Legally Speaking -- Independent Contractors, Work For Hire Agreements and The Way To Avoid A Sticky Mess

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many of us are familiar with the copyright concept of “Work for Hire.” What we write on our own time belongs to us. What we write for our employer belongs to them. The copyright law states that: “In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.” This is based on well-settled laws of agency and principle, i.e., the work of the employee is always supposed to be for the employer. The basic concept is fairly clear, although there has been a lot of litigation over what was within the scope of an employee’s duties. However, it is much more difficult to decide whether an item was a work for hire if the person who created the work was an independent contractor.

The problem is that, because the independent contractors are not employees, the creator gets to keep the rights to his or her work. Most often, this is not what the person or entity doing the hiring has intended. For example, suppose that the X Corporation is planning a direct-mail campaign with advertising flyers. There is no doubt whatsoever that the flyers would belong to the company if an in-house graphics department developed the flyers. However, if the X Corporation outsourced the project to Y Graphics, Inc., there is a question as to who owns the rights to the flyers.

In order to get around these issues, many independent contractor agreements include work for hire provisions. However, these provisions are not always valid. There are only nine statutorily defined categories where the work for hire doctrine applies to contractors. There must be a written agreement (oral agreements are worth the paper they are written on) for work for hire to apply to these categories. According to section 101 of the Copyright Act, a work for hire agreement is only valid with: Works specially ordered or commissioned for use as a contribution to a collective work Works that are part of a motion picture or other audiovisual work A translation A supplementary work A compilation An instructional text A test Answer material for a test An atlas

Unless the work fits into one of these categories, it can’t be a work for hire. Even if it is, the agreement must be in writing. There can be an assignment of rights, but this would have to be done via a valid contract with sufficient consideration.

Employees versus Independent Contractors: The Reid Case

In trying to determine whether work for hire applies, the first thing that needs to be considered is whether the creator was an employee or an independent contractor (the term in the Copyright Act is “consultant”). The major Supreme Court case on this topic is Community For Creative Non-Violence et al. v. Reid. In the Reid case, a non-profit group called the Community For Creative Non-Violence (CCNV) hired sculptor James Earl Reid to create a statue. Neither party ever discussed copyright in their agreement, and once the statue was completed both parties attempted to file copyright registrations. Besides standing for the idea that parties should negotiate copyright beforehand, this case also takes a good, hard look at the meaning of the term employee as used in the Copyright Act.

A large part of the decision of the Court involved the meanings of the terms “employee” and “scope of employment.” According to the decision, “The starting point for our interpretation of a statute is always its language... It is, however, well established that “[w]here Congress uses terms that have accumulated settled meaning under... the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms.” In the past, when Congress has used the term ‘employee’ without defining it, we have concluded that Congress intended to describe the conventional master-servant relationship as understood by common-law agency doctrine.” [Internal citations contained in endnotes]

According to the facts of the case, CCNV paid Reid just for that one project. They did not make suggestions as to the aesthetic design of the statue, and supervised the process as it was created. However, they did not themselves design the statue; the majority of the design was the artistic product of Reid. The Court held that “a work for hire can arise through one of two mutually exclusive means, one for employees and one for independent contractors, and ordinary canons of statutory interpretation indicate that the classification of a particular hired party should be made with reference to agency law.” The Court went on to say:

Reid was not an employee of CCNV but an independent contractor. True, CCNV members directed enough of Reid’s work to ensure that he produced a sculpture that met their specifications. But the extent of control the hiring party exercises over the details of the product is not dispositive. Indeed, all the other circumstances weigh heavily against finding an employment relationship. Reid is a sculptor... [and] supplied his own tools. He worked in his own studio in Baltimore, making daily supervision of his activities from Washington practicably impossible.

Reid was retained for less than two months, a relatively short period of time. CCNV had no right to assign additional projects to Reid. Apart from the deadline for completing the sculpture, Reid had absolute freedom to decide when and how long to work. CCNV paid Reid $15,000, a sum dependent on “completion of a specific job, a method by which independent contractors are often compensated.” Reid had total discretion in hiring

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and paying assistants. "Creating sculptures was hardly 'regular business' for CCNV." Indeed, CCNV is not a business at all. Finally, CCNV did not pay payroll or Social Security taxes, provide any employee benefits, or contribute to unemployment insurance or workers' compensation funds. . . . However, . . . CCNV nevertheless may be a joint author of the sculpture if . . . CCNV and Reid prepared the work "with the intention that their contributions be merged into inseparable or interdepen- dent parts of a unitary whole." In that case, CCNV and Reid would be co-owners of the copyright in the work. [Citations omitted]

The final decision in the Reid case is that the words of the Copyright Act mean exactly what they say. If the person is an employee and created the work within the scope of his or her employment, the work for hire doctrine applies. If the person is an independent contractor or consultant, work for hire only applies if there is a signed agreement (with proper consideration) and the work falls into one of the nine statu- torily defined categories. If both of those factors are not present, it is not a work for hire, and the creator retains all rights to the work.

