



Coping with Freelance Termination Interests

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 June 13, 2007). 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). 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 nonqualifying 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 the International Trademark Association's list-serv. 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 for copyright. 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, e.g., 37 C.F.R. § 202.01(a) (identifying excluded subject matter).

Second, originality may defeat a claim to copyright. For example, Coach filed applications to register graphic patterns (one colored, one not) in 2001 and 2002. They consist of two linked letters (Cs) facing each other alternating with two unlinked Cs facing in the same direction and can be seen on Coach merchandise where they apparently function as logos.



"SWOOSH" Design 1971



Perhaps motivated by that, the Copyright Board of Appeals found relevant case law, regulations and its compendium of practices to preclude registration. In its view, letters of the alphabet cannot be copyrighted and Coach's variations and arrangements of the letter "C" demonstrated insufficient originality to establish the necessary amount of creativity required for copyright protection, *Coach v. Peters*, 386 F.Supp.2d 495 (S.D. N.Y. 2005), found that conclusion to withstand challenge under the Administrative Procedure Act.

Finally, § 203(b)(1) provides that "A derivative work prepared under authority of the grant before its termination may continue to be [used]." Thus, use of other "derivatives" might be barred, but logos adopted prior to termination would remain available.

Freelance writers pose very different issues. 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 freelance graphic designers, writers and programmers destined to go the way of the Dodo?

One 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 a 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).

A third alternative, however, that should be acceptable in virtually all circumstances, is for freelancers to structure their

businesses as virtually anything 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 legally-savvy as well as ignorant clients.

