

**SUBMISSIONS OF
THE MEDIA & ADVERTISING COPYRIGHT BOARD
IN RESPONSE TO A DISCUSSION PAPER ENTITLED:
“THE COMMISSIONING RULE, CONTRACTS AND THE
COPYRIGHT ACT 1994”**

SUBMISSIONS OF THE MEDIA & ADVERTISING COPYRIGHT BOARD

THE MEDIA & ADVERTISING COPYRIGHT BOARD

The submissions in this paper are made by the Media & Advertising Copyright Board in response to a discussion paper entitled "*The Commissioning Rule, Contracts and the Copyright Act 1994*" released by the Ministry of Economic Development ("the Ministry") in March 2006 ("the Discussion Paper").

The Media & Advertising Copyright Board ("the Copyright Board") is a non-profit body. It is an association of bodies representing those who are users or commissioners of copyright works, whether or not they are themselves creators or owners of copyright works. The main aims of the Copyright Board are:

- To raise awareness about the importance of copyright;
- To identify and research areas of copyright law and practice;
- To seek changes to law and practice to enhance the effectiveness and fairness of copyright laws; and
- To foster co-operation among bodies representing users of copyright works.

The members of the Copyright Board are as follows:

- Association of New Zealand Advertisers Inc.
- Communication Agencies Association
- Magazine Publishers' Association
- The Newspaper Publishers Association of New Zealand Inc.
- The Radio Broadcasters Association
- Television Broadcasters' Council

The scope of the submissions in this paper will be restricted to issues of interest to the members of the Copyright Board as commercial organisations, accordingly, submissions will not be made in respect of matters that are variously described in the Discussion Paper as "personal or domestic" or "private consumer interests" unless those matters coincide with the interests of the Copyright Board.

PRELIMINARY COMMENTS

The commissioning rule is a long-standing and well-known provision of the copyright legislation. Although technology has changed dramatically over time, the basic economic relationship between commissioner and copyright author has not changed. The commissioning rule is both logical and justifiable and it helps to create an environment that is conducive to the creation of a wide range of copyright works.

The Copyright Board notes that the Discussion Paper has been prepared "[i]n light of concerns raised by stakeholders in the photographic industry regarding the application of

the commissioning rule to photographs.”¹ A significant proportion of the Discussion Paper is therefore devoted to the concerns of the photographic industry although the commissioning rule affects many groups and interests. While the Copyright Board welcomes the opportunity to make submissions on the commissioning rule, it is disappointed that lobbying by the photographic industry has apparently placed photographers in a privileged position. The Copyright Board submits that it is incumbent on the Ministry to treat all those with an interest in the commissioning rule equally and it reminds the Ministry that, in the words of the Discussion Paper, the purpose of copyright protection is “to achieve outcomes that are in the overall public interest.”² Nothing has happened since photographs were first included in the list of works covered by the commissioning rule to suggest that photographs should be removed from that list. The concerns of a particular industry should not be allowed to dominate the discussion on this important issue.

The submissions in this paper must be read in the context of a discussion paper that has the concerns of the photographic industry at its heart. There is therefore a bias towards meeting the arguments raised by the photographic industry. This is, unfortunately, unavoidable, given the content and structure of the Discussion Paper.

PRIMARY SUBMISSION

The primary submission of this paper is that the scope of the works included in the commissioning rule, section 21(3) of the Copyright Act 1994, should be expanded to include all works protected by the Copyright Act and that the commissioner of those works should be the first owner of copyright in the works. The Copyright Board notes that this is the position accorded to the Crown.³ Implementation of this submission will reward those firms, organisations and individuals who commission works of copyright by providing certainty as to the first ownership of all works. Certainty as to the ownership of copyright will act as an incentive to commission further works which, in turn, will benefit the creators of those works.

This submission adopts Option 3 of the Discussion Paper and specifies that section 21(3) should be expanded to include all works protected by the Copyright Act.

