

# LIBRARY

Harris v. CBL



UNITED STATES CODE  
TITLE 17. COPYRIGHTS

CHAPTER 1—SUBJECT MATTER AND SCOPE OF COPYRIGHT

§ 101. Definitions

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"Audiovisual works" are works that consist of 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.

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A "transfer of copyright ownership" is an assignment, mortgage, exclusive license, or any other conveyance . . . of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

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A "work made for hire" is —

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, . . . if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

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CHAPTER 2—COPYRIGHT OWNERSHIP AND TRANSFER

§ 201. Ownership of Copyright

(a) Initial Ownership. Copyright in a work protected under this title vests initially in the author or authors of the work . . . .

(b) Works Made for Hire. In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

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§ 204. Execution of Transfers of Copyright Ownership

(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

Wilkes v. Monterey Festival, Inc.  
United States Court of Appeals (15th Cir. 1997)

This is an appeal from the Franklin district court's decision granting summary judgment in favor of defendant Monterey Festival, Inc., in an action for copyright infringement.

Cleary Magnuson, production director of the Monterey International Pop Festival, invited Tom Wilkes, along with other graphic artists, to "audition" for the design of a graphic character to be used in TV commercials for the Festival. Magnuson told each of the invited artists that the winning submission would be a "work made for hire" and that the artist would be paid \$5,000.

In response, Wilkes created a proposed graphic character at his own studio, used his own equipment, controlled when and how long he worked, and had discretion over matters ranging from artistic design to hiring assistants.

Wilkes sent the character he prepared to Magnuson and was later notified that his submission had been selected. Magnuson then sent to Wilkes a check for \$5,000 and a letter that stated in part: "Pursuant to our understanding, your design is a work made for hire and is the property of the Festival, a fact you acknowledge by signing and returning to me a copy of this letter." Wilkes signed and returned to Magnuson a copy of the letter.

That year the Festival organizers used the character in Festival publicity. The character proved to be such a popular identifier that the

organizers decided to make it the Festival's permanent symbol. Other artwork, however, would be commissioned each year as the Festival theme changed.

When the organizers used the character designed by Wilkes in advertisements in the Festival's second year and as the symbol that still dominates its web page, Wilkes filed this action claiming copyright infringement of the character.

Wilkes raises two arguments in his appeal challenging the award of summary judgment in favor of the Festival. First, he claims the district court erred when it concluded that his character design was a "work made for hire" under § 101 of the Copyright Act. Second, even if the doctrine applies to his design, Wilkes asserts that a written work-made-for-hire agreement must be executed *prior* to the creation of the material subject to copyright.

1. Graphic Characters as Works Made for Hire

Section 101 of the Copyright Act limits work made for hire to "work prepared by an employee" within the scope of employment and to specified works created by others. Wilkes correctly argues that he was not an employee but an independent contractor. Thus, to be a work made for hire, the character he created for the Festival must be covered by the second clause of the § 101 definition. Wilkes asserts that the character he produced is not

part of a collective work, a compilation, or any of the other items listed in the subsection. We disagree. Because the character was to be used in a television commercial, it is a "part of a motion picture or other audiovisual work" under the § 101(2) definition, and therefore, the work is subject to the work-made-for-hire doctrine.

## 2. Execution of the "Work Made for Hire" Agreement

Section 101(2) of the Act states that "the parties [must] expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." Wilkes argues that this language requires that the writing must be executed *prior to* the creation of the copyrighted material. There is support for Wilkes's position. A written work-made-for-hire agreement, signed after the creation of the material, ordinarily does not meet the statutory mandate. The writing requirement is intended to protect against false claims of unwritten copyright agreements. It is designed to provide definitive evidence of the ownership of intellectual property to insure that such property is marketable.<sup>1</sup> To allow after-creation writings would foster confusion and undermine the goals of the Copyright Act.

However, the writing requirement may be met by a document signed by both of the parties and executed *after* the work is created *only if* the writing confirms a prior agreement, either

explicit or implicit, made before creation of the work protected by copyright.

When Wilkes responded to the "audition" invitation, which included Magnuson's statement that submissions were "works made for hire," he implicitly acknowledged that his character design, if selected by the Festival, would be a work made for hire. By signing the letter agreement, Wilkes fulfilled the statutory requirement in § 101(2) and his character design is a work made for hire and, therefore, the Festival's property.

Because Wilkes failed to establish ownership of a copyright in the character design, we do not address the Festival's alternative theory of an implied nonexclusive license.

Affirmed.

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1. While the Festival argues that the character must be a work made for hire because Wilkes submitted it without attaching a copyright notice (©), we note that copyright notice is entirely permissive (i.e., not required) and therefore not dispositive on this issue.

Nevertheless, had Wilkes included a copyright notice with his submission, it would have been evidence of his intent regarding ownership of his work when he entered the contest.

**Atkins v. Fischer d/b/a Red Barn Brewing Co.**  
United States Court of Appeals (15th Cir. 2003)

This is a copyright infringement action. Atkins, a graphic artist, develops brand identities for products. Fischer is the originator of a product concept called "Red Barn Beer." Fischer contacted several graphic artists, including Atkins, about obtaining preliminary sketches of a packaging design for Red Barn Beer to use as a sales tool at a beer distributors' convention.

Fischer and Atkins entered into an agreement for Atkins to create product designs involving two stages of work: stage one called for production of a preliminary graphic packaging design for Red Barn Beer; stage two involved final design development and the production of camera-ready art. The fees for the two stages of work were \$2,000 and \$4,500, respectively. Both parties understood that neither was obligated to proceed with the second stage of the agreement.

