

Who owns the copyright in a commissioned work?

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Many clients mistakenly believe that simply because they commissioned the creation of a work, they own the copyright in the work. Issues arise when these unsuspecting clients, believing they own the copyright in the work, use, transfer or assign the copyright material to a third party without undertaking the necessary steps to ensure that the copyright in the work has been licensed or assigned to them. This can result in claims for copyright infringement or breach of contract being made by the creator, or claims made by licensees/assignees for breach of contract.

The objective of this article is to provide an overview of the law relating to licences, with a particular emphasis on implied licences. Two recent cases exploring implied licences will be considered in light of two areas of business our clients are regularly involved in, these being the creation and use of logos and the creation and use in the area of graphic design and fonts.

Legal position

The *Copyright Act 1968* (Cth) (the Act) generally provides that where a person is commissioned to create a work, that person will own the copyright in the work.¹ When a person owns the copyright in a work they have the right to copy or reproduce the work, publish the work and/or communicate the work to the public. The creator will own the copyright in the work unless he or she has assigned or licensed that copyright to another person, for example, by way of the commissioning contract or a separate written agreement.

A licence arises when a copyright owner gives another person permission to use the copyright protected material in a way reserved for the copyright owner. A licence may be expressly or implicitly granted. An express licence may be in writing or verbal. The extent of the rights conferred depends on the extent of the express authorisation

granted by the copyright owner of a work to use the work. If an express licence has been granted in writing, the courts will typically go to the written agreement and refer strictly to the terms of the agreement. If a licence has been granted verbally, the courts will refer to evidence surrounding the verbal granting of the licence, such as the conversation when the licence was granted. This evidence has its own set of evidential issues, which we will not deal with in this article.

- whether the implication of the term is an established custom or business dealing.³

Logos

Logos are typically used by our clients in the branding, design and advertising of their business products and services. Creation of the logo tends to be commissioned out to third parties such as graphic designers.

In a recent English case where a creator of a logo sold the logo he

An implied licence to use copyright protected material arises from the circumstances of a situation.

An implied licence to use copyright protected material arises from the circumstances of a situation. The extent of the rights conferred is limited to the extent of the implied authorisation granted by the copyright owner of the work to use the work. In light of this, it is often difficult to determine whether a licence has actually been implied. In relation to contracts that commission the creation of works, a licence to use the work will be implied in a written commissioning contract if:

- it is reasonable and equitable;
- it is necessary to give business efficacy to the contract;
- the implication of the term is obvious;
- it is capable of clear expression; and
- it does not contradict an express term in the contract.²

If the commissioning contract is verbal in nature, a licence will be implied by referring to:

- the facts of the situation;
- the intention of the parties;
- whether implication of the term is necessary to give business efficacy to the contract; and

created for a company to a competitor of the company, and copyright ownership in the logo had not been contemplated, the issues inherent in implied licences were highlighted. *Griggs Group v Evans*⁴ and the 2005 appeal case⁵ emphasised the importance of written agreements in relation to copyright ownership in logos and the issues that arise when there is no such agreement.

Griggs Group is the UK manufacturer and distributor of Dr Martens boots. The Griggs Group uses two logos on these boots. First, there is the Dr Martens logo which is used under a licence and, second, there is the 'Air Wair' logo which is owned by the Griggs Group.

In 1988, Griggs Group commissioned an advertising agency to design a new logo that combined these two logos. The first defendant, Evans, was subcontracted by the advertising agency to create this new combined logo. In neither the agreement between Griggs Group and the advertising agency, nor the agreement between the advertising

agency and Evans was there a provision dealing with copyright ownership.

Evans later assigned the copyright in the combined logo to Raben Footwear Pty Ltd, an Australian footwear company and a competitor to the Griggs Group. Evans claimed that he had a right to assign copyright in the combined logo as the Griggs Group had only been entitled to a licence that authorised it to reproduce the logo for point of sale material in the UK. Evans claimed that the copyright in the logo was owned by him and he could use the logo in any way as the copyright owner.

In the first instance, Prescott QC ruled that:

- Evans owned the legal copyright in the logo (since there was no assignment of copyright to either the Griggs Group or the advertising agency); and
- the Griggs Group had the right to use the logo, and to exclude others from using the logo.

Based on the fact that the work was produced for the purpose of being a commercial logo for use by the Griggs Group, the Griggs Group had the right to use the logo and to exclude others from using the logo.

In his judgment, Prescott QC considered the commercial purpose for which the logo was produced and held that it was 'so obvious that it went without saying'⁶ that the Griggs Group had the right to use the logo, and to exclude others from using the logo. Prescott QC considered that what should be implied into the agreement was a perpetual exclusive licence which would be 'almost the same as a straight copyright'.⁷ One difference between a perpetual exclusive licence and a straight ownership of copyright would be that in the case of a perpetual exclusive licence, Evans would probably have to be made party to any proceedings brought by the Griggs Group against any person infringing copyright in the logo. Therefore, in order to give business efficacy to the commissioning contract, the Court implied a term assigning a perpetual exclusive licence of the copyright to the Griggs Group into the contract.

