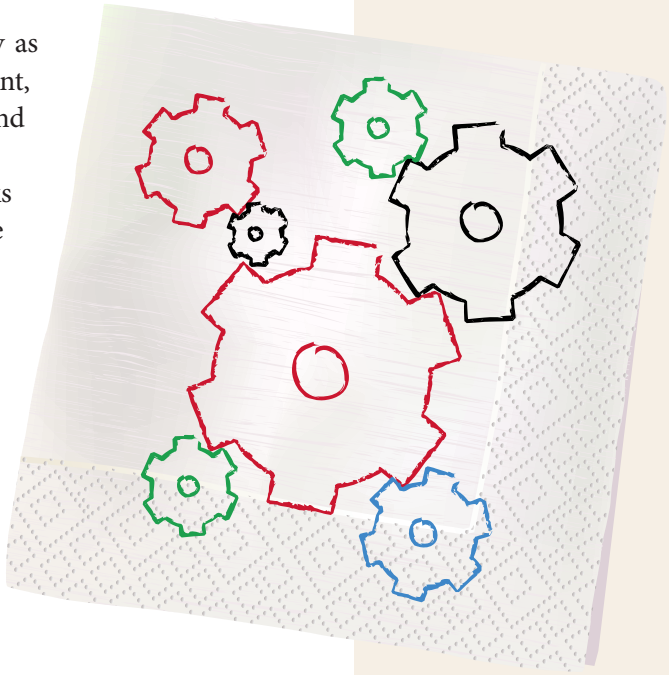
employee.

Take, for example, the software programmer who works all day at a computer game software company developing and coding a new software graphics package. When the employee leaves the office at night, he goes home and codes graphical software for a computer game program he is personally developing. The employee's software coding at home requires him to use thoughts and approaches that are similar to the thoughts and approaches he employs on behalf of the employer during the day. One night, the employee comes up with some new code that transmits a graphic without using as many resources of the computer. Does the employee have a duty to share his new code with his employer? Is this new software owned by the software company or the employee? Is the employee allowed to become a competitor to his employer after departing, or sell his new code to a competitor or the employer?

Now consider the example of a toy designer whose job it is to design new dolls and provide updates to an existing lines of dolls for a major toy company. After working on the company's designs all day, the employee goes home and starts sketching his own doll designs while off the clock. Does the toy designer have an obligation to share his sketches with his employer?



In both of these examples, the works at issue may qualify as "works made for hire," falling within the scope of employment, because of the similar nature between the employee's day and night efforts.

Supporting the proposition that the works may be "works made for hire" is the case of Martha Graham School and Dance Foundation versus Martha Graham Center of Contemporary Dance, Inc. In that case, the court indicated that "there is no need for the employer to be the precipitating force behind each work created by a salaried employee, acting within the scope of her regular employment." *Martha Graham Sch. & Dance Found. v. Martha Graham Ctr. of Contemporary Dance, Inc.*, 380 F.3d 624, 640 (2d Cir. 2004). The court in that same case also indicated that "many talented people, whether creative artists or leaders of major corporations, are expected by their employers to produce the sort of work for which they were hired, without any need for the employer to suggest any particular project." Id. at 640-41 (Treatise cited).

This situation is revisited in the recent case involving Bratz® dolls versus Barbie® dolls. (*Carter Bryant v. Mattel Inc.*, No. 2:04 Civ. 9049 (C.D.Cal. 2008)(2:04-cv-9049). Bratz® dolls are manufactured by MGA Enterprises (MGA) and are based upon the designs of Mr. Carter Bryant, a former employee of Mattel, Inc. (Mattel), which manufactures the Barbie® doll. According to the court record, Carter Bryant designed the Bratz® dolls while still working as a doll designer for Mattel. When he left Mattel for MGA, he took the sketches that he developed while still working at Mattel. His sketches ultimately became the hugely popular Bratz® dolls.

Mattel filed a lawsuit against its former toy designer for taking the designs of the Bratz® dolls with him to MGA. In the suit, Mattel alleged that Bryant designed the dolls while still employed at Mattel, thus violating his employment agreement. In a subsequent countersuit, Mattel further alleged that Bryant's designs were copyrighted material of Mattel.

