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EXPECT THE BEST

Employers Should Beware Assumptions About Copyright Ownership

by Bruno P. Soucy and Sheldon Inkol
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Bruno Soucy operates a business law practice at Blaney McMurtry. An honours graduate in commerce and a registered trade-mark agent, he practices in the areas of intellectual property and technology law, entertainment law and commercial law (with an emphasis on E-Commerce, information technology and outsourcing).

Bruno may be reached directly at 416.593.2950 or bsoucy@blaney.com.

Sheldon Inkol is an articling student at Blaney McMurtry. A graduate of Osgoode Hall Law School, he served as the first research assistant for the Osgoode Mediation Clinical Program. He has also worked in the film industry, where copyright is of widespread and ongoing interest.

Sheldon may be reached directly at 416.593.7221 ext. 4445 or sinkol@blaney.com.

Canadian knowledge-based businesses that employ people to create intellectual property – including advertising material and computer software, among many other things – should be careful to insure that expectations concerning the ownership of the copyright in the resulting products is defined clearly and in advance.

This renewed sensitivity is being animated by two recent high-profile American cases.

On July 28, 2011, the Southern District Court of New York ruled that Marvel Comics publications featuring famous characters like the Incredible Hulk are works made for hire - meaning that the lucrative copyright in them has belonged solely to the publisher from the moment of creation, and not to Jack Kirby, the artist and co-creator. Kirby's estate has filed a notice of appeal.

Around the same time, Victor Willis filed papers to regain his share of copyright control over "Y.M.C.A." and 31 other songs he co-wrote as a member of the Village People. He is being opposed by the two companies holding the publishing rights for the group's songs, who argue that Willis was a writer "for hire" and as such is not entitled to any share of ownership in the music. This claim is being called a significant test of U.S. copyright law.

The stakes are notable. In the U.S., when work is done for hire, the employer is deemed to be the legal author, entitling the employer to full copyright control for a term that is the lesser of 95 years from the year of first publication, or 120 years from the year of creation.

In the event that Willis or Kirby, from the examples above, are determined to be authors, then, even if they assigned all copyright in their work to the employer, they would still have the inalienable right to terminate any such assignment after a period of 40 years (or after 35 years from the date of publication, whichever ends first) and reclaim the copyright in the work. This termination right cannot be waived – but it does not apply to works made for hire.

Typically, copyright protection vests initially with the creator (or "author") of a work. In both Canada and the U.S., however, when creative work is done by an employee within the scope of his or her employment, then - absent an express agreement to the contrary, and with limited exceptions - the employer is the first owner of copyright. This holds true not only for cartoonists and songwriters, but also for computer programmers, architects, interior designers and freelance writers.

The Marvel-Kirby decision was made on the basis of contextual factors because there was no express agreement between the two parties as to the precise nature of their relationship or the ownership of the work being created. This set of circumstances is common in both the United States and Canada.

The Canadian Perspective

The above matters, if litigated in Canada, would be subject to the application of a similar set of rules to determine both whether or not the creator really was an employee and whether or not the creation was within the scope of his or her employment. In Canada, however, the employee remains the author of the work, unlike the situation in the U.S. where an employer, even a corporate employer, is deemed to be the author.

The identity of the author has a significant impact on the duration of copyright in a work. In Canada, the term for most works generally lasts for the life of the author plus 50 years after the end of the calendar year of his or her death. Where there is no identifiable author, the term is generally limited to 50 years from the end of the year it was published.

The termination right being fought for by American creators like Kirby and Willis only applies to uses within the United States - meaning that any such termination would not have an impact on rights the creator had granted for exploitation in foreign territories.

Canadian creators have no termination right, but the Copyright Act does provide that any grant of interest in a copyright ends automatically 25 years after the death of the author and reverts back to the author's estate – except where the work was created in the course of employment. Such reversionary interest in the copyright cannot be assigned or waived by the author.

As in the U.S. and the examples cited above, the thornier issue relates to determining whether a work was in fact created in the course of a person's employment. As was the case in the U.S., a careful review of the underlying agreements and the surrounding circumstances will be made by the courts. Accordingly, even though it is not a requirement in Canada that an employer stipulate contractually that the employer is the owner of copyright in any work, it is usually wise to set this out explicitly, along with the parameters of the employee's employment and responsibilities regarding the creation of works.

Many countries around the world find the notion of a corporate author unpalatable and hold that authors' rights should belong to natural persons only. Some jurisdictions go even further and prevent assignment of any copyright by an author other than to his or her heirs.

In Canada, but not the U.S., authorship can also give rise to "moral rights" – the right to the integrity of the work and other rights of such nature. The author alone has moral rights in a work. Moral rights cannot be assigned but can be waived by the author, and they can be - and in most cases should be – waived in an employment or personal services contract, especially where the work product is artistic in nature.

Crossing Borders

When a work crosses borders – and just think about how modern information technology has facilitated that – the rights that attach to such work vary from country to country. The challenge for employers therefore becomes determining whether, and to what extent, they need to address the rights to their employees' and contractors' work product and what consideration needs to be given to the differing copyright regimes where such works may come to be exploited.

Employers should be especially aware that the rights they own in Canada and the scope of such rights may vary significantly from those they may have elsewhere. Likewise, contractual arrangements that relate to the ownership of copyright in Canada may not be enforceable abroad. In this respect, the two U.S. cases discussed above could give rise to different results, if litigated in jurisdictions outside of the U.S. in terms of the copyright in such jurisdictions.

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