Coping with Freelance Termination Interests

Thomas G. Field, Jr.

As explained at Nike's website, the swoosh logo was created in 1971 by Caroline Davidson, a student at Portland State University. For her freelance work, she received $35.00. Later, however, she received "a gold Swoosh ring embedded with a diamond… and an envelope containing [a still secret amount of] Nike stock." http://www.nike.com/nikebiz/nikebiz.jhtml?page=5&item=origin (visited July 22, 2006). Unlikely as it might be for such a thing to be even considered, could Ms. Davidson or her successors in interest terminate a copyright grant in 2027?

Under the 1976 Copyright Act, copyright in "works made for hire," as defined in 17 U.S.C. § 101, belong to those for whom work is done. That includes works of employees created within the scope of employment; *see* Community for Creative Non-Violence v. Reid, 490 U.S. 730, 740-41 (1989) (CCNV) (approving use of the Restatement (Second) of Agency for guidance). Some works of freelance artists, programmers and writers may also be "for hire" if "prepared… as a secondary adjunct… for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of [an]other work" — and if the parties so agree in writing, presumably before the work is completed.

Copyright in non-qualifying freelance work may be licensed or assigned. Under § 203(a) grants in work not for hire are, however, subject to termination after thirty-five, or under § 304(c)-(d) as long as fifty-six, years. Must firms concerned about retaining rights beyond that point avoid freelance artists, programmers and writers? Regardless of what firms *must* do, risk aversion could cost many freelancers their independence. Is that necessary?

A few people recently expressed concern about such things on INTA's listserv. Nike's swoosh was not mentioned, but consider that as a hypothetical. Caroline

Davidson was not an employee; if the logo is not an adjunct work under § 101, could rights be subject to renegotiation? That is very unlikely; any copyright protection was forfeited by publication without notice in 1972.

Notice, however, is no longer required. What of logos created today? First, logos may not constitute copyrightable subject matter if initially designed as a mark, not as a work of art. *See, also, e.g.,* 37 C.F.R. § 202.01(a) (identifying excluded subject matter). Moreover, § 203(b)(1) provides that "A derivative work prepared under authority of the grant before its termination may continue to be [used]." Other "derivatives" are barred, but, despite termination, a logo could be used in any form employed prior to then.

What of freelance writers? In that context, New York Times Co., Inc. v. Tasini, 533 U.S. 483 (2001), warrants mention. Addressing rights to use freelance contributions to collective works under § 201(c), the Court held that articles initially published in newspapers could not be reproduced in digital databases because that did not constitute a "revision" of the same work. Explicit permission was therefore required. Once permission is secured, however, database publishers should be able to continue use under §§ 201(c) and 203(b)(1), despite database supplementation, and despite termination of copyright in existing components.

If shelf life warrants, continued use of freelance software should be likewise permissible regardless of its for-hire status. At least until the basic character of a software suite is changed, adding or deleting components should neither require explicit permission under § 201(c) nor be construed as a new derivative under § 201(b).

Integrated components, particularly basic routines, seem more likely, however, to retain value for thirty-five years or longer. Unlike freestanding components of collective works, "secondary adjunct" work can, subject to above-mentioned conditions, qualify as "for hire." If so, such work is exempt from termination regardless

of programmers' employment status.

Attorneys are nevertheless paid to be anxious. Who wants to be in the position of arguing, for example, that a freelance-designed logo does not constitute copyrightable subject matter or that post-termination variations are not new derivatives? When stakes are high and statutory provisions untested, why not do everything in-house? The more the risks are appreciated, the more difficult it will be for freelancers.

Superstars aside, are freelancers destined to go the way of the Dodo? An alternative acceptable in virtually no circumstance is a written waiver of rights. Under § 203(a)(5), termination "may be effected notwithstanding any agreement to the contrary." That is likewise true of the functional equivalent — agreeing that works are "for hire" when the facts and law indicate otherwise. *See* Marvel Characters, Inc. v. Simon, 310 F.3d 280 (2d Cir. 2002). True, agreements may be honored despite § 203(a)(5), but good will is often fleeting. Moreover, honor, good will and trade custom may count for little should strangers ultimately hold termination interests under § 203(a)(2).

An alternative acceptable in virtually all circumstances is for freelancers to structure their businesses other than as sole proprietorships. Nothing in *CCNV,* much less in the Copyright Act, suggests that people who work for legally-distinct entities are any less "employees" because they happen also to own them. Hence, their work would be "for hire" under § 101, exempt from termination under § 203, and attractive to savvy as well as ignorant clients.

[I appreciate comments by Aaron Silverstein who pointed out, for example, that work-for-hire problems are apt to be even more serious with regard to sound recordings and other kinds of works.]