BY MICHAEL S. GREEN

Your client comes into your office and says that her major competitor is using a Web site identical in format to hers. She had hired a freelance programmer to design the site for her, but the programmer has recently sold the design to the competitor. What do you advise your client?

A week later, another client calls concerning a problem with some preliminary concept designs he made for a furniture manufacturer who hasn't paid him in full but, nevertheless, used the plans. Your client believes that he was hired to prepare not only some concept designs for a new and complete line of furniture, but also the complete final designs for the new line. However, the manufacturer took the preliminary designs and had the work completed by another designer. What do you advise this client?

Or, your client tells you that she has a great idea she wants to copyright. Now what?

The answers to these questions are neither simple nor intuitive. They involve not only a basic understanding of copyright law, but also what is considered fair use and implied use. For example, the answer to the Web client may be that she doesn't own what she thinks she paid for; the actual copyright in the site may belong to the programmer. For the designer, he may have granted the manufacturer an implied license to use the designs in the new line. And ideas are not protected by copyright.

Copyright Basics

Copyright[1] gives the authors of original works—including literary, dramatic, musical, artistic, computer programs (including the user interface) and certain other intellectual works—the exclusive right to (and to authorize others to):

1. *Reproduce* the work (copies or recordings);
2. *Prepare derivative works*[2] based upon the work;
3. *Distribute copies* (or recordings) of the work to the public by sale, license rental, lease or lending; or
4. *Perform (or display) the work publicly*.[3]

But only the author's expression is protected; any ideas contained in the work are not.[4] Ideas are protected by patent or by trade secret. To be protected by copyright, the work must be an original[5] expression (as opposed to an idea) and reduced to a tangible medium.[6]

When the work is copied or used (in any manner listed above) without the permission of the owner of the copyright (or the owner of the specific attribute being challenged), the work has been infringed, entitling the copyright owner to damages for the unauthorized use. Damages for copyright infringement include: injunctive relief prohibiting copying or use,[7] compensatory damages (the copyright owner's lost profits plus the infringer's profits)[8] or statutory damages up to $100,000[9] (but only if the work has been registered prior to or within six months of the infringement[10] and profits can't be proven), and attorney's fees[11] (again, only if the work was registered prior to or within six months of the infringement).

What's Not Protected?

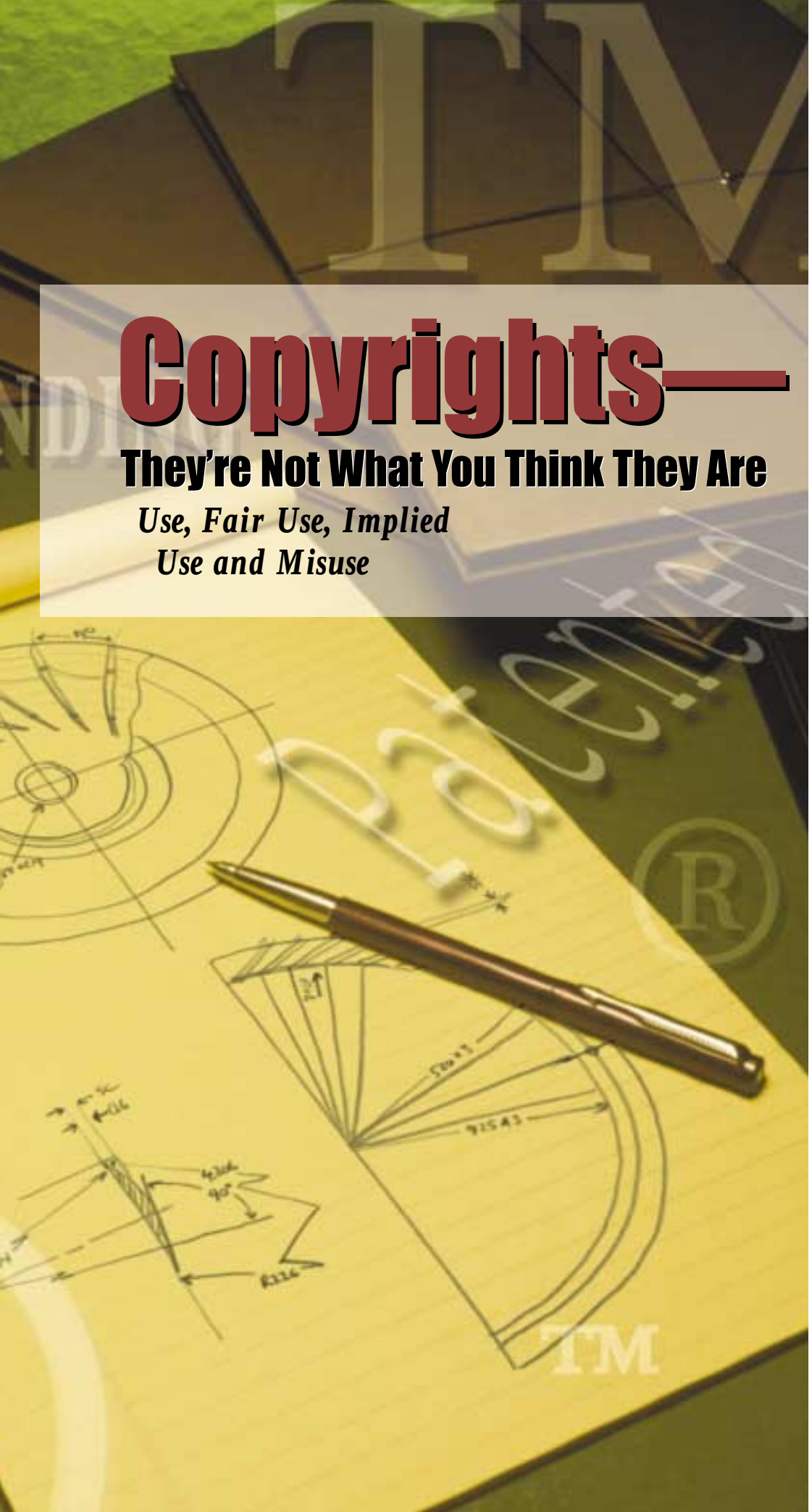
Several categories of material are generally not eligible for federal copyright protection.[12] These include:

