



In The Trenches

By Nicole M. Deforge

Practical Answers to Your HR Questions

Q I own a large software development company. Naturally, the company employs a lot of computer programmers who work for us full time at the office. I know we should have employment agreements for all of our employees, but I just never got around to it. Does the company own the copyright in what the programmers develop, even though we never had them sign anything?

A Probably. Ownership of copyrightable material created by an employee “within the scope of the employee’s employment” automatically vests in the employer as “work made for hire.” This would be the case even in the absence of a signed employment agreement.

Be warned, however, that this is not the case as to works created by an employee that simply relate to or arise out of the employee’s activities for the company. The mere fact that a work was created by an employee in part during work hours or using the company’s equipment does not necessarily make the resulting work a work made for hire. To qualify as a work made for hire, the work must (i) be the kind of work the employee is employed to perform, (ii) occur substantially within the authorized work hours and work space, and (iii) be motivated, at least in part, by a purpose to serve the employer.

If you want to avoid later disputes about whether works created by an employee fall within the legal definition of a “work made for hire,” your company really should enter into written agreements with its employees specifying what types of works, materials, and inventions are owned by the company, either as a work made for hire or by an assignment from the employees to the company. While you are at it, you should also consider making clear what other intellectual property and proprietary information, to which employees might have access, are property of the company and are confidential, and what employees may and may not do with such information.

Q We recently “hired” an independent contractor to design a website for our company. She did most of the work from home, using her own computer and equipment, and setting her own schedule with little direct involvement from the company. Of course, the company paid her handsomely for her work. So, we own it, don’t we?

A Probably not. As discussed above, only works that qualify as “works made for hire” automatically vest in the company. Contractors are considered employees for purposes of copyright ownership only if the company has the right to control the manner and means of production. Relevant factors considered in making this determination include: the skill required; the source of the instruments and tools; the location of the work; the duration of the relationship between the parties; whether the company has the right to assign additional projects; the extent of the contractor’s discretion over when and how long to work; the method of payment; the contractor’s role in hiring and paying assistants; whether the work is part of the regular business of the company; whether the company is in business; the provision of employee benefits; and the tax treatment of the contractor.

Alternatively, works created by contractors can qualify as works made for hire if the works were specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, or as a translation, supplementary work, compilation, instructional text, test, answer material for a test, or atlas. The company and the contractor must also expressly agree in a signed writing that the work shall be considered a work made for hire.

Again, rather than attempting to predict what might or might not qualify as work made for hire, it is far better simply to require

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each independent contractor to sign an agreement before beginning work. You also don't want to put your company in the position of having to argue that the person is an employee in order to keep its intellectual property, only to risk action by the IRS against the company for unpaid employment taxes if the individual fails to pay them. Such an agreement should expressly state that any works created by the contractor for the company will be "work made for hire" and, as such, will automatically vest in the company. The agreement should also include fall-back language, providing that in the event the works do not constitute works made for hire, then the contractor agrees to assign all rights in the works to the company. ■

In the Trenches is provided courtesy of the Labor and Employment Law Group of VanCott, Bagley, Cornwall & McCarthy, P.C., and is authored this month by Nicole M. Deforge. Ms. Deforge is an intellectual property lawyer at VanCott and a member of VanCott's Labor and Employment Law Group. You can reach Ms. Deforge at 801.532.3333. If you have questions you would like considered for publication in future issues of *HR Views*, please send them to pamgunnell@plwi.net.



Fun in San Diego!

The National Conference in San Diego was excellent – all had a wonderful time attending workshops, keynote speaker sessions and great entertainment by Hall & Oats at the San Diego convention center.

Utah SHRM and Jones, Waldo, Holbrook and McDonough sponsored a dinner on Monday night, June 20th, at the beautiful Hotel Del Coronado. The dinner was first class, the entertainment in the courtyard was engaging, and the social time getting to know other Utah SHRM members was great!

