INDUSTRY OUTLOOK

TAKING OWNERSHIP OF COMPANY INTERESTS

by Jim Silver and Brad D. Rose, Esq.

ROYALTIE$ editor in chief, Jim Silver, recently sat down with Brad D. Rose, Esq., of the law firm Pryor Cashman LLP. This month's question is what can an employer do to protect its ownership interests in copyrightable materials that are created by employees or independent contractors that are hired or retained by the employer?

BRAD D. ROSE, ESQ.: The expression of an idea in a tangible form is generally the property of the individual who created the subject work. The exception to the general rule that the creator of the work owns the copyright in the work is if the subject work was created as a work for hire. In that case, the party commissioning the work, not the actual creator, would be deemed to be the author (and therefore the owner) of the copyright. The extent to which the creative expression of another becomes the intellectual property of the party commissioning the work depends upon: (1) the context of the relationship between the creator and the commissioner; (2) the type of underlying work at issue; and (3) the extent to which the work-for-hire grant needs to be in writing signed by the actual creator of the work. Significantly, not all types of creative works can be the subject of a work-for-hire grant if the creation of the work is performed outside of an employer/employee relationship (*i.e.*, by an independent contractor). It is, therefore, important to check with legal counsel prior to the engagement of a person being hired to create copyrightable work to find the best way to achieve the desired result.

Specifically, U.S. copyright law defines a work made for hire as a work: (1) prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned. . . [of a specifically enumerated type]. . . if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

Under the first instance noted above, if the work was created by an employee within the scope of an employment relationship, then the work will be deemed to be a work made for hire (even in the absence of a writing signed by the employee). An employer/employee relationship may be created for purposes of determining the work-for-hire status of a copyright in an underlying work if: (1) the employer maintains control over the work and the employee such that the employer is providing direction, physical space, equipment, and/or payment (inclusive of tax withholdings) to or for the employee; (2) the employee is generally engaged to perform such work on a daily basis; and/or (3) the employer is in the business of producing such works. While these factors are not exclusive, the bottom line is that the more the relationship looks like a typical, salaried employment relationship, the clearer it becomes that works created within the scope of that employment would be deemed to be works made for hire.

On the other hand, to the extent that copyrightable work is created by an independent contractor, then the work may be deemed a work made for hire only if the work is specially ordered or commissioned and the work falls under one of nine enumerated types of work, and there is a written agreement between the parties specifying that the work is a work made for hire. To the extent that the underlying work is not one of the nine enumerated types of work set forth in the statute (*i.e.*, 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) then even if the work is specially ordered or commissioned and is the subject of a written agreement deeming the work to be made for hire, in the absence of an outright written assignment of the copyright interest in the underlying work, the subject work may not be deemed to be a work for hire, and the party that commissioned the work may not be able to take ownership in the copyright that attaches to the underlying work.

It is, therefore, important for the commissioner of copyrightable works to confirm with knowledgeable counsel the best way to achieve the intended ownership interest in a for-hire creation by another. Given the significant investment that businesses devote to the development of copyrightable works (regardless of the industry), it is in the best interests of the business owner to make sure that those dollars are wisely spent on content that it will actually own when all is said and done.

Brad D. Rose, Esq. is the lead partner in Pryor Cashman's branding, licensing, and enforcement group. He can be reached at BRose@pryorcashman.com. Visit www.pryorcashman.com.