1. Works that have not been fixed in a tangible form of expression (e.g., songs or speeches that have not been written down or recorded)
2. Titles, names, short phrases and slogans; familiar symbols or designs; mere listings of ingredients or contents
3. Ideas, procedures, methods, systems, processes, concepts, principles, discoveries or devices, as distinguished from a description, explanation or illustration. (As discussed elsewhere, these can be protected as trade secrets or through patents.)
4. Works consisting entirely of information that is common property and containing no original authorship (e.g., standard calendars, height and weight charts, tape measures and rulers, and lists or tables taken from public documents or other common sources)[13]

Thus, you don't need a license to copy facts from a protected work or to copy ideas from a protected work. However, a compilation and/or arrangement of facts in a creative or expressive way, even from public domain sources, can be protected by copyright.[14]

Plagiarism Versus Copyright Infringement

Plagiarism is often confused with copyright,



Copyrights—

They're Not What You Think They Are

Use, Fair Use, Implied Use and Misuse

but they are quite distinct. Plagiarism is an ethical breach, whereas copyright infringement is a legal one. If you give credit to a work's author, you are not a plagiarist in that you are not pretending that you authored the copied work, but you may still be an infringer if you have copied the work without permission; attribution is not a defense to copyright infringement.

Copyright Ownership

Copyright protection springs into existence the moment the work is created in fixed form, and there is no need to register the work in order to protect it. However, as will be discussed later, there are advantages to registering the work.[15] The copyright in the work immediately becomes the property of the author who created the work,[16] and only the author or those deriving their rights through the author can rightfully claim copyright. However, like any other property right, copyright interests may be conveyed by assignment, by license or by testamentary or intestate succession.[17] Although the Copyright Act requires that assignments and licenses be in writing signed by the owner of the rights being conveyed,[18] licenses may be implied by law, without the need for a writing.

Furthermore, the copyright owner can transfer various rights separately. For example, the copyright owner can license book publication rights (the right to copy and distribute) but not derivative rights, such as movie rights. Or the work can be licensed to one company for publications and distribution in the United States, with European

publication rights (or rights to translate the work into Spanish) licensed to a different company.

Duration of Copyright[19]

All works are protected for the same length of time, regardless of the nature of the work (book, picture, computer program, etc.). A work that is created and fixed in a tangible medium on or after Jan. 1, 1978, is protected for the author's life, plus 70 years. For a joint work prepared by two or more authors that was not a work made for hire, the work is protected for 70 years after the last surviving author's death. For works made for hire, the duration of copyright is 95 years from publication or 120 years from creation, whichever is shorter.

You cannot escape liability for infringement by showing how much of the protected work you did not take.

Copyrights are not renewable. After the expiration of the copyright protection, the work passes into the public domain and may be freely copied and reproduced.

Exceptions to Ownership of Copyrights by the Author

Works Made for Hire

Although the Copyright Act provides that the person who creates the work initially owns the copyright privileges to it, in the case of a work made for hire (unlike patents), the employer or other person for whom the work was prepared is the initial owner, unless the parties otherwise agree in writing.[20]

A "work made for hire" is (1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use[21] if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. "A work specially ordered or commissioned" does not include the work of consultants or independent contractors. It only includes nine category-specific types of work. In fact, absent a written agreement to the contrary, copyrights in the work of a consultant or independent contractor belong to the consultant / contractor.