FORMAT OF THIS PAPER

The remainder of this paper is divided into seven parts:

- The Commissioning Rule – Section 21(3) of the Copyright Act 1994
- Arguments in Favour of Extending the Scope of Section 21(3)
- Issues Raised in the Discussion Paper

¹ The Discussion Paper, para 3.

² Ibid, para 10.

³ Section 24(5) and section 26(1) of the Copyright Act 1994.

- Copyright and Contract
- Section 42 (3) of the Copyright Act 1994
- Answers to Questions Asked in the Discussion Paper
- Conclusion

The Commissioning Rule – Section 21(3) of the Copyright Act 1994

Copyright is a property right which subsists in certain works which meet the criteria established by the Copyright Act 1994.⁴ By virtue of section 16 of the Copyright Act, the owner of copyright in a work is the only person who is authorised to do certain acts including the basic right to copy the work.

The various arguments in favour of a system of copyright protection fall naturally into two approaches. In certain legal systems, copyright is justified on the basis that works which spring from the intellect of the author should be seen as the expression the author's personality. The author has a natural right to the ownership of the works that he or she creates and a natural right to control the uses to which the works are put. The operation of the natural right theory is clearly seen when applied, for example, to the works of visual artists. The copyright regimes of common law jurisdictions, including New Zealand, are based on the theory that the grant of copyright acts as an economic incentive for the creation and dissemination of works. (The economic incentive theory is discussed in the Discussion Paper.⁵)

The incentive provided by a property right such as copyright is an incentive to take the actions necessary to create and commercialise a work. The prospect of copyright does not act as an incentive to mere ownership; it acts as an incentive to the creation of a work, ownership follows creation. The copyright regime provides the person who has invested in the creation of the work with the necessary legal framework within which to obtain a return on the investment. Ownership of the copyright is, of course, a necessary adjunct to the creation of the work and it is therefore logical to provide that the person who has initiated the creation of a work should be the first owner of copyright in the work. In many cases, it is appropriate that the author of a work should be the first owner and this is the effect of section 21(1). However, section 21 also acknowledges that there are two circumstances in which the author should not be the first owner of copyright; namely, where a work is created by an employee or where it is created pursuant to a commission. The commissioning rule recognises that many works would not exist if it was not for the role of a commissioner in initiating the creation, and investing in the creation to ensure it evolved into a valuable work.

Whether the commissioning rule takes effect is a question which must be determined on the facts – whether the person commissioning has paid or agreed to pay for the making of the work prior to the making of the work; whether the work is included in the categories of

⁴ Section 14 of the Copyright Act 1994 provides that copyright is a property right. There are numerous criteria which must be satisfied for copyright to subsist in a work, refer, for example, to section 17 of the Copyright Act 1994.

⁵ Discussion Paper, para 11.1.

section 21(3) works; and whether the work is, in fact, made in pursuance of the commission. If the facts do not support a positive answer to the question, then the normal position under 21(1) will apply and the author will be the first owner of the copyright. However, both the normal position and the commissioning rule are subject to an agreement between the parties to the contrary.⁶

New Zealand is a net importer of works of copyright. It is therefore in the public interest to promote the creation and dissemination of works of copyright within New Zealand and the commissioning rule has an important part to play in this process. For example, broadcasters in New Zealand commission television programmes from independent production companies. Programmes are commissioned for specific timeslots and programmes are tailored to meet specific audience requirements. To achieve these objectives, broadcasters retain final editorial control over the content and structure of these commissioned programmes. As part of the production of television programmes and associated promotions, broadcasters are therefore, on a daily basis, in the business of commissioning works that come within the scope of section 21(3). These works include photographs, drawings, films and sound recordings. The finished works would not exist without the initiative and financial and creative investment of the broadcasters.

