



WORK FOR HIRE BASICS FOR NONPROFITS

Like for-profit businesses, nonprofit organizations seek to market themselves and increase awareness of their goals and activities in the communities they serve. In doing this, nonprofit organizations often distribute promotional and informational materials, such as brochures and newsletters, and operate websites through which visitors can contact the organization or find out more information. Many organizations use materials, such as photographs, graphics, or other content, from third parties and/or materials found on the Internet to give their promotional materials and websites a professional and entertaining look and feel. Public Counsel is often asked for legal assistance regarding copyright issues and risk of infringement for using copyrighted (or possibly copyrighted) materials in websites or promotional literature.

An organization may want to use an *existing* photograph or quotes from an article or book, by including these in a newsletter or posting them on a website. In such a case, please refer to Public Counsel's pamphlet **Copyright and Fair Use Basics for Nonprofits**, which can be found here: <http://www.publiccounsel.org/tools/publications/files/0071.pdf>. However, where a nonprofit seeks to create *original* content in its promotional materials and on its website, the Work for Hire doctrine may be invoked. This copyright doctrine governs whether the organization who commissioned the work to be done or whether the person who created the work (the employee or independent contractor) owns the copyright in the work. This complicated doctrine is important for nonprofits in understanding what they own.

We have compiled a collection of work-for-hire questions and answers relevant to nonprofits, and have divided them into the following categories:

- **FAQs [1- 3]** **Copyright Basics**
- **FAQs [4-10]** **Works Made for Hire: Overview**
- **FAQ [11]** **Best Practices: Works for Hire**

We hope you will find this resource to be a useful preliminary guide for obtaining works for hire.

This publication should not be construed as legal advice. These frequently asked questions and answers are provided for informational purposes only and do not constitute legal advice. While this information can help you understand the basic rules relating to copyrights and fair use, it is very important that you obtain the advice of a qualified attorney before using copyrighted or possibly copyrighted materials.

Public Counsel's **Community Development Project** builds strong foundations for healthy, vibrant and economically stable communities through its comprehensive legal and capacity building services for nonprofits that assist low income neighborhoods in Los Angeles County. If your organization needs legal assistance, or to access the latest version of this document, visit www.publiccounsel.org/practice_areas/community_development or call (213) 385-2977, extension 200.

COPYRIGHT BASICS

1. What is a copyright?

A copyright protects the artistic expression of an author of an original “work.” Copyright is a form of intellectual property that gives the author of an original work the exclusive rights to own, use and exploit that work for a certain period of time. The copyright owner maintains the exclusive right to distribute copies of the copyrighted work to the public, or to assign/license that right to others.

2. What types of things can be copyrighted?

Any work of independent and original artistic expression that is “fixed in a tangible medium” can be protected by copyright. This means that in order to qualify for copyright protection, certain conditions must be present: the work must exist in physical form (*e.g.*, on paper, on a hard drive, or on a CD); it must be original; and, it must be a result of some creative effort.

Copyrightable works can be literary (brochure, novel, or book), sculptural, graphic (paintings or designs), pictorial (photographs), audible (music), or audiovisual (movies). Copyright protects “works” such as poetry, movies, CD-ROMs, video games, videos, plays, paintings, sheet music, recorded music performances, novels, software code, sculptures, photographs and architectural designs.

However copyright does not protect the ideas or facts upon which the expression is based (*e.g.*, an idea for a television show about zombies). In other words, copyright law does not protect mere idea. Copyright protects the *expression* of that idea.

3. Who is the “author” of a copyrighted work?

The “author” of a copyrighted work is *generally* the person who created the work. When a photographer takes a picture, she is the “author” of the photograph for copyright purposes. When a writer writes a story, he is the “author” of that story. The author can be any type of creator who makes a work that is subject to copyright protection.

Once a creative work is set in a “fixed form,” a copyright in the work generally vests in the person who created that work (the “author”), and the author thereafter has a property interest in that work (whether or not the author registered the copyright with the Copyright Office), which means that that author is free to use the work in any way, or transfer or assign the copyright to another individual or a company. So if you write a book, once the words are on the paper, you own the copyright in that book. You can thereafter, for example, sell the book, transfer your rights in the book, or have the book developed into a movie. These rights are exclusive to you.

