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## Who Owns the Web Site?: The Ultimate Question When a Hiring Party Has a Falling-out with the Web Site Designer, 16 J. Marshall J. Computer & Info. L. 857 (1998)

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# WHO OWNS THE WEB SITE?: THE ULTIMATE QUESTION WHEN A HIRING PARTY HAS A FALLING-OUT WITH THE WEB SITE DESIGNER

by RINALDO DEL GALLO, III†

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† Rinaldo Del Gallo, III, is a registered patent attorney. Mr. Del Gallo is an alumnus of the George Washington University Law School and specializes in intellectual property matters. *Dedication:* This law review article is dedicated to my wonderful wife, Yulei, who is the sunshine of my life. R.D.G.

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## I. THE INTERNET

The Internet is expanding at a rate few anticipated. Legions of people who have decided that a website will benefit their business or organization are hiring website designers to construct websites for them. However, many of these people are making arrangements with website designers without a copyright assignment clause. If the relationship between the hiring party and website designer turns sour, it is not always clear who retains ownership rights in the website.

The question then becomes, "Who Owns Your Website?" To date, materials directed toward this dilemma are scant and this article is an attempt to fill that void. The sections that follow take a straight forward approach. It is first determined who owns the bundle of sticks represented by the copyright, then it is determined whether any of the sticks have been given away.

The Internet is a worldwide information network.<sup>1</sup> The Internet is growing at a phenomenal rate, some estimates indicate a growth rate of between ten and fifteen percent *per month*, so data reflecting size estimates are out-of-date almost as soon as it is released.<sup>2</sup> There are roughly twenty million Internet users.<sup>3</sup> The Internet is not a destination. Rather, it is a means by which on-line users can access a destination.<sup>4</sup> A computer that is linked to the Internet acts as a site or a host.<sup>5</sup>

The World Wide Web ("WWW") is distinguishable from the Internet; they are not synonymous. The Internet consists of additional services such as e-mail, IRC chat (or more colloquially chat lines where you talk to someone else while they are on the computer), USENET news groups (a collection of messages relating to a particular subject), Gopher, ftp, and telnet. One usually associates hypertext with the World Wide Web, and not the above referenced Internet Services.<sup>6</sup> The different services of the Internet each have their own protocols.

It is paramount to remember that the Internet is a *network*. A network is a group of computers (and associated peripherals) linked to-

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1. See ALAN FREEDMAN, *THE COMPUTER DESKTOP ENCYCLOPEDIA* 444 (1996).

2. See PETER DYSON, *THE PC USER'S ESSENTIAL ACCESSIBLE POCKET DICTIONARY* 318 (1995).

3. See, e.g., STEPHEN L. NELSON, *FIELD GUIDE TO PCS 80* (1995).

4. See, e.g., ROBIN WILLIAMS & STEVE CUMMINGS, *JARGON: AN INFORMAL DICTIONARY OF COMPUTER TERMS* 281 (1993).

5. See *id.*

6. See ALAN FREEDMAN, *supra* note 1, at 412 (the term was first coined by Ted Nelson and is used to describe a means for linking related text).

gether to share information (or resources). All networks have some type of communication channel, or in layman's terms, a connecting path that carries information from a sending device to a receiving device. A Local Area Network ("LAN") links a group of computers and associated peripherals in a single building, and the communication channel is usually (but not always) a coaxial cable. In many ways, the Internet, being a network, is like a local area network except much larger. Only in the case of the Internet, the files being retrieved are web pages located on distant computers. Many computers are hooked together and files are accessed and retrieved. A web site is comprised of computer software sitting on one computer terminal ready to be accessed by the World Wide Web similarly, to the way software is made available to many computers on a LAN contained within a single office. Instead of being accessed within the same office, as is the case with a LAN, software can literally be on the other side of the world. The Internet is a *network* in the true sense, and usually only one copy of the hypertext software exists as it is made available to the public.

The communication channel of the Internet is the telephone system. Likewise, every computer that has access to the Internet uses a modem, which is a device that allows information to be transmitted and received over telephone lines. Modems are either in an external box (wired at one end to the phone line and at another end to the computer) or internal to the computer itself (so that the computer is directly connected to the telephone lines).

The Internet, being a network, has a common *protocol*. A protocol, in the context of networking and communications, is a commonly agreed upon set of specifications that define the procedures followed when transmitting and receiving data.<sup>7</sup> Like its social counterpart in the military and foreign diplomacy, a protocol is a strict set of procedures to be followed. Without a protocol, one computer would not be able to talk to another computer since there would be no prearranged common system of interpreting various transmissions of data. A network lacking a protocol is analogous to two people attempting to converse without sharing a common language or a common etiquette.<sup>8</sup>

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7. See DYSON, *supra* note 2, at 476.

8. See *id.* at 318. The term Internet with a lowercase "i" has been defined as an abbreviation for internetwork. See *id.* Hence, the name Internet comes from inter (which means between) and network. See *id.* The Internet has been referred to as a network of networks. See NELSON, *supra* note 3, at 80. These networks have their own networking protocols, but there has to be a common protocol so that the networks themselves can communicate with each other. See DYSON, *supra* note 2, at 318. Each individual network is connected by routers. See *id.* As the name suggests, a router takes in information and routes it to where it is going. See MCGRAW HILL DICTIONARY OF SCIENTIFIC AND TECHNICAL TERMS 1734 (5th ed. 1994).

Every day, hundreds of new web sites are appearing as the popularity of the World Wide Web explodes. The web is blossoming into the marketing tool of the future. The world has never encountered the opportunities offered by the web to transcend geographical limitations with interactive advertisements at modest costs when compared to other media sources available for communicating a message. The web has ushered in a whole new industry—web design. Much of the industry has all the trappings of the glittering lights of a big city. Other parts of the industry are more of a cottage industry. Web design firms range from the self-employed web designer (or web master) working out of his home and using his own equipment,<sup>9</sup> to firms that are redolent of a New York City marketing firm. In the United Kingdom alone, there are estimates of more than seven-hundred web design firms.<sup>10</sup> In the United States there are countless more firms.

In New York City alone, a Silicon Alley has sprung from the lofts which once housed artists, little magazines, and rock-and-roll bands.<sup>11</sup> The new downtown digital entrepreneurs have created everything from interactive soap operas to on-line magazines.<sup>12</sup> The web design industry has shown so much promise that Mayor Rudolph Giuliani has announced a multi-million dollar plan that includes incentives such as state-of-the-art Internet hookups and discount prices on office space to lure even more businesses into Silicon Alley.<sup>13</sup>

Web designers have various fortes. Some firms are *design-driven*. These firms often get the written content from the hiring party and then bring the content to life with striking graphics and other devices to make the web site glitter. Other firms are *content-driven*<sup>14</sup> and provide the written content themselves, not unlike an advertising agency that supplies the ad copy.<sup>15</sup> Yet still there are *technology-driven* web houses that drive web sites with sophisticated data bases and teams of in-house programmers.<sup>16</sup> Some of the technology-driven firms take the graphics,

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9. See Thomas W. Haines, *More Making a Living as Webmasters*, THE RECORD, Jan. 13, 1997, at H09.

10. See *A Bull Market for the Web?*, NEW MEDIA AGE, Mar. 13, 1997, at 10.

11. See Trip Gabriel, *Microsoft Mines New York's Silicon-Alley Talent*, INT'L HERALD TRIB., Jan. 23, 1997, at 11.

12. See *id.*

13. See Peter Grant, *Millions for Silicon Alley*, N.Y. DAILY NEWS, Feb. 12, 1997, at 53.

14. See *id.*

15. A web site has the advantage over the advertisement in that much more content can be added than is usually practically available in the usual print or traditional electronic media. The person visiting a site wants to visit the site and is there to get more information and content. Often, the web site is on the brink of buying and needs information more in the line of a brochure.

16. See *id.*

written text, and the web site map of pages to be linked together and create a computer program to make the web site come to life.

If the Internet moves from written text and still-images to audio and moving-images (as the author predicts it will), the technology-driven web design firms may be at the cutting edge of web design, offering media-rich content much like that already provided by digital compact discs. Already, the demand for sophisticated web sites often requires web developers to include retail transaction processing and database searching features.<sup>17</sup> The nature of the contribution of each party—who supplies the graphics, the web site map, and the written text—plays an important role in determining respective legal rights.

How difficult is it to create a web page? It depends. Some web sites are very difficult to create. Others are simple. One author cautions not to believe the hype and claims of some web enthusiasts that purport the creation of a web site to be easier than installing new software, cleaning the rain gutters of a house, or watching foreign films.<sup>18</sup> There is widespread disagreement as to where the Internet is heading. Some say that the creation of a web site is made easier with each advance in technology. There are books on the market that instruct and tutor individuals on the intricacies of web site design with the use of software known as web authoring software.<sup>19</sup> Some of this software may be downloaded from the Internet.<sup>20</sup> Some of it may be purchased in stores for under \$100.<sup>21</sup> These easy to use web design software programs allow a person who does not know hypertext (or who has a very limited knowledge of it) to create web pages, create updates of the web site, and link pages to each other.<sup>22</sup>

Others contend that while it is becoming easier to make simple web sites, technical complexities of a web site are increasing as the demand increases for sites that are media rich and capable of performing crafty tasks.<sup>23</sup> The web design world is new and is changing at a rapid pace. Whoever claims to be an expert can only say he has three years experience at most.<sup>24</sup> The complexity of creating a web site becomes an important issue when attempting to determine the ownership of a web site. There is case law, discussed *infra*, that suggests the skill that is brought

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17. See Haines, *supra* note 9, at H09.

18. See Stephen Lynch, *How to Build Your Own Homepage*, THE ORANGE COUNTY REG., Mar. 9, 1997, at K07.

19. See ROBIN WILLIAMS & DAVE MARK, HOME SWEET HOME PAGE 58 (1996).

20. See *id.*

21. See *id.*

22. See *id.*

23. See *id.*

24. See Michael Udvardy, *Choosing Web Designers: All That Glitters Is Not Gold*, N.Y. L. J., Feb. 24, 1997, at S3.

to the project by the web designer may also be important when determining web page ownership rights.

How much does a web site cost? A web site can cost as little as a few hundred dollars for an electronic flyer on a generic template.<sup>25</sup> It may also cost several million dollars for sites in the entertainment industry or for industries with a large sales presence over the web.<sup>26</sup> The cost of a web site is typically comparable to costs associated with traditional graphic design.<sup>27</sup> Unlike graphic design, however, the price of a web design is usually determined by the complexity of the design rather than the length of the document.<sup>28</sup> Cost is usually specified on a price per page basis in prearranged package deals for sites under twenty pages.<sup>29</sup> A five-page site usually costs between \$1000-\$5000 dollars. Special programming is often extra.<sup>30</sup> The cost of updating a site varies. Most people need sites that can evolve and change.<sup>31</sup> Web site updates may range from nothing to two-hundred dollars per hour of web designer time.<sup>32</sup>

With this new industry of web design has come hundreds of thousands of transactions whereby hiring parties are contracting with web designers to craft a web site. Many of these hiring organizations, obsessed with the technical aspects as to how the web site should look and feel, short shift copyright issues. Many do not address copyright issues at all, especially in the less expensive transactions. For instance, a hiring company may ask the web site designer to sign a contract, but the contract is simply a boiler plate contract best suited for general commerce, and lacks the subtleties that should be included in a contract involving a copyright. Many have only informal verbal contracts with the web designer. Others may have *intentionally* avoided the issue, leaving ownership of the copyright to the courts out of fear that trying to iron out the disagreements on copyright ownership may have sunk the deal.

## II. A TECHNICAL PRIMER

The Internet uses the Transmission Control Protocol/Internet Protocols ("TCP/IP").<sup>33</sup> Do not be confused by the fact that a communication system (such as the Internet) can have more than one protocol—that

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25. *See id.*

26. *See id.*

27. *See id.*

28. *See id.*

29. *See id.*

30. *See id.*

31. *See id.*

32. *See id.*

33. *See* DYSON, *supra* note 2, at 319.

happens regularly in communications.<sup>34</sup> Each protocol is dedicated to a specific task that the network telecommunication system is designed to accomplish. The World Wide Web uses the TCP/IP protocol and the Hypertext Markup Protocol.

To access the Internet at home, one needs either an online service or an Internet Service Provider ("ISP"). Members dial these services by using their modems. Having connected with an online service or ISP, members are able to access the Internet. While in theory, one may access the Internet without using an ISP, virtually no ordinary users have the hardware, software, or the know-how required to access the Internet without an ISP.<sup>35</sup> Some well known commercial online services are Erol, America Online, CompuServe, Prodigy, Genie, and the Microsoft Network. Most of these services charge a flat monthly fee for access to their service. However, in the past, many of these companies charged their customers based on time spent online.