The clear advantage that the commissioning rule provides to broadcasters, and to other commissioners of copyright works, is certainty. A broadcaster can be sure of ownership of the copyright of works covered by section 21(3) and leads to other benefits. It helps ensure, for example, that the broadcaster retains the right to rebroadcast the programmes it has commissioned and to market the programmes offshore. The broadcaster may also be confident enough to reduce its dependence on imported works.

Arguments in Favour of Extending the Scope of Section 21(3)

The Discussion Paper makes the unwarranted and unsupported claim that “At present, there does not appear to be any need to extend the scope of the commissioning rule in section 21(3) of the Act to other works not currently covered.”⁷ This is an inappropriate statement given that Option 3 of the Discussion Paper expressly contemplates the possibility of extending the works covered by section 21(3).

There are three main arguments in favour of extending section 21(3) to include all works covered by the copyright legislation:

(i) By providing the commissioners of copyright works with the first ownership of copyright, the commissioning rule has the effect of encouraging those commissioning firms and individuals to commission further works within New Zealand from New Zealand firms and individuals. Those new works depend on the initiative and financial and creative investment of the commissioning organisations for their existence. The commissioning rule therefore contributes in a tangible way to satisfying the public policy

⁶ Section 21(4) of the Copyright Act 1994.

⁷ Discussion Paper, para 67.

aims of the copyright legislation – to promote the creation and dissemination of works of copyright in the public interest.

(ii) If commissioners are to be incentivised to commission works of copyright, an essential element is certainty. In this context, certainty means that the legal ownership of copyright is vested in one party; it is not open to challenge; and both parties, commissioner and commissioned, are aware of and understand the position. An extension of the scope of the commissioning rule will increase certainty and in turn increase the level of commissioning of original creative works and reduce the use of stock photographs, library music and the like, which will benefit the authors of New Zealand copyright works and the commissioners of those works.

Commissions to create works of copyright are negotiated by a variety of firms and individuals. They all share at least one objective, to be certain that they own the copyright; the reason being that - with the ownership of copyright comes the ability to deal with the commissioned work as the owner chooses. The current expression of the commissioning rule does not provide that certainty. The list of works included in section 21(3) is limited, in the main to artistic works – photographs, computer programs, paintings, drawings, diagrams, maps, charts, plans, engravings, models, sculptures, films or sound recordings. Apart from computer programs, literary works are excluded, as are musical and dramatic works.

Firms who wish to commission works cannot rely on section 21(3). For example, graphics within television programmes are often commissioned without written contracts being entered into. At a later date, it may be difficult to determine the true owner of the copyright. It is common for advertising commercials to be subject to separate agreements covering all the parties to try and ensure that the commissioner has first ownership of copyright.⁸ However, the need to negotiate these agreements increases transaction costs without providing total certainty. Even if a firm obtains an assignment of copyright from an author of a musical work, for example, there may be doubts such as the level of contribution from individuals who may claim to be joint authors. The problems inherent in having different pieces of advertising material owned by different parties are obvious. If section 21(3) is amended to include all works of copyright, it will provide certainty without restricting the ability of creative people to contract out of the default position.

(iii) As noted above, transaction costs are a side-effect of the restricted scope of section 21(3). The level of costs involved in developing a television programme or an advertising campaign which includes copyright works is a critical issue for commissioners of works.

The Discussion Paper accepts that “Any change in the commissioning rule may incur high compliance costs for commissioners”.⁹ The context suggests that the change referred to here is the exclusion of photographs from section 21(3). The contrary is also true. If other works are included in section 21(3), those transaction costs will be reduced which will further encourage commissioners of works to engage New Zealand firms and individuals.

⁸ Section 21(4) of the Copyright Act.

⁹ Discussion Paper, para 54.

Issues Raised in the Discussion Paper

The Discussion Paper raises at least six issues to which it is important to respond in order to provide a balanced view.

