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GOVERNMENT

Patent is important, but copyright is 'easy'

By Richard E. Neff

In the technology and creative sectors, copyright is king. Whoever owns the copyright owns the software, the website, the film, the music, the image. Sure, patent is important in the technology and ecommerce sectors, but copyright is "easy" ownership whereas patent is "hard" ownership. What I mean is that copyright exists upon creation of a work, a piece of software, or a video, but to patent an invention takes years, lots of money, and it's by no means a sure thing.

However, many businesses, especially young businesses, often fail to achieve or "perfect" their copyright ownership. For example, if an employee develops software for the company as part of her work, the company automatically owns the copyright under "work made for hire" principles. But if a developer is developing custom software for a client company, the contract must state that the company owns the work product, or the developer can argue that it has retained ownership. The failure to specify that the company which commissioned the work and paid for it will in fact own it can have devastating consequences for the company that commissioned the work.

This failure leads to lots of wasteful litigation. I am involved in two matters this year that both derive from ambiguity over copyright, litigation that could easily have been avoided. One case involves ownership of software, the other case involves ownership of images/photographs, in the latter case, there was an oral but no written agreement. Put simply, and ignoring potential patent rights for the moment, whoever owns the copyright owns the work.

Years ago I represented one of the most famous financial software companies in the world. It commissioned some advertising graphics in France. It entered into a simple contract basically agreeing to pay for the ads once approved. It paid for the ads. But the contract did not include an assignment of copyright. An opportunistic French lawyer tried to extort a lot of money from my client for its continuing to run the ads without paying for the copyright assignment. Ultimately, we were able to obtain an assignment of copyright relatively inexpensively, but the situation could have been avoided.

Even with employees, it is important to make clear in an initial agreement, sometimes called "Assignment of Inventions and Confidentiality Agreement" that anything within the scope of an employee's duties created during working hours belongs to the company. Some jurisdictions, notably California, make clear that employees have the right to create their own works on their own time using their own equipment. California Labor Code Section 2870 enshrines the right of employees to retain ownership of their own creativity that meets the "independent" standards set forth therein, and that statute makes clear that the invention or work should not relate too directly to what the employee is doing at work.

If you own the copyright in a "United States work" (most commonly, work first published in the U.S.), you will not be able to pursue an infringement action in the U.S. unless you have first registered your copyright. 17 U.S.C. Section 411. With some exceptions, only infringements that occur post-registration may be pursued. Even companies that are meticulous about obtaining copyright by contract often fail to register the work with the U.S. Copyright Office. For U.S. copyright owners, registering the work gives several invaluable procedural and remedial advantages, including obtaining statutory damages, which do not have to be proven, and which range from $750 to $150,000 per work infringed, depending upon the willfulness of the infringer, as well as the recovery of costs and attorney fees against the infringer. 17 U.S.C. Section 504.

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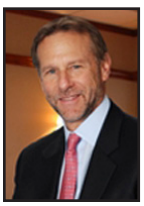
To be clear, ownership of copyright is not always appropriate or possible. For a variety of clients, I draft and negotiate their license agreements for their software, music or videos. These works are their crown jewels. They have no intention of giving up ownership, any more than Microsoft desires to transfer copyright in its commercially available programs to its licensees. For companies whose business model and value is based on creating and licensing its inventions and creativity, whether software, music or film, they virtually always retain ownership, giving only license rights to other companies or individuals.

One of my clients licenses very complex database software to large client companies. Naturally, it retains ownership, in all of its license arrangements, of the software in which it has invested over time hundreds of millions of dollars to create. However, this company also offers professional services in which it develops custom software for large clients, which often relates to the specific data configuration of a client, or perhaps a unique interface. Even when developing custom software, which it permits its clients to own, my client is careful to retain ownership of any preexisting materials that it used to create the custom development, or that is included in the custom software. It also must make clear that knowledge gained by its engineers in developing custom software cannot be owned by the client, and will be reused.

In general, in any deal you're doing which involves obtaining or licensing a creative work, the intellectual property considerations are of utmost importance, and in most cases, especially in the creative and technological sectors, you need to worry about copyright.



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