Whenever a computer user transmits data via a modem, as occurs when using the Internet, a user needs software to allow the modem and computer to communicate with each other.<sup>36</sup> This software is known as telecommunications software (sometimes it is called communications software). If a user subscribes to an online service, the service provider will provide the user with the telecommunications software necessary to access its service.<sup>37</sup> Commonly, telecommunication software is called a web browser.<sup>38</sup> There are a number of available browsers, such as Netscape Navigator and Microsoft's Internet Explorer.<sup>39</sup> A computer user can buy a browser at most computer stores for less than \$50.<sup>40</sup> Once a computer user has bought the software and downloaded it to his computer, the user must usually manipulate the mouse to select a single icon

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34. See GEORGE McDANIEL, *IBM DICTIONARY OF COMPUTERS* 542 (1994). Networks and telecommunication functions are broken down into layers. See *id.* As the name suggest, a layer is a collection of related functions that comprise a level on a hierarchy of levels. See JERRY M. ROSENBERG, *COMPUTERS, INFORMATION PROCESSING AND TELECOMMUNICATIONS* 328 (1987). Loosely speaking, each layer represents a group of things that need to be accomplished in order to communicate on a network. See *id.* The World Wide Web use both the TCP/IP protocol and the Hypertext Transfer Protocol. See *id.*

35. See WILLIAMS & MARK, *supra* note 19, at 27. Most people use an online service. See *id.* The online services are easier to use because they provide icons that may be clicked to get from one place to another. See *id.* On the other hand, Internet Service Providers do not bury their Internet access beneath layers of buttons and windows and speed of access is quicker. See *id.*

36. See WILLIAMS & CUMMINGS, *supra* note 4, at 545.

37. See *id.* There is also general telecommunications software that either comes with the modem or may bought separately. See *id.*

38. See *id.* at 36.

39. See *id.*

40. See *id.*



to activate the browser. From there, there is usually a box where one can type in a web address to get to any particular web page.

The Hypertext Transfer Protocol ("HTTP"), is a new Internet protocol designed for the distribution of Hypertext documents.<sup>41</sup> Uniform Resource Locators ("URLs") starting with "http" indicate that the file to be accessed is a page on the World Wide Web.<sup>42</sup> The hypertext protocol is used to manage one link with another.<sup>43</sup> The Hypertext Transfer Protocol is a mechanism that opens the related document when you click on a hypertext link, no matter where on the Internet that related document happens to reside. It is useful to distinguish the Hypertext Transfer Protocol with the Hypertext Markup Language, which is discussed later.

A URL is more commonly known as a web address. The web is so popular, most people have seen a URL on a business card or in a newspaper advertisement. For instance, the URL for the Patent and Trademark Office ("PTO") is <http://www.upto.gov>. URL's are used by the web browser to connect a user directly to a specific document on the World Wide Web. URL's are accessed either by typing it into a location box on a browser, or clicking on a link. Some URL's begin with "ftp" which stands for file transfer protocol.<sup>44</sup> As the name suggests, the file transfer protocol allows one to download material from the web. Files are actually transferred instead of simply accessed and examined as with hypertext and web pages. Usually one goes to a web site, hits a button that allows one to download the file onto their hard disk drive, and uses software such as Adobe Acrobat Reader to read the documents.

The World Wide Web is a complex matrix of individual web pages.<sup>45</sup> In reality, a web *site* is simply a succession of web *pages* that appear on a computer monitor as one goes from page to page by clicking on (usually blue colored) links. Generally, web pages are linked together in a cascaded tree-like fashion. From the web home page, one may select several topic pages, from which one may choose sub-topics once having linked to the initial topic page, from which they may proceed further in detail by clicking on additional links. In this way, an ISP client may go to the particular text that interests the user. While these web pages are distinct from one another, with each page having its own designated URL, a superbly designed web site will have the look and feel of an independent environment.<sup>46</sup> Sophisticated web sites allow users to move from one part of the site to another with ease. One web site will often have links to other sites. The term "home page" has the common meaning of the

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41. See IAN S. GRAHAM, *HTML SOURCE BOOK* vii (2d ed. 1995).

42. See WILLIAMS & MARK, *supra* note 19, at 53.

43. See DYSON, *supra* note 2, at 293.

44. See WILLIAMS & MARK, *supra* note 19, at 51.

45. See *id.*

46. See *id.*

first web page where an online user starts browsing, which forms the first page of the document whereby one may enter the web of related documents.

A web designer will make a map of all the pages, and link one page to another as the designer deems appropriate. The linked pages create the web site or document. As mentioned, these links may not only be within the same document, but may be links to the web sites of other entities. For instance, a person could create a web site linking their web site to a web site of the American Intellectual Property Law Association's web site or the PTO's web site, accessible by the click of an icon. This linking process is very important. More so than any other compilations that are found subject to copyright law, the selection of the structure and sequence of pages is critical. A clearly obvious structure of a web site plays a vital role in the overall usability and efficiency of a web site.<sup>47</sup> If a path is convoluted and the client becomes disoriented while trying to utilize a site, he may keep hitting the "back" button to exit the site, never to return again.<sup>48</sup>

The Hypertext Markup Language ("HTML") is a software program written in nothing less sophisticated than FORTRAN or C++. It is useful to break the term Hypertext Markup Language into its constituent elements. First, it is important to define the term hypertext. Hypertext is defined as a method of presenting information so that it can be viewed by a user in a non-sequential manner, regardless of how the topics were originally organized.<sup>49</sup> Hypertext is a name created to describe the process of hopping from location to location in a non-linear fashion, according to one's own taste and predilections as one surfs the web. This flexibility of going wherever you want, whenever you want, is to be contrasted with reading something in a linear fashion, such as the way in which one reads a book or watches a movie.<sup>50</sup> This ability to chose your own path is thought by many to be a great advantage of the World Wide Web as opposed to other media.

One hops from web page to web page by the creation of links or hyperlinks, which are highlighted symbols or icons appearing on the computer screen. The term "web" from World Wide Web is suggestive of the fact that one may go from one site to another, and to yet another site, along an infinite number of paths. This going to and from whatever web site you want, whenever you want, is called browsing.<sup>51</sup>

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47. *See id.*

48. *See id.*

49. *See* DYSON, *supra* note 2, at 295.

50. *See id.*

51. *See* BRYAN PTAFFENBERGER & DAVE WALL, *QUE'S COMPUTER AND INTERNET DICTIONARY* 248 (1995).

It is not commonly known that there is more than one mark up language. The Hypertext Markup Language is a subset of the Standard Generalized Markup Language ("SGML"),<sup>52</sup> which is defined by the International Standards Organization.<sup>53</sup> Perhaps the term Markup Language should be thought of as text that is literally marked up with markers or tags so that a computer, using a web browser software program, knows how to read an HTML document that has been retrieved from the Internet.

An HTML document is nothing more a series of HTML tags.<sup>54</sup> These tags are instructions enclosed by brackets.<sup>55</sup> Tags usually, but not always, appear in pairs indicating the beginning and the end of material that is the subject of a particular command.<sup>56</sup> For instance, the tag <body> indicates the beginning of the body of the web page, and the tag </body> indicates the end of the body.<sup>57</sup> The tags <title> and </title> create the title.<sup>58</sup> Some single tags are used such as <P> to indicate a new paragraph or <HR>, the horizontal rule tag, that is used to insert a blank line.<sup>59</sup> Some browsers actually allow the user to activate a certain mode so that the user can see the HTMLs marks which make up the web site.<sup>60</sup> The code ranges from a simple form which can be learned by a novice in just a few hours, to an extremely complex form.<sup>61</sup> There are a multitude of codes that are the subject of many books. Some software programs, called web authoring software, actually create the HTML software for you.<sup>62</sup> The markup code or tags let the web browser<sup>63</sup> recog-

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52. *Id.*

53. *Id.*

54. *See WILLIAMS & MARK, supra* note 19, at 175.

55. *See id.*

56. *See id.*

57. *See id.*

58. *See id.*

59. *See id.*

60. *See PTAFENBERGER & WALL, supra* note 51, at 292-293.

61. *See WILLIAMS & MARK, supra* note 19, at 175.

62. *See id.* at 82. The following is an example of hypertext. *Id.* at 176.

<HTML>

<HEAD>

<TITLE> This is the title of the web page</Title>

</HEAD>

<BODY> Here is some text for my home page. I think I will put a paragraph tag here to tell the web browser to start a new paragraph.

<P>

This text will appear as a new paragraph. Now, how about adding a horizontal rule, to provide a dividing line between this text and the next series of text.

nize what to do with the text once it is retrieved.<sup>64</sup>

After creating a web site using HTML, the question becomes how one makes the web site available on the Internet. Just as local area networks have file servers that store programs and data files for all of the work stations (or computers) connected to the network, web sites are posted on web servers.<sup>65</sup> Both local area networks and the Internet are similar in that both use a client/server architecture whereby client stations retrieve information from the server. Almost always, these web servers are computers that are constantly connected to the Internet via telephone lines. It is not difficult to post a web page. America Online and CompuServe will post your pages if you are a member.<sup>66</sup> There is also a list of national providers who will post a web site.<sup>67</sup> Once pages are posted with a web server, it will give the site its own web address or URL.<sup>68</sup>

### III. THE RAMIFICATIONS OF OWNING A SINGLE COPY OF HYPERTEXT SOFTWARE

The single posting of the hypertext markup language document is not without legal consequence. Arguably, by manipulating only *a single copy* of software, both Section 117 of the Copyright Act (which allows an individual to make alterations to a single copy of software under certain conditions), and the first-sale doctrine (which extinguishes the copyright holders interest in a single copy of a work once it has been sold), are both called into question. As discussed, the World Wide Web utilizes a client/server architecture whereby only a single copy of software is accessed by many clients, and where the single copy of software is located on a server. These theories, however, are outside the scope of this discussion. These scenarios are, nonetheless, worth investigating if a client is in real trouble, because it would seem formalistic to apply one theory applicable to a single program residing on a file server on a local area network, and yet apply another theory for a single program residing on a web server. In both scenarios, a single copy of software is available for use by multi-

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<HR>

This text is the final test in the HTML file.

</BODY>

</HTML>

*Id.*

63. See PTAFFENBERGER & WALL, *supra* note 51, at 509 (the term "web browser" is commonly used to refer to the software that one uses to access the Internet).

64. *See id.*

65. *See WILLIAMS & MARK, supra* note 19, at 70.

66. *See id.* at 71.

67. *See id.*

68. *See id.*

ple users. The only difference is the size of the network and the number of users. A court may rule that Section 117 or the first-sale doctrine is applicable. Complicating the matter, there is enormous disparity among the courts as to the extension of the rights derived from Section 117 and the first-sale doctrine.

#### IV. THE PROBLEM

The problem is, absent a copyright assignment clause, no one knows who the owner of the web site is under current law. The majority of the time, ownership issues relating to web are not problematic. The web site is created and posted. The web designer gets paid and the hiring party is content, having received what he bargained for. In this scenario, the issue of web site ownership is purely academic. Life moves forward, undisturbed by the uncertainties of the law that pass by like a zephyr.

To be foreseen, the waters in the sea of life do not always remain placid. The uncertainties of the law may bellow and a tempest may swell. With a slam on the podium in his hallmark stentorian voice, Professor Maximillian Pock once noted in a Contract's lecture that, "The study of the law *is the study of pathology!*" Suddenly, the question as to web site ownership is no longer an academic brainteaser, but a determination of rights in a valuable commodity. Both parties are in a quest for a remedy of the pathology. In almost all cases, a copyright assignment clause would go far in preventing any possible infirmities down the road. Unfortunately, just as there are those individuals who do not heed the Surgeon General's warnings on tobacco and alcohol use, all too many persons are not conscientious enough to include a copyright assignment clause in their contracts with web page designers, or at the very least consult with counsel to determine the appropriate course of action.

This contract pathology may arise in many different circumstances. There are many instances when either the hiring party or the web designer, or both, want to part company and call it a day. There may come a time when the hiring party no longer wants to employ the designer to update the web site. Presently, some critics charge that the biggest farce is clients being charged heavily by the web designer firms for what amounts to simple updates.<sup>69</sup> Solutions allowing clients to change the written textual content of web sites exist, but in an attempt to protect its revenue stream, are often not revealed by the web designer firms.<sup>70</sup> Or, perhaps, while the web site is first being constructed, the hiring party decides to employ a different designer to continue constructing the site. The reasons why a hiring party may elect to discontinue the use of a web site designer are limitless.

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69. See NEW MEDIA AGE, *supra* note 10.

70. See *id.*

It may not always be the hiring party who chooses to end the relationship. The designer may have a dispute with the hiring party. In certain circumstances, the web designer may be looking for attribution and integrity rights to ensure that he receives the credit he deserves and to guarantee that his work is not bastardized. There may be the ever present problem of payment. Upon the failure of the hiring party to pay, the designer may try to assert that he retains ownership rights of the web site and that the use of the site will not commence until payment is made. It may be the case that the contract is silent on updates, and it is the designer who is trying to exact a higher price by claiming the underlying web site to be updated is exclusively his.

It is often the case that under any of these turns of events, the hiring party wants to continue using the web site, but the designer maintains that it cannot do so without the designer's permission. Now, the hiring party needs to know whether the hiring party may continue to use the web site and update it. The designer needs to know when he may assert his ownership rights. The question is posed, "Who Owns the Web Site?"

To date, there is no case law, nor for that matter, any law review articles that can provide an answer. The Internet is so new that the case law has yet to catch up with the problems that technology is creating; there are *very* few cases that discuss copyright issues on the Internet *in any context*. To date, no cases exist that discuss ownership of a hypertext program outside the trademark context. This article is an attempt to fill that void for the inevitable problems that will occur when a web designer is placed against hiring party in a dispute for ownership rights to a web site. This article represents the first foray into these uncharted waters.

Virtually all analyses are based on the application of cases *not* involving the Internet. Most of the legal conclusions are based on analogy from the application of copyright law in other contexts, with a special emphasis on computer software. Additional emphasis will be placed on cases involving computer software, since these cases are most analogous to a web site constructed from hypertext. Hypertext, after all, is a software language.

This article does not make any assumptions regarding the qualitative or quantitative aspects of the contribution made by either the hiring party or the web designer. Rather, an in depth diagnosis of the possible outcomes of cases dependent on various possible contributions by both parties is presented. As will be shown, the nature of the contribution of both parties may be instrumental in determining ownership rights. Presenting the relevant issues in this manner will aid in making this discussion applicable to the diverse nature associated with hiring party/web designer transactions that are part of the current market place. In short, readers who are interested in the issues related to maintaining ownership of web sites should find this article beneficial, regardless of

who supplies the graphics, the web site map, or the written content of the web site. Finally, this article can only offer conjecture as to possible approaches a court will take in resolving web page ownership issues. The chief aim of this article is to raise the issues and suggest how different facts may yield different results, not to provide ultimate conclusions. Ultimately, it is up to the practitioner to determine how the facts of his particular case will play out in a court of law.