(i) The Discussion Paper puts the argument made by advertising and illustrative photographers that the commissioning rule places them in a weak position.¹⁰ This is a fallacy. If photographers are in a weak position, it is not as a consequence of section 21(3). The relative bargaining positions of parties to a commercial negotiation depends, in the main, on their respective commercial situations. If photographer A is talented and has an extensive client base, then he/she can insist on retaining or obtaining ownership of the intellectual property rights in works that he/she produces. If a prospective client insists on ownership, then the photographer is in the position to reject the commission. In the latter scenario, it is the commercial client that is in a weak bargaining position. If the client wishes to use the services of photographer A, then the client must accept the terms on which photographer A is prepared to be engaged. A party's commercial bargaining position is a function of the relevant commercial environment. It should not be blamed on the legislative context.

(ii) An aspect of a party's commercial bargaining position is its awareness and understanding of the legal issues involved. The general awareness and knowledge of copyright is high within the general public. It is impossible to watch a legitimate DVD without watching a warning as to copyright.

However, understanding of the commissioning rule and its ramifications may not be as high amongst businesses as might be expected if the understanding of New Zealand business people corresponds to their British counterparts. In 2005, the British Patent Office issued a press release which highlighted the need for a simple and certain rule.

“In the research conducted by the Patent Office, 40% of businesses think that they automatically own the copyright if they ask a sub-contractor to develop software for their business while an additional 30% of businesses do not know who owns it. The ownership of the copyright actually rests with the sub-contractor unless the commissioning business clearly states in a written contract before work is carried out that ownership is theirs.”¹¹

As a group, photographers who belong to a well-resourced trade association such as NZIPP have access to legal advice on a range of matters.¹² Arguably, they are in as good or

¹⁰ Ibid, para 51.

¹¹ <http://www.patent.gov.uk/media/pressrelease/2005/2006.htm>. Note that the commissioning provisions in the United Kingdom are different from the New Zealand provisions.

¹² “The New Zealand Institute of Professional Photography (*nz ipp) is the only qualifying body for professional photographers in New Zealand, and currently has over 260 members across NZ covering the disciplines of Wedding, Portrait and Commercial Photography. First founded in 1938, *nz ipp a non-profit Incorporated Society run by professional image-makers which represents the interests of professional

better position than most commercial organisations as to legal advice. For example, NZIPP has a range of standard form contracts available which, no doubt, include provisions regarding the commissioning of photographs.¹³

(iii) The Discussion Paper also puts the argument for photographers that they do not have the right to restrain subsequent use of the work that they have been commissioned to produce.¹⁴ Again, this argument ignores commercial reality. Photographers and other creators who are in demand command very high prices for their work and create them subject to very strict usage terms and conditions. Creators of lesser quality receive lower remuneration and, generally, negotiate fewer constraints on use of the work they have created. This is in the nature of commercial negotiation, and contributes significantly both to efficiency and wealth creation. Photographers are well paid. An individual enters into an agreement to take a photograph with eyes open and has the option to reject the commission. A photographer is not under an obligation to accept a commission. If a photographer believes that he/she should be entitled to a further fee for subsequent use, then he/she should make this part of the negotiated agreement. To suggest that ownership of copyright in a work should be dependent in some way on the circumstances of the use of the work is to introduce an unnecessary element of uncertainty that will, ultimately, benefit nobody.

There are further legislative restrictions on the use to which photographs may be put to which a photographer may have recourse. As the author of a copyright work, a photographer is protected under the moral rights regime which provides remedies, in the event that the treatment of a work is distorted or mutilated.¹⁵

(iv) The respective creative inputs of the parties to a commission are referred to in the Discussion Paper. At one point, the Discussion Paper suggests that the commissioning rule “potentially undermines the creative talent of photographers.”¹⁶ No evidence is provided for this surprising assertion other than to acknowledge that commissioners of photographs may have creative input into the creation of a photograph although the photographer decides matters such as composition, light and so on. Quite clearly the commissioning rule does nothing to undermine a person’s creative talent. Commercial reality must be accepted. In many instances, particularly where a photograph is to be used in conjunction with other advertising materials, a photographer will receive a specific brief, and will often be supervised by the commissioning party or their representative, such as an advertising agency Art Director.

