Commissioning under the Copyright Act: I paid for it so I own it right? (Part Two)
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In the first part of this article we examined the distinction between the types of works which are subject to the commissioning rule and those which are not. This part looks at the elements of a valid commissioning and concludes with some pragmatic advice to safeguard ownership of commissioned copyright works.

Has there been a commissioning?
Commissioning has been likened to "ordering". It can arise in writing or by words or can be inferred from the facts of the case and the conduct of the parties. Where the parties have entered into an agreement there is no requirement for the commissioning to be expressly stated in the agreement.

Where there is no specific agreement, the law is well settled. *Pacific Software Technology Ltd v Perry Group Ltd* [2004] 1 NZLR 164; (2003) 7 NZBLC 103,950; 57 IPR 145 (CA), contains, at paragraphs 55-60, the following useful summary on the nature of a commission:

- To "commission" simply means to order or request
- The act of commissioning must pre-date the creation of the work
- Section 21 Copyright Act 1994 requires a commission and an agreement to pay. An antecedent commissioning usually (but not always) implies an obligation to pay, and the existence of a payment obligation supports the existence of the commission itself. An agreement to pay can be expressed or implied. For the purposes of a commission, there need not necessarily be agreement as to the precise amount to be paid, but if matters are left too vague, then the supposed commission becomes unenforceable
- The payment is for the copyright, not the physical embodiment of the copyright work
- The copyright in the commissioned work which belongs to the commissioning party as soon as part of it is done. That is, the commission applies to incomplete, as well as complete, works
- The notion of a commission is *sui generis* (ie unique) to copyright law

Commissioning must pre-date the work but actual payment not necessary
There is a requirement that the commissioning must pre-date the work (otherwise the work cannot be said to have been created "in pursuance of the commission") and that there is payment or an agreement to pay for the article in which the copyright resides irrespective of whether that article is purchased.

However, it is important to note that ownership of commissioned works is not contingent on payment. Thus, unless there is an agreement to the contrary, the commissioning party owns the copyright in the commissioned work even if part or all of the consideration is not paid to the person who created the work in pursuance of the commission. Returning to our ingredient allocation software example in part 1, this means that A owns the copyright in the software the moment he requests B to make it for him in return for payment and B agrees. Even if A never pays for the

software he owns the copyright. B's only remedy is to sue A for the unpaid account, not to retain the software code.

Importantly however, the commissioning rule is expressly ":subject to agreement to the contrary" between the parties. Accordingly, it is always best practice to use a written agreement which deals with the issue of who owns copyright in a commissioned work *before* it is commissioned.

What have I commissioned?

In *Pacific Software* it was stated that, for the commissioning rule to apply, payment should be for the copyright, not the physical embodiment of the copyright work. The distinction is subtle, but important.

The evidence must clearly establish that the commissioning party has ordered and agreed to pay for the design work that brings the copyright work into existence, rather than just the physical product manufactured in accordance with the copyright work. The implications of failing to prove that are dramatically illustrated in *Oraka Technologies Ltd v Geostel Vision Ltd*.

Oraka Technologies Ltd v Geostel Vision Ltd

Oraka claimed to be owner of copyright in certain works relating to an asparagus grading machine which included 18 drawings the plaintiffs (collectively "Oraka") claimed to have been commissioned from the third defendant, Napier Tool & Die Co Ltd.

There was no formal agreement between Oraka and Napier Tool & Die, but it was alleged by Oraka it was under an implied obligation to pay Napier Tool & Die for the creation of the drawings and, therefore, it was the owner of copyright pursuant to s.9 Copyright Act 1962 (the equivalent of s.21(3) Copyright Act 1994).

However, an analysis of the facts showed that Napier Tool & Die did not actually charge for its design work and there was no evidence that Oraka ever paid for the creation of the concept and design drawings as distinct from subsequent tooling and manufactured products.

Evidence

Napier Tool & Die's evidence was that it offered a free design service aimed at attracting new customers with a view to securing later tooling and manufacturing work, and, had Oraka decided not to proceed to the tooling stage, it could have done so without any financial obligation owed to Napier Tool & Die.

This evidence was corroborated by an independent customer of Napier Tool & Die, and was determinative in the Court's finding that there was no consensus as to payment for the design work and, therefore, no commissioning.

A further argument by Oraka that the commissioning term should be implied to give business efficacy to the arrangement was also rejected, both on the basis that the term need not be applied to make the agreement work (as Oraka would continue to own and have an exclusive right to possess and use the tooling made from the design drawing copyright works during the term of the copyright), and, more importantly, to imply a term would subvert the statutory requirements for a valid commissioning set out in the Act.

Overturned decision

The decision of the High Court was overturned on appeal, although very likely at considerable expense to Oraka. The Court of Appeal criticised the trial Judge's division of the commissioning arrangement into two transactions:

- Preparation of the concept and design drawings (for free)
- Manufacture of the components from those drawings

The Court of Appeal held that the approach did not accord with commercial realities and that what transpired between the parties was in fact one seamless transaction in which Oraka agreed that, if Napier Tool could come up with satisfactory drawings, it would get to do the manufacturing work and be paid for it, if an appropriate price could be worked out. The potential benefit to Napier Tool in ongoing manufacturing work was categorised by the Court of Appeal as being "monies worth", thereby completing the statutory requirement for commissioning.

Implied obligation

In the alternative, the Court of Appeal held that an implied obligation to pay in money or monies worth, if satisfactory drawings led to the manufacturing work, which arose from the request to prepare the drawings.

The obligation arose before the work was undertaken and was held to be a normal and necessary incident of the request by Oraka that drawings be prepared. While Napier Tool claimed that it did not usually charge for such work, there was no evidence that that had ever been conveyed to Oraka. The Court of Appeal could see no reason why the Commissioning provisions of the 1962 and 1994 Acts should not apply to a conditional agreement of that type where the condition is subsequently satisfied.

It does, however, beg the question as to whether a valid commissioning will have occurred where the condition is not satisfied – in which case it would remain unclear who owns the copyright. One presumes, in accordance with the Court of Appeal's analysis, copyright would remain vested in the author of the works.

Although Oraka ultimately prevailed, the appeal introduced further cost and expense in what would have been a straightforward action had Oraka entered into a written agreement with Napier Tool concerning ownership of the copyright rights. The case serves as a salutary lesson that best practice is to agree ownership in writing before any work is carried out so as to avoid misunderstandings and problems further down the track.

Conclusion

So what are the lessons here? First and foremost it pays to bear in mind that copyright law, while deceptively simple, is one of the more difficult of intellectual property statutes to apply.

In terms of ownership, not all works will pass to the party that commissions them and not every ordering of a design will amount to a valid commissioning. However, matters can be greatly simplified if the parties turn their mind to ownership at the outset, and agree in writing before entering into any relationship which results in the production of copyright works.

For simplicity, the default position should usually be that the party who orders the work owns it (subject to agreement to the contrary). This accords with commercial sense and means those ignorant of their rights will not miss out. If there is to be legislative reform (and there should be), it is hoped that it moves in the direction of a simplification of the commissioning requirements and a blanket commissioning rule, rather than the proposed abolition.

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