

Copyright and Commissioned Works

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One of the most important parts of the Copyright Act for artists, software developers, designers and other creators of original works – and their clients – is the “Commissioning Rule”. This Rule (contained in section 21(3) of the Copyright Act 1994) provides that, where an original work is created on a client’s instructions for a fee (or other reward), then the **client** (not the creator) owns the copyright in the work.

The Commissioning Rule applies to a broad range of works including photographs, software, paintings, drawings, maps, charts, plans, engravings, models, sculptures, films, and sound recordings. It does not apply to literary works such as novels or magazine articles.

We often receive inquiries (from both creators and commercial clients alike) who have an incorrect understanding about the Commissioning Rule (or none at all), and find themselves in difficult situations as a result.

- Common misunderstandings include creators who believe that:
- Until they are paid for their work by their client, the copyright still resides with them;
- By putting a copyright notice on the works when delivered, they retain or reserve copyright; or
- If there is no written agreement with the client (i.e. an informal commissioning) then copyright remains with them.

It is important for creators and clients to consider the Commissioning Rule and appropriate ownership arrangements, **before** undertaking a project. A variety of complicated problems can arise if new works are created without appropriate ownership arrangements, including:

- Creators can lose ownership of copyright without intending to do so (and without receiving payment);
- Works can be created which comprise a mixture of pre-existing and new content (e.g. derivative/next generation designs or new versions of existing software), with potentially mixed copyright ownership and uncertain rights for future use;
- A head-contractor in a multi-party supply arrangement may make legal commitments to their client that they are unable to deliver, due to the supply terms of the contributing members of the supply consortium; or
- Creators (e.g. designers and software developers) can lose exclusive control over long-standing copyright works (e.g. signature designs, or software library code) by including those works in a subsequent commissioned supply.

With the continuing emergence of markets for existing copyrighted works (e.g. stock image libraries), and the increasing move towards the supply of cloud-based technology and services, it is essential for creators and commercial entities alike to have a grasp on the copyright laws that directly impact on their ability to use, re-license or commercialise their copyright works.

The Commissioning Rule

Under the Commissioning Rule, when a work is “commissioned”, the commissioning party (most likely the client intending to pay for the work) is the first owner of any copyright in that work, rather than the original creator. However, the Commissioning Rule can be modified or excluded altogether (i.e. “contracted out”) if both the creator and the client agree.

Where there is no agreement to the contrary, the Commissioning Rule will apply by default.

When is a work “commissioned”?

Two requirements must be satisfied for a “commission” to be a valid commission under the Copyright Act.

(1) There must be an obligation on the commissioning party/ the client to pay for the work created in pursuance of the commission.

A client's failure to make payment for a commissioned work does not displace the Commissioning Rule, nor does the Rule require agreement about the precise amount to be paid. Indirect rewards, or the possibility of a later reward (such as the potential for future business or future engagements), may be sufficient for the Courts to deem the work as created in pursuance of a commission.^[1] The supply of initial works free-of-charge will not automatically prevent a finding that there has been a commission, where the initial works were created to secure a future paid engagement.

(2) The commission (i.e. the order or request for work) must predate the creation of the work. (Otherwise, the work cannot be said to have been created “in pursuance of that commission”).

New Zealand Courts have found that a “commission” does not need to be expressly recorded in a contract. The existence of a commission can be inferred from the circumstances or from the conduct of the parties, even if there is a written contract that omits specific mention of a “commission”.^[2]

Timing is Important

The timing of the commission is critical. Copyright vests in a work the moment that (original) work is created.

The Commissioning Rule applies to complete as well as incomplete works made in pursuance of a commission, from the time that the work is created.

If the creator of the work wishes to retain copyright (even if only to secure payment), it is strongly recommended that the parties contract out of the Commissioning Rule **before** creating the work, usually by a written agreement with their client recording copyright ownership and usage rights for the commissioned work. If no agreement is made before a commissioned work is created and supplied to the client, then the client owns the copyright, even if the work was a preliminary draft (e.g. concept drawing or beta version of software).

If a creator intends to contract out of the default position in the Commissioning Rule, it is important they bring their supply terms to the attention of the client and ensure they are accepted.^[3]

Types of work covered by the Commissioning Rule

As noted earlier, the Commissioning Rule vests copyright ownership in the commissioning party for specific categories of work.

The commissioning rule does **not** apply to literary works. Copyright ownership for this type of work will depend on the context in which the work was created (e.g. in the context of employment) and/or the details of any corresponding agreement.

The exclusion of some types of works from the Commissioning Rule can cause unusual situations. For example, a customer who commissions computer software with an accompanying user manual would, if the Commissioning Rule applied, own copyright in the software but not the manual, as the latter falls into the category of literary works not subject to the Commissioning Rule. This highlights the importance of reaching a clear agreement on copyright ownership prior to commencing any commissioned work.

Avoiding Disputes

The Copyright Act allows parties to contract out of statutory presumptions of copyright ownership, such as the Commissioning Rule. To avoid situations which lead to unclear or unintended copyright ownership, an agreement at the outset between creator(s) and client(s) is essential. That agreement could cover:

- (1) Copyright in pre-existing works supplied by each party (if any);
- (2) Copyright in new works created under the commission;
- (3) Use of third-party copyright or open-source components in the work;
- (4) Copyright in materials/ ancillary works used or supplied in the course of creating the commissioned works;
- (5) Usage rights, including sublicensing, territory, duration etc.; and
- (6) Moral rights, including attribution rights and requirements.

Creators who are routinely commissioned should adopt sound contracting procedures and terms and conditions regarding copyright ownership. In many cases, tricky situations and disputes might have been avoided had there been a suitable written agreement in place from the start.

[1] *Oraka Technologies Limited v Geostel Vision Limited [2013] NZCA 111*

[2] *Hansen v Humes-Maclon Plastics Ltd (Auckland High Court, October 1984)*

[3] *Maxim Group Ltd v Jones Publishing Ltd (Auckland High Court, December 2008)*

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