On appeal, the High Court unanimously upheld Prescott QC's decision and confirmed that factual circumstances determined whether a licence to use the work would be implied.

The Court also recognised other situations that could be problematic without an express licence or assignment of copyright in the commissioning contract. One such situation would be where there was further unforeseen and undisclosed use of the work and such further use had not been contemplated in the commissioning contract. The Court recognised that depending on the factual circumstances, the creator could have an implied right for further payment for such use or the implied right to prevent the use of such work.⁸

It is important to note that the above is an English case and it is questionable whether the Australian courts will follow the English judgment.

Advertising brochures — graphic design and font

Graphic design of advertising and promotional material is another area our clients tend to commission out to third parties.

In a recent case, claims of copyright infringement arose when a commissioning party used part of a graphic design (specifically the font in a graphic bar) from a national promotional brochure, which they had commissioned to be designed, in newspaper advertisements without first seeking authorisation from the creator of the design. *Lott v JBW and Friends Pty Ltd*⁹ addressed the issue of copyright in a computer generated font used in the graphic bar and graphic design of a national promotional brochure advertising an event called 'Opera in the Outback'.

The respondent was engaged in writing to design the promotional brochure which included the graphic bar. The graphic bar consisted of the words 'Opera in the Outback' and was designed and crafted by the respondents. They chose the colour scheme, the typefaces, the font, the distance between the letters and the angles of the curves above and below the phrase 'in the'.

The commissioning contract addressed the use of the graphic bar in the national brochure but did not contemplate any other use of the graphic bar by either party.

The respondents claimed copyright infringement against the appellant for publishing and using the graphic bar from the national brochure in newspaper advertisements in about 20 instances.

The appellant argued that a licence had been implied to authorise the appellant to reproduce the graphic bar and that a licence will be implied as a term of the contract, if there is an industry trade or custom. The appellant gave evidence of supposed customary practices of using and reproducing designs that had been commissioned in other advertising or promotional materials in the industry. The appellant gave evidence of his 25 years' experience in over 2500 events where he had never previously encountered the issue of copyright infringement, and that reproduction was a common practice in the industry. However, the judge noted that the appellant's evidence did not address the number of those events that used specially designed brochures that attracted copyright and that had been subsequently reproduced. Therefore, the judge did not accept the appellant's evidence and found that the evidence did not show a customary practice in the industry but only showed the experiences of the individual appellant.

The judge further recognised that the terms in the commissioning contract were clear in expressly establishing that the licence for the graphic design was a limited licence. The licence had been limited solely for the purpose of using the graphic design in the national brochure only and for no other additional purpose.

Conclusion

Licences are a common and important part of everyday business. It is important that clients do not assume they own copyright in commissioned work. They should make conscious efforts to determine whether they own the copyright in a work, or whether they have been granted a licence to use the work they have commissioned to be created. It is also important that they know the extent to which they are

able to further use such work.

This article highlights the problems that can arise if copyright ownership and further use of the work have not been contemplated by the parties in a commissioning contract. It also recognises the difference between a perpetual exclusive licence and copyright as well as the importance of customary practices in determining the nature of a licence.

In summary, a court will look at the provisions in the contract, the intention of the parties and the factual circumstances of the situation to determine whether or not to imply a term into a contract.

Recommendation

To minimise uncertainties that arise in relation to implied licences, it is recommended that parties enter into a written licence agreement or include express provisions in commissioning contracts to address further use of the work. Terms to be agreed upon include:

- the licence term;
- the extent of the licence — whether the licence is to be exclusive or non-exclusive;
- the territory in which the work may be used;
- who is allowed to use the work;
- the purpose for which the work may be used; and
- modification of the work.

Alternatively, parties might choose to enter into a separate agreement that specifically assigns the copyright in commissioned works. ●

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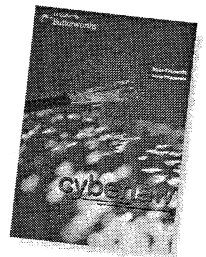
Endnotes

1. Section 35(2).
2. *BP Refinery (Westernport) Pty Ltd v Hastings Shire Council* (1977) 180 CLR 266.
3. *Hawkins v Clayton* (1988) 164 CLR 539 at 573, cited by Brennan CJ, Dawson and Toohey JJ in *Byrne v Australian Airlines Ltd* (1995) 185 CLR 410.
4. [2003] EWHC (Ch).
5. [2005] EWCA Civ 11.
6. Above note 4 at [54].
7. Above at [58].
8. Above note 5 at [21].
9. [2000] SASC 3; BC200000063.

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