Consultants and Contractors

Unless the work done by an independent contractor is one of the nine named "commissioned works" described in section 101, it is not a work for hire. In such cases, the copyright belongs to the contractor. The parties must agree in writing before the work is done that the contractor / author shall assign the rights in the work to the hiring party. Once the work is done, the contractor must then execute a copyright assignment.

Joint Works

The authors of a joint work are co-owners of the copyright in the work, unless there is an agreement to the contrary.[22] However, each author must contribute original expression, not just ideas, and the material contributed must be substantial, not *de minimis*.

Government Works

Works created by the U.S. Government are not afforded copyright protection. However, the government can own copyrights that are created by someone outside the government and assigned to it.[23]

Exceptions to the Rights Provided by Copyright

In addition to exceptions to the author's rights of ownership, there are many exceptions under which copying without the permission of the copyright owner is not considered infringement.

Right of First Sale

One who owns a copy of a protected work (such as a book) may distribute (or sell) that copy without getting permission from the copyright owner.

Fair Use

You don't need a license to use a copyrighted work if your use is "fair use." One may, without permission, make fair use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship or research.[24] Unfortunately, it is often difficult to tell whether a particular use of a work is fair or unfair. What constitutes fair use is based on four factors:

1. Purpose and character of use. The purpose of the use, including whether the use is of a commercial nature or for nonprofit educational reasons. Courts are most likely to find fair use where the use is for noncommercial purposes, such as a book review.
2. Nature of the copyrighted work. Courts are more likely to find fair use where the copied work is a factual work rather than a creative one.
3. Amount and substantiality of the portion used. Courts are more likely to find fair use where what is used is a tiny amount of the protected work. If what is used is small in amount but substantial in terms of importance—the heart of the copied work—a finding of fair use is unlikely.
4. Effect on the potential market for or value of the protected work. Courts are more likely to find fair use where the new work is not a substitute for the copyrighted work.

Fair use also includes copying for research purposes, for parody or comparison, archiving,[25] and home videotaping for private viewing.[26]

De Minimis Copying

Though copying a small amount of material is not copyright infringement *per se*, it is rarely possible to tell where *de minimis* copying ends and copyright infringement begins. There are no "bright line" rules.

Copying a small amount of a copyrighted work is infringement if what is copied is a qualitatively substantial portion of the copied work. For example, a magazine article that used only 300 words from a 200,000-word autobiography written by President Gerald Ford was found to infringe the copyright on the autobiography because the copied portions were some of the most politically significant and memorable passages in the autobiography.[27]

Copying any part of a copyrighted work is risky. If what you copy is truly a tiny and non-memorable part of the work, you may get away with it (the work's owner may not

be able to tell that your work incorporates an excerpt from the owner's work). However, you run the risk of having to defend your use in expensive litigation. If you are copying, it is better to get permission or a license (unless fair use applies). You cannot escape liability for infringement by showing how much of the protected work you did not take.

Implied Use/Implied License

Often parties enter an agreement for the creation of an original work only to find that the relationship terminates prior to bilateral satisfaction of all the terms of their agreement. Who owns what? Can the contracting party use the work, or would such use be copyright infringement?

This is the case of the unpaid designer posed above. In many cases, courts have imposed an implied license for use of the work by the hiring party even though not all of the terms of the contract have been fulfilled. The seminal case in this area is *Effects Associates, Inc. v. Cohen*.[28] In *Effects*, an animation company created special effects footage for inclusion in a film. However, the film company was dissatisfied with the footage and paid the animator less than the contract amount, but nevertheless used the footage in the film. The animation company sued, alleging copyright infringement, because there was no written agreement transferring the copyright to the filmmaker, nor a written agreement granting the filmmaker a license to use the work.

Reasoning that the whole purpose of the creation of the animated work was for inclusion in the film, the *Effects* court considered whether an implied license to use the footage had been granted to the film company. If an implied license was granted, there would be no need for a written agreement under the Copyright Act, because the copyrights in the work were not transferred. The court reasoned that an implied license (much like other implied-in-fact contracts) can be granted orally or implied through conduct.[29] The court explained that an implied copyright license arises when (1) someone requests the creation of a work, (2) the author creates that work and (3) the author delivers the work to the requesting party with the intent that the

licensee use, copy or distribute the work. Subsequent cases interpreting *Effects* have made clear that the key to whether an implied license has been granted is whether there was clear manifestation of intent by the creator of the work at issue.

There are many exceptions under which copying without the permission of the copyright owner is not considered infringement.