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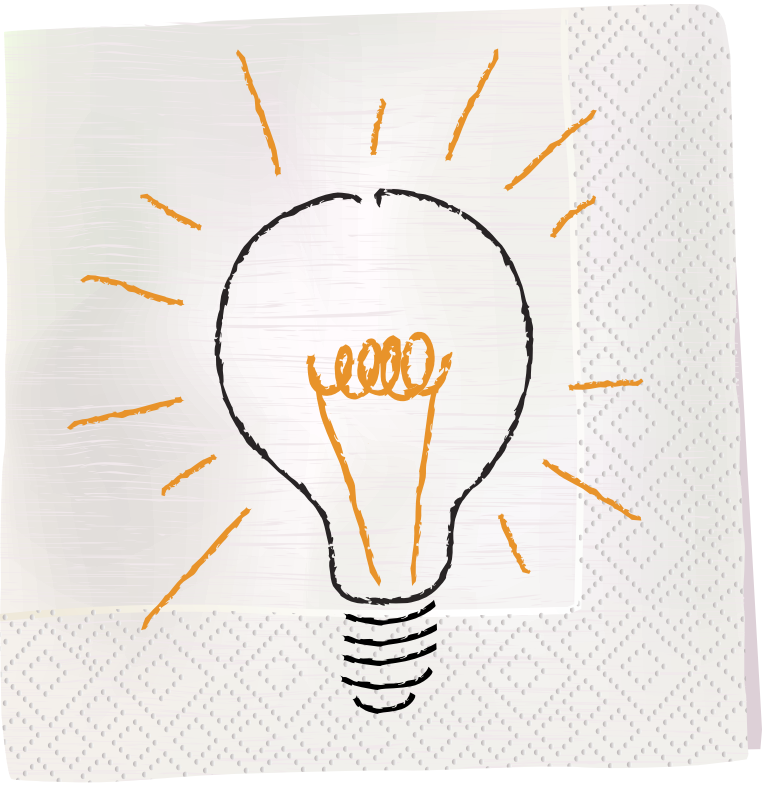
The case was not limited to Mattel and Bryant, though. Because Mattel subsequently started producing dolls such as "My Scene Barbie," which have similar traits to the Bratz® dolls, MGA sued Mattel for copyright infringement after Mattel filed the original lawsuit against Bryant. Mattel filed counter-claims alleging copyright infringement and $1.8 billion in damages against its former employee, MGA, and MGA's CEO, Isaac Larian. Mattel's claim was that Bryant was obligated under both copyright law and his employment agreement to provide his sketches and designs to his employer, even though those sketches and designs may have been created outside of the office.

During the court proceedings, the judge found the inventions agreement between the company and Bryant valid. Even though the suit against Bryant has settled, the jury found that the former Mattel designer had conceived or reduced to practice the design for the Bratz® dolls. Additionally, the jury determined that Isaac Larian, the CEO of MGA, aided and abetted Bryant's breach of his duty of loyalty and fiduciary duty to his former employer. Ultimately, the jury awarded Mattel $100 million for infringement and other claims. In December 2008, MGA was ordered to recall almost all of the Bratz® dolls and turn over those items relating these dolls to Mattel. A subsequent order allows MGA until the end of 2009 to finish shipping and selling the 2009 Spring and Fall lines of the Bratz® dolls. The case is still being litigated and is not yet ripe for an appeal.



It appears that Bryant's employment agreement, and the nature of the work he performed for Mattel, weighed heavily in Mattel's favor. Because Bryant was employed as a creative person to develop designs of dolls, any derivative works that he may have developed, even when working on his own personal time, belonged to Mattel. The details of the employment agreement indicate that it gave Mattel rights to anything he designed without limitation.

Thus, it is clear that the nature of an employee's work may impact ownership of the employee's creative designs. It is important that intellectual property ownership be fully addressed with all employees at the time of hire or with all employees in general. At McAfee & Taft, our intellectual property attorneys and labor and employment attorneys can advise you on the best approach for your company.