## V. THE GENERAL STEPS OF ANALYSIS

As Judge Alex Kozinski once said, "The law couldn't be clearer. The copyright owner of 'a[n] . . . audiovisual work' has the exclusive right to copy, distribute or display the copyrighted work publicly."<sup>71</sup> "To display the work publicly means to transmit or otherwise communicate a performance or display of the work . . . to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same or different times."<sup>72</sup> It is almost as if this definition was written with the Internet in mind. Simply put, to use a web site, one must effectively either own the copyright in it or have permission to use it.

Who owns something after it is written? Like all ownership questions, the most logical approach is to determine who is the *original* owner and then to determine what rights, or ownership interests, have been *transferred* to other parties. The copyright in a work *initially* is vested in the author.<sup>73</sup> Therefore, the first step in any analysis of copyright ownership is determining the *author*. Other than being a conventional individual author, the two methods of being an author are (1) to be the hiring party in a "work for hire" or (2) to be a "joint author." If a piece is a work made for hire, the hiring party is the sole author and owner (absent any agreements to the contrary). If the hiring party is a joint author, the hiring party and the web site designer will be co-owners. Therefore, the first focus of this paper is whether the party that hired the web site designer is an author under these two theories.

If it is determined that the hiring party is *not* an author, it must be determined whether there has been a *transfer* of any of the rights in the copyright from the web site designer to the hiring party. (For now, we will ignore the exact definition of transfer of ownership as defined by the Copyright Act and, using common parlance, will refer to licensing as an act *distinct* from transferring ownership in the copyright). It must be

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71. *Effects Assoc., Inc. v. Cohen*, 908 F.2d 555, 556 (9th Cir. 1990) (citing 17 U.S.C. § 106).

72. 17 U.S.C. § 101 (1994) (Title 17 codifies the Copyright Act).

73. *See* 17 U.S.C. § 201(a) (1994).

asked whether the web site designer—the initial sole author and owner when it is determined that the hiring party was not an author—has given away any sticks in his bundle of rights that are his to enjoy as the sole owner. This transfer of rights may be consummated by either (1) *selling the copyright*, i.e., the right to make copies; or (2) *licensing the right to use a copy* but not transferring the copyright itself (either with an exclusive or nonexclusive license).<sup>74</sup> Thus, someone (1) may sell the right to make new copies of the videotape by selling the copyright, or (2) can allow someone to use a videotape (usually by rental) by the grant of a license. Presuming that the hiring party and the designer of the web site have been silent as to what actually has been transferred, and due to the unique physical nature a web site, as opposed to a “traditional” copy, determining what type of transfer has occurred will be a nuanced and complex process.

Finally, in the interest of brevity, it is presumed within the following discussion that a falling out has occurred between a hiring party and a designer and that the contract entered into was silent as to the assignment copyrights. Had the subject of copyright ownership been addressed in the terms of the contract, the analysis that follows would be rendered unnecessary.

## VI. WORK FOR HIRE/NO INDEPENDENT CONTRACTOR

### A. WORK FOR HIRE GENERALLY

Section 201(b) of Title 17 provides that in the case of a work made for hire, the person for whom the work is prepared *is considered the author*.<sup>75</sup> In other words, the hiring party, and not the party that actually created the web site, is treated as if he created the work himself for all purposes under the Copyright Act. There are two ways a work may be a work for hire. Correspondingly, Section 201 provides two definitions of work for hire. Under the second definition, a work “specially ordered or commissioned” for use as an “audiovisual work”<sup>76</sup> is a work for hire *if*

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74. For now, this author will ignore the exact definition of the transfer of copyright ownership. Rather, this author will use this term in its more colloquial interpretation. In addition, there may be a transfer of rights with the sale of a single copy of hypertext software under 17 U.S.C. § 117, or the first-sale doctrine, even if the copyright is not sold or licensed. The analysis required to approach these issues, however, is outside the scope of this article.

75. See 17 U.S.C. § 201(b) (1994).

76. DAVID BENDER, *COMPUTER LAW* § 4.04[5] (1996) (Mr. Bender states, “the author is aware of no case deciding whether a [computer] program falls under any of these nine classes of works.” The second paragraph applies only to nine enumerated categories of works, the most relevant to hypertext software being an audiovisual work. However, due to the uncertain final characterization of a computer program, it is perhaps best to have an “assignment clause” in addition to a “work for hire clause,” because it is has not been fully



“the parties expressly agree in a written instrument . . . that the work shall be considered a work made for hire.” Likewise, if there is a clause stating that the work will be a “work for hire,” the analysis of ownership is exceedingly simple: the website belongs to the hiring party. Absent such a provision, one must go to the first definition of “work for hire” for guidance.

Under the first definition, “a work prepared by an employee within the scope of his or her employment” is also considered a work for hire.<sup>77</sup> This poses the question, is the designer of the web site an employee of the hiring party? Nowhere does the act define “employee” or “scope of employment.” To date, the most important interpretation of the work for hire doctrine is in the case of *Community for Creative Non-Violence v. Reid* (“CCNV”).<sup>78</sup> In *CCNV*, a sculptor was commissioned by a nonprofit organization to produce a sculpture.<sup>79</sup> As with our fact pattern, the second definition of “work for hire” did not apply.<sup>80</sup> The focus of the *CCNV* case was in determining whether the sculptor was an employee acting under the scope of his employment as contemplated by the first definition of “work for hire.”<sup>81</sup> The gravamen of the complaint was that the Community for Creative Non-Violence was the owner of the statue because it was a work made for hire, and that the author had no right to keep it when it was returned for routine repairs.<sup>82</sup>

It is useful to draw comparisons between the events in *CCNV* to that of a hiring party working with a programmer or web designer to construct a web site using hypertext. The *CCNV*'s contributions included

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determined whether a computer program, more specifically hypertext, may be the subject of a work for hire as a specially commissioned work); Carolina Saez, *Enforcing Copyrights in the Age of Multimedia*, 21 *RUTGERS COMPUTER & TECH. L.J.* 351, 355 (1995) (stating that multimedia is an “audiovisual work” but states no case law. While multimedia uses a computer program, the Hypertext Markup Language, it consists of much more. Multimedia is comprised of motion-picture films, slides, photographs, written text, and music. A web site is a new form of a literary work, not just the underlying computer program that made the literary work possible); Jenevra Georgini, *Safeguarding Author's Rights in Hypertext*, 60 *BROOK. L. REV.* 1175, 1179 (1994) (the Copyright Act defines an “audiovisual work” as “a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together, with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes in which the works are embodied”).

77. See BENDER, *supra* note 76, at § 4.04[5] (1996)

78. See *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989) (hereinafter *CCNV*).

79. See *id.*

80. See *id.* (the second definition did not apply for another reason—sculptures were not one of the nine enumerated categories eligible to be considered a work for hire under the second definition. The first definition applies to all works under the Copyright Act).

81. See *CCNV*, 490 U.S. at 730.

82. See *id.*

the conception of the idea of a modern Nativity scene, featuring a homeless African-American family.<sup>83</sup> The hiring party supplied exacting details: the family was to be African-American, the figures were to be life-sized, and the statue was to be placed on a base consisting of a steam grate within which special-effects equipment would be enclosed to emit simulated steam through the grid.<sup>84</sup> In addition, a name was given to the statue, "Third World America."<sup>85</sup> After all this conception occurred, the artist Reid became involved.<sup>86</sup> After Reid became involved, CCNV made the steam grate and the pedestal that created the special effects.<sup>87</sup> Throughout construction of the statute, Reid enjoyed the help of paid assistants from CCNV.<sup>88</sup>

As important as what the Supreme Court actually held are the theories that were ultimately rejected. The Court rejected the theory (which, at the time, had a good deal of support in the appellate courts) that ownership rights of a work prepared by an employee are retained by the hiring party when the hiring party *retains the right to control the product*.<sup>89</sup> Another theory rejected by the Court (also equally supported by appellate authority in other circuits) was the closely related theory that when the hiring party *actually wielded control*, there was an employee/employer relationship.<sup>90</sup> Therefore, merely because the hiring party had the right to exert, or in fact exerted, control in the making of a web site does not mean that there is a work for hire.

The Court held that, "[t]o determine whether a work is a 'work made for hire' within the Section 101 definition, a court should first apply *general common law of agency principles* to ascertain whether the work was prepared by an employee or an independent contractor . . . ."<sup>91</sup> The *general common law of agency* language meant that the agency law of the state where the work was created would not be invoked.<sup>92</sup> This common law approach was adopted to assure a common nationwide standard.<sup>93</sup> Citing the Restatement of Agency, Section 220(2), the Court set out a list of factors to be considered.<sup>94</sup> This list was held to not be exhaustive, and

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83. *See id.*

84. *See id.*

85. *See id.*

86. *See id.*

87. *See id.*

88. *See CCNV*, 490 U.S. at 730 (1989).

89. *See id.*

90. *See id.*

91. *See id.* at 731 (emphasis added).

92. *See id.* at 730 (emphasis added).

93. *See id.*

94. *Id.* at 752-53.

1. The skill required (more likely to be an independent contractor if skill level is high);

no one factor was to be dispositive.<sup>95</sup> This holding, rejecting both the authority-to-control and actual-control test, surprised the copyright bar. It was now possible to hire someone to create a work and then not have all the rights in the work. Ultimately, the work in the *CCNV* case was *not* considered to be a work for hire.<sup>96</sup>

The case of a web site created without a copyright assignment clause could possibly be distinguished from the facts in *CCNV*. It could be argued that designing a web site requires less skill than sculpting a statue (in that there was the mere application of the hypertext language to exacting details specified by the hiring party as opposed to the work of a consummate artist); that the duration of the relationship between the parties was to be on an ongoing basis and not short term; that, unlike *CCNV*, the hiring party has the right to assign additional projects to the hired party to update the web site; that the hired party had little discretion over when and how long the work would last; that there were periodic rather than lump sum payments; and that disseminating information, which is accomplished by a web site, was part of the regular business of the hiring party.

Based on these differences, a court, weighing all the factors and judging from the totality of the circumstances, may view the hiring party/hired party relationship in a web site ownership dispute as an em-

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2. The source of instrumentality and tools (more likely to be an independent contractor if hired party uses his own tools);
  3. The location of the work (more likely to be an independent contractor if hired party works at a place other than hiring party, especially if it is at the hired party's own facility);
  4. The duration of the relationship between the parties (more likely to be an independent contractor if the duration is short);
  5. Whether the hiring party has the right to assign additional projects to the hired party (more likely to be independent-contractor if there is no right to assign additional projects);
  6. The extent of the hired party's discretion over when and how long to work (more likely to be an independent contractor if the hiring party decides when and how long to work);
  7. The method of payment (more likely to be an independent contractor if paid in one final lump sum upon completion, more likely to be an employee if paid routinely);
  8. Whether the work is part of the regular business of the hiring party (more likely to be an independent contractor if the work is not part of the services or products that hiring party sells to others);
  9. Whether the hiring party is in business (more likely to be an independent contractor if the hired party sells the particular products or services on a regular basis as part of an ongoing business);
  10. The provisions of the employee benefits (more likely to be an independent contractor if there are no employee benefits); and
  11. The tax treatment of the hired party (more likely to be an independent contractor if an IRS 1099 form was used instead of a W-2).

*Id.*

95. *See id.*

96. *See id.*

ployer/employee relationship. Since the weighing of these fact patterns is subjective, it is impossible to prognosticate a result. For instance, as explained earlier, there is a disagreement as to the amount of skill required to create a web site. Counsel for the hiring party would not doubt cast the web site designer as an uncreative lackey who is at the beckon call of the hiring party. Counsel for the web site designer will portray the designer as an independent genius, hired for his tremendous creative energies. It should be cautioned, however, that some authorities believe that the application of the common law of agency "probably reveals a judicial animosity to claims of employment urged by hiring parties outside the traditional ambit of employment."<sup>97</sup>

Despite Professors Nimmer's caveat, it should be noted that post-*CCNV* courts are finding work for hire relationships outside of the traditional employee/employer context.<sup>98</sup> It was ruled that the orchestra's performance of the musical score to accompany Disney's "Fantasia" was a work made for hire.<sup>99</sup> There was evidence demonstrating that the work was done at the defendant's "instance and expense"; that the orchestra was not free to select the pieces which it performed; that the orchestra musicians signed an agreement which stated that they "have been employed by defendant"; and, that the orchestra took no part in editing the soundtrack.<sup>100</sup>

It is important to remember that control is still an important factor, though it did not prove to be dispositive in *CCNV*. "[T]he hiring party's right to control the manner and means by which the product is accomplished" is a consideration,<sup>101</sup> it is simply not the only consideration. Nonetheless, one should keep in mind that the amount of control exhibited in *CCNV* was very exacting and yet still there was no work for hire found.<sup>102</sup>

To the extent that supervision of the web site is more pervasive than that exhibited in *CCNV*, which admittedly was fairly extensive, the likelihood a court will find that there is an employee/employer relationship, and therefore a work for hire, is enhanced. While the Court did not find the rather extensive control decisive in *CCNV*, the Restatement of Agency (to which the Court looked for guidance in explicating the general common law of agency)<sup>103</sup> states that control or the right to control

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97. MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 5.03[B][1][a][iii] (1996) (hereinafter Nimmer).