Thus, our furniture designer may have a chance at showing infringement of his work by the manufacturer if he can prove that no license was implied for the use of his preliminary concept designs because he was hired to prepare the final designs himself. In *Johnson v. Jones*,[30] the Sixth Circuit held that where the contract between the parties clearly demonstrates that a preliminary work is just that—a step or precursor to the creation of an ultimate work—and the creator of the preliminary work has a reasonable expectation of preparing the final work on which the preliminary work is based, then there can be no implied license for the hiring party to use the preliminary work to prepare the final work itself.

In that case, Jones hired Johnson, an architect, to design her dream home. Although Jones and Johnson were never able to fully agree on the terms of the architectural contract, Johnson began working on the plans. Eventually, Jones fired Johnson and hired another architect, who finished the plans for the house using Johnson's preliminary work. Johnson sued for copyright infringement, and Jones defended under a theory of implied license. The *Johnson* court held that an implied license for use of the work could not have been granted Jones, because "Johnson created the preliminary drawings with the understanding that he would be the architect in charge of the project."[31] This was in clear contrast to *Effects*, where the plaintiff–animator "had always intended that the footage would be incorporated into the movie, and distributed therewith."

The cases divide almost evenly on these issues of intent.

In *I.A.E. Inc. v. Shaver*,[32] the Seventh Circuit found an implied license where an architect's preliminary work was used by another architect to complete work on a regional airport and the original architect had no more than a hope of being involved in the final work, in contrast to Johnson, who had a clear expectation of preparing the final work.

In *Nelson-Salabes, Inc. v. Morningside Holdings, LLC*,[33] the Fourth Circuit crystallized this difference by stating that the analysis of whether an implied nonexclusive license exists in a particular situation turns (among other factors) on "whether the parties were engaged in a short-term discrete transaction as opposed to an ongoing relationship."[34] Thus, where there is a contract for the author / creator / designer to complete the final project, there can be no implied copyright license for the hiring party to copy interim work to complete the final project itself.

Furthermore, an implied license to use copyright protected work in the manner for which it was created does not imply a license to use the work elsewhere.[35] This might mean in our example that even if the furniture manufacturer did have an implied license to use the designs for furniture, it could not use the designs for creating artwork or statuary.

Advising the Clients

In summary, the Web client probably does not own the work she hired an outside programmer to design, absent a written agreement to that effect. The furniture designer may or may not be able to stop the furniture manufacturer from using the preliminary concept designs depending on whether there was a clear intent that the designer would be involved in preparing the final designs. And the client with a great idea needs to patent her idea or rely on trade secret protection, because copyright does not protect ideas.

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endnotes

1. 17 USC §§101–1101.
2. A derivative work is a work based on one or more pre-existing works, such as a translation, dramatization or motion picture version. 17 U.S.C. § 101. Upgrades to existing software can also be derivative works. *See, e.g., Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435 (9th Cir. 1994); and *Johnson Controls, Inc. v. Phoenix Control Sys., Inc.*, 886 F.2d 1173 (9th Cir. 1989).
3. 17 USC §106.
4. *Id.* § 102(b).
5. Originality means that a work owes its origin to the author and was not copied from some pre-existing work. A work can be original without being novel or unique.
6. A work is "fixed" when it is made "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." 17 USC § 101.
7. *Id.* § 502.
8. *Id.* § 504(a).
9. *Id.* § 504(c).
10. *Id.* § 412.
11. *Id.* § 505.
12. *Id.* § 102(b).
13. Federal Copyright Office www.copyright.gov/circs/circ1.html#wwp.
14. *Feist Publications, Inc. v. Rural Tel. Serv., Inc.*, 499 U.S. 340 (1991).
15. 17 USC § 408(a).
16. *Id.* § 201(a).
17. *Id.* § 201(d).
18. *Id.* § 204(a).
19. *Id.* §§ 300–305.
20. *Id.* § 201(b).
21. Commissioned works include: a contribution to a collective work, a 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 or an atlas.
22. Copyright in each separate contribution to a periodical or other collective work is distinct from copyright in the collective work as a whole and vests initially with the author of the contribution.
23. 17 USC § 105.
24. *Id.* §107.
25. *Id.* § 108.
26. *Sony Corp. of America v. Universal Studios, Inc.*, 464 U.S. 417 (1984).
27. *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985).
28. 98 F.2d 555 (9th Cir. 1990).
29. *Id.* at 558, citing M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT § 10.03[A], at 10-36 (1989) ("A nonexclusive license may be granted orally, or may even be implied from conduct").
30. 149 F.3d 494 (6th Cir. 1998).
31. *Id.* at 500.
32. 74 F.3d 768 (7th Cir. 1996).
33. 284 F.3d 505 (4th Cir. 2002).
34. *Id.* at 515.
35. *Oddo v. Ries*, 743 F2d. 630, 634 (9th Cir. 1984).