photographers across NZ on issues relevant to the industry such as copyright, legal and business matters, and technical developments in rapidly changing areas such as digital imaging. It cultivates friendship and mutual understanding between photographers and raises the profile of professional photography through its activities and events.” <http://www.nzipp.org.nz/main/About/>

¹³ Standard Terms and Conditions of Engagement (Commercial); License Forms (Commercial); NZIPP Standard Terms (Wedding & Portrait); NZIPP Order Agreement (Wedding & Portrait); NZIPP Booking Agreement (Wedding & Portrait); Membership Application Forms; Model and Property Releases. <http://www.nzipp.org.nz/main/Forms/>.

¹⁴ Discussion Paper, para 52.

¹⁵ Section 98 of the Copyright Act 1994.

¹⁶ Discussion Paper, para 57.

The fact that a person commissioning a copyright work may have considerable creative input is another factor that illustrates the uncertainty created by the current commissioning rule. Depending on the level of input, a commissioner may rightfully claim to be a joint author and the photographer, or other author, must concede the commissioner's rights to joint authorship even if they contract out of section 21(3).

(v) It is disappointing that the Ministry, through its Discussion Paper, admits that it "is not clear [to the Ministry] whether individuals or industries have substantial issues with the commissioning rule" relating to works, other than photographs, covered in section 21(3).¹⁷ If the Ministry had asked the Copyright Board or its members, they would have been pleased to advise the Ministry that the photographic industry is not the only party with concerns with the commissioning rule. As noted above, the Copyright Board's primary submission is that section 21(3) should be amended to include all copyright works.

(vi) The Discussion Paper considers the ownership of copyright in a number of other common law jurisdictions that have amended their commissioning provisions or are in the process thereof. This section is interesting but irrelevant. New Zealand is part of an extensive common law system that dates back to the colonial era and before. It has close ties with certain common law jurisdictions, particularly the United Kingdom and Australia. Its copyright regime is, in large part, based on the Copyright, Designs and Patents Act 1988 (United Kingdom). However, New Zealand is an independent state and its legislation should not slavishly follow the examples of its neighbours and trading partners which are increasingly influenced by factors external to New Zealand. As a member of the European Union, the United Kingdom is obliged to implement EC Directives, most recently the Directive on resale royalties, which may not accord with the current position in New Zealand.¹⁸ Australia has recently entered into a Free Trade Agreement with the United States of America and its copyright regime is now inextricably linked to that jurisdiction. There are commissioning provisions in the United States Copyright Act, they form part of the more extensive "work made for hire" doctrine.¹⁹ The Australian/United States examples do not provide guidance.

As noted above, the policy of the copyright legislation is to promote the creation and dissemination of copyright works within the jurisdiction. This objective would be well served by extending section 21(3) to include all copyright works. That such a solution would be unique to New Zealand is irrelevant, it addresses the reality of the New Zealand situation as a small country that is a net importer of copyright.

Copyright and Contract

A complete section of the Discussion Paper is given over to a discussion of copyright and contract on the basis that "Copyright works are increasingly being made available subject to contractual terms and conditions, which sometimes seek to alter or restrict the uses that

¹⁷ Ibid, para 61.

¹⁸ EC Directive 2001/84/EC, the Directive on the resale right for the benefit of the author of an original work of art.

¹⁹ Section 101, Copyright Act 1976 (United States).

can be made of the work as set out in the Copyright Act 1994".²⁰ A number of issues have arisen within the digital environment such as shrink-wrap licences. The submissions of the Copyright Board are directed, in the main, to the commissioning rule. Therefore, the Copyright Board will restrict its comments on copyright and contract to a submission that:

Parties should be free from legislative encumbrance to contract regarding the present or future use of copyright works.