98. See *The Philadelphia Orchestra Ass'n. v. The Walt Disney Co.*, 821 F. Supp. 341 (E.D. Pa. 1993) (interpreting a pre-1976 work).

99. See *id.*

100. See *id.*

101. *CCNV*, 490 U.S. at 751.

102. See *id.*

103. See *id.* at 752.

"in many situations is determinative."<sup>104</sup>

This may be useful, if the case of a web site created without a copyright assignment clause ever was to be litigated, since there is usually a significant amount of control between the hiring party and the programmer. The existence of an employer/employee relationship is (in most cases) a question of fact. Under the Restatement (Second) of Agency, a jury is to determine whether an agency relationship exists.<sup>105</sup>

Many of the usual factors from the law of agency employed in determining whether a given piece is a work for hire doctrine would be inapposite in the software context due to the different corporate milieu of software companies. As the Bender treatise explains:

In the computer program context, the major battle involving work made for hire has been over just who is, and who is not, an "employee." The indefinites of that term, coupled with the casual nature of many employment relationships in the software industry, have caused much confusion. In many small software houses, for which a large amount of software emanates, it is common for programmers to migrate continually back and forth between a status of that which is clearly that of a bona fide employee, and a status that is less formal.<sup>106</sup>

By showing it is common for employees in the software industry to engage in certain conduct not associated with typical employment (e.g., working at home, using their own tools, working at odd hours) it may very well be possible to prevail on a work for hire theory.

## B. WORK FOR HIRE IN THE SOFTWARE CONTEXT

One post-CCNV case in which the work for hire doctrine was employed and almost applied in the software context was *Aymes v. Bonelli* ("*Aymes I*").<sup>107</sup> The particulars of *Aymes I* are very similar to the facts in our web site situation. The defendant hired the plaintiff to develop a computer program.<sup>108</sup> There was no written agreement assigning ownership or copyright of the program.<sup>109</sup> The hiring party supplied many

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104. See RESTATEMENT (SECOND) OF AGENCY § 220, cmt. d (1958). In fact the Restatement (Second) of Agency defines an independent contractor to be "a person who contracts with another to do something for him but *who is not controlled* by the other *nor subject to the other's right to control* with respect to his physical conduct in the performance of his undertaking (emphasis added)." *Id.* See also Nimmer, *supra* note 89, at n.79.

105. See Nimmer, *supra* note 97.

106. BENDER, *supra* note 76, at § 4.04[5].

107. See *Aymes v. Bonelli*, 980 F.2d 857 (2d Cir. 1992) (hereinafter *Aymes I* to distinguish it from the second appeal). Many of the software "work for hire cases" involve an undisputed employee working at home and developing software in his spare time. *Id.* See also BENDER, *supra* note 76.

108. See *Aymes I*, 980 F.2d at 857.

109. See *id.*

detailed specifications.<sup>110</sup> The programmer did most of his work at the facility of the hiring party and used the hiring party's computer.<sup>111</sup> The programmer worked alone and enjoyed considerable autonomy.<sup>112</sup> The autonomy was restricted only by the hiring party directing and instructing the programmer on what was to be incorporated into the program.<sup>113</sup> The programmer hired no one himself, and although the programmer worked semi-regular hours, he was not always paid by the hour and several times invoices were given to the hiring party.<sup>114</sup> The relationship was an admixture of billing by the hour and billing by the project.<sup>115</sup> There were no health or other benefits rendered on the programmer's behalf and an IRS 1099 form (for independent contractors) was given instead of a W-2 (for employees).<sup>116</sup>

The district court, *not* applying the factors in *CCNV* and focusing on the right to control, ruled that there was a work for hire.<sup>117</sup> The district court reasoned, "While [the programmer] may not have been an employee in the classic sense when he performed the work at issue for [the hiring party], it is clear that he performed the work under the direction and supervision of [the hiring party]."<sup>118</sup> On an application for reconsideration to apply the factors of *CCNV*, the court still found that there was a work for hire.<sup>119</sup> Though the Second Circuit ultimately reversed,<sup>120</sup> it is conceivable that other circuits may follow the reasoning of the lower court. The outcome of the *CCNV* test, like all balancing tests, largely is predicated upon who is doing the balancing.

Factors that caused the lower court to find a work for hire were: (1) the skill of a computer programmer "required no peculiar expertise or creative genius" and that programmers "merely used their programming skills to produce the work according to the specifications";<sup>121</sup> (2) the hir-

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110. *See id.*

111. *See id.*

112. *See id.*

113. *See id.*

114. *See id.*

115. *See id.*

116. *See id.*

117. *See Aymes v. Bonelli*, 21 U.S.P.Q.2d 1316, 1317 (S.D.N.Y. 1991).

118. *See id.*

119. *See id.*

120. *See Aymes I*, 480 F.2d at 857.

121. *Aymes*, 23 U.S.P.Q.2d at 1317-1318 (S.D.N.Y. 1991) (citing *Evans Newton, Inc. v. Chicago Systems Software*, 793 F.2d 889 (7th Cir. 1986)). *See also* Walter S. Mossberg, *New Programs Fail to Make Designing Web Pages Truly Easy*, WALL ST. J., Nov. 21, 1996, at B1. Increasingly, Hypertext is becoming easier to use, thus reducing the level of skill needed. *Id.* While many feel that the hypertext language is already simple from a programmers point of view as compared to other application languages, many companies are marketing canned programs that allow untrained individuals to make their own web site. *Id.* Mr. Mossberg criticizes some of these canned programs. *Id.*

ing party was the source of the instrumentality and the tools; (3) the relationship extended over a substantial period of time; (4) there was a right to assign additional projects; (5) the hiring party had control over the amount of time to be spent on a particular project; (6) the programmer did not hire assistants; and finally, (7) updating software supplied was part of the regular business of the company (although initially developing the software was not). The district court dismissed not using a W-2 and the lack of employee benefits as simply a concomitant of allowing an employee to "work off the books."<sup>122</sup>

On appeal, the Second Circuit in *Aymes I* held that the ultimate determination of whether there was a work for hire was a question of law to be reviewed *de novo*, thus not following the Restatement of Agency's proposition that a jury should decide whether an agency relationship exists.<sup>123</sup> The district court, while conceding that the hiring party could control the programmer, was reversed because: (1) the level of skill of a programmer is enough to warrant independent contractor status and was not adequately appreciated by the district court; and (2) the lack of benefits and independent contractor tax treatment was not merely concomitant to "working off the books," but rather weighed heavily in a finding that there was no work for hire.<sup>124</sup> The other factors that the district court considered, while being numerous, were "indeterminate" or "irrelevant," and were not properly weighed.<sup>125</sup>

In addition, while the hiring party updated software on a regular basis, the Second Circuit thought that this was hardly what the *CCNV* court meant by the factor that the work was part of the regular business of the hiring party.<sup>126</sup> The Second Circuit emphasized that every factor in the *CCNV* case should not be given equal weight, and that many of the factors would not be relevant in the hired programmer context.<sup>127</sup>

In *MacLean Associates, Inc. v. Wm. Mercer-Meidinger-Hansen Inc.*,<sup>128</sup> a programmer worked for an employer and claimed to have developed software on his own time at home, as opposed to company time.<sup>129</sup> The programmer, without the hiring parties permission, held himself out to third parties as an employee of the hiring party.<sup>130</sup> The

122. *Aymes*, 23 U.S.P.Q.2d at 1317-1318.

123. *See Aymes I*, 980 F.2d at 861.

124. *Id.* at 862-863.

125. *Id.* at 863.

126. *See id.* at 862 (the hiring party was not in the software business, but operated a chain of retail stores selling swimming pools and related supplies).

127. *See id.* at 860.

128. *See MacLean Assoc., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, (3d Cir. 1991).

129. *See id.*

130. *See id.*

court ruled, in determining whether the programmer was an employee of the hiring party, that it was inconsequential that third parties thought the programmer was an employee of the hiring party.<sup>131</sup> The *MacLean* Court reasoned that since an independent contractor may or may not be an agent,<sup>132</sup> it did not matter whether an agency relationship existed based upon actual authority or apparent authority.<sup>133</sup>

An important aspect of *MacLean* is the fact pattern in which the Third Circuit did *not* give a final judgment *as a matter of law*, but was rather *remanded* to a jury (overturning the District Court's summary judgment).<sup>134</sup>

One recent case that sheds light on work for hire in the copyright context is *Graham v. James*.<sup>135</sup> Seeming to reemphasize the right to control factors beyond the scope suggested permissible by *CCNV*, the *Graham* court focused exclusively on the general common law of agency.<sup>136</sup> The Court pronounced, "[i]n determining whether a hired party is an employee under the general common law of agency, we consider the hiring party's right to control the manner and means by which the product is accomplished."<sup>137</sup> By so doing, the *Graham* court appears to determine whether a work for hire exists based on the right to control test, presumably abandoned after *CCNV*.

The *Graham* court gives greater weight to certain *Reid* factors than others: (1) the hiring party's right to control the manner and means of creation; (2) the provision of employee benefits; (3) the tax treatment of

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131. *See id.*

132. *See* RESTATEMENT (SECOND) OF AGENCY, *supra* note 104, at § 2(3).

133. *See MacLean*, 952 F.2d at 776. *See also* BLACK'S LAW DICTIONARY 88 (5th ed. 1979). In the law of agency, apparent authority exist when the principal knows, or negligently permits, someone to appear to be an agent to a third party, but who in fact is not an agent. *Id.* Actual authority, as the name suggests, is when the person purporting to be an agent actually is an agent. *Id.*

134. *See MacLean*, 952 F.2d at 776 (emphasis added). Insinuating that the *CCNV v. Reid* factors may be curtailed, the District Court suggested that a *reasonable jury* could find a work hire relationship under the following conditions:

- (1) The task of writing the software required great skill;
- (2) The programmer worked with his own software on his own computer at his own facility;
- (3) The duration of the relationship as a consultant was fairly short;
- (4) The hiring party did not have the right to assign additional works;
- (5) The programmer had absolute discretion over when and how long to work;
- (6) Payment was for final delivery of the program instead of a lump sum basis.
- (7) The hiring party's main business was consulting, not providing software for its clients use on personal computers.

*See id.*

135. *See Graham v. James*, No. 97-7706, 1998 U.S. App. LEXIS 10115 (2d Cir. May 18, 1998).

136. *See id.* at \*11.

137. *Id.*



the hired party; and (4) whether the hiring party had the right to assign additional projects to the hired party.<sup>138</sup> Like *CCNV* and *Aymes*, the analysis proved to be a pro-hired party, and the hired party was found to be an independent contractor and not a work for hire.<sup>139</sup> When it was determined that the hired party, a skilled computer programmer, was paid no benefits, no payroll taxes were withheld, and the engagement with the hiring party was project-by-project, the Court ruled that the programmer was an independent contractor and not a work for hire.<sup>140</sup>

## VII. THE INDEPENDENT CONTRACTOR SCENARIO/JOINT AUTHORSHIP

### A. DETERMINING IF THERE IS JOINT AUTHORSHIP

#### 1. *General Joint Authorship*

The final way of being an author, if one is not an author in the conventional sense nor a hiring party in a work made for hire, is to be a joint author. Authorship is a question of fact.<sup>141</sup> The Copyright Act defines a "joint work"<sup>142</sup> 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."<sup>143</sup> For example, a joint work results when a composer and lyricist write a song, an author and illustrator cre-

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138. *Id.* at \*12.

139. *See id.*

140. *See id.*

141. *See Del Madera Properties v. Rhodes and Gardner Inc.*, 820 F.2d 973 (9th Cir. 1987); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989).

142. *See Childress v. Taylor*, 945 F.2d 500, 503 (2d Cir. 1991). A "joint work" is the work product of "joint authors." *See id.* Joint authorship is one way to become a joint owner in a work, but it is not the only way. *See id.* Such an undivided interest may be accomplished by contract, will, or any other means of conveyance. *See id.* There is a difference in legal consequence between being a joint author as opposed to a joint owner. *See id.* Joint authors also enjoy all the rights and status of authorship as opposed to just ownership. *See id.* For works that were created before January 1, 1978, this included the right to renew after 28 years for another 28 years. *See id.* Today, whether there is an additional co-author may affect the life of the copyright since copyright duration is predicated on the life of the author and the type of authorship. 17 U.S.C. § 302(a) (1994). For works made after January 1, 1978, a copyright last for the length of author plus fifty years. *See id.* There is no renewal right for works made after January 1, 1978. *See id.* If the work is a joint work the life of the last surviving author is used. 17 U.S.C. § 302(b) (1994). If the work is a work made for hire, the length is seventy-five years from first publication, or one hundred years from creation, whichever is shortest. *See id.* Since, under most circumstances, the period for which a web site has economic value is far exceeded by the minimum life of a copyright (fifty years), such distinctions are unimportant. *See id.* Furthermore, being an author triggers the rights of attribution of integrity of a visual art under § 106A. 17 U.S.C. § 106(A) (1994). Electronic database searches reveal no cases regarding whether a web site can be a visual art. *See id.*

143. *See* 17 U.S.C. § 101 (1994) (emphasis added).

ate a children's book, or two scholars produce a college textbook. Outside of the requirement that there be an intention of a merger of the contributions, there are few other restrictions.<sup>144</sup>

The fact that the web site is not created by literally sitting down together will not render the work a collective or derivative work rather than a joint work.<sup>145</sup>

The use of the term "inseparable" in the definition of a joint work in the Copyright Act is probably meant to indicate that one contribution cannot be taken from the whole and be left with a meaningful integrated whole (as in the case of joint creators of a novel or painting). "Interdependent" probably means one can be separated from the other and still be left with a meaningful, non-dismantled whole (as in the words and music of a song). One major authority, Professor Nimmer, suggests that if the contribution of one author somehow recast, transforms, or adapts the other author's work, than the work is *inseparable*.<sup>146</sup> If the work is simply one of assembling a collective whole out of the respective contributions, the work is *interdependent*.<sup>147</sup>

Domestically, the distinction is academic—whether a work is inseparable or independent is of no consequence so long as the contributions of both are merged into a unitary whole. Because the "web" is a "World Wide Web" it should be noted, however, under most foreign laws, a joint work only results from a merger of inseparable, but not interdependent parts.<sup>148</sup> A web site is probably an interdependent joint work in our fact pattern because the contributions of the hiring party can be distilled from the web site and still be left with a meaningful whole in the way

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144. See Nimmer, *supra* note 97, at § 6.03. Professor Nimmer notes:

The essence of joint authorship is a joint laboring in furtherance of a preconcerted common design . . . . This does not mean, however, that the several authors must necessarily work in physical propinquity, or in concert, nor that the respective contributions made by the joint author must be equal in quantity or quality . . . . [A] joint authorship occurs even though the joint authors do not work together in their common design, do not make their respective contributions during the same period, and indeed even if they are complete strangers.

