Abstract: This article discusses the question of who owns the copyright in computer programs developed by independent contractors. An important decision by the U.S. Supreme Court last year clarified the ownership issue in a way that expands the ownership rights of independent programmers.

Keywords: copyright, computer programs, independent contractor, employee, work made for hire, joint authorship.

With the proliferation of computer usage in the business world, the importance of copyright ownership in computer programs can no longer be overlooked. A copyright owner obtains an array of valuable exclusive rights, including the exclusive right to sell copies of an original work and to sell new works that are based upon or derived from the original work.

As a general rule, the author of a work is that owner of the copyright in that work. However, if the author is an "employee" of a corporation or other business entity and the work is created within the scope of employment, the employer is the owner of the copyright.

More difficult questions arise if the author of the work is an independent contractor. In a typical situation, a company contracts with a freelance programmer to create software for a particular business application. The program is successful, and the company starts marketing the software commercially. The programmer also begins marketing the software or a
 modification of it.

Litigation is bound to follow—each party claiming it has the exclusive right to sell the software. Much hangs in the balance because the copyright owner can prevent the other party from selling the software and may also recover an award of damages, including any profits the infringer made from marketing the program.

The ownership question has been veiled in confusion for several years. The problem arose from conflicting interpretations given by courts to the "work made for hire" rule of the Copyright Act.

SUPREME COURT RULING ON WORK MADE FOR HIRE

A recent decision by the U.S. Supreme Court, Community for Creative Non-Violence v. Reid, will eliminate much of the confusion. In the Reid case, involving copyright ownership in a sculpture, the Court for the first time addressed the issue of who owns the copyright in works created by independent contractors. The Court resolved the conflicting interpretations of the lower courts in a decision that greatly expands the rights of independent contractors.

For independent contractors, the decision is a boon. For hiring parties, the decision is a clear indication that certain contractual measures should be taken if the party wants to obtain ownership of the copyright in a computer program.

The decision is a departure from the way the ownership issue has been analyzed in the past. It should cause computer professionals to re-examine the status of copyright ownership in the programs they have created or commissioned others to create. As a result of the Supreme Court's ruling, freelance programmers may own copyrights in past works without realizing it.

The work made for hire doctrine has two parts. The first part says that if a work is created by an "employee" within the scope of his or her employment, then the copyright is automatically owned by the employer. No written agreement is required and it does not matter what kind of work is involved. This aspect of the Copyright Act is fairly straightforward and easy to apply.

The second part deals with "specially ordered or commissioned works" and provides that the commissioning party owns the copyright if the work is a "work made for hire." The Act provides that a
commissioned work can be a "work made for hire" if there is a signed agreement to the effect and the work falls into one of nine specifically identified categories of works. If these requirements are met, the commissioning party owns the copyright.

This seemingly clear dichotomy between works by employees and works on commission became hopelessly clouded when some lower courts held that commissioned works could be works made for hire even though there was no signed agreement. The courts reasoned that if the hiring party exercised "supervision and control," the creator of the work could be considered an "employee" even though he was by most standards an independent contractor. Since the independent contractor was viewed as an "employee," the courts said the employer owned the copyright, regardless of the type of work or whether there was a signed agreement. Several court cases applied this analysis and ruled that computer programs were owned by the commissioning party. The courts gave little guidance as to the type or degree of supervision and control necessary to put copyright ownership in the hiring party rather than the creator.

The Reid case has entirely changed the analysis for determining copyright ownership. The Supreme Court has eliminated the fiction that an independent contractor can be considered an "employee" merely as a result of the exercise of supervision by the hiring party.

The Court ruled that an independent contractor owns the copyright in any work he creates unless there is an express signed agreement that the work for hire and the work falls into one of the nine categories specifically identified in the Copyright Act. If there is not written agreement or if the work is not one of two types mentioned in the Act, the independent contractor retains ownership of the copyright.

In Reid, the Court ruled that the artist was an independent
contractor, not an employee. Since there was no written agreement and sculpture did not fall into one of the nine categories, the artist owned the copyright.

**WHO IS AN "EMPLOYEE?"**

The Court ruled that the determination of whether a hired party is an employee or independent contractor should be made according to traditional principles of agency law.

Under common law agency principles, several factors distinguish independent contractors from employees. Courts look at the skill required, the source of the instrumentalities and tools, the location of the work, the duration of the relationship between the parties, whether the hiring party has the right to assign additional projects to the hired party, the extent of the hired party’s discretion over when and how long to work, the method of payment, the hired party’s role in hiring and paying assistants, whether the work is part of the regular business of the hiring party, whether the hiring party is in business, the provision of employee benefits, and the tax treatment of the hired party. No one of these factors is determinative.

