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TO OUR CLIENTS:

**DANGER: YOUR COMPANY MAY NOT OWN ALL OF ITS COPYRIGHTS**

**Your Company May Not Own Works that it Has Paid For**

A common assumption is that instructing and paying an independent contractor to provide a company with a finished product means that the company owns the work. This is not true. Even if the independent contractor provides a guarantee of ownership and authorship of the work, under U.S. law, it is owned by the author of the work. In order to own the work, the independent contractor must assign in writing his or her rights in the work to the company. The scope of the assignment will determine whether full ownership rights or only specific rights are assigned to the company.

**A Brief Overview of the Rules on Copyright Authorship and Ownership**

Under U.S. copyright law, the person who creates the work is the author and the owner of the work. The exception to the rule is the 'work for hire' doctrine. However, this does not automatically mean that hiring someone to create a work for the company means that it is owned by the company. Under this doctrine, normally, the employer and not the employee is the author and the owner of the work.

The Copyright Act defines a *work for hire* as:

1. A work prepared by an employee within the scope of employment (not an independent contractor or third party); or
2. A specific<sup>1</sup> specially commissioned work that falls under one of nine statutorily specified categories and where the parties agree in a signed writing that the work will be considered a *work for hire*. (17 U.S.C. § 101).

The main consideration in determining whether a work qualifies as a *work for hire* is the relationship between the parties, namely whether the worker is an employee or an independent contractor. Factors that help to determine whether someone is an employee include but are not limited to:

- The extent of control the employer has over the type of work that is done and the final product.
- Whether the work is completed at the employer's work site or the employee's.
- Whether the employer provides the employee with the equipment required to do the work.
- The extent of control the employer has over the employee's schedule.
- Whether the employee is salaried, receives benefits and has taxes deducted from their paycheck.

If the work is not a work for hire prepared by the company's employee, then acquiring ownership or rights to the work is done by a written document.

**Areas that Companies should watch out for:**

## **THE COMPANY'S WEB SITE**

Web sites, especially those created by a third party company or individual are a good example of a work entitled to copyright protection that may not be owned by the company. Unless the company's web designer is in house, it is important to be able to answer questions such as:

1. Who took the photos for the web site?
2. Who designed the logo?
3. Who created and designed the web site's concept?
4. Who created the music, sound or videos?
5. Who coded any scripts or functional aspects of the site?

If the elements of the web site created by a non-employee were not assigned to the company, then the company is neither the owner nor the author of the site. It is also important to ensure that the company or individual that was hired to create the web site is the rightful owner or creator of the images and design used. If the images and/or design are owned by a third party, the company could be liable for copyright infringement, regardless of whether it had knowledge of this fact.

## **PRODUCT PACKAGING**

If the products your company sells are sold in packaging, then it is important that the company be assigned rights to each element of the package to ensure ownership of the entire package. Since product packaging can be a combination of photos, graphs, drawings, text and layout, it is important to identify the creator of each element. This includes who designed the overall look and feel of the packaging, who took the photos, who made the drawings and who wrote the copy. In the event of a lawsuit for infringement of the packaging, the company must ensure that it can prove ownership of each and every element of the packaging. The best strategy is to secure ownership of each element of the packaging at the time of completion, either prior to or in connection with payment for the work.

## **CLOTHING**

Under current U.S. Copyright law, clothing designs are not copyrightable. However, patterns on the fabric, embellishments or prints may be copyrightable. The company should secure ownership from independent contractors of these original designs at the time of completion or purchase by obtaining a written assignment. Similarly, if purchasing a pattern or print, it is important to ascertain who actually owns the copyright, especially since it is possible that the creator may have sold or intends to sell the pattern or print to other companies. Obtaining a written assignment from the seller is the only way to fully protect the company.

## **MAGAZINES/CATALOGS/BROCHURES**

Freelance writers and photographers should sign a standard assignment for all materials that they create and provide for any magazine, catalog or brochure created for your company.

## **THE COMPANY'S LOGO**

The company should obtain an assignment for all rights to any logo that is created by an independent contractor.

## **Best Practices for Ensuring Ownership of the Company's Work**

Ideally, at the outset of a work relationship, all independent contractors should be required to sign a contract stating that they agree to assign the work to the company. Upon the completion of the work, an assignment should be executed.

If the company is purchasing a completed work, it must ensure that the assignment is executed prior to or in conjunction with paying the author/owner.

### **Past Assignments Not Confirmed in Writing**

An assignment must always be in writing. In the event that an assignment took place in the past but was never formally set forth in writing, the company can still have the author/owner sign a confirmatory assignment, retroactively assigning the work as of the original oral assignment. At times a confirmatory assignment is hard to obtain if the author of the work relocates, or becomes unreachable or refuses to sign the assignment.

### **Filing for Copyright Protection**

The Copyright Office has simplified copyright filings for most works which are now filed online and usually registered within three months of filing. While it is not necessary to file for copyright protection in order to have a measure of protection under U.S. law, copyright registration gives a number of benefits such as the ability to enforce the copyright against infringers statutory damages and attorneys' fees, and is advisable for any commercial works.

### **Conclusion**

While it may seem onerous, ensuring good practices in creation and purchase of copyrightable material will ensure that less problems arise in the future. For help with assignments, contracts, licenses, copyright and any intellectual property question please contact us at [mail@mt-iplaw.com](mailto:mail@mt-iplaw.com).

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