*Id.*

145. See *id.* There are three types of works that may constitute the work of more than one author: a joint work, a derivative work and a collective work. See *id.* Loosely speaking, a derivative work, as the name suggest is a new work derived from an older original version. See *id.* An example would be setting Shakespeare's Romeo and Juliet to a modern setting, or a remake of a popular song introducing considerable variation. See *id.* A collective work is a putting together of older works into a new collective whole. See *id.* An example would be a typical English Literature book containing short stories and poems by numerous authors. See *id.*

146. See Nimmer, *supra* note 97, at § 6.04.

147. See *id.*

148. See *id.*

that lyrics may be separated from the melody. Contribution of graphs, pictures, music, and text all have substantial meaning alone.

One restriction on the creation of a joint work is suggested in the definition of "joint work itself" provided by the Copyright Act.<sup>149</sup> The intention that the two works be merged must exist *when the work is prepared*. The legislative history is more explicit. "The touchstone . . . is the intention, *at the time the writing is done*, that the parts be absorbed or combined into an integrated unit."<sup>150</sup> If the intention to merge the two works occurs only *after* the first work has been written, the merger results in a derivative or collective work.<sup>151</sup> In such a case, there is no joint authorship. If the contributions of the hiring party were first made for use in another context apart from the web site, and were later reused or recycled in the web site, this intent element would not be met and there would be no joint work. If, however, the hiring party generated materials used in the web site, it is more likely a court would rule joint authorship existed.

One recent case that does much to explicate the criterion needed for joint authorship (and is found in many modern law school case books on copyright law) is *Childress v. Taylor*.<sup>152</sup> The work in *Childress* was a play.<sup>153</sup> The hiring party came up with the initial idea for the play, performed some of the basic research on a historical character as a fundamental element of the play, suggested a few general ideas for scenes, and developed some idiosyncratic mannerisms of the character that could be included.<sup>154</sup> The hired party was in every other respect the author of the play.<sup>155</sup>

Judge Jon Newman, in determining whether there was joint authorship, refused to apply the traditional formula that a joint work is "a joint laboring in furtherance of a common design."<sup>156</sup> She believed that such an analysis is useful in pointing an inquiry in the proper direction but does not provide much guidance in the tough cases.<sup>157</sup> It was held that

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149. See 17 U.S.C. § 101 (1994).

150. See H.R. REP. NO. 94-1476, at 120-23 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659 (emphasis added).

151. See Nimmer, *supra* note 97, at § 6.05. This was not always the case. See *Shapiro Bernstein & Co., Inc. v. Jerry Vogel Music Co.*, 115 F. Supp. 754 (2d. Cir. 1955); see also *infra* notes 175-178 and accompanying text.

152. See *Childress v. Taylor*, 945 F.2d 500 (2d. Cir. 1991).

153. See *id.*

154. See *id.*

155. See *id.*

156. *Id.* at 504. See also *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*, 140 F.2d 266 (2d. Cir. 1944). This definition enjoys a long pedigree. *Id.* Judge Learned Hand, thought that the first appearance of this definition appeared in the 1871 case, *Levy v. Rutley*, L.R., 6 C.P. 523, 529 (Keating, J.).

157. See *Childress*, 945 F.2d at 503.

"many people could be said to be 'jointly' laboring toward a 'common design' who could not plausibly be considered joint authors."<sup>158</sup> It is possible, after *Childress*, that if the ownership of a web site was ever contested where there was no copyright assignment clause, that a joint laboring formula would not be utilized. A court could find that while the hiring party jointly labored with the hired party/designer, there was no joint work, nonetheless.

Judge Jon Newman believed the words of the Copyright Act were not to be taken literally.<sup>159</sup> The very words of the statute state, "A 'joint work' is a work prepared by two or more authors with the intention that their contributions may be merged into . . . a unitary whole."<sup>160</sup> The wording of the statutory definition appears to make relevant only the *state of the mind* regarding the unitary nature of the finished work once the contributions have been rendered. The words of the statute do not qualify the word "contribution."<sup>161</sup> Nonetheless, it was clearly not the intent of Congress, Judge Jon Newman maintained, to exalt even the most minuscule contribution into a claim for co-authorship.<sup>162</sup> For example, a writer may work with an editor and a research assistant as he makes revisions. Both intended their contributions be merged into inseparable parts of a unitary whole, thus satisfying the literal words of the statute.<sup>163</sup> Nonetheless, the editor and the research assistant, Judge Jon Newman believed, do not then become co-authors.<sup>164</sup>

It was ultimately held in *Childress*, that "[w]hat distinguishes the writer-editor relationship and the writer-researcher relationship from the true joint author relationship is the lack of intent of both participants in the venture to regard themselves as joint authors."<sup>165</sup> Focusing on whether the putative joint authors regarded themselves as joint authors was held to be especially important in circumstances where one person is indisputably the dominant author of the work and the only issue is whether that person is the sole author or the joint author.<sup>166</sup> The dominant party, as well as the second party, must possess this intent.<sup>167</sup> It did not matter that they intend the legal consequences of joint ownership (i.e., an equal interest in the undivided whole).<sup>168</sup> Rather, all that was

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158. *See id.*

159. *See id.* at 507.

160. *See* 17 U.S.C. § 101 (1994).

161. *See Childress*, 945 F.2d at 505.

162. *See id.*

163. *See id.*

164. *See id.*

165. *Id.* at 507 (emphasis added).

166. *See id.*

167. *See id.* at 508 (not finding joint authorship when the dominant author did not intend to be a co-author with the contributor).

168. *Id.* at 506 (emphasis added).

needed was the intent to be joint authors, *even if the authors were unaware of the fact that this would make them co-owners*.<sup>169</sup> Those not in a true joint authorship relationship with an author are left to bargain for an arrangement that will be recognized under both copyright and contract law.<sup>170</sup>

This test helps establish that there may be a joint work in a web site. The dominant party would be the individual who created the web site. In *Childress*, it was held that there was no evidence that the defendant play author ever contemplated, much less would have accepted, crediting the play as written by both the playwright and the party that contributed ideas about scenes.<sup>171</sup> This is *not* the case in our web site fact pattern. Normally, there is no attribution to the author in a web site. A potential reader, through his home computer, a telephone line, and the services of an online service provider, normally assumes, as he browses through a web site, that the work was created by the company or partnership that is sponsoring that particular web site. In the vast majority of cases, the outside party that was hired to create the web site has no expectation of being credited with authorship. On the other hand, a lack of accrediting may simply be concomitant of selling or licensing the copyrighted work, not a sign of lack of intent to make a joint work.<sup>172</sup>

Like the billboard company that blows up an advertisement, or a stage crew that builds the physical scene for a play, the web site designer often merely constructs a web site from what was given to him. Hypertext literally means "beyond the text."<sup>173</sup> The hiring party may have contributed the text, or content, which is to be implemented in creating the web site. Their contribution may consist of pictures, film, music, written text, and ideas as to how to link one page to other documents. This is especially the case when the hiring party has its own creative staff, but lacks the technical acumen to modify graphics and written content for display on the web.

While it is true that these hiring parties may not be technically sophisticated enough to use the hypertext language and they may need someone to *implement* the work, they are no less authors than a photog-

169. *Id.*

170. *See Childress*, 945 F.2d at 508.

171. *See id.*

172. *See Graham v. James*, No. 97-7706, 1998 U.S. App. LEXIS 10115 (2d Cir. May 18, 1998). Quoting Professor Nimmer, the Court noted that, "[t]he generally prevailing view in this country under copyright law has been that an author who sells or licenses her work does not have an inherent right to be credited as author of the work." *Id.* at \*15. By so holding, the *Graham* court implicitly recognized that many real authors do not seek accrediting. *Id.* This apparently undermines the co-billing test offered in *Childress*. *Id.*

173. *See Jenevra Georgini, Safeguarding Author's Rights in Hypertext*, 60 BROOK. L. REV. 1175, 1179 (1994); AMERICAN HERITAGE DICTIONARY 888 (3d. ed. 1992).

rapher that knows nothing of developing film. Neither the photographer nor the film developer expected the party who developed the film to be listed as a joint author. The "designer" of a web site usually only technically implements the content that is given to him. Like the film developer, he has no expectation of being billed as a co-author. While *Childress* holds that this co-billing test does not apply to ghost writers,<sup>174</sup> there is nothing that suggests that the technical creator of a web site intends to be a "ghost writer" in the traditional test. No one hides the fact that a web site designer might have written the programming text of the web site. It is simply mutually expected that the web site designer will not be attributed credit. Because there is probably no expectation that the final web site will be attributed to the technical designer/hired party, it is more likely than not that the work will be a joint work.<sup>175</sup>

The most important question in the determination of whether there is a joint authorship is the *quality* and *quantity* of the contributions. However, courts have differed on the amount of quantity or the level of quality that must be obtained. Several treatises state that a joint work can be created even if the collaborative efforts of the authors are unequal, as long as the author makes more than a *de minimis* contribution.<sup>176</sup>

Some authors suggest that the contribution may be strikingly minuscule. By stating, "[m]ore than a word or a line must be added by one who claims to be a joint author," Professor Nimmer suggests that adding more than a word or line *is the line*.<sup>177</sup> Professor Nimmer readily admits that this proposition has been rejected in the architectural context,<sup>178</sup> such as when a home builder supplied "a thumb nail sketch" to an architect but was not found to be a joint author.<sup>179</sup>

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174. See *Childress*, 945 F.2d at 506 n.7.

175. In the future, to achieve the status of author, the hiring party could insert a contract clause stating that "both parties intend to be joint authors, will make significant contributions and intend to merge their work into a single unitary whole." Such posturing could be advantageous. Such a clause, while not establishing that the respective contributions would be enough to constitute joint authorship, would be invaluable in establishing the intention of the parties to create a joint work. Many cases have been won and lost on the ability to establish this intention. Interestingly enough, many suggested forms do not include such a provision.

176. See BENDER, *supra* note 76, at § 4.04[3] (citing *Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640 (S.D.N.Y. 1970), *aff'd on other grounds*, 457 F.2d 1213 (2d. Cir. 1972) (hereinafter the Three Little Pigs Case); Nimmer, *supra* note 97, at § 6.07.

177. See Nimmer, *supra* note 97, at § 6.07 (emphasis added).

178. See *id.*

179. See *M.G.B. Homes Inc. v. Ameron Homes Inc.*, 903 F.2d 1486 (11th Cir. 1990); See also *Aitken, Hazen, Hoffman, Miller, P.C. v. Empire Constr. Co.*, 542 F. Supp. 252 (D. Neb. 1982); *Meltzer v. Zoller*, 520 F. Supp. 847 (D.N.J. 1981).

Other courts, outside of the architectural context, have seemed to require more than mere *de minimis* contributions. In *Eckbert v. Hurley Chicago Co., Inc.*,<sup>180</sup> Judge John Grady, while claiming to be invoking the *de minimis* doctrine, stated, “[w]hile a co-author’s contribution need not equal the other author’s, at least when the authors are not immediately and obviously collaborating, the co-author’s contribution must be ‘significant’ both in quality and quantity in order to permit an inference that the parties intended a joint work.”<sup>181</sup> The *Eckbert* court made reference to the 1955 Second Circuit case of *Shapiro, Bernstein & Co.*,<sup>182</sup> (commonly known as “*The 12<sup>th</sup> Street Rag Case*,” appropriately named for the song over which the litigation was based), where it was held that a person who later added lyrics to music previously unaccompanied by words could be a joint author.<sup>183</sup>

Judge John Grady, commenting on prior cases, stated that the additional lyrics added in the *12<sup>th</sup> Street Rag Case* were “minimal”<sup>184</sup> but nonetheless joint authorship was found to exist.<sup>185</sup> Judge John Grady thought the *12<sup>th</sup> Street Rag* precedent was overturned in *Three Little Pigs*.<sup>186</sup> In *Three Little Pigs*, the movie version of “Who’s Afraid of the Big Bad Wolf?” was to be made suitable for radio.<sup>187</sup> A collaborator who restructured and lengthened the central melody, and then added lyrics in the same vein as the original, was found not to be a joint author.<sup>188</sup> This suggests that a minimal contribution does not elevate a contributor to joint author.

Obviously, the greater the quality and quantity of the hiring party in the web site fact pattern, the more likely he is to be considered a joint author. But even if the level of contribution was modest, a good faith argument could be advanced that current case interpretation of the 1976 Copyright Act requiring a “significant” contribution is incorrect; case law previous to enactment of the Act did not call for “significance” of a contri-

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180. See *Eckert v. Hurley Chicago Co., Inc.*, 638 F. Supp. 699, 702 (N.D. Ill. 1986).

