

WHO OWNS THE WEBSITE – THE DEVELOPER OR THE OWNER?

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Because of the incredible rush to create a site on the World Wide Web (the "Web"), businesses are hiring outside consultants (the "Developer") directly, or sometimes through an advertising agency, to create the web site.

Depending on the facts surrounding the preparation of the Web site, the "owner" of the site may not have acquired all that it thought when the site was developed.

Frequently, the owner's relationship with the Developer is not set forth in writing or, if in writing, does not address all of the necessary issues. Without a written agreement, the owner may have some very serious problems about the use of its Web site in the future.

WEB SITES AS COPYRIGHTABLE WORKS OF AUTHORSHIP

The days of purely textual Web sites are gone. Almost all sites now include pictures, audio, and embedded video. To link these features together within the site, and to link various parts of the site together, almost all Web pages are constructed with the use of HTML, or Hypertext Markup Language.

An HTML document is very similar to a computer program in that it involves creative expression in how to accomplish a given goal. When viewed with a Web browser, such as Netscape Navigator, the Web site responds to commands just like any other computer program. Computer programs are copyrightable "works of authorship."

COPYRIGHT RULES REGARDING OWNERSHIP

AUTHORSHIP

With limited exceptions, the U.S.



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Copyright Act provides that the owner of the copyright in a Web site is the "author" of that site. The author is almost always the person that actually "created" the site, i.e., the person or persons that designed and prepared the HTML (and, in the future, the VRML and other languages) for the site. Consequently, absent a written agreement to the contrary, the Developer of a Web site will own the copyright in the site, even if he or she has been paid for the preparation of the site.

EMPLOYEE VS. INDEPENDENT CONTRACTOR

In the absence of a written agreement that assigns the copyright in the Web site to the owner, the owner must argue that the Developer was an employee of the owner. Under the Copyright Act, a work will qualify as a "work made for hire" such that the party for whom the work was performed will be the owner of that work, if the work was prepared by an employee within the employee's scope of employment.

Generally, a Web site Developer will not qualify as an employee for purposes of copyright law unless the Developer is in fact a bona fide employee of the site

owner under traditional employer/employee legal principles. Instead, the Developer will have been an independent contractor of the owner.

JOINT AUTHORSHIP AND OWNERSHIP

DEFINITION OF A JOINT WORK

If a Web site owner has failed to adequately document its relationship with the Developer (i.e. it has not obtained a written assignment of the copyright in the site), and is not able to satisfy the 2 employer/employee test, the site owner can in certain instances claim that the Web site is a "joint work." A joint work under copyright law is one that has been created by two or more people, with each person providing copyrightable contribution. In some cases, the site owner can argue that by virtue of providing the text, graphics, and other components of the Web site, including how the Web site will be laid out (at least in general terms), a joint authorship exists.

It is likely, however, that in the absence of a written agreement assigning the copyright from the Developer to the Web site owner, the Web site will not in fact be a joint work. Under the Copyright Act, a joint work requires that the work be prepared by two or more authors with the intention, at the time of creation by each author, that each author's creation be merged with that of the other. Frequently, however, the preexisting materials that are provided by the site owner to the Developer will not have been created with the intent that they be merged with the Developer's work. That is, frequently, the initial material placed in a Web site by an owner is material that was preexisting.

EFFECT OF JOINT WORK CHARACTERIZATION

A joint work gives each author the right to exploit the work so long as that author satisfies its obligation to account

to the other author for profits obtained from the work. This could be a major problem for a site owner who could, by virtue of asserting that the Web site is a joint work, thereby have to pay one-half of all profits generated from the Web site to the Web site Developer!

PROBLEMS IF THE COPYRIGHT IN THE WEB SITE IS OWNED BY THE DEVELOPER

If the copyright in the Web site is owned by the Developer, the Web site owner does not have the right: (i) to change the HTML, (ii) to create revisions and new versions of the Web site, or, (iii) even to allow third parties to view the site! Under the Copyright Act, the owner in this situation would have only a non-exclusive license to use the Web site. Without an agreement to the contrary with the Developer, the owner would not have the right to allow anyone to make copies of the site (which they would be doing by viewing it and placing it into the random access memory of their computer).

Consequently, the owner of the Web site would be contributorily infringing the copyright in the Developer's work by posting the Web site on the Web!

Even if it is determined that the site owner would be entitled to, at a minimum, use the Web site that it has paid for by posting it on the Web and allowing Web users to access the site, the Web site owner would be able to do little more than that. Cases have held that any subsequent changes to a work being used pursuant to an implied, non-exclusive license will constitute infringement. As a result, the Web site owner would be prevented from modifying even a single page of the

Web site without the permission of the Developer.

HOW TO ALLEVIATE COPYRIGHT PROBLEMS BY CONTRACT

As discussed above, one of the principal, if not the most important, purposes of a written contract will be to delineate the parties' respective rights in the Web site.

ASSIGNMENT OF COPYRIGHT, OR LICENSE

At a minimum, the Web site owner must have the right to use the site. This can be achieved by assigning the copyright from the Developer to the Web site owner, or by a license that describes the scope of the use that will be permitted. If a license is involved, a term should be provided.

DEVELOPER'S CONCERNS

The Developer will obviously have an interest in retaining the right to use certain operating elements developed in the preparation of the owner's Web site, in other Web sites. So long as the specific visual images and screen displays are not copied, the Web site owner should not have a problem with allowing this ownership by, or license to, the Developer.

If the owner agrees to allow the Developer to use certain portions of the Web site in sites prepared for other parties, the owner may, at a minimum, want to restrict such usage by direct or indirect competitors.

RIGHT TO CREATE DERIVATIVE WORKS

A very important issue that must be addressed is whether the owner has the right to create "derivative" works from

the original Web site. If ownership is not transferred, but instead a license is granted, it is critical that this right to create derivative works be specifically addressed. If the underlying HTML coding must be changed to revise and enhance the Web site, the Web site owner must own the copyright or possess a license that allows such changes in the future.

OWNERSHIP OF CONTENT

Finally, the ownership of materials that are provided by the Web site owner to the Developer in the preparation of the Web site should be set forth clearly. For example, certain audio, video, and pictorial components should be specifically described and the ownership of each element delineated.

Mr. Reinbolt is a partner with the firm's intellectual property team. His practice emphasizes computer law, intellectual property (trademark, copyright, trade secret, and patent), Internet law, licensing, entertainment, publishing, the arts, advertising, securities law, franchising, corporate law, and mergers and acquisitions. Mr. Reinbolt has particular ability in the needs of software, technology, and emerging and rapidly growing companies. Reach him at 619.525.3868 or jcr@procopio.com.