

**THE COMMISSIONING RULE,
CONTRACTS AND THE COPYRIGHT
ACT 1994**

A DISCUSSION PAPER

March 2006

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Information for Persons Making Submissions

This discussion paper reviews the issue of ownership of copyright in commissioned works and the relationship between copyright law and contract law. The paper is divided in three parts:

- **Part One** is an introduction to the review.
- **Part Two** discusses the adequacy of the commissioning rule. A background section describes the current position of the commissioning rule in the Copyright Act 1994, sets out historical developments and the reasons underlying the rule. Part Two of this paper also summarises international approaches and developments before discussing the key issues relating to commissioned photographs and other works covered by the commissioning rule in New Zealand. It identifies, where possible, potential legislative options in respect of the key issues discussed.
- **Part Three** discusses issues associated with the intersection between copyright and contract law. Principles of freedom of contract are discussed, as well as examples internationally of limits placed on the ability to contract out of copyright legislation. It seeks submissions regarding the prevalence and effects of contracts that vary copyright provisions in the Act and the relevance of these provisions to commercial business models. On the basis of the information received, the Ministry will then make recommendations to the government on whether a full review is required.

Submissions in response to this paper are invited from photographers, businesses and individuals commissioning photographs and other works, authors and creators, the cultural sector, copyright owners, users of copyright works, non-governmental organisations, and members of the public. Submissions will be considered in the development of policy recommendations to the government on possible legislative reform. To assist respondents in making submissions a list of questions for discussion can be found in Appendix 1.

Submissions should be sent to:

Commissioning and Contract Submissions
Attention: Silke Radde
Regulatory and Competition Policy Branch
Ministry of Economic Development
P O Box 1473
WELLINGTON

Emailed submissions are encouraged. They should be sent to:

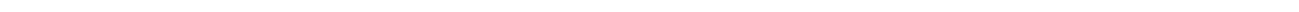
CopyrightAct@med.govt.nz.

Further copies of this paper may be downloaded from the Ministry's website:

<http://www.med.govt.nz>.

Please note that submissions may be posted on the Ministry's website and are subject to disclosure under the Official Information Act 1992. Persons making submissions that include commercially or otherwise sensitive material that they wish the Ministry to withhold under the Official Information Act should clearly identify the relevant information and the applicable grounds under which the Ministry could seek to withhold the information. The

contact details of respondents will be recorded and may be used for future consultation processes unless requested otherwise. The closing date for submissions is 31 May 2006.



Part One: Introduction

A. The Issues Raised in this Discussion Paper

1. This discussion paper considers two copyright issues. The first is the adequacy of section 21(3) of the Copyright Act 1994 (“the Act”) relating to ownership of copyright in commissioned works (“the commissioning rule”). The paper also considers the more general question of the relationship between copyright law and contract law.
2. The general rule under copyright law is that the author is the first owner of copyright in a work and as such enjoys the exclusive right to do certain “restricted acts” in relation to the work. The Act makes some exceptions to this general principle, including an exception which applies to certain categories of commissioned works.¹ Copyright in those commissioned works is owned by the commissioning person unless there is an agreement to the contrary.
3. In light of concerns raised by stakeholders in the photographic industry regarding the application of the commissioning rule to photographs, the government considers that the issue of first ownership in commissioned works merits further consideration. At this stage, it is not clear whether other industries, outside the photographic industry, have substantial concerns with the commissioning rule. However, this review covers the application of the commissioning rule to all works specified in the Act, as potential inequities could arise if the application of the rule to photographs was reviewed in isolation.
4. The second issue discussed in this paper relates to the interconnection between copyright law and contract law. Increasingly, copyright-protected works are put on the market subject to contractual terms of access and use. This has implications for the interface between copyright law and contracts. Digital technology has allowed the rapid growth of electronic commerce and development of new business models, and contracts are frequently used to set the terms and conditions on access to and use of copyright material. Often, these contractual arrangements seek to restrict activities that would otherwise be permitted under the statutory exceptions in copyright legislation.
5. A number of submissions made during the review of the implications of digital technology for the Act raised concerns about the implications of contract law for the operation of the copyright regime, particularly in regard to the permitted acts provided by the Act. For example, some user groups expressed concern that the development of click-wrap and shrink-wrap licences could erode the ability of users to access works for permitted purposes under the Act, and establish additional rights for copyright owners that do not exist under the Act.

¹ The works to which this rule applies are photographs, computer programs, paintings, drawings, diagrams, maps, charts, plans, engravings, models, sculptures, films and sound recordings.

B. The Purpose of this Discussion Paper

6. The purpose of this discussion paper is to inform interested parties about the issues concerning the commissioning provision and invite views on whether, and in what ways, the Copyright Act should be amended to address these issues. In particular, this paper identifies and discusses key issues relating to commissioned photographs. The paper also invites further information on the implications of the commissioning rule as it applies to works other than photographs and welcomes submissions that identify issues relating to the rule as it applies to these works.
7. It should be noted that this review is limited to reviewing the commissioning provision as an exception to the general rule of first ownership of copyright works. It is not the purpose of this review to comprehensively reassess the rules relating to first ownership. Particularly, the paper does not deal with issues relating to the definition of “author” in regard to certain categories of work or first ownership of works made in the course of employment.
8. This paper also seeks views on the impact of contract on copyright law in New Zealand. In particular, information is sought regarding the prevalence and effects of contracts that vary copyright provisions in the Act and the relevance of these provisions to commercial business models. On the basis of the information received, the Ministry will then provide advice to the government on whether further action is required.
9. Please note that this aspect of the review is limited to issues raised by the increased use of contract law and the implications on the operation of the copyright regime. It is not the purpose of this paper to discuss the underlying copyright provisions that may be the subject of contractual provisions, e.g. the statutory exceptions granted under the Copyright Act.