Section 42(3) of the Copyright Act 1994

Although these submissions have concentrated on the commissioning rule, the Copyright Board takes the opportunity to bring the anomaly of section 42(3) to the attention of the Ministry since it relates to photographs and the Discussion Paper has been initiated in response to the concerns of photographers. Section 42 of the Copyright Act is concerned with fair dealing with a work for criticism, review and news reporting. Section 42(3) provides:

"Fair dealing with a work (other than a photograph) for the purposes of reporting current events by any means other than those referred to in subsection (2) of this section does not infringe copyright in the work if such fair dealing is accompanied by a sufficient acknowledgement."

The effect of this provision, read in conjunction with the remainder of section 42, is to permit fair dealing with a photograph by means of a sound recording, film, broadcast or cable programme. However, fair dealing with a photograph is not permitted by any other means thereby excluding the print media which are an obvious user of photographs for reporting current events. This is anomalous. It is an example of the influence which the photographic industry has wielded in the drafting of the copyright legislation.

The Copyright Board submits that section 42(3) be amended by the deletion of the words "(other than a photograph)".

Answers to Questions Asked in the Discussion Paper

Question 1

What is the industry practice relating to commissions by commercial clients?

- a) Are most commissioned photographs commissioned by commercial or private clients?

The Copyright Board makes no comment.

- b) To what extent and in what way is copyright ownership of the photographs subject to contractual agreements?

²⁰ Discussion Paper, para 71.

Copyright ownership of photographs can be subject to contractual agreements depending on the negotiations between the parties, as provided by section 21(4). These negotiations are often used to strengthen the position of photographers. As noted above at footnote 13, the NZIPP has standard form agreements.

- c) What is your view on, and experience of, subsequent use of commercially commissioned photographs? To what extent are commercially commissioned photographs subsequently used where the photographer is not the owner of copyright?

Contracts of commission, whether initiated by a commissioner or a photographer, typically specify the uses for which a photograph may be made. They are also likely to include conditions governing subsequent uses. As noted above, creators who are in demand can dictate the terms of their contracts with commissioners.

- d) Does the amount of paid commission cover subsequent use of the commissioned photograph?

The amount of paid commission can cover all costs associated with the creation, production and subsequent use of a commissioned photograph. The quantum paid depends on the negotiations between the parties. The issue of the relative bargaining position of the parties is discussed above, page 7, where it is made clear that the bargaining position, and hence the agreed payment, is a function of the commercial environment.

Question 2

In your view, who has more creative input into the taking of a commissioned photograph: the commissioner or the photographer?

This question is irrelevant in the context of the commissioning rule and copyright. It is a well known principle of copyright that copyright subsists in a work, provided all criteria are met, irrespective of a subjective analysis of the quality of the work. For example, copyright subsists in an obscene work just as it does in a literary masterpiece; and section 2 of the Copyright Act defines an artistic work as: “(i) A graphic work, photograph, sculpture, collage or model, *irrespective of artistic quality* [emphasis added].”

The correct question is: “Who is responsible for the creation of a commissioned work?” The answer is, of course, that it is the commissioner, without whose investment there would be no work. As well, there are a number of situations covered in the Copyright Act where the person who is deemed to create a work, and is therefore the owner of that work, may not have had any creative input; thus, in the context of the broadcasting members of the Copyright Board, the person making a broadcast is deemed to be the person who created the broadcast.²¹

²¹ Section 5(2)(b) of the Copyright Act. See section 5(2) for other examples.

Question 3

What is the current practice relating to commissions by private clients?

- a) To what extent, and in what way, is copyright ownership of privately commissioned photographs subject to contractual agreements?
- b) What is your view on, and experience of, subsequent use of privately commissioned photographs?
- c) Is the level of protection provided by section 105(1) of the Act appropriate?

The Copyright Board makes no comment.

Question 4

Are there any other significant copyright issues relating to commissioned photographs, other than those identified above?

