COPYRIGHT LAW

FUNDAMENTALS FOR THE DESIGN PROFESSIONAL

Mulligan | Bjornnes
PLLP
Attorneys at Law

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Introduction

A large part of my law practice in recent years is representing design professionals, who include the following: graphic designers, advertising agencies, musicians, web designers, architects, home planners, photographers, writers, artists, illustrators, muralists, fashion designers, and software creators. These hard working people in many fields have many things in common; foremost among these are a need to get paid fairly for their efforts, and not to be abused by others who use their work product without proper compensation. Many design professionals erroneously believe:

-that they lack leverage in any dispute with clients in getting paid
-that copyright law is complicated and cannot be used to their advantage, and
-that legal disputes over their work product will be expensive and drawn out.
-it is bad for business to bring up legal matters with clients.

I wrote this booklet as a legal guide to those who create intellectual property to inform them regarding copyright law fundamentals. It is my intent to inform them not only of their rights to the property they have created, but also to advise them of some simple strategies to help them get paid, and to maximize the advantages the law gives them in any argument over unauthorized use of their work.

This booklet is designed as a reference and to teach. While the intention is to help you, it is not a complete and authoritative resource on copyright law. In its effort to simplify matters, it may not always deal with certain subtleties or exceptions that particular factual situations might give rise to. It should not be considered legal advice; in most situations, contacting an attorney is the only way to be sure your conclusions are correct.

John M. Mulligan
Attorney at Law
401 Groveland Avenue
Minneapolis, MN 55403
612.871.1800

Rule I
If you created it, you own it…

The key word in Rule I is "create." Copyright law recognizes ownership of original work product, something that is the result of the creative process. All would readily see that an original painting, novel, or song lyric is the subject of copyright law giving rise to legal rights. However, most commercial work product such as a design for a bottle of shampoo, a cover for an employee training manual, or a photo or ad copy contained in an advertisement is equally creative and equally protected under the law. Some examples of how the line is drawn as to what is creative and original, or not, would be as follows:

- **In designing homes and buildings, it is not considered part of the creative process to include merely functional elements. Therefore, doors, windows, and stairs are considered functional elements and are not protected by copyright. A truly original layout of rooms or an original exterior appearance would qualify for ownership by the creator.**
- **Courts have by and large concluded that complications of facts and data, such as tables of tides or telephone books are not the result of the creative process and therefore not protected by copyright law.**
- **Works derived from other original works are considered "derivative" and are copyrightable only to the extent of the original part that has been added by the derivative work, but excluding the work created by others. By way of example, if you wrote a short story using Sherlock Holmes and the cast of characters created by Sir Arthur Conan Doyle, your copyright would extend only to the new and entirely original elements you added. In most situations involving derivative copyrights, you will need the consent of the holder of the underlying copyright to exploit it for commercial use, or else you will be infringing on that creator's work if you have not obtained it.**

For the design professional, this application of the law should be looked on as an opportunity to build assets. There are many similarities between real estate law and intellectual property law. However, as Mark Twain observed about real estate, "they aren't making any more of it;" as a design professional you create new property daily. Your focus should be on how to maximize its value to you.

Rule II
Unless you were an employee when you created it…

If you are in an employment relationship, anything you create within the scope of your employment automatically belongs to your employer by application of law, absent a written agreement to the contrary. For example, if you work as an in-house graphic designer for a large bank, the bank will own your work product, not you. If you leave and go elsewhere, you are not permitted by law to use the same work product you created for your new employer, because you would be infringing the rights of the bank you used to work for. The most typical examples of employees who are creating intellectual property for the employer and not for themselves would be copywriters in ad agencies or in-house agencies of large corporations, staff architects in architectural firms or construction companies, or illustrators for newspapers or magazines.

The legal issue of determining whether a worker is an "employee" or an independent contractor could fill a separate book. The most common point of inquiry is whether or not there was control by the employer over most of the means of performing the job. Employers sometimes seek to avoid an employment relationship, in order to limit their tax contribution liabilities and for insurance purposes. State authorities may sometimes seek to impose an employment relationship for their own purposes, whether or not one of both of the parties agree. If there is any ambiguity as to whether or not a true employer-employee relationship exists, it is undoubtedly useful for both sides to have a written agreement that specifies the nature of the relationship and the ownerships rights to any intellectual property created. These agreements need not be long, but do need certain key language. Many employers now require their independent contractors to form a corporation or limited liability company, which provides certainty as to the independent contractor status.