**WHAT TYPES OF WORKS CAN BECOME WORKS MADE FOR HIRE?**

As noted above, a work by an independent contractor can only become a work made for hire if it falls into one of nine categories of works listed in the Copyright Act. These categories are an odd conglomeration of different types of works. They are the result of lobbying efforts and compromises made during the legislative process.

Computer programs are not specifically identified. However, some of the categories are arguably broad enough to encompass programs under some circumstances. The nine categories are: (1) a contribution to a collective work, such as a magazine or anthology, (2) audiovisual works, (3) translations, (4) supplementary works, including work published as an adjunct to a work by another author, (5) compilations, (6) instructional texts, (7) tests, (8) answer material for tests, and (9) atlases.

The scope of these categories is unclear and they are sure to become the next battlefield in litigation over copyright ownership. Courts have thus far provided no guidance as to whether they will be construed broadly or narrowly.

If the courts interpret these categories broadly, a computer program could arguably fall into
one of the following categories:

**Contributions to a collective work.** A collective work is a work in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole. Typical collective works are periodicals, anthologies, and encyclopedias. It is not uncommon, however, for separate and independent software modules to be assembled into a collective whole. A recent court case involved a software system comprised of 236 separate programs. These independent modules could arguably be contributions to a collective work.

**Compilations.** A compilation is a work formed by a collection of pre-existing materials or data, arranged and selected so as to constitute an original work. Typical examples of compilations include telephone books, directories, and catalogs. But some computer programs could arguably be considered compilations as, for example, where subroutines from different programs are combined into a new program.

**Translations.** Programmers often translate a program from a form written for one type of computer to a form suitable for another. A program may also be translated from one programming language to another. These arguably could be considered "translations" under the statute.

**Supplementary works.** A supplementary work is a work prepared as a secondary adjunct to a work by another author for the purpose of illustrating, explaining or assisting in the use of the other work. Examples are forewords, afterwords, pictorial illustrations, charts, tables, and indexes. In the computer industry, the user documentation and manuals accompanying the programs will often constitute supplementary works.

It is unlikely that Congress had the computer industry in mind when it adopted the nine categories of work made for hire,
and it remains to be seen how the courts will treat software in connection with these categories.

**JOINT AUTHORSHIP OF COMPUTER PROGRAMS**

Since the concept of "supervision and control" alone is not enough to create a work made for hire, commissioning parties sometimes claim copyright ownership by virtue of being joint authors of the software.

The Copyright Act defines a joint work in true lawyer-like language as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." To be a joint work, it is essential that at the time the work is created the authors intend that their respective contributions will be merged into an integrated unit.

A joint author of a work is a co-owner of the copyright in the work and is entitled to modify, reproduce, or distribute copies of the work. A joint author's protection extends to the entire work, not just the portion he contributed. Each author has the independent right to sell or license the joint work but has a duty to account to the co-owners for any profits earned.

Several cases have recently addressed the questions of what it takes to be a joint author in the development of software. It is clear from these cases that a commissioning party who merely describes to the programmer what the software should do or look like is not a joint author.

In *Whelan v. Jaslow Dental Laboratory*, a case decided by the Federal Appeals Court in Philadelphia, a dental laboratory owner commissioned the creation of software for use in his business. The owner gave the programmer a detailed description of the operation of the business, dictated the functions to be performed by the
computer, and even helped design the language and format of some of the screens that would appear on the computer's visual displays.

The court nonetheless found that the programmer was the sole author of the software. The court's primary focus was on the creation of the source and object code. The owner's general assistance and contributions to the fund of knowledge of the author did not make him a creator of any original work. The court analogized it to an owner explaining to an architect the type and functions of a building the architect is to design. The owner is not a co-author of the architectural drawings no matter how detailed the ideas of instructions he provides.

**OBTAINING COPYRIGHT BY AN ASSIGNMENT**

The Supreme Court's work made for hire decision does not leave commissioning parties entirely out in the cold. A party can still obtain ownership of a copyright by a written agreement transferring the copyright. The ownership of the copyright simply becomes a matter of contract negotiation.

There are some pitfalls, however. To be valid, the transfer of copyright ownership must be in writing and signed by the copywriter owner. Further, the Copyright Act provides that after 35 years, the copyright ownership may revert to the original author. While most software would be obsolete long before the reversion, it is conceivable that some systems could have life that long.

**CONCLUSION**

The importance of copyright ownership cannot be overlooked. The copyright owner controls reproduction, modification, and sale or licensing of a computer program. The financial benefits of ownership are very real, especially where the software is unique or has high marketability. The Supreme Court's decision resolves some issues but leaves many questions unanswered. Consequently, parties should exercise care in determining their copyright interest in computer programs created in the past. As for future transactions, the matter of copyright ownership should be negotiated up front, and hiring parties should obtain a written assignment if they want to be sure they own the copyright in programs created by free lancers.
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