I Paid for That Software to Be Developed, So Why Don't I Own It?

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You may believe that your company has an unfettered right to do what it wants with a computer program created by its workers—but that may not be the case.

Consider the two similar scenarios below:

Suppose that your company is fortunate enough, or substantial enough, to have one or more software developer employees. Suppose also that one of your software developers writes the code for a new computer program that you would like to market.

Now, suppose your company is either not substantial enough to hire its own software developer or simply doesn't care to increase its overhead, relying instead on the expertise of outside independent contractors to provide those services. Suppose also that one of your independent contractors writes the code mentioned above.

The "Work Made For Hire" Doctrine

Software code comes within the purview of U.S. copyright laws. The general rule is that the person who "creates" a "work" is the author and owner of that work. There is an exception to that principle: Copyright laws define a category of works called "works made for hire." If a work is "made for hire," the employer, and not the employee, is considered the author and owner. The term "employee" here is not really the same as the common understanding of the term, however. For copyright purposes, it means an employee under the general common law of agency.

If a work is created by an employee who qualifies as such under certain factors identified by the U.S. Supreme Court in *Community for Creative Non-Violence v. Reid,* then the work would be considered a work made for hire. Under the first scenario presented above, the company, which is also the employer of the code-writer, would own the software code.

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The "Works Made For Hire" Fallacy

If a work is created by an independent contractor (that is, someone who is *not* an employee under the general common law of agency), then the work is a specifically ordered or commissioned work. Such a work can *only* be a "work made for hire" if (a) it comes within one of nine statutorily-defined categories of copyrighted works or (b) there is a suitable document specifying that the copyright in the work has been assigned.

Under the second scenario presented above, the code is not a "work made for hire" because software code is not one of the nine statutorily-defined categories of works and the company does not own the copyright in the code. This result cannot be corrected by a written agreement specifying that the work is a "work made for hire". This is a trap for the unwary. In order for the company to own the code, an *assignment* of the copyright from the independent contractor back to the company is required.

The bottom line here is that the closer an employment "relationship" comes to a regular, salaried employment, the more likely it is that a work created within the scope of that employment would be a "work made for hire." However, since there is no precise standard for determining whether or not a work is made for hire, consultation with an attorney is advisable.