181. *Id.* at 704.

182. *Id.* at 702-703 (making reference to *Shapiro Bernstein & Co., Inc. v. Jerry Vogel Music Co.*, 115 F. Supp. 754 (2d. Cir. 1955) (hereinafter *The 12th Street Rag Case*)).

183. See *The 12th Street Rag Case*, 115 F. Supp. at 754. One holding of the case, that the first author need not intend at the time of creation that his work be part of a joint work to have joint authorship, was overruled by statute and case law. See *id.*

184. See *Eckert*, 638 F. Supp. 699, 703 (referring to *The 12th Street Rag Case*, 115 F. Supp. at 754.).

185. See *The 12th Street Rag Case*, 115 F. Supp. at 754.

186. See *Eckert*, 638 F. Supp. at 703 (referring to *Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640 (S.D.N.Y. 1970) (hereinafter the *Three Little Pigs*)).

187. See *Three Little Pigs*, 314 F. Supp. at 640.

188. See *id.*

bution;<sup>189</sup> it is always assumed Congress was aware of the state of the law during enactment of any legislation; and, finally, the plain meaning of the words of the statute do not call for a “significant contribution,” just a “contribution.”<sup>190</sup>

The argument usually offered to justify making it difficult to establish co-authorship to the “secondary” contributor—that it is useful for two parties to bargain over joint ownership before beginning a joint enterprise—can equally be applied to the “dominant party.” By forcing a dominant party to establish that he will be the sole author or face the possibility of co-ownership, he is forced to bargain with his contributors and make their status clear. Otherwise, he may be enjoying the fruits of their assistance that he might not otherwise enjoy had the other party known that they would not be considered co-authors. Notwithstanding all of this, it should be cautioned that the amount of case law requiring a “significant” contribution is extensive.

One recent case that explicitly applied the *de minimis* standard, and distinguished the architectural case is *Words & Data, Inc. v. GTE Corp.*<sup>191</sup> In *Words and Data* the “ideas and rough sketches” that were to be “transformed and refined” in the architectural cases were distinguishable from the contribution of textual information, headings and subheadings supplied in forms containing printed information, bar codes, boxes and blanks.<sup>192</sup> The former was not a contribution that would make one a joint author, but the later was a contribution.<sup>193</sup> To the extent that a hiring party contributes something less along the lines of a thumbnail sketch and more along the lines of text and specific content material, the more likely he is to be considered a joint author.

As to each individual case, the practitioner should look to the contributions of both parties. Who supplied the graphics? Who supplied the text? Who came up with the web site map of linked pages? What was the technical sophistication required in construction of the web site? Whether the *de minimis* or the significant contribution standard applies, an analysis of the quantity of the contribution must take place to have a meaningful evaluation as to who is a joint author.

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189. See *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*, 140 F.2d 266 (2d. Cir. 1944) (earlier case law does not contemplate that contributions need be “significant” to be considered a joint work). In *Edward B. Marks*, a famous case commonly referred to as the *December and May Case* (the song title subject to litigation) that dealt with the issue of joint authorship, Judge Learned Hand’s opinion does not mention what constitutes joint authorship. *Id.* Judge Hand’s opinion is also silent as to the existence of either a qualitative or quantitative threshold for a contribution in order to qualify as a joint work. *Id.*

190. See *Nimmer*, *supra* note 97, at § 6.07 (making similar arguments).

191. See *Words & Data Inc. v. GTE Communications Services Inc.*, 765 F. Supp. 570, 574 (W.D. Mo. 1991).

192. See *id.* at 575.

193. See *id.*



Courts differ not only on the quantity of a contribution needed to constitute a joint work, but on the *quality*; the burning qualitative issue regarding joint authorship is whether each individual contribution must be *copyrightable*.<sup>194</sup> It is not uncommon in the software context, especially in the construction of a web site, for the hiring party to create the idea and the general form of the program but not make a copyrightable contribution.<sup>195</sup> Professor Nimmer feels the hiring party in such a scenario should be a joint author.<sup>196</sup> Professor Goldstein thinks the opposite standard should control.<sup>197</sup> The debate often centers around the meanings of the terms "work" and "author" as they are used in the United States Constitution.<sup>198</sup> There is a considerable portion dedicated to criticizing Professor Nimmer's approach in the recent Seventh Circuit case of *Erickson v. Trinity Theater, Inc.*<sup>199</sup> The Seventh Circuit has explicitly endorsed Professor Goldstein's approach.<sup>200</sup>

Many circuits have not resolved this issue.<sup>201</sup> In *Childress*, it was held that the contribution should in itself be copyrightable.<sup>202</sup> In *CCNV*, the hiring party contributed no actual expression (other than gridiron grate puffing steam) that was literally incorporated into the statue.<sup>203</sup> When the D.C. Circuit heard the *CCNV* case before it was appealed to the Supreme Court, Judge Ruth Bader Ginsburg stated that "were it not for the prevailing confusion over the work for hire doctrine, this case . . . *might qualify* as a textbook example of a jointly-authored work

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194. See Nimmer, *supra* note 97, at § 6.07. A copyrightable expression subsists in "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102(a) (1994). Thus, a work must: (1) be original and (2) be fixed in a tangible medium to be copyrightable. See *id.* The degree of originality needed is very low. See *id.* Expression is copyrightable, but mere ideas are not. See *id.* It is generally agreed that the distinction between ideas and expression is often difficult to make. See Nimmer, *supra* note 97, at § 6.07.

195. See BENDER, *supra* note 76, at § 4.04[3].

196. See Nimmer, *supra* note 97, at § 6.07.

197. See PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE 379, ¶ 4.2.1. (1989).

198. See U.S. CONST. art I, § 8, cl. 8. The U.S. Constitution grants the power to legislate Copyright Laws under Article I, Section 8, Clause 8. See *id.* It states that Congress has the power "[t]o promote the Progress . . . of the useful Arts, by securing for limited Times, to authors . . . the exclusive Right to their . . . writings." *Id.*

199. See *Erickson v. Trinity Theatre Inc.*, 13 F.3d 1061, (7th Cir. 1994). The author begs to differ with the Court's conclusion that *nothing* exists in the case law supporting Professor Nimmer's position. See *id.* at 1066. Judge Kenneth Ripple asserts that "[t]his position has found no support in the case law. *Id.* at 1066.

200. See *id.* at 1068.

201. See *Childress v. Taylor*, 945 F.2d 500, 504 n.4 (2d. Cir. 1991).

202. See *id.* at 505.

203. See *CCNV*, 490 U.S. at 730.

in which the joint authors co-own the copyright."<sup>204</sup> Citing the Nimmer treatise, she maintained one may be a joint author *without making a copyrightable contribution*.<sup>205</sup>

## 2. Joint Authorship in the Software Context

In the software context, the Ninth Circuit has decided that the contribution of each joint author must be copyrightable.<sup>206</sup> In *Ashton-Tate*, one party supplied a list of common computer user commands that were not arranged in a novel or innovative matter.<sup>207</sup> The court ruled that while actual source or object code<sup>208</sup> is copyrightable (a non-controversial position), anything less is not (a very controversial position.)<sup>209</sup> Because the court found no copyrightable contribution in the user commands, the hiring party was found not to be a joint author.<sup>210</sup>

A similar result was reached in an earlier Ninth Circuit case, *S.O.S., Inc. v. Payday, Inc.*<sup>211</sup> The hiring party told the programmers what task the software was to perform and how it was to sort data.<sup>212</sup> The hiring party did none of the coding and did not even understand any computer language.<sup>213</sup> Because there was no copyrightable expression in merely describing the program to be achieved, the hiring party was not a joint author.<sup>214</sup> The hiring parties had only offered ideas, not fixated tangible expression.<sup>215</sup>

In *Whelan Assoc. v. Jaslow Dental Laboratory*, a dental laboratory

204. *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485, 1497 (D.C. Cir. 1994) (heard on appeal from the U.S. District Court for the District of Columbia).

205. *See id.* at 1496.

206. *See Ashton-Tate Corp. v. Ross*, 728 F. Supp. 597 (1989).

207. *See id.*

208. Roughly speaking, source code is a principle aspect of higher level languages, such as Basic, Cobol, Fortran or Assembly language. Because source code is the computer program as the programmer wrote it, it is often referred to as the "literal text" of the program. Object code is the 1's and 0's these source codes (or higher languages) actually represent once they are "compiled" by a compiler so that the computer can understand it.

209. *See Ashton-Tate*, 728 F. Supp. at 597. *See also* Paul I. Kravetz, *Idea / Expression Dichotomy and Method of Operation: Determining Copyright Protection for Computer Programs*, 8 DEPAUL BUS. L.J. 75 (1995). All courts agree that the "literal elements" of a program, that is actual written words or numbers, are copyrightable. *See id.* The "non-literal" elements include the structure, sequence, and organization of the program. *See id.* The non-literal elements may often be accomplished by several, if not many, arrangements of literal elements. *See id.* Analysis of what is copyrightable in the non-literal elements of a program is complex and is beyond the ambit of this paper. *See id.*

210. *See Ashton-Tate*, 728 F. Supp. at 597.

211. *See S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989).

212. *See id.*

213. *See id.*

214. *See id.*

215. *See id.*

owner commissioned software for the use in his business.<sup>216</sup> The hiring party disclosed the detailed operation of his business and dictated the functions to be performed.<sup>217</sup> The hiring party *even helped design the language and format of some of the screens that would appear on the computer's visual displays.*<sup>218</sup> This is not unlike contributing pictures and text to be used in a web page. The *Whelan* Court found the hiring party's contribution to be too insignificant to constitute joint authorship.<sup>219</sup> Perhaps *Whelan* may be distinguished in that the quantity of copyrightable contribution was scant—the only expression that was incorporated into the final product was the wording and abbreviations contained on some of the visual screens.<sup>220</sup>

Arguably, no case comes closer to our web site fact pattern than the recent case of *Napoli v. Sears, Roebuck and Co.*<sup>221</sup> In *Napoli*, the employees of Sears decided to develop a program to improve the efficiency of service for its Home Fashions Department.<sup>222</sup> The employees designed the overall structure of the program, provided the layout and graphic design of the screen displays, selected all the data that was to be included, and designed the layout and presentation of the data that was to be incorporated into a final printed report to be generated by the program.<sup>223</sup> Because the employees had only limited experience with the software owned by Sears and they needed to modify the language, an outside contractor was hired to complete the job.<sup>224</sup> This procedure is very similar to the process a hiring party employs when developing a web site with a contracted programmer who is capable of programming in hypertext.

Like many hired parties who construct a web page by "computerizing" the hiring parties contributions, the programmer in *Napoli* was the sole author of the literal text (source code) (or at least so she claimed).<sup>225</sup> However, even if it was to be assumed *arguendo*, that the programmer was the sole author of the literal text, at issue was whether Sears' contribution established joint authorship.<sup>226</sup> While it could not be seriously disputed that there was an intent to merge Sears' contribution with the

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216. See *Whelan Assoc., Inc. v. Jaslow Dental Lab., Inc.*, 609 F. Supp. 1307 (E.D. Pa. 1985), *aff'd on other grounds*, 797 F.2d 1222 (3d Cir. 1986).

217. See *id.*

218. See *id.* (emphasis added).

219. See *id.*

220. See *id.*

221. See *Napoli v. Sears, Roebuck and Co.*, 874 F. Supp. 206 (N.D. Ill. 1995), *vacated*, 926 F. Supp. 780 (N.D. Ill. 1996).

222. See *id.* at 208.

223. See *id.*

224. See *id.*

225. See *id.* at 209.

226. See *id.*

programmer's contribution,<sup>227</sup> the court had to determine if the actual graphic design of the screens and reports was qualitatively the type of contribution that would establish joint authorship in the program.<sup>228</sup> Ultimately, the court ruled that it did.<sup>229</sup>

All parties agreed, as the court stated, "that it is now beyond dispute that a copyright in a computer program extends to its screen displays."<sup>230</sup> The question was whether one needed to be the author of the code to be an author of the screen display.<sup>231</sup> The *Napoli* court soundly rejected the argument that copyright protection could not be extended to screen displays and reports without the literal code used to create them. It was ruled that individuals other than the programmer who created the source code may also be authors.<sup>232</sup>

Much of the confusion was created when the Copyright Office stopped accepting separate registration for the literal elements of a computer program (the code itself) and the nonliteral screen displays that the code generated.<sup>233</sup> The Copyright Office did state that a *single* copyright registration extends copyright protection not only in the code, but also to the screen display.<sup>234</sup> This was not to be interpreted to mean that *only* the code was copyrightable—rather, one had to register either one or the other, but not both. It was explained, "a *single* registration of a computer program accomplishes *two interrelated yet distinct registrations*: one of the program itself, and one of the screen display or user interface of that program . . ."<sup>235</sup> Citing *Erickson*, for the proposition that both contributions must be copyrightable to be a joint work, and having determined that the graphic design of the screens and reports constitutes independently copyrightable subject matter, the *Napoli* court ruled that Sears was a joint author if it in fact contributed to the screen displays.<sup>236</sup>

Finally, it should be noted, as *Napoli* so amply demonstrates, that if a court follows Professor Goldstein's approach and requires the contribution of the hiring party to be copyrightable standing alone, the inevitable question will be whether the hiring party's contribution to the software itself is copyrightable. This is an *enormously* challenging inquiry and

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227. *See id.* at 211 n.4.

228. *Id.* at 206.

229. *Id.* at 212.

230. *Id.* at 211.