However, there is one exception to this rule: “works made for hire.” If a copyrighted work is made for hire, then the employer or commissioner of that work, not the employee, is considered the author for copyright purposes. To continue with the previous example, if you are an employee of a company that has employed you for the purpose of writing that book, then under the work for hire doctrine, the company, not you, is the “author” of that book.

4. What is a Work Made for Hire?

The work for hire doctrine determines copyright ownership in employer /employee settings. The United States Copyright Act accords special treatment for works made for hire with respect to authorship of creative works. If a work is a work made for hire, then the Copyright Act automatically assigns authorship to the employer rather than the employee who created the work. This is an exception to the general rule that a copyright vests in the person who created the work. In theory, this concept is quite simple. In practicality, it is extremely complicated.

5. When does the Work for Hire Doctrine Apply?

With respect to the work for hire doctrine, the Copyright Act distinguishes between employees, on the one hand, and independent contractors, on the other hand.

As regards to employees... An employer is considered the author of the work when the work is prepared by an employee within the scope of his or her employment.

As regards to independent contractors... An employer can be considered the author of a work for hire when he specially commissions or orders the work be done in one of nine situations (listed below), and the parties (the employer and the independent contractor) must **expressly agree in a written instrument signed by both parties** that the work shall be considered a work made for hire, and that the employer shall be considered the author of the work. The nine categories in which the work for hire doctrine applies to independent contractors are as follows:

The work is created:

- as a contribution to a collective work [a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions are assembled into a collective whole],
- as a part of a motion picture or other audiovisual work,
- as a translation,
- as a supplementary work [a work secondary to another author for the purpose of supporting that work; for example, a foreword, afterward, pictorial illustration, or musical arrangement],
- as a compilation,
- as an instructional text [literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities],
- as a test,
- as answer material for a test,

- as an atlas.

Once you determine whether the work was created by an employee or an independent contractor, then you must conduct separate analyses in determining whether the work is properly considered a work made for hire. If created by an employee, and that employee created the work within the scope of his employment, then part 1 applies and the work will generally be considered a work made for hire (the employer is the “author” of the creative work). On the other hand, if an independent contractor created the work, then the work is only considered a work made for hire (and the employer will only be considered the “author” of the creative work) if: (1) it falls within one of the above listed nine categories; *and* (2) there is a written agreement between the parties specifying that the work is a work made for hire.

6. How can I tell whether a person who works from me is an employee or an independent contractor?

In some cases, the answer is quite simple. If a person has an employment agreement, works forty hours a week, is classified as a full-time employee, obtains benefits, has a supervisor within the company, and is under the control of the company, that person is likely an employee. On the other hand, if the person works from home, and you have contracted with that person to perform a specific task, with no oversight of that person’s day-to-day activities, then that person is likely an independent contractor.

Unfortunately, it is not always simple to determine whether a person is properly considered an employee. Just because a person works for a company daily does not necessarily mean that they are *employed* by that company. And just because the person does not clock in for work every day does not necessarily mean that they are *not* employed by your company.

Recently, this issue has come up with Uber, a company that provides ride-sharing to its app users. Uber claimed that its drivers were independent contractors – arguing that it provides “administrative support” to the driver and the party requesting driver services, but otherwise is a mere technical platform used to facilitate car rides; the Uber drivers set their own hours and drive their own cars; the driver takes no instruction, supervision or direction from Uber, but merely uses Uber’s mobile application whenever the driver wishes to notify prospective customers that the driver is available to transport them; and that Uber neither exerts control over the hours drivers work, nor sets any minimum requirements regarding the number of customer pickups. Some drivers claimed to the California Labor Board that they are, in fact, employees [and entitled to the protections that employees receive under California law], arguing that Uber was involved in every aspect of the transaction, from vetting the prospective drivers to supervising the cleanliness of their cars – Uber was “integral” to the driver’s business. The Labor Commission ultimately found that Uber drivers *were*, in fact, employees. [The case is currently on appeal to the California Court of Appeals, so this finding is subject to change].