Usually the ground for conflict on this subject is whether or not a person is an employee or an independent contractor. With the rise in freelancing as a practice, the disputes in this area are bound to grow.

Rule III
Or unless you have entered into a specific written agreement to transfer the copyright.

Outside of an employment situation, copyright normally belongs to the creator of the work, unless the creator expressly transfers the copyright to someone else. That means that unless you are an employee, you automatically own the copyright in anything you create unless you sign a written document with specific language transferring those rights to someone else. Be careful when you are presented with such a document, however, because when you assign your copyright to someone else you might be giving away more than you think you are.

The general rule to remember is derived from a Supreme Court decision that in an independent contractor relationship, the creator retains ownership of the property, absent the specific language of a "work for hire" agreement. For example, if a company's products, or hires an artist to illustrate a scene for a brochure, the photographer or artist retains all copyright for their work product. The parties could even have a written agreement between them concerning the scope of the duties of payment, which would not change the result, unless that written agreement also specified that it was a "work for hire" arrangement, and that copyright ownership would transfer. Mere oral arguments or promises are not sufficient to operate as "work for hire" arrangements; it must be in writing.

There are alternatives to an outright transfer of copyright that should be considered and used by the design professional. In the above example, the photographer could grant a license for a limited purpose (for use on the annual report) or for a specific period of time (one hear from the date of delivery). Frequently this is handled by language on either the photographer's invoice, the engagement letter, or on some other document that forms part of the transaction. It should be noted that law can recognize the existence of a written contract even through a conventional formal contract (names of parties on the top, signatures on the bottom) isn't completed, or even though the contract is contained in two or more documents.

Copyrights are very valuable. The copyright owner is the one with the right to modify, reuse, republish, and repurpose the work. If you are not the copyright owner, then you could lose the right to be compensated for these additional uses, and to be consulted concerning modifications and additional uses of your work product.

Rule IV

Payment for services does not by itself serve to transfer copyright.

Payment for services, in and of itself, does not serve to transfer the copyright, This Rule takes most people by surprise, and it particularly surprises people who hire design professionals. Let's say you are paid for the right to sue one of your designs, to which you own the copyright, for the cover of a client's product manual. As long as you did not expressly transfer the copyright via a written agreement, be aware that all you have sold is the right to use your design for the cover of the manual. If that customer then uses your design on its website or else where, even though they have paid you for the use of the design, that customer is infringing on your rights. You are entitled to compensation for the unauthorized use.

Frequently this concept of right to use is handled informally, and is often not even spoken about. A typical example would be a graphic design firm who develops a package design or logo for a client without any written agreement or even discussion about copyright ownership. If the client pays the designer, the designer usually has no problem with the client using the design indefinitely into the future. However, if the client doesn't pay, the designed is positioned to assert unauthorized copyright use as leverage to get paid the fees that are due. Even if the parties agree that the work is to be performed on a "work for hire" basis, the astute designer's agreement should make transfer of the copyright conditional on payment in full.

Avoid problems in this area y making sure that both you and your customer each know the limits of your agreement. A carefully drafted contract, which can be brief, can limit and clarify the ways in which a customer can use your creation, and thus generate more ways for you to profit from it. This type of contract is often called a license. You do not need a written agreement to grant someone a license, but a written agreement is helpful in case a dispute arises about what the terms of the agreement are.

Rule V

As a copyright owner, you have the exclusive right to exploit the copyright.

A copyright actually consists of more than one "right" - it is a set of rights. These rights are the reproduction, distraction, public c performance or display, and production of derivative works, including medication.

It can be helpful to think of a copyright as a bundle of rights. As the owner of the copyright, you can sell all the rights at once, or you can divide the rights into smaller bundles and loan them out for a limited time. By dividing and subdividing your copyright (granting limited licenses instead of selling the whole copyright) you can get more mileage, and thus more profit, out of your copyright.

Anyone who uses any of the rights listed above without your authorization is an "infringer" of your copyright, and you can sue them to make them stop, have the infringing goods taken off the market, and collect damages.

Some areas of controversy that have arisen in recent years involve rights of reuse of the copyrighted material in ways not contemplated by the creator. For example, a homebuilder asks a home designer to design a model home meeting certain specifications for a set fee. The model is a success, and the homebuilder goes on to build fifty more homes just like it, without paying any additional design fees. In this case, unless there was a written work for hire agreement, the designer is entitled to a design fee for each re-use, because it was the designer who has the exclusive right to exploit the copyright.