231. *See id.*

232. *See id.*

233. *See id.*

234. *See id.*

235. *Id.* at 211 (emphasis added) (citing *Mfrs. Technologies, Inc. v. Cams, Inc.*, 706 F. Supp. 984, 992 (D.Conn. 1989)).

236. *Napoli v. Sears, Roebuck and Co.*, 874 F. Supp. 206, 210 (N.D. Ill. 1995) (citing *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1070 (7th Cir. 1994)).

the subject of a bevy of law review articles.<sup>237</sup> Contributions may include screen displays, the way the web pages are linked to other pages, and the look and feel of the site. Because there are innumerable contributions that may be made to anyone's web site, and because the case law as to the copyright eligibility of various aspects of the software is not definite, a discussion as to what is subject to copyright protection in software is outside the ambit of this discussion.

In the interest of brevity, but at the risk of extreme over simplification, several comments are warranted. Since the early 1980's, it has been universally recognized that copyright protection extends to the literal code.<sup>238</sup> Copyright protection may extend to the nonliteral elements of a program, such as the "structure, sequence, and organization," or "look and feel," or "menu command hierarchy."<sup>239</sup> These non-literal elements would also include the "look and feel" of a web site created by the linking structure (which is analogous to a menu command structure) and the other Graphical User Interface ("GUI") components. A GUI is the interface that allows a user to select files, programs, commands, or (in the case of the Internet) allows the user to interface with other pages of the Internet, without the use of typing in long, complex commands at a command prompt.<sup>240</sup>

The United States Supreme Court recently obfuscated the matter by splitting four to four on whether a menu command hierarchy is subject to the protection of copyright law.<sup>241</sup> The extent by which the nonliteral elements of a program may be protected varies from court to court and from circuit to circuit. In the final analysis, since a court may go with the Goldstein approach and demand a copyrightable contribution, the practitioner should analyze the contribution of the hiring party to determine what, *exactly*, has been contributed, and then apply the various case law as to what is or is not copyrightable in the software context. While this additional analysis adds a layer of additional obfuscation to what is already a Byzantine analysis, it is essential.

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237. See Maureen A. O'Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479 (1995); Lauren Bruzzone, *Copyright and License Protection for Computer Programs: A Market Oriented Assessment*, 11 PACE L. REV. 303 (1991); (each article discusses an aspect of software authorship as it relates to copyright issues).

238. See, e.g., *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3d Cir. 1983).

239. See, e.g., *Whelan Assoc., Inc. v. Jaslow Dental Lab., Inc.*, 609 F. Supp. 1307 (E.D. Pa. 1985), *aff'd on other grounds*, 797 F.2d 1222 (3d Cir. 1986); *Lotus Development Corp. v. Paperback Software Int'l*, 740 F. Supp. 37 (D. Mass. 1990).

240. See DYSON, *supra* note 2, at 267; WILLIAMS & MARK, *supra* note 19, at 248.

241. See *Lotus Development Corp. v. Borland Int'l, Inc.*, 73 F.3d 355 (1st Cir. 1995), *aff'd*, 516 U.S. 233 (1988).

## B. THE CONSEQUENCE OF JOINT AUTHORSHIP

The authors of a joint work are co-owners of copyright in the work:<sup>242</sup>

[Each co-owner] is akin to a tenant in common . . . . [A] joint author cannot be held liable for copyright infringement to another copyright owner . . . compensation obtained from the unilateral exploitation of the joint work by one of the co-owners without the permission of the other is held in a 'constructive trust' for the mutual benefits of all co-owners and there is a duty to account therefore.<sup>243</sup>

A tenancy in common in real property is marked by an undivided interest; namely, all owners may use all of the property, and are not relegated to a specific part of the property. Nor are co-owners in a tenancy in common limited in the use of the property, unless such a use would destroy the property. The joint author may not destroy the work in question, or diminish its value.<sup>244</sup> If a tenant in common rents his property, he has a duty to account to the other co-owners who are entitled to part of the rent. Likewise, co-owners in a copyright are not limited in their use of the copyright merely by the existence of other owners, but there is a duty to account for profits gained by licensing the copyright.<sup>245</sup> In the absence of a contrary agreement, all joint authors have an equal share in the work, even if their contributions are enormously disparate.<sup>246</sup>

The right to license third parties is well articulated in *Ferrer v. Columbia Pictures*:

The law is settled that those in the position of "collaborators" or "joint authors" of a literary work stand in the position of tenants in common with respect to such work, and that either of the collaborators, *without the consent of the other*, may grant a license to use and deal with the work. A grantee or licensee from a joint author may not be considered an infringer and *may not otherwise be prevented by any other alleged joint author* from dealing with the work pursuant to the terms of the license.<sup>247</sup>

As the co-tenant in a tenancy in common may not sell the property without the permission of the others, the joint owner in a copyright cannot transfer *all* of the interest in a work by assigning an exclusive license without the written consent of the other joint owners.<sup>248</sup>

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242. See 17 U.S.C. § 201(a) (1994).

243. See *Three Little Pigs Case*, 314 F. Supp. at 640.

244. See BENDER, *supra* note 76, at § 4.04[3].

245. See *id.*

246. See Nimmer, *supra* note 97, at § 6.08.

247. See *Ferrer v. Columbia Pictures Corp.*, 149 U.S.P.Q. 236, 237 (N.Y. Sup. Ct. 1966) (emphasis added).

248. See 17 U.S.C. § 204(a) (1994).

A work that is the product of joint authorship is a "joint work" which means that each contributor automatically acquires an undivided ownership interest in the entire whole, *including all contributions made by others in that whole*.<sup>249</sup> For instance, if a lyricist collaborates with the writer of a melody to make a joint work, the lyricist has an ownership interest in the melody and the author of the melody has an ownership interest in the lyrics. It should be cautioned, therefore, that if the argument is made that the hiring party of the web site and the designer are joint authors, the designer will have an ownership interest in the content provided by the hiring party and may do with the web site as he likes. In addition, if the hiring party licenses only the portion of the joint work that *he alone has contributed*, he still, nonetheless, must account to the other joint author/hired party. The other joint author/hired party has an interest in the *whole* of the work, not just his own contributions or the fusion of his work with the hired party's work.<sup>250</sup>

Of note is the duty not to destroy the joint work. Clearly, this is easy to understand where there is only one tangible copy, such as a painting on the side of a building where there are many collaborators. Paradoxically, courts have ruled that in some instances the intangible, literary quality of a copyright may be "destroyed."<sup>251</sup> "Some courts have taken the view that a license that permits such extensive use of a copyrighted work as to greatly diminish its value in effect results in a destruction of the work."<sup>252</sup> There is no greater way to extensively disseminate a copyrighted work than through the Internet. It is entirely possible that a programmer, having lost on the issue of whether he is a joint author of the hiring party, may nonetheless prevail on the theory that the hiring party vitiated the value of the work by making it available to the whole world in cyberspace.

Just as a sole author has the right to make a derivative work,<sup>253</sup> a joint author has the right to make a revision of the joint work to make an individual derivative work.<sup>254</sup> A "derivative work" is a work based upon one or more preexisting works.<sup>255</sup> "A work consisting of editorial revisions, annotations, elaboration, or other modifications which, *as a whole*, represents an original work of authorship, is a 'derivative work.'<sup>256</sup> Conversely, if the new work standing alone lacks sufficient originality so as to constitute an original work of authorship, there is no derivative

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249. See Nimmer, *supra* note 97, at § 6.03.

250. See *id.* at § 6.12.

251. See *id.* at § 6.10[A].

252. See *id.*

253. See 17 U.S.C. § 106(2) (1994).

254. See *Weismann v. Freeman*, 868 F.2d at 1317 (2d Cir. 1989).

255. See 17 U.S.C. § 101 (1994).

256. See 17 U.S.C. § 101 (1994) (emphasis added).

work. It remains to be seen whether minor updates of a web site are derivative works.

Unlike the joint work, the copyright in a compilation or derivative work extends only to the material contributed by the author of the new work, and not to the contributions of the original author(s).<sup>257</sup> As to joint works, even though one co-author has the right to revise a joint work in order to create an individual work, the other co-author acquires no property interest in the newly created derivative work prepared without his involvement.<sup>258</sup> The preexisting material employed in the original work remains the sole property of the original author absent an express written agreement to the contrary.<sup>259</sup> Because the right to make a derivative work belongs only in the owner of a copyright,<sup>260</sup> protection of a derivative work does not extend to material used unlawfully.<sup>261</sup> Thus, there is no protection afforded a derivative work when the use of the work upon which the derivative work is based would constitute copyright infringement.

#### VIII. THE INDEPENDENT CONTRACTOR SCENARIO/NO JOINT AUTHORSHIP, BUT TRANSFER OF THE RIGHTS

If a hiring party that did not actually create the web site is *not* found to be an author—either under the work for hire doctrine or by way of joint authorship—his only hope of legally using the web site is by a transfer of a right from the copyright owner to the hiring party. The focus of this section will be on how such a transfer could take place. Copyright vests initially in the author.<sup>262</sup> Therefore, absent a subsequent agreement to the contrary, the hiring party has no ownership right in the copyright. Absent a transfer of the copyright or a license, it would be unlawful for the hiring party in our web site scenario to reproduce the work, make a derivative work, or display the copyrighted work publicly.<sup>263</sup>

In contrast to patent law, it is generally understood that a work is copyrightable if it is *independently created*, even if others have created virtually identical works.<sup>264</sup> Therefore, if it is determined that the hiring party is not the author, then it would be completely proper for a hiring party to: (1) hand the content to be included in a web site over to a programmer; (2) have the hypertext program developed; and (3) after a

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257. See 17 U.S.C. § 103(b) (1994).

258. See *Weismann*, 868 F.2d at 1317.

259. See 17 U.S.C. §§ 103(b), 204(a) (1994).

260. See 17 U.S.C. § 106(2) (1994).

261. See 17 U.S.C. § 103(a) (1994).

262. See 17 U.S.C. § 201 (1994).

263. See 17 U.S.C. § 106 (1994).

264. See *Nimmer*, *supra* note 97, at § 13.01[B].



falling-out with the first hired party, hand the same pre-existing content to a second hired programmer to independently develop another web site. As long as the second hired party does not *copy* the product of the first, no copyright infringement would be found. If such an approach is taken, it should be well documented that the product of the second work was created independently—access plus substantial similarity<sup>265</sup> may result in the inference of copying. Evidence will need to be presented to convince a jury that no copying occurred. The obvious ramifications of such an approach is that the hiring party is deprived of the economic value of the first program.

#### A. TRANSFER OF OWNERSHIP IN THE COPYRIGHT OF THE WEB SITE

Unlike establishing authorship, the analysis of whether a transfer of copyright has occurred absent an express written agreement is quite simple. It is forbidden by statute.<sup>266</sup> Under Section 204, transfer of copyright ownership is not valid unless there is a writing signed by the owner.<sup>267</sup> (Hereinafter, Section 204 will be referred to as the Copyright Statute of Frauds). If, as in our web site fact pattern, there is no *express* allusion in a contract to transference of the ownership of the copyright, no such transference will be *implied* from the circumstances.<sup>268</sup>

#### B. TRANSFER OF AN EXCLUSIVE LICENSE IN THE COPYRIGHT OF THE WEB SITE

Ignoring the definition section of the Copyright Act,<sup>269</sup> a transfer of ownership of the entire copyright is not the same as the grant of an exclusive license. In the former, the original copyright holder is no longer vested with the rights of ownership. In the later, the original copyright holder has not alienated their rights as a copyright holder, he or she has simply bound themselves not to license to third parties. Nonetheless, the copyright act defines a “transfer of copyright ownership” to include not only the *complete* transfers of ownership without a reservation of rights, but the grant of an exclusive license.<sup>270</sup> Given this, *the hiring party that*

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265. *See id.* at § 13.0[F]. Passing reference should be made to the fact that establishing substantial similarity is a nuanced process even for “conventional copies.” *See id.* In the software context, substantial similarity is an even more intricate and arcane proposition. *See id.*

266. *See* 17 U.S.C. § 204 (1994).

267. *See id.*

268. *See id.*

269. *See* 17 U.S.C. § 101 (1994).

270. *See id.* Clearly, the task of calling for the writing of an exclusive license could have been best handled in the copyright statute of frauds. 17 U.S.C. § 204 (1994). There is an alternative to defining transfer of ownership to include transactions beyond that which is usually regarded as the transfer of ownership in common parlance so that these transac-

*did not allude to the assignment of a copyright interest in a written instrument will not own an exclusive license in the web site.* Consequently, it is important to understand what the term “exclusive license” means to determine that which will never be transferred absent a writing.

In an exclusive license, the copyright holder permits the licensee to use the protected material *for a specific use* and further promises that the same permission will not be given to others.<sup>271</sup> Often, the term exclusive license is misunderstood and clarification is useful. While having an exclusive license may mean no others may use the copyright for *any* purpose, this is not necessarily the case. The exclusion of all others may apply to only *one* of the rights in copyright, but not to the remaining rights, and still be characterized as an exclusive license. For instance, in an exclusive license, all others may be forbidden from publicly performing a play while the right to reprint additional copies of the play may not be so limited. It may also mean no others may engage in a particular activity in a particular region. In other words, “exclusive” may mean “exclusive to an *area*” or “exclusive to a particular *use*.”

The flexible meaning of exclusive license may be confusing because when many think of “exclusive” they think of “exclusive to *all* others for *any* use at *any* time.” An exclusive license may have severe time, place, and manner restrictions. For these reasons, paradoxically, an exclusive license may be more limited than a nonexclusive license. Still, it makes no difference if there are time or geographic restrictions on the exclusive license—this arrangement will not be allowed to exist absent a writing.<sup>272</sup> The definition applies similarly to transference of some, but not all, of the exclusive rights in a copyright.<sup>273</sup> In the final analysis, because one needs an express agreement to transfer ownership, a court will not imply an exclusive license in a web site, or in one of the exclusive rights in a web site, even when such exclusionary rights are mitigated by extremely limited temporal or geographical restrictions.

