

“The Copyright Act & Employment Issues”

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## **“Copyrights & Employment Issues”**

If your clients are like many I have encountered, particularly owners of small or start-up companies, they may have started their company and undergone a period of growth without ever having consulted legal counsel. As a consequence, when their employees leave and the client calls you to complain that a departed employee has misappropriated the client's trade secrets, you likely will find that your client has not done what is required by O.C.G.A. § 10-1-761 to create trade secret protection for the information taken by the departed employee. *See, e.g., Bacon v. Volvo Service Center, Inc.*, 266 Ga.App. 543, 597 S.E.2d 440 (2004). Before delivering the bad news that there is nothing you can do for him which is likely to succeed in court, consider whether the information taken by the departing employee may be subject to protection under the copyright laws.

A copyright comes into existence as soon as "an original work of authorship [is] fixed in a tangible medium of expression." 17 U.S.C. § 102(a). However, to encourage registration of copyrights, the copyright act conditions protections under that act on registration, 17 U.S.C. § 412, and prohibits the copyright owner from bringing an action for copyright infringement at all unless the copyright has been registered first. 17 U.S.C. § 411(a). A registered copyright allows its owner to go to federal court to obtain injunctive relief, statutory damages and attorney's fees. 17 U.S.C. §§ 412, 504, 505. Preliminary and permanent injunctive relief "on such terms as [the court] may deem reasonable to prevent or restrain infringement of a copyright," 17 U.S.C. 502(a), and the possibility of impounding

infringing articles during the pendency of the lawsuit, 17 U.S.C. § 503, make the Copyright Act a powerful weapon in favor of the copyright owner.

Of course, the key element here is ownership. Only the author of the work is entitled to register the copyright. 17 U.S.C. §§ 201(a). 408(a). Copyright ownership is given to an employer for a work made for hire, 17 U.S.C. 201(b). The term "work made for hire" has a specialized meaning in copyright law. A work made for hire is "a work prepared by an employee within the scope of his or her employment." 17 U.S.C. § 101. A work made for hire is also "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, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work for hire." 17 U.S.C. § 101.

The import of these definitions is that, for works created by an employee, the copyright belongs to the employer, not the employee. There are, of course, innumerable questions that may arise concerning who is an employee and what are the limitations on the concept of "scope of his or her employment." In general, however, and in most cases, the general law of agency answers these questions.

Different questions arise concerning specially-commissioned works. Unless a work falls within one of the categories listed in the definition of specially-commissioned works quoted above, it is not a work made for hire entitled to protection under the copyright act. A written agreement between the employer and the independent contractor is required in

order to create a work made for hire, but such agreements are ineffective unless the work falls within one of the enumerated categories. Consequently, if your client's work was authored by an independent contractor, it belongs to the independent contractor unless there is a written agreement designating the work as a work made for hire and the work falls within one of the enumerated categories, or there is a written assignment of the copyright for the work to your client by the independent contractor. Moreover, both the copyright and the assignment should be registered with the copyright office so that the employer can bring an infringement action under the Copyright Act.

If your client's employee or independent contractor has left with information which has been copyrighted -- typically software codes --the Copyright Act can be a powerful alternative to trade secret law in protecting your client's rights to its valuable intellectual property. Even if the copyright has not been registered when an employee leaves and takes the software code with him, if your client is the owner of the software, he can register the copyright. 17 U.S.C. §§ 408(a), 409. The infringement action can then be brought, although no statutory damages or attorneys fees can be recovered for infringements which commenced before the effective date of the registration. 17 U.S.C.§ 412. Injunctive relief, actual damages and profits, and costs could still be recovered.

There are many intricacies concerning what may be copyrighted which may defeat a copyright claim, but when your client is faced with the loss of valuable proprietary information, an action under the Copyright Act should be explored.