Another court may have found differently, but the result is the same: there is no cut-and-dry rule to determine whether a person is an employee or an independent contractor. Courts consider a wide-ranging list of factors in determining whether a person is properly classified as an employee or an independent contractor. Below is a non-exhaustive list of factors a court may consider in determining whether a person is an employee:

- whether the person has another job or occupation;
- whether the work is part of the company's regular business operations;
- who provides the tools, materials, and equipment for performing the work;
- whether the worker has invested in any equipment or materials to perform the work;
- whether the work requires a special skill;
- whether the work being done is of the kind that doesn't require direction or supervision by the organization;
- whether the worker has an opportunity for profit or loss in the business;
- how long the services are to be performed;
- how permanent the relationship is;
- how the worker is paid, whether by the hour or by job;
- whether the worker sets his own hours;
- if the worker can be discharged at any time and can choose whether or not to come to work without fear of losing employment;
- if the worker is an "integral" part of the business;
- whether the employer has a right to control the way the work is carried out; and
- whether the parties believe that they have created an employment relationship.

Though unclear, as a rule of thumb, while the independent contractor is his or her own boss, work stays within the definitions of oral or written contract and adheres to certain requirements. An employee, on the other hand, relies on the business for steady income, gives up elements of control and independence, is eligible for certain benefits, and works within constraints of the workplace.

7. What kind of work is within the "scope of employment"?

Importantly, even if a person is properly classified as an employee, if the work is not made within the "scope" of his or her employment, then the work is not a work made for hire. Whether a work is created within the scope of the employee's employment is also a nuanced inquiry.

Take the recent case of *Mattel, Inc. v. MGA Entertainment, Inc.* In that case, an employee – Carter Bryant – invented the Bratz doll line while working for Mattel, during work hours, and using Mattel materials to create the dolls. He left Mattel and joined competitor toy company MGA, bringing the Bratz Doll line with him. Mattel sued Bryant and MGA for copyright infringement when they produced the Bratz doll line, claiming Mattel was Bryant's employer

when he created the dolls, and he created them within the scope of his employment (on company time using company materials), and thus Mattel was the rightful copyright holder in the Bratz dolls under the work for hire doctrine. The jury disagreed, finding that Mattel did not own the Bratz dolls, as the work was produced outside the scope of the employer-employee relationship.

Bryant had an employment agreement assigning to Mattel inventions created “at any time during my employment by the Company.” Mattel argued that this was broad enough to mean that the agreement assigned to Mattel “any doll or doll fashions” created during his period of employment with Mattel. On the other hand, MGA argued that Bryant’s job was not to create new doll lines for Mattel; he designed fashions and hair styles for Barbie collections. The Ninth Circuit affirmed the verdict, holding that the employment contract was overly broad and did not clearly assign the Bratz idea to Mattel – the creation of the line was outside the scope of his employment. Bryant’s position in Barbie Collectibles precluded an interpretation that the creation of new dolls was part of his employment under his contract with Mattel.

This case sheds light on the fact that the determination of what qualifies as “within the scope of employment” is also not cut-and-dry. It also highlights that even a carefully drafted contract (in this case, an employee agreement) may not be enforceable if it is not entirely clear regarding the scope of a person’s employment.

When determining whether works are made within the scope of a person’s employment, courts may consider several factors, including:

- whether the work was within the scope of the employment contract;
- whether the creation of the work was motivated by the employer’s interests;
- whether work is part of the regular business of the employer;
- whether the work was done on company property;
- whether the creative work was made under company time; and
- whether the creative work was made using company materials.

For example, if a person is a blogger for a fashion company, and that person records a pop song in his spare time, the fashion company will not be the copyright holder in the pop song (assuming that there is no agreement with the employer to the contrary). However, if the employee writes a blog post on the company blog, the employer will own the copyright in that written work.

8. What if the creator of the work is an Independent Contractor?

If the person is not an employee, the work for hire doctrine may still apply so long as certain requirements are met. However, the employer must obtain a work-for-hire agreement signed by an authorized agent of the company *and* the independent contractor.

As stated above, an employer is the author of a creative work of an independent contractor when two circumstances exist: (1) the commissioned work falls into one of the nine categories in the copyright statute (listed in Section 5 of this document); and (2) there is a written agreement, signed by the commissioner of the work and the creator of the work, explicitly stating that the commissioned work is a work for hire and all copyrights are owned by the person commissioning the work. This is very important: If there is no written agreement, or if the written agreement is not signed, the work is not a work for hire, and the independent contractor starts with all the rights.