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tions would be subject to the copyright statute of frauds; the copyright statute of frauds could have been written to include all transactions that should be in writing without the use of unlikely definitions. *See id.* One should be aware of the confusion that such a definition creates. *See id.* If one bargains for the transfer of all rights in a copyright to the exclusion of others including the original owner, one should state so explicitly. *See id.* Otherwise, a transfer of ownership may be less than what was bargained for. *See id.* Instead of owning the copyright to the exclusion of all others including the original owner, the new owner may be left with a mere exclusive license. *See id.* Because the statement “programmer contracts to transfer copyright ownership to hiring party” might be construed as meaning only an exclusive license has been conveyed—as opposed to the complete transference of all the rights that was originally intended—explicit language divesting the original owner of any rights should be included. *See id.*

271. *See I.A.E., Inc. v. Shaver*, 74 F.3d 768 (7th Cir. 1996).

272. *See* 17 U.S.C. § 101 (1994).

273. *See id.*

C. TRANSFER OF A NONEXCLUSIVE LICENSE IN THE COPYRIGHT OF THE  
WEB SITE

The Copyright Act explicitly declares that a "transfer of ownership" will not include a nonexclusive license, thereby circuitously exempting it from the copyright statute of frauds since only transfers of ownership require a writing.<sup>274</sup> In contrast to the express license, the grantor of a nonexclusive license, while allowing a party to engage in one of the rights of ownership in Section 106, *does not promise to restrict others in that same right.*<sup>275</sup> The nonexclusive license may be best thought of as a naked promise not to sue. Judge Kenneth Ripple established the fundamentals of a nonexclusive, implied license in *I.A.E.*:

In contrast to an exclusive license, a nonexclusive license may be granted orally, *or may even be implied from conduct.* Nimmer explains that a nonexclusive license is not expressly provided in the statutory text, but is negatively implied from the fact that a transfer of copyright ownership, which by definition does not include exclusive licenses must be made by written instrument. A nonexclusive license is, therefore, an exception to the writing requirement [of the copyright statute of frauds.] In fact, *consent given in the form of mere permission or lack of objection* is also equivalent to a nonexclusive license and is not required in writing.<sup>276</sup>

Judge Kenneth Ripple, noting that courts have universally recognized that a license may be implied by conduct, delineated a three-part test:

[A]n implied license has been granted when (1) a person (the licensee) request the creation of a work, (2) the creator (the licensor) makes the particular work and delivers it to the licensee that requested it, and (3) the licensor intends that the licensee-requestor copy and distribute his work.<sup>277</sup>

These three factors are clearly met in most web site fact patterns. The existence and scope of an implied license depends on the facts of each individual case. Several objective factors guide the judicial inquiry as to whether an implied license exists: the language of the copyright registration certificate, the letter agreement between the two parties, and deposition testimony.<sup>278</sup> Of considerable importance is whether the copyrighted material was delivered without a warning that its further use would constitute copyright infringement (as in the case of our web site fact pattern).<sup>279</sup> If the letter of the agreement suggests that a work

274. See *I.A.E.*, 74 F.3d at 768 (emphasis added).

275. See 17 U.S.C. § 106 (1994).

276. *I.A.E.* 74 F.3d at 774 (citations omitted) (emphasis added).

277. *Id.*

278. See *I.A.E.*, 74 F.3d at 774.

279. See *id.*

is to be created, common sense will dictate that it was created to derive some type of economic value or to bestow a suitable benefit. If it is obvious that a work was created for a specific purpose, *that purpose will be implied even if not expressly stated.*<sup>280</sup>

*Effects Association Inc. v. Cohen*, not only sheds much light on our problem, it provides a moment of levity.<sup>281</sup> The work in question was a movie called "The Stuff." As Judge Alex Kozinski describes, "Earth is invaded by an alien life form that looks (and tastes) like frozen yogurt but, alas, has some unfortunate side effects—it's addictive and takes over the mind of anyone who eats it."<sup>282</sup> In cooking up this gustatory melodrama, the movie producer asked a special effects company to enhance certain action sequences of the film.<sup>283</sup> In a short letter, the special effects company offered to prepare seven shots, the most dramatic of which would depict the climatic explosion of the [yogurt] factory.<sup>284</sup> After a falling-out with the special effects company, the special effects were incorporated nonetheless.<sup>285</sup>

After rejecting a comic argument that movie producers "are too absorbed in developing 'joint creative endeavors' to 'focus on the legal niceties of copyright licenses'"<sup>286</sup> and rejecting the movie-makers-do-lunch-not-contracts argument to circumvent the copyright statute of frauds, the court was called upon to decide whether there was an implied license to use the exploding yogurt factory scene for which roughly \$56,000 was paid.<sup>287</sup> The court ruled when the special effects company created a work at the movie company's request and handed over the film to the movie producer, one could infer from the circumstances that both parties assumed that the movie maker would incorporate it in the movie.<sup>288</sup> Surely, Judge Alex Kozinski reasoned, neither party expected \$56,000 to be spent on shots featuring great gobs of alien yogurt oozing out of a defunct factory only to throw them in a desk drawer. The movie maker could use the footage, and the special effects company could not stop them.<sup>289</sup>

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280. See *cf. I.A.E.*, 74 F.3d at 776 (finding it obvious that an architect was paid money for drawings to be used in the actual construction of the building, and referring to *Effects Assoc., Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990) (discussed below) in which common sense suggested that film footage was obviously to be put in a feature length film because it was of no benefit otherwise).

281. See *Effects Assoc., Inc. v. Cohen*, 908 F.2d 555, 555 (9th Cir. 1990).

282. See *id.* at 556.

283. See *id.*

284. See *id.*

285. See *id.*

286. *Id.* at 557 (this is the actual text of the Appellee's Brief at 16, 18).

287. See *Effects*, 908 F.2d at 556.

288. See *id.* at 558.

289. See *id.* at 559.

So too with our web site fact pattern. One could not possibly expect that the hiring party was to pay good consideration to have a web site created and not be able to use it. Why would anyone reach such an agreement? As did the special effects producer in *Effects*, the hypertext programmer will still have the right to sue for breach of contract, and may license, sell or giveaway the remaining rights in the web site for nothing.<sup>290</sup>

One problem may arise in our web site fact pattern about the *scope* of the existing license. It is so well established that one may be held liable for activity that would constitute infringement that it is outside the scope of a given license that no citation is necessary. One may ask, is payment of the web site a condition precedent for using the web site? In other words, if the hiring party has not paid the programmer, can the hired party still use it? The answer is yes, but obviously the hiring party will be contractually liable to live up to his end of the contract. "Once a non-breaching party to an express copyright license obtains and exercises a right of rescission by virtue of a material breach of agreement, any further distribution of the copyrighted material would constitute infringement."<sup>291</sup>

In *Graham v. Jones*, a case involving oral licenses in the software context, it was held that under New York law, there is a presumption that payment of royalties is a covenant and not a condition.<sup>292</sup> The distinction is important. As Judge Jacobs in *Graham* explained,

[I]f the licensee's improper conduct constitutes a breach of *covenant* undertaken by the licensee and if such covenant constitutes an enforceable contractual obligation, then the licensor will have a cause of action for breach of contract, not copyright infringement. However, if the nature of a licensee's violation consists of a failure to satisfy a *condition* to the license, it follows that the rights dependent upon satisfaction of such condition have not been effectively licensed, and therefore . . . constitute an infringement of copyright.<sup>293</sup>

It was ruled that New York law favors finding a covenant when a condition is not clearly intended.<sup>294</sup> Moreover, when the licensor turns over the software before the initial payment of the hiring party, it is more likely that payment of royalties is a covenant, not a condition precedent.

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290. *See id.* (holding special effects company had similar rights).

291. *Fosson v. Palace Ltd.*, 78 F.3d 1448, 1455 (9th Cir. 1996) (citing *Rano v. Sipa Press*, 987 F.2d 580 (9th Cir. 1993)).

292. *See Graham v. James*, No. 97-7706, 1998 U.S. App. LEXIS 10115 (2d Cir. May 18, 1998).

293. *Id.* at \*17-\*18 (quoting NIMMER ON COPYRIGHT § 10.15[A]10-121 (1996) (emphasis added)).

294. *See id.* at \*19.

Some courts have held that when there is non-payment of royalties, there may be a material breach of contract.<sup>295</sup> This is critical. A material breach of a covenant will allow the licensor to rescind the license and hold the licensee liable for infringement for uses of the work thereafter.<sup>296</sup> In New York, recession is permitted if the breach is material and willful, or if not willful, so substantial and fundamental as to strongly tend to defeat the object of the parties in making the contract.<sup>297</sup>

But, to rescind, the non-breaching party must take affirmative steps.<sup>298</sup> The non-breaching party must manifest his intention to rescind within a reasonable period of time.<sup>299</sup> There must be positive and unequivocal conduct inconsistent with an intent to be bound.<sup>300</sup> Simply put, the non-breaching party must show not only that there was a material breach, but that there was a timely and effective rescission.<sup>301</sup>

A breach will justify rescission of a licensing agreement only when it is of such a material and substantial nature that it affects the very essence of the contract and serves to defeat the object of the parties.<sup>302</sup> Exceeding the scope of the license may occur when the material breach consists of not using the hired party for additional works that were part of the contract. Such would be the case if the hiring party had contracted with the programmer to update the web site. If the programmer's services were not utilized per an agreement, a court could find that there was a material breach.

To the extent that state law does not conflict with the Copyright Act, it should be noted that whether there is an implied license is governed by the local law of contracts.<sup>303</sup> The general law of implied contracts, for which implied licenses is a section, should be considered.<sup>304</sup> For example, under many state laws (such as California) agreements of non-specified duration are terminable at will, whereas, in other states, courts will gap fill so the contracts will extend for a reasonable period of time.<sup>305</sup> However, under the Copyright Act, the grant of a license, absent an agreement to the contrary, may only be terminated no sooner than thirty-five years after the original grant, and no later than forty years after the original grant.<sup>306</sup> In short, absent a material breach, the hiring

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295. *See id.* at \*20-\*21.

296. *See id.* at \*21.

297. *See id.*

298. *See id.*

299. *See id.*

300. *See id.*

301. *See id.* at \*22.

302. *See Rano v. Sipa Press*, 987 F.2d 580, 584 (9th Cir. 1993) (citations omitted).

303. *See S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989).

304. *See* RESTATEMENT (SECOND) OF CONTRACTS.

305. *See, e.g., Rano*, 987 F.2d at 584.

306. *See* 17 U.S.C. § 203(a)(3) (1994); *Rano*, 987 F.2d at 583.

party has at least thirty-five years to use the web site.<sup>307</sup>

Exceeding the scope of the contract proved to be critical in *S.O.S v. Payday*.<sup>308</sup> This case is also emblematic of how factual context can change whether there is an implied contract, even using the same written contract.<sup>309</sup> Under the contract, Payday had "a right of use" to the provided program but no right to update since the contract did not refer explicitly to copyright.<sup>310</sup> Therefore, the "right of use" referred to the right to use the *program*, not the right to use the *copyright*. In a footnote however, the court ruled that if the contract had been between S.O.S. and another software company, it might have been implied that the "right of use" provision applied to the copyright, not just the program.<sup>311</sup> The court found that Payday exceeded the scope of its license when it copied and prepared a modified version of the program without S.O.S.'s permission.<sup>312</sup>

It is difficult to tell how a court would rule if a contract between a hiring party and a programmer to create a web site had a "right of use" clause, but was silent as to whether that applied to the program, or the copyright. Further, *S.O.S.* demonstrates how difficult it is to determine whether a copy of the program has been rendered, or just the right to use the program.<sup>313</sup> For reasons that will be discussed below, this is of considerable significance.

One of the few other cases that applied the implied license doctrine to the software context was *Mac Lean Associates Inc. v. Wm. M. Mercer-Meidinger-Hansen Inc.*<sup>314</sup> The district court had ruled (and both parties had agreed) that when the programmer incorporated his software that he created at home, into a system that was to be given to a third party on behalf of the party that had hired him, both the hiring party and the third party had an implied license to use the software.<sup>315</sup> This did not, however, create a right for the hiring party to give the software to other third parties.<sup>316</sup> To do so would have been to exceed the scope of the license.

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307. See 17 U.S.C. § 203(a)(3) (1994).

308. See *S.O.S.*, 886 F.2d at 1081.

309. See *S.O.S.*, 886 F.2d at 1081.

310. See *id.*

311. See *id.* at 1088 n.8.

312. See *id.* at 1089.

313. See *S.O.S.*, 886 F.2d at 1081.

314. See *MacLean Assoc., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, (3d Cir. 1991).

315. See *id.* at 777.

316. See *id.* at 780.

## IX. CONCLUSION

As has been shown, determining who is the owner of a web site is a complex, multi-stepped process whose outcome may vary depending on the disposition of various courts to particular issues. The initial analysis begins by determining who is the author. The work for hire doctrine and joint authorship should be examined closely. If it turns out that the hiring party is not an author under one of these two theories, it must be determined whether any of the bundle of rights have been transferred by an outright transfer of ownership of the entire copyright, or whether an exclusive or nonexclusive license has been granted. While the necessary questions are easily posed, the analysis may be abjectly complex, and due to the lack of precedent, such analysis is doomed to the state of educated conjecture. Obviously, the use of carefully drafted assignment clauses will prevent the necessity of navigating such a legal labyrinth.



