Commissioning under the Copyright Act: I paid for it so I own it right? (Part One)
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Commissioning is a common occurrence in business, engaging others with particular expertise to develop or produce something for either you or your company to use. Packaging designs, logo and trade mark designs and increasingly website design are often jobs passed on to third parties to take care of on your behalf.

In this first of two articles we examine the distinction between the types of works which are subject to the "commissioning rule" and those which are not. We look at some of the practical implications of the distinction and examine proposals for legislative reform.

Copyright rights
Copyright is an intangible right which comes into effect automatically when any original copyright "work" is produced. "Works" traditionally fall into four main categories: literary, artistic, musical, and dramatic.

In New Zealand artistic works will include works of industrial design (such as prototypes, models of new products, design drawings, moulds, dies and tooling etc). Most of our major trading partners do not recognise copyright in such things – meaning that they can only be protected by a registered design. As such copyright is a powerful right in New Zealand and often serves as a substitute or back-stop to registered forms of intellectual property such as patents, designs and trade marks.

Because it doesn't need to be registered, copyright is free. However, the rights don't come without a catch. Our current copyright legislation has a significant "fish hook" in the form of the commissioning provisions determining ownership.

Ownership
The general rule of ownership under our Act is that the author of the work is the owner. That rule is modified to some extent by ss.21(2) and (3) of the Act. Section 21(2) says that works made by an employee in the course of employment are owed by the employer.

Section 21(3) says that works which are commissioned are owned by the party who commissioned them. However, importantly, s.21(3) only applies to certain categories of works (computer software, photographs, paintings, drawings, diagrams, maps, charts, plans, engravings, models, sculpture, films and sound recordings) and only if the commissioning is valid.

Categories of works
There would appear to be no logical distinction between the types of works which are governed by the commissioning rule and those which are not. The segregation of works can, and does, lead to anomalies.

Consider the situation of client A, who commissions developer B to produce some ingredient allocation software and a manual. As the software falls within the types of works to which the commissioning rule applies, ownership of copyright in the software passes to A on the commissioning of the software, but not the manual (as it is a literary work and therefore doesn't fall within any of the categories listed in s.21(3)). This means that A has no entitlement to copy or

disseminate the manual and will need to buy the copyright from B or negotiate some form of license (presumably at additional cost).

Response to concerns

In April 2006, the Ministry of Economic Development released a discussion paper entitled "The Commissioning Rule, Contracts and the Copyright Act 1994". Submissions were invited following this issue. The discussion paper seemed to be a response to concerns raised by members of the photographic industry as to the effect of the commissioning rule on the commercial arrangements between photographers and their clients.

Following the first round of submissions, MED released a further discussion paper in July 2007 proposing to abolish the commissioning rule and seeking further submissions on that proposal. On 19 September 2008, the Copyright (Commissioning Rule) Amendment Bill was introduced into Parliament. The explanatory note to the Bill observed that "arguments were split down creator and commissioner lines on whether to repeal the rule, expand it, or keep the status quo".

As a result, the new Bill proposed to repeal s.21(3). The effect of this repeal would be that the commissioner of all categories of work would have to contract for the copyright if he or she wanted to retain ownership.

Why abolish the commissioning rule?

Although it was common ground between most interested parties that the current commissioning rule is unsatisfactory (because it applies to some categories of work but not others), it is difficult to see why the Government had opted to abolish the commissioning rule rather than making it apply to *all* categories of work.

As previously noted, abolition will compel the commissioning party to contract for the copyright in any work that results from his or her commission. While this may be reasonable in theory, in practice most commissioning parties will be laypeople (for example, a husband and wife commissioning a family portrait), largely ignorant of copyright rights, and hence unlikely to bargain for them.

Conversely, most laypeople will also expect to own all of the rights in an object that they commission, not just the property rights and, having commissioned and paid for an object, will expect to be able to subsequently deal with that object in any way that they see fit, without a possible restriction being imposed on them by the owner of the copyright rights.

A sensible solution

It follows that a more sensible solution would have been a blanket rule vesting copyright in the commissioning party and compelling the creator (who will, in most cases, be a commercial party and, as such, aware of the copyright) to bargain for that right if they want to retain it.

Perhaps in recognition of the potential for problems, the Government subsequently confirmed it intends to review the Copyright Act 1994 by 2013, and the effect of the commissioning rule change, will now form part of that review.

The next part of this article deals with the elements of a valid commissioning, and concludes with some pragmatic advice to safeguard ownership of commissioned copyright works.

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