Common language included in independent contractor agreement, consistent with the US Copyright Act's work for hire provisions, may be: "The parties acknowledge and agree that any work product Contractor creates as part of the Services provided under this Agreement shall be considered a work made for hire within the meaning of 17 USC 101 of the United States Copyright Act, and therefore the copyright to such work product shall be owned exclusively by the Company"

Again, if there is no *written* work-for-hire agreement, the independent contractor retains all copyrights in the creative work, regardless of whether there is an oral agreement to the contrary or whether the independent contractor was paid for that work.

This was the exact case in *Community for Creative Non-Violence v. Reid*. There, a nonprofit unincorporated association devoted to welfare of homeless people participated in the annual Christmas Pageant of Peace in D.C. by sponsoring a display that would dramatize the plight of the homeless. It conceived the idea for a Nativity scene in which, in lieu of the traditional Holy Family, the two adult figures and the infant would appear as contemporary homeless people huddled on a street-side steam grate. The organization commissioned artist James Earl Reid to create sculptures that would become part of the overall sculpture. The court held that the work was not a work made for hire for two reasons: (1) sculpture did not fall within a category of commissioned work, and (2) no written agreement existed between CCNV and Reid.

9. What if the creator of the work is an Independent Contractor, but the commissioned work does not clearly fall into one of the nine enumerated categories (or it is questionable)?

As mentioned in Sections 5 and 8 of this document, work-for-hire agreements are an option if the commissioned work falls into one of the nine enumerated categories. The list does not include many types of works that nonprofits frequently hire outside persons to create, such as photographs, logos, or advertisements. Graphic design for a website may be part of an overall website, and therefore could arguably qualify as a form of compilation authorship.

In such a case, even if there is a written agreement stating that the work is a work made for hire, it is not. Such an agreement is unenforceable, as the work for hire doctrine does not apply.

However, where the creative work does not clearly fall into one of the nine enumerated categories (or it is questionable), nonprofits can still obtain the copyrights by assignment agreement rather than a work for hire agreement. In this case, authorship would initially vest in the creator of the work [the independent contractor], who would then transfer his ownership interest to the nonprofit. Note: To be valid, a copyright assignment must be in writing and signed by the owner making the transfer. See Section 11 of this document for sample language to account for this type of situation.

10. What is the term of copyright protection of a Work Made for Hire?

The term of copyright protection of a work made for hire is 95 years from the date of publication or 120 years from the date of creation, whichever expires first.

BEST PRACTICES: WORKS FOR HIRE

11. How do I ensure that I own the creative work that I pay to be made?

Above all, whether you are dealing with employees or independent contractors, make sure to discuss and agree (extremely clearly), *in writing*, who owns the intellectual property rights to creative works. This agreement will benefit the employer/commissioner of the work in every case. You want to make sure that when determining who owns copyrights in creative works, whether the transaction be with an employee or independent contractor, to make a clear agreement as to ownership, memorialized in writing and signed.

A well-drafted work made for hire agreement will detail each party's rights and responsibilities, and ensure that both parties understand that ownership rights in the specified work will vest in the company. Make sure that each party reads and understands their rights under the agreement – this will avoid consequences like the above discussed cases (like the case in *Mattel*, where the court found the employment agreement “ambiguous.”)

Note, if you are hiring an independent contractor to author a work that falls *outside* the scope of the nine listed categories, there are other options to ensure that you have complete rights to use the creative work you have commissioned. Alternate agreements, such as an assignment agreement or licensing agreements that would grant you all intellectual property rights in the creative work may be available to you.

To account for the situation that a work does not end up qualifying as a work made for hire, a works-made-for-hire clause could read as follows:

[Employee / Independent Contractor] acknowledges that any original works of authorship s/he creates, whether alone or jointly with others, within the scope and during the period of employment with Company, shall be deemed a “work made for

hire” as defined by the United States Copyright Act and are protected in accordance therewith. **To the extent that such work is not, by operation of law, a work made for hire, Employee hereby transfers and assigns to Company all his/her right, title and interest therein, up to and including copyright.**

However, be careful – certain states may infer a generalized employment relationship and require that you deduct taxes, pay works’ compensation insurance, and make other employer-employee accommodations from the execution of work for hire agreement. Make sure to know the rules of your state before entering into a work made for hire agreement.

In any event, best practices would be to have an experienced intellectual property attorney draft a contract that clearly lays out ownership of copyrights.