The one caveat that the Reid case gave involved whether CCNV might be a joint author because of the design suggestions and control that were exercised by CCNV. As a result, the Court remanded the case back to the District Court with instructions to determine whether CCNV was a co-author. Upon receipt of the Supreme Court opinion, the parties agreed that Reid would be the sole owner for three-dimensional reproductions, while CCNV would be co-owners of the rights to two-dimensional reproduc- tions.

Most of the problems in the Reid case could have been averted had the parties agreed on copyright when they signed their agreement. Although this statute doesn't fit into any of the categories enumerated in the Copyright Act, the parties could have agreed upon an assignment of copyright rights as part of their contract. Naturally, if copyright assignment is included in a contract, there must be sufficient consideration. However, there is no reason why this could not have been done. In fact, it is routine for these kinds of clauses to be included in contracts. For example, publishers regularly require the assignment of copyright from an author. This is different from a work for hire agreement, and involves different wording.

**Work for Hire and the Statutory Categories**

The only time that a work for hire agreement can be valid is when the work fits within one of the categories in the statute. Several of these categories are clear, i.e., translations, tests and test answers, and atlases. However, other provisions contain nuances within their definitions. These categories include contributions to collective works and compilations, supplementary works, and instructional texts.

The **Copyright Act** defines collective works as follows: "A 'collective work' is a work, such as a periodical issue, anthology, or encyclo- pedia, in which a number of contributions, constituting separate and independent works in them- selves, are assembled into a collective whole. A 'compilation' is a work formed by the col- lection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term 'compilation' includes collective works."

It is not always possible to always distinguish ownership of collective works. For example, in the Reid case, it was not possible for a court to determine that one part of the statue belonged to Reid, and one part belonged to CCNV. This is why the Supreme Court remanded the case for a determination as to whether CCNV was a co-author.

The difference between a collective work and other types of compilations is that each individual item within a compilation itself constitutes a "separate and independent" work that qualifies for copyright protection. "[T]here is a basic distinction between a 'joint work,' where the separate elements merge into a unified whole, and a 'collective work,' where they remain unintegrated [sic] and disparate." For example, suppose that two authors worked together to write a novel. Their contributions create a joint work. "Many authors have prepared instructional materials for use in the classroom, and, in doing so, they have engaged in the activity of creating a collective work."

According to the Copyright Act, "a 'supplen- mental work' is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, prefaces, bibliographies, indices, and indexes." For example, if I am commissioned to write an introductory essay for a new critical edition of Huckleberry Finn, the essay would fall into the category of supplementary work, meaning that a work for hire agreement could be included in my contract with the publisher.

Another category that qualifies for work for hire agreements is an "instructional text." The Copyright Act defines this as being "a literary, pictorial, or graphic work prepared for publication with the purpose of use in systematic instructional activities." Of course, many works are created that are subsequently used as textbooks. However, works that are specifically created to be used in the classroom fall within this category and can be the subject of a work for hire agreement.

In order to apply the work for hire doctrine to the statutory categories, there must be a signed agreement. For example, if a publisher commissioned a collective work, the issue of work for hire must be specifically addressed within the contract, writing, at the time that the agreement is entered into. You need to make sure that all of the normal formalities of contract formation are attended to, that there is adequate consideration, and that the parties truly have a meeting of the minds. That way you can be sure that your work for hire agreement is valid.

**Conclusion**

Work for hire agreements with independent contractors are only valid if they fall within one of nine statutorily created categories. These categories include: 1) works specially ordered or commissioned for use as a contribution to a collective work; 2) works that are a part of a motion picture or other audiovisual work; 3) a translation; 4) a supplementary work, 5) a compilation, 6) an instructional text, 7) a test, 8) answer continued on page 56
Questions & Answers — Copyright Column

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**QUESTION:** A speaker at a conference permitted the conference organizers to videotape her presentation. Later she wanted a copy of the presentation to show to a class. Who owns the copyright in the video recording?

**ANSWER:** The general rule is that the person or entity creating the work owns the copyright. If the speaker simply granted permission to be videotaped, she did not transfer the copyright in her presentation. But since the conference organizers created the videotape, the conference would hold the copyright in the video recording while the presenter would own the rights in the presentation itself, assuming that it was fixed other than by the videotape.