The agreement contained the following provision: "Ownership and possession of all underlying creative work developed and supplied by Atkins shall remain the exclusive property of Atkins." Atkins testified at deposition that she believed this provision allowed her to retain the rights to her creative work and to set a price for future use of her design. Atkins also testified she charged Fischer a discounted fee, with the understanding that she would receive royalties for the use of her work.

Shortly before Fischer left for the convention, Atkins delivered initial sketches of a packaging design. In a note with the sketches, Atkins stated, "I'm glad we're finally going to design a look for Red Barn Beer." Fischer selected a graphic work featuring a red barn with six silos and paid Atkins in full for the first phase of the contract. The second phase of the contract was never performed because Fischer declared that he was unhappy with Atkins's designs.

Fischer subsequently incorporated his enterprise under the name Red Barn Brewing Company and asked Atkins to execute a work-made-for-hire agreement regarding the Red Barn graphics. Atkins refused to sign the agreement.

When Red Barn Brewing began selling and distributing its beer with a package featuring the red barn with six silos, Atkins filed suit against the company, alleging copyright infringement. Red Barn Brewing answered, claiming an implied license to use the design on its packaging, and filed a motion for summary judgment.

The lower court concluded that Red Barn Brewing held an implied nonexclusive license to use Atkins's work that included the right to use Atkins's design in the commercial production of Red Barn Beer. Atkins appeals.

Section 204 of the Copyright Act invalidates transfers of copyright ownership made without

a writing. However, § 101 of the Act excludes nonexclusive licenses from the definition of "transfer of copyright ownership." Thus, a nonexclusive license permits a licensee to use the copyrighted material, but does not transfer ownership. Such a license may be expressly granted orally or may be implied from the conduct of the parties.

An implied nonexclusive license will arise where (1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes the particular work and delivers it to the licensee who requested it, and (3) the licensor-creator intends that the licensee- requestor copy and distribute his work. Since a nonexclusive license does not transfer ownership of the copyright from the licensor to the licensee, the licensor can still bring suit for copyright infringement if the licensee's use goes beyond the scope of the nonexclusive license, that is, beyond the licensor's intentions regarding the copying and distribution of the work by the requestor.

Here, as with the majority of cases, the only disputed issue regarding the implied nonexclusive license is the scope of the rights granted to the licensee. This is an objective fact-dependent inquiry. While there is no precise test, relevant factors may include: (1) the amount of consideration exchanged and/or the licensor's economic investment in the product; (2) the expectations expressed during negotiations and the parties' subsequent conduct, especially if the licensor knew of and acquiesced to uses that are later claimed to be infringing; (3) whether the agreement was

task-specific or if future involvement by the licensor was assumed; (4) any advisements indicating that the licensor intended to retain control of the work; and (5) evidence of custom or practice that may serve to clarify the terms of the implied license. Such considerations should be evaluated in their totality to determine whether a licensee has overstepped the boundaries of the implied license.

Our examination focuses on whether Atkins's conduct during the creation or delivery of the copyrighted material indicated that use of the material without her involvement or consent as its creator was permissible. In other words, we consider whether and for how long Atkins intended that Fischer copy and distribute her work.

Atkins acknowledges that she delivered her designs with the understanding that Fischer would use them as a sales tool at the convention. She argues, however, that Fischer's actions in marketing the product exceeded the scope of his license to use the designs and that, at a minimum, a genuine issue of material fact exists with regard to the parties' intent. In response, Fischer claims he holds an implied license to use the first-stage artwork for the full-scale marketing of Red Barn Beer. Fischer points to Atkins's note that accompanied the delivery of the first-stage sketches to support his theory that the parties intended the first-stage designs to be used in the commercial production of Red Barn Beer.

The written agreement between the parties sheds little light on whether completion of the first stage of the agreement implied a grant of



a nonexclusive license to use Atkins's copyrighted designs for commercial production or to use the designs only as a sales tool at the convention. The existence of the second stage of the agreement suggests that the parties contemplated that the designs, created during the first stage, would be used in the second stage to create camera-ready art suitable for commercial production. On the other hand, Atkins's acceptance of the relatively small payment of \$2,000 for the use of her copyrighted designs supports a finding that the parties' intent was to convey only a limited license. In *Effects Associates, Inc. v. Cohen* (9th Cir. 1990), the court placed significant weight on the fact that the licensee paid almost \$78,000 for special effects footage for a movie. The court said that the claim the licensor did not convey a license to use the footage in the movie "can't be squared with the almost \$78,000 it was paid for this footage." *Id.* The below-market \$2,000 fee in the present case will not support the same sort of reasoning.

Nor does the parties' conduct conclusively establish whether Atkins intended for Fischer to use her design further in the commercial production of Red Barn Beer without additional compensation. The statement in Atkins's note ("I'm glad we're finally going to design a look for Red Barn Beer") does not indicate whether this "look" would be used simply as a sales tool at the convention or in commercial production.

In addition, Atkins testified that Fischer told her several times that "there would be plenty of money later on." Such a statement is relevant

evidence in determining whether Atkins intended to grant Fischer an implied non-exclusive license to use her designs in the commercial production of Red Barn Beer, but it is far from conclusive.

Summary judgment was inappropriate. The issue of whether the scope of the implied nonexclusive license included use of Atkins's design in the commercial production of Red Barn Beer should have been submitted to the jury because of the conflicting inferences that may be drawn from the facts.

Reversed.

