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Features of Creating and Transferring Rights to Works Created for Hire when Working Remotely

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Since March 2020 most of the employees have been forcibly transferred to remote work, including those whose responsibilities include the creation of software, design, preparation of scientific papers and other results of intellectual activity (RIA), including scientific and technical activity. Despite its remote nature work processes go on and the relationship between employee and employer is still within the scope of labor law. In this article we would like to discuss works created for hire and to specify which works will be considered official and how they will be recognized as works for hire even if created remotely.

There is a widespread concept that everything created by an employee at work automatically belongs to an employer. In fact, this is directly stipulated in the legislation.

Article 14.2 of the Law of the Republic of Kazakhstan on Copyright and Related Rights says:
"The property (exclusive) rights to a work for hire belong to an employer, unless otherwise provided in the agreement between an employer and an author" (this article applies to copyright and related rights).

The Article 10.2 of the Patent Law of the Republic of Kazakhstan says:
"The rights to title documents to official industrial property objects belong to an employer, unless otherwise provided in the agreement between an employer and an employee" (this article applies to patents for an invention,

utility model or industrial design).

At first glance legislation may easily explain the procedure of transferring a works made for hire to an employer; however, there is no definition of a "*work for hire*" itself, so we propose to discuss in detail the features of a works made for hire, as these features are important for a general concept:
(1) Availability of employment relationship. A work can be recognized as a work for hire if there is an employment agreement and an employer can claim it if it was created during the period of its validity. Is it enough to have an employment agreement? Based on court and law enforcement practice, other documents will be also required. For example: job description, employer's task, details of RIA and others, which we will list in the recommendations at the end of the article. Also, it is desirable that the employment agreement directly stipulates obligation to create the results of creative activity.

(2) Compliance of the result of intellectual activity (RIA) with the job description and employer's task. If the employment agreement stipulates that an employee undertakes to create, for example, software for the tasks specified in the agreement and the criteria for such (software) will be given by an employer as a separate task then the rule on the automatic transfer of rights to software shall be applicable.

However, in a situation when the work was not created on the instructions of an employer and the nature of the work does not imply the creation of such works, the rights to the created work may become a subject of dispute.

Let's refer to court practice:
(Kazakhstan)
Decision of the Board of Appeals dated March 20, 2020, No. 3599-20-00-2A/970: When an employee was transferred to the new position of the head of the business development department, she was entrusted with a task that, as she considered, was beyond the scope of the job responsibilities. However, the task was performed on the basis of the information and materials of an employer and without signing of additional agreements with an employer on the provision of services. Later, an employee applied to court with a claim to reimburse additional work, the court concluded that since there were no other agreements for the provision of services between the parties, therefore, everything that was created by an employee in the process of work was performed for an employer under the employment agreement, based on the photos, videos and other materials available to an employer;

Decision of the Supreme Court dated February 27, 2017, No. 6001-17-00-

3Г/342: The court did not recognize the work of literature as a work which was made for hire, due to the fact that there is no information evidencing that an author created scientific works during working hours or using an employer's property or in accordance with the specified task given by an employer. The fact that the title page of the book contained an indication to an employer does not confirm the existence of an employment relationship. In the first case, it is clear that the work was performed on the instructions of an employer, using his materials, images and during working hours. The preliminary verbal agreements between an employee and an employer that the work shall be rewarded additionally were not drafted in writing and the court also did not accept reference to verbal agreement as evidence. This situation is considered as quite common and as a recommendation we can only remind about importance of drafting written agreements after preliminary verbal agreements.

In the second case, it should be noted that the work of literature in question was created in the Kazakh Soviet Republic and it is possible that the archival documents for this employee were lost. When the court was considering whether the work was a "work made for hire", it came to the conclusion that since the defendant (the alleged employer) did not provide confirmation that the work was created on the instructions of an employer, using his property and during working hours and did not at all confirm the fact that an author was an employee, the work was not recognized as a work for hire.

Let's refer to court practice of the courts of the Russian Federation:
Decision of the Court on Intellectual Property Rights dated 01 August, 2019, No A40-202764/ 2018: software developers for a medical clinic resigned from clinic and opened their own company and transferred exclusive rights to the newly opened company. An employer immediately addressed the court after he found out about it, since the registration of rights to the software took place immediately after the dismissal and the creation process was during the period of work in the company. However, the court concluded that "in the case file there are no documents confirming the existence of a service task (technical assignment), evidence of the creation of a software in a certain period of time by certain individuals, acts of acceptance and transfer of service work and any other documents proving the creation programs in the framework of the performance of job responsibilities, which is necessary to determine whether the work is the work made for hire based on the explanations of the higher courts".

