

Design Firm's Action Granted Implied License to Copyright

(May 14, 2018) By continuing to provide new designs for six years after an independent contractor agreement expired, a graphic design firm granted an implied license for its work. As a result, it could not sue for copyright infringement.

LimeCoral, Ltd. prepared graphic designs for postings by customers of CareerBuilder, LLC. The parties originally had an independent contractor agreement that provided for a per job payment, in return for which the designs would be the sole and exclusive property of CareerBuilder. The contract was for six months. CareerBuilder customers signed an initial one-year contract at which time LimeCoral provided the graphic design. If a CareerBuilder's customer extended the term past one year and asked for a modification of the graphic design, then LimeCoral was paid a fee to make the change.

After six years, CareerBuilder reduced the number of posts that it asked LimeCoral to design. The design firm then asserted that CareerBuilder owed a license fee for the graphic designs for customer posts that were used beyond the initial one-year term. The trial court found no further payments were due because LimeCoral's action constituted an implied license to CareerBuilder. The appellate court agreed.

Part of LimeCoral's problem in the case was that, during the six years post-termination of the independent contractor agreement, it never requested a license fee when a customer renewed its posting contract with CareerBuilder. Any fee that CareerBuilder paid to LimeCoral was made only to modify the design and was not tied to any customer renewal.

"There is, then, no evidence that would permit the factfinder to conclude that there was an agreement between LimeCoral and CareerBuilder that LimeCoral would be paid a fee for each renewal, and that the implied license LimeCoral granted to CareerBuilder to use the job brandings was subject to that agreement. The license was, consequently, unconditional and irrevocable, and encompassed the rights to use and distribute the job brandings as CareerBuilder and its customers wished," the Seventh Circuit wrote.

This case demonstrates the importance of parties having clear written agreements defining who owns any copyright and what happens when the agreement terminates.

LimeCoral, Ltd. v. CareerBuilder, LLC, Seventh Cir. No. 17-1733, issued May 8, 2018.

Balough Law Offices, LLC, is a Chicago-based law firm that focuses on cyberspace, intellectual property, and business law. Our homepage is balough.com.