Another example would be a photographer who shoots an image for a print ad, when hired as an independent contractor by an ad agency for a client. Without either a specific license agreement or a work for hire agreement, neither the ad agency nor the client have the legal right to re-use the image for a product package.

A controversy in the news recently concerned the right of a newspaper and magazine publishers to re-publish or offer for sale online works of freelancers previously saying there was no inherent right, absent specific consent from the writers, to make available in electronic databases work previously published in magazines. In response, the publishers have broadened their license agreement to include future technology, which many writers are resisting.

In summary, the careful professional licenses, and not transfers or assigns, their work product, and restricts the re-use of copyrighted materials to ensure that they benefit financially from re-use of the work in another format.

Rule VI

While federal registration of a copy right isn't necessary, timely registration of a copyright gives you significant advantages should you ever get into a legal dispute over rights to use of the copyrighted material or your right to get paid.

It is not necessary to register in order to obtain a copyright—the creator owns the copyright from the moment of expression in tangible form.

However, timely registration of a copyright secures several legal advantages in the event of infringement. Before a copyright infringement lawsuit can be commenced, the copyright must be registered. If you register only after you learn of the infringement, you will have a delay of possibly several months before you can complete the registration. Because the remedies for copyright infringement include forcible removal of the infringing goods from the market, it follows that the more quickly you can bring a suit, the more quickly you can get ht e infringing goods off the market. Thus, a delay in bringing suit can have severe consequences which timely registration can prevent. Additionally, if your copyright is registered at the time of the infringement, you can collect statutory damages and attorney's fees.

Here is how a copyright claimant can give themselves some legal advantages. Always put a copyright notice (see discussion under Rule VIII for details) on your work product so no one can claim the "innocent infringer" defense.

Register your work by filing a registration with the Copyright Office. Learn how to do it yourself; it is by and large not complicated. The Copyright Office has a helpful website at : http://lcweb.loc.gov/copyright. Consult with an attorney on crucial questions. You can save on registration fees by filing several drawings or songs at one time as compilations. Because registration will involve filing of samples, you will have proof of the time of your creation. Many people still think that a common law copyright technique of mailing themselves their content, and preserving it unopened satisfactory. While that may be of some slight use in certain situations, it does not compare to the benefits of actual registration.

Rule VII
There are no exceptions to copyright law principles for the Internet, regardless of what you may hear.

The Internet began as an unexplored frontier, much like the American frontier. Boundaries were uncertain, new territories needed exploration, and opportunists flocked to seek their fortune. Like the wild, wild west, the rule of law was largely absent, but eventually came to take control. Many myths and inaccurate conclusions about the Internet have been widely circulated. You should know the following about the Internet:

- **Copyright principles apply to all Internet content. Property belongs to the creator and the only way to transfer title or rights of use is by written agreement.**
- **Just because content is on the Internet doesn't mean it has passed into the public domain.**
- **The "fair use" doctrine almost always will not save you if you are using someone else's creation to make money. Fair use is available for teaching, scholarship, research, news reporting and other high-minded concerns. Using someone else's work product or image on your website is generally not fair use, even if you are not making money from it.**
- **"Public display" of any work is a recognized exclusive right of the copyright holder; putting work on the Internet is just as surely public display as print it on paper.**
- **Rights of publication granted by writers, artists, and photographers have been held not to extend to electronic databases, or online transfers without specific additional consent.**
- **The reluctance of copyright owners and celebrities so far to pursue infringement claims against unauthorized users does not mean that an infringer has immunity, or will escape eventual litigation.**

Above all, remember this rule: when in doubt, seek legal advice.

Rule VIII

There are some basic things every design professional should always do to both protect and assert their legal rights, which will be helpful in nearly every dispute.

Here are some things you should do as a standard practice:

1. <u>Put a copyright notice on all your work product, in every form.</u>
The elements you should use are the copyright symbol (©), the word "Copyright," the year of creation, and the copyright owner's name. For example: © Copyright John M. Mulligan 2001. (Purists might say you need only the word or the symbol, but why not be clear as to your intentions?) The copyright law says it should be in a prominent place, but you can avoid argument about adequacy of notice in numerous places. There is no penalty for having too many notices. Also, for works in different forms, such as software, have the notice in the software text, on the CD or other storage medium, and on the package wrapper, as well.