Decision of the Intellectual Property Court dated 28 August, 2020, No. A76-21548/2019:
Photographs taken by the claimant's employee were posted by another

entrepreneur without the consent of the copyright holder on the Instagram page. The respondent (an individual entrepreneur) argued that the authorship was not proven, since the court did not receive any proven evidence of service tasks for taking of disputed photographs and a document containing job description, as well as notifications about the creation of the results of intellectual activity. However, the court concluded that the respondent's arguments that the claimant did not submit service tasks for taking disputed photographs and notifications of the creation of the results of intellectual activity, job descriptions and that the submitted employment agreements did not specify in detail the nature of the photographer's duties, in fact, prove respondent's disagreement with the assessment of evidence given by the courts of first and appeal instances, the conclusions made on these grounds are aimed at re-evaluating the circumstances established by the courts and the evidence available in the case file.

It should be noted that the court concluded, among other things, of the following:
"provisions of the employment agreement say that the work of a photographer envisages the *independence* of the employee, which is why the court concluded that *there is no need to receive an employer's tasks* for taking photographs".

Further we propose to consider some issues related to works which are made for hire and continue the list of it's features:
(3) Payment of remuneration to the author. According to the Law No. 381-V On the Commercialization of the Results of Scientific and Technical activities of the Republic of Kazakhstan dated October 31, 2015 "the authors of the results of scientific and (or) scientific and technical activities who have transferred their exclusive rights to such works to the employer, are paid remuneration separately from salary, within a month from the date of receipt of the corresponding patent or copyright certificate. The amount of remuneration is at least 1 minimum wage (which is 42,500 KZT at the time of issuing this article (October 2020)), unless otherwise provided by the agreement between the parties. The most remuneration is claimed by those employees whose official works are implemented/used in the production of the employer, since the amount of remuneration is paid in the amount of at least 100 MCI (277, 800 KZT) annually for the entire period of validity of the patent or certificate of state registration of rights to the copyright object (in the case of copyright, the entire life of the author and 70 years after his death). If the employer decides to dispose the created work through the conclusion of a license agreement or an agreement on the assignment of exclusive rights, then the remuneration to the author is at least 30% of the amount of the license agreement (including royalties)

without limiting the maximum amount of remuneration. The remuneration is paid on the basis of an agreement between the author and the employer.

What if the remuneration is not paid by the employer?

In this case, an employer is obliged to pay a penalty to an employee and the amount of remuneration. However at the same time, the works made for hire shall become the property and shall belong to an employer, that is, this does not affect the transfer of exclusive rights to the work for hire.

(4.1) Creation of the work using the employer's equipment. In the conditions of forced lockdown, many switched to work remotely and the question may arise: if a work was created taking into account all the above features, however with the help and use of the equipment of an employee, and not an employer, shall such work be considered as created at work and for hire?

As a rule, it is employer's responsibility to provide an employee with the means of production, however, when working remotely, an employee in agreement with an employer can also use his equipment, communication means, the costs of their installation and maintenance for which an employer pays compensation, the amount and the procedure for payment is established by agreement with an employee. However, if compensation is not paid, this does not affect the transfer of rights to work for hire, and it is still transferred to the employer.

(4.2) Creation of a work with the help of technical or other material means of an employer, objects of copyright (for example, images, special software). It should be noted that if a work is created using objects belonging to an employer and within the framework of a service task, then this shall be one of the features that the work is a work made for hire. If RIA is used by an employee for personal purposes outside of work duties, then an employee must obtain permission for such use in the form of the employer's consent, license or assignment of rights to RIA objects.

An exception is the creation of an industrial property object (including an invention, industrial design or utility model), when an employee has the right to apply for a patent if he created an invention, industrial design or utility model not in connection with the performance of his official duties under an employment agreement or a specific tasks of an employer, however using information, as well as technical or other material means of an employer.

(5) Creation of RIA during working and non-working hours. It should be

noted that this plays a secondary role in determining if RIA is related to official or not, since if an employee has a employer's task, certain deadlines should be agreed with an employer, he is responsible for completing the service task during working hours or coordinating with an employer his extra working hours. The subject of the dispute shall not be the reference of RIA to works made for hire, but compensation for extra work, if it has been agreed between the parties.

What needs to be done in advance for the work to become created at work?

This recommendation is for the employing company, for those who want to protect themselves from disputes with creative workers those who create RIA objects:

1. Check if the employment agreement/or job descriptions with employees who create RIA objects refer to obligation to create such objects;
2. Check if there is a procedure for notifying the employer about the creation of RIA objects;
3. We recommend drafting an internal document, a "works for hire agreement" or policy, which shall be a supplement to the employment agreement for each of the employees involved in the creation of works.

For ease of reference, please see the following scheme:

The result of intellectual activity was created. Shall it be considered as a work made for hire?

*it is recommended to address a consultant

Alexandra Samsonova- October, 2020