When granting permission to be videotaped, it is important to specify what can be done with that tape while reserving any rights that the presenter may want. For example, it would have been very easy to specify in the written agreement that the speaker reserves the rights to: (1) have a copy of the videotape and (2) use it in her classes (or however else she may want to use the video). The conference might want the right to sell the videotape or to put it in the conference archives.

**QUESTION:** How does a library obtain public performance rights for films that it acquires?

**ANSWER:** It is far easier to obtain performance rights at the time the film is acquired rather than afterwards. On the purchase order one can request the public performance rights. The rights may be included in the cost of the video or may require a separate royalty. Some video distributors have been licensed by film producers to provide the public performance right. The library should specify the rights of performances that it might offer; for example, just in an educational institution without any admission charge or as a ticketed performance with an admission fee. One can obtain rights for a single performance or for performances over a period of time.

There are several sources for obtaining public performance rights. Swank Motion Pictures, Inc. (www.swank.com) is a comprehensive licensing agency for films. Movie Licensing USA (www.movielic.com) is a division of Swank that provides licenses for K-12 schools and public libraries. The Motion Picture Licensing Corporation can provide the public performance rights through a variety of types of licenses (www.mplic.com). Criterion USA (www.criterionpictures.com) is a non-theatrical distributor of feature films and is licensed for public performance in the United States. For classics and foreign language art films, a good source for public performance rights is Kino International (www.kino.com), although some of the films are for theatrical performance only. Another source for foreign films is New Yorker Films (www.newyorkerfilms.com).

**QUESTION:** A library is sponsoring a book talk by a famous author. In order to advertise the event, the library wants to scan the book jacket from the author’s latest book and use it on flyers and posters. Does this infringe copyright?

**ANSWER:** Yes, reproducing the book jacket without permission is copyright infringement. The publisher holds copyright in the book jacket. Although it may simply have a license to use the artwork on the cover. It is often possible to obtain permission to use a book jacket at no charge for the purpose of advertising the author and even offering his books for sale at the event. The library should contact the publisher to obtain permission to use the book jacket in advertisements for the event.

**QUESTION:** If a library has a licensed database, may a reference librarian use that database for answering a question from a non-affiliated user? What about supplying that individual with a copy of an article from that database? Does it matter that the database has an email option to forward articles to users?

**ANSWER:** Certainly, the reference librarian may use the database to answer a reference question for anyone. However, the license agreement controls, and if the license says that articles in the database may be accessed and reproduced only by students, faculty and staff of the institution or registered borrowers, then supplying the article to someone who is not covered violates the license agreement. What one can do is answer the question, provide a citation to the article and explain that under the library’s license agreement, it cannot provide a copy of the article to someone who is not covered. With the citation, the user might be able to access the article in a local public library with a different type of license agreement or obtain it from a printed source through interlibrary loan.

The email option does not mean that the library may ignore the license agreement. The email option is there so that one may email an article to an authorized user of the database. So, a librarian could forward an article to a student, faculty or member in the institution, etc., but not to an outside patron.

**QUESTION:** If a copyright is held by two or more people, must all of the owners agree to allow someone to post the material on the Web?

**ANSWER:** No, the general rule is that joint ownership of copyright means that the owners are "tenants in common." This means that each owner holds an undivided interest in the copyrighted work. One owner may transfer the copyright to another without consulting other owners, license others to use the work, etc. That owner is required to account to the other owner or owners and to share the proceeds of any license or transfer on an equal basis. It is possible to own a copyright on a different basis but this requires a different

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material for a test, or 9) an atlas. If the work falls into one of these categories, the parties can have a written agreement to treat the product as a work for hire.

Even if the work of an independent contractor does not fall into one of the categories in the statute, you still may be able to include a valid transfer of ownership provision in a contract. The Copyright Act says: "ownership of a copyright may be transferred in whole or in part by any means of conveyance." For example, suppose that the contract between CCNV and Reid included the following provision:

James Earl Reid (hereinafter, "Seller"), a sculptor with principal place of business in Baltimore Maryland, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby sells, transfers, assigns, conveys, and delivers to Community for Creative Non-Violence (hereinafter, "Purchaser") all of Seller's right, title, and interest in and for the work of visual art described in this agreement, including its frame, mounting, base, or support, and including Seller's copyright interest therein (hereinafter, the "Property"), to have and to hold the Property unto Purchaser, its successors and assigns, forever.

Had the contract between CCNV and Reid included such a clause, there would have been no need whatsoever for litigation. The rights of the parties would have been clear from the beginning. It is important to remember that the copyright of an object and the physical ownership of the object are two different things, and "may be transferred... and owned separately." If you are working with an independent contractor, make sure that your agreement always specifies who receives copyright. You may have to pay more to receive both the object and the intellectual property rights, but in the end it will be worth it. After all, the best way to win a lawsuit is to avoid it entirely.

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