The most significant copyright issue relating to commissioned photographs is, "Who should be the first owner of copyright in commissioned photographs?" For the reasons discussed above, and in the response to Question 5 below, the answer is that the commissioner should be the first owner.

Question 5

Who should have ownership of photographs commissioned by commercial or private clients? Please explain.

The question is ambiguous. It is not clear whether it refers to ownership of the photograph as a physical object or to ownership of the underlying copyright in the work. Given that the Discussion Paper is concerned with the ownership of copyright, this answer assumes the latter.

The commissioner should have first ownership of the copyright in commissioned photographs, and in all commissioned copyright works. This paper states in a number of places that it is the submission of the Copyright Board that commercial clients should have first ownership in works that they commission. The arguments in favour of extending section 21(3) are also arguments in favour of this position, namely:

- (i) To encourage firms and individuals to commission further works within New Zealand from New Zealand firms and individuals.
- (ii) To achieve certainty of ownership of copyright.
- (iii) To reduce transaction costs.

Question 6

What are the advantages and disadvantages of the commissioning rule as it applies to works other than photographs?

The advantages and disadvantages of the commissioning rule as it applies to works other than photographs are the same as those that apply to photographs. The Copyright Board is critical of this attempt to differentiate between the photographic industry and other

creative industries. This paper has made it plain that the Copyright Board supports the extension of section 21(3) to include all works covered by the copyright legislation. Such an extension would provide certainty and provide further incentive to the production and dissemination of all New Zealand copyright works, a matter which is in the public interest.

Question 7

Does the commissioning rule reflect industry practice or does industry practice depart from the default position, and if so, in what way?

It is reasonable to assume that industry practice may vary from industry to industry. Without greater specificity, it is impossible to respond cogently to this question.

In the case of musical works and advertising commercials, it is more common for such works to be covered by separate contracts covering all parties. Depending on the circumstances, these may provide for fixed fees or progressive royalties as economic value is created (such as in on-going revenue streams of radio stations).

Question 8

How do industry/individuals deal with situations where several works are commissioned, but different default ownership rules apply?

This question identifies the uncertainty which is created by the current situation. It is obvious that parties must have recourse to contractual negotiations to clarify ownership of copyright in such situations. Vesting first ownership of copyright in commissioners would obviate this problem.

Question 9

Does the commissioning rule cause uncertainty as to how to define ownership of works covered by the rule?

As discussed above, it is in the public interest to provide potential commissioners with an incentive to commission works of copyright. An essential element of this incentive is certainty of ownership of copyright in the works covered by the commission. Currently, the existence of the commissioning rule may lead contracting parties to think that all copyright works are subject to the rule, when this is not the case. The limited scope of the commissioning rule therefore leads to uncertainty and to higher transaction costs if the parties realise that the situation must be established without any doubts, seek legal counsel and negotiate further contracts that determine the ownership of copyright works. Uncertainty would be avoided if section 21(3) was amended to include all works of copyright. Such an amendment would move the commissioning rule forward to keep abreast of developments in the creative marketplace.

Question 10

What is the current practice relating to commissions by private clients?

- (a) To what extent, and in what way, is copyright ownership of privately commissioned works subject to contractual agreements?

- (b) What is your view on, and experience of, subsequent use of privately commissioned works?

The Copyright Board makes no comment.

Question 11

Have there been any substantial privacy issues with privately commissioned works other than photographs or films that should be addressed by section 105(1) of the Act?

The Copyright Board makes no comment.

Question 12

Are there any reasons to extend section 21(3) of the Act to other categories of works?

This question has been answered in depth above at pages 5 - 6. In brief, there are three main arguments in favour of extending section 21(3):

- (iv) To encourage firms and individuals to commission further works within New Zealand from New Zealand firms and individuals.
- (v) To achieve certainty of ownership of copyright.
- (vi) To reduce transaction costs.

Question 13

Are there any other significant issues, other than those identified above, relating to the commissioning of works other than photographs?