2. <u>Put a limit on your license of use—ideally next to your copyright notice.</u>
If you wish to make clear that there are limits on the use, make that clear to all. Some examples would be:

- **"Licensed for a single use of these plans to build one structure."**
- **"Licensed for one year's use in print media only."**
- **"Licensed only for purposes set forth in invoice."**
- **[Stated negatively] "License does not extend to electronic storage or re-use of content."**

You can state the limits on your license in your engagement agreement (if you use one), your invoice, or other document that forms the written contract between you and the client. Be wary that the client does not have license language you don't want in the client's purchase order or other form of the client's documentation that you unwittingly accept. Since this type of language is usually in fine print, make it a habit to read that part of the documentation carefully.

3. <u>Use practical means, if available to you, to limit unauthorized use of your work product.</u>
Many people fail to take precautions because they are very trusting of the integrity of

the people they encounter. One doesn't have to work very long in a law office to understand how frequently trust is misplaced. I am reminded of the old folk wisdom, "Locks are for the purpose of keeping honest people honest." Therefore, if you can, take steps to lock up your work. There are numerous means to prevent unauthorized copying of your work product, depending on what form it is in. Photographers use watermarks to identify their photographs. Computer programmers have available tools to prevent copying of programs or to record that copying occurred. Even if you can't find a practical and affordable means to limit unauthorized use of your product, keep good records of dates of transfers of property when work is made available for review or possible purchase, because being able to establish the infringer's actual access to the infringed work prior to the date of infringement will be very helpful in asserting your claim.

4. <u>Use written agreements with your clients.</u>

I doubt anyone ever envisions going to court at the time they are involved in the sale of their services or art, or when signing up a new client. However, if you were to visit court with me, you would know that many, many disagreements that do land in court will start with the judge inquiring, "What was the understanding between the parties?" It should not surprise you that being able to produce a written agreement containing the terms of the transaction usually carries the day in court, or even more frequently, keeps you out of court altogether. Many people think that producing an agreement at the start of the relationship, particularly when they are just plain happy to have obtained the client, will get things off to a negative start, or cool off the transaction altogether. However, my experience is quite the opposite. Some of my conclusions from years of experience can be summarized as follows:

- **A client who is reluctant to sign an agreement to pay you has already formed an intention not to pay you;**
- **A client whose intentions are honorable will have no problem signing a written agreement, as long as it is clear and mutually fair;**
- **Most people in business simply do not know the fundamentals of copyright law (for the are often just the opposite of laws regarding real estate, for example) and an agreement is an opportunity to educate them and make clear your expectations;**
- **A written agreement can prevent honest mistakes, or mutual misunderstandings;**
- **A written agreement fixes expectations for both parties.**

Rule IX

If infringement of your work occurs, and you have taken the steps described in this pamphlet, you can maximize your leverage and minimize your legal expenses to get what the law provides.

If you discover that your copyrighted work has been infringed upon, do the following:

- **Gather as much information as you can as to the date and scope of the infringement;**
- **Contact an attorney to have a "cease and desist" letter written for you to the infringing party;**
- **Work with your attorney to ascertain the size of the damages involved;**
- **For large scale infringement, have your attorney promptly seek an injunction to prevent further unlawful use. Often this is the first battle that determines the outcome of the war.**
- **For small scale infringement, use small claims or conciliation courts, if the damage ceiling for the court is higher than the amount of your damages;**
- **Network within your trade association or craft guild to identify known abusers of copyrights;**
- **Send notice to any retailer or advertiser affected. For example, if an ad agency uses an image or design you created without securing your consent, go directly to the advertiser client and advise them of their potential liability. Do the same with any store selling infringing packaging or merchandise. However, be sure of your facts when making communications to third parties. Truth is a defense to any defamation claim, but you will have the burden of proving a statement to be true. Often the threat of involving the client or retailer is enough to cause infringers to treat you fairly.**
- **Your objective should be to assert yourself early, and seek settlement compensation without protracted litigation.**

John M. Mulligan

John M. Mulligan graduated from the University of Minnesota with a B.A. magna cum laude in American Studies in 1970 and with a J.D. cum laude in 1976. He was admitted to the MN and US bar in October of 1976. Mr. Mulligan was also a member of the Law Review at the University of Minnesota. He has a broad range of experience in a number of areas, including general business law, trial work, family law, and intellectual property. Mr. Mulligan's community activities include historic preservation and youth baseball.

In the past few years, he has been named a "Super Lawyer" by several Minnesota business publications.

Mulligan & Bjornnes · 401 Groveland Ave · Minneapolis MN 55403
Phone: 612-871-1800 · Fax: 612-871-7869 · Email: jmulligan@mulliganbjornnes.com