As noted above, the advantages and disadvantages of the commissioning rule as it applies to works other than photographs are the same as those that apply to photographs. The issues that apply to works other than photographs are the same as those that apply to photographs. The Copyright Board is critical of this further attempt to differentiate between the photographic industry and other creative industries.

Question 14

What are your views on the options presented and why? Which of the above options do you support and why? Do you suggest any other options?

- (i) Option 1 creates uncertainty. A specific issue arises in respect of broadcasters which illustrates some of the problems with a restricted commissioning rule. In the past, works were often commissioned on an ad hoc basis, sometimes without any written contract and without copyright issues being addressed. They are now stored in archives. If the Commissioning Rule was abolished, copyright would be deemed to be the producer's. However, many production companies in New Zealand are small operations that may not continue in business for many years. If the archive is unable to locate the producer in question, the Archive will be powerless to use the work. Works that could otherwise be used for the benefit of all New Zealanders, either by rebroadcast or by incorporation into future programmes, are effectively rendered useless.

Section 21(3) should be extended to include all copyright works.

- (ii) Option 2 has the potential to reduce the amount of work commissioned from photographers and others in favour of stock photographs, library music and the like to the detriment of the New Zealand authors of such works. Alternatively, it may mean that those photographers and others who are not prepared to take a reasonable negotiating stance in respect of copyright ownership will receive less work. In any event, this option does not support the creation of New Zealand copyright works.
- (iii) It has already been made clear that the Copyright Board supports Option 3. Extending section 21(3) to cover all works will provide much needed certainty and encouragement to parties that commission copyright works.

This submission adopts Option 3 of the Discussion Paper and specifies that section 21(3) should be expanded to include all works protected by the Copyright Act.

- (iv) Option 4 is the least desirable option of the four options. Apart from the open-ended scope of this option, limiting the purpose or the scope of the commissioning rule will increase uncertainty and in turn reduce the level of commissioning of original creative works in favour of stock photographs, library music and the like to the detriment of the authors of the works within New Zealand.

Option 4 does not meet the policy of the copyright legislation, which is to promote the creation, and dissemination of copyright works in the public interest.

Copyright and Contract

Question 15

To what extent do license agreements that purport to alter or exclude terms of the Copyright Act 1994 form the basis of business models in New Zealand and internationally?

The Copyright Board makes no comment.

Question 16

What problems, if any, have users in New Zealand encountered with regard to the exclusion of permitted acts provided under the Copyright Act 1994 by contractual license agreements?

A problem which has been encountered by media is the inability to utilise the fair dealing provisions in news reporting situations where a licensor provides some news material but explicitly prohibits the use of other news material. Therefore, in its efforts to obtain a particular news item for the public, the media organisation is effectively prevented from

obtaining access to other news items that may be of interest to the public and in the public interest.

Question 17

Have copyright owners sought to enforce such provisions in New Zealand? If yes, please provide details. In particular, have the attempts to enforce such provisions been successful?

The Copyright Board is unaware of any such enforcement action being taken. However, as the “global village” continues to expand, international monitoring of intellectual property rights is becoming more widespread, and presumably such action will eventuate.

Conclusion

This paper has set out the position of the Copyright Board primarily in respect of the commissioning rule. It has discussed the matters raised by the Discussion Paper and it has comprehensively argued in favour of extending the scope of section 21(3) of the Copyright Act. It has made a primary submission in respect of the commissioning rule:

This submission adopts Option 3 of the Discussion Paper and specifies that section 21(3) should be expanded to include all works protected by the Copyright Act.

It has made a general submission in respect of contracts and the Copyright Act:

Parties should be free from legislative encumbrance to contract regarding the present or future use of copyright works.

The paper has also taken the opportunity to identify an anomaly in the fair dealing provisions and it has made a submission on that point:

The Copyright Board submits that section 42(3) be amended by the deletion of the words “(other than a photograph)”.