C. Copyright Policy Framework

10. Achieving overall copyright policy objectives is a key consideration for government when reviewing provisions of the Act. New Zealand’s copyright policy framework is based on the principle that the purpose of providing copyright protection is to achieve outcomes that are in the overall public interest. Different aspects of the public interest are covered by the framework, including economic, legal, social and cultural objectives. Those objectives overlap in many respects and may conflict. An optimal balance within the copyright system is achieved by properly determining the definition of protectable subject matter, scope of rights, terms of protection and permissible limitations. This is a constantly changing dynamic, influenced by economic, technological and social developments. The Ministry has a key interest in maintaining a copyright policy that reflects a fair and balanced approach to the different aspects of its public interest objective. This includes a careful consideration of who should be the first owner of copyright in particular circumstances and also the interface between copyright and contract law.
 11. One core objective of copyright protection is to advance the interest of the economy as a whole and in doing so, the wider public interest. Copyright seeks to achieve this objective in two broad ways:
-

- 11.1. On the one hand, copyright provides incentives for the creation and production of creative works that meet society's economic and social needs and demands. The economic rationale is that creation incurs costs and that production requires incentives in the form of appropriate returns to a producer to ensure that desired creativity and investment occurs. Copyright, in effect, creates an artificial scarcity in the market, to overcome problems of free-riding that would otherwise occur. The Act seeks to achieve this by conferring various exclusive rights on the owners of copyright works, allowing them to control certain activities relating to the use and dissemination of those works and, thus, to exploit their works economically. The primary principle of copyright law is that the person who creates a work enjoys a return on their investment by providing first ownership to him or her.
 - 11.2. On the other hand, copyright seeks to encourage the dissemination and accessibility of copyright-protected material. Access to information by individuals, educational institutions, libraries and organisations that serve those with special needs is critical to providing and receiving quality education. It is also important for scientific, medical and social purposes and innovation. Providing statutory exceptions that modify and limit the exclusive rights of copyright owners and provisions that limit the term and scope of copyright protection are essential parts of achieving this.
12. A key legal objective is compliance with international obligations. New Zealand is a party to a number of international treaties and any policy responses are limited and guided by those obligations. Relevant treaties include the Berne Convention for the Protection of Literary and Artistic Works and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).² In regard to the issue of copyright ownership, Article 2(6) of the 1971 Paris Act of the Berne Convention, which is also incorporated in TRIPS, provides that protection under the Convention is to operate for the benefit of the author and his successors in title. For some categories of works, however, such as cinematographic works (Article 14bis), ownership of copyright is a matter for legislation in the country where protection is claimed. Apart from these principal rules of ownership, there is, however, no international obligation relating to exceptions to these rules, including ownership rules relating to commissioned works.

² Annex 1C of the [Marrakesh Agreement Establishing the World Trade Organization](#), signed in Marrakesh, Morocco on 15 April 1994.

Part Two: The Commissioning Rule

A. Background

I. The Copyright Act 1994 and the Commissioning Rule

13. The default rule regarding first ownership of copyright is expressed in section 21(1) of the Act and provides that the author of a work is the first owner of any copyright in that work. The author of a work is the person who creates the work. There are two exceptions from this default position:
 - a. Section 21(2) provides that, where an employee creates a literary, dramatic, musical or artistic work in the course of his or her employment, the employer will be the first owner of copyright; and
 - b. Section 21(3) provides that where a person commissions, and pays for or agrees to pay for, the creation of a photograph, computer program, painting, drawing, diagram, map, chart, plan, engraving, model, sculpture, film, or sound recording, the commissioner, not the creator, is the first owner of copyright in the work produced.³
14. This paper is only concerned with the commissioning rule in section 21(3) of the Act. Commissioned works should be distinguished from works created in the course of the author's employment (as, for example, referred to in section 21(2) of the Act). A person is "employed" for the purposes of the Act if employed under a *contract of service* or a contract of apprenticeship.⁴ A contract of service exists where the relationship between the two persons is that of an employer and employee.
15. In contrast, to commission simply means to order or request and the underlying agreement is a *contract for services* where the relationship is that of a commissioner or employer and an independent contractor. For the commissioning rule to apply, the commission must pre-date the making of the work commissioned. Whether a work is "commissioned" is ultimately a matter of fact to be decided in the circumstances of each case.
16. According to section 21(4) of the Act, the commissioning rule is subject to any agreement to the contrary.
17. The commissioning rule is also subject to section 26 of the Act, which relates to Crown copyright.⁵ According to section 26(1) the Crown is the owner of any copyright subsisting in any work created by any person who has been employed or engaged by the Crown under, *inter alia*, a contract for services. However, similar to section 21(4) of the Act, this rule can be overridden by contract. Essentially it

³ The full text of section 21 can be found in [Annex 2](#) of this paper.

⁴ Section 2(1) of the Act.

⁵ The full text of section 26 can be found in [Annex 2](#) of this paper.

means that the commissioning rule does not apply to works commissioned by the Crown. First ownership of these works is governed by section 26 of the Act, which places first ownership of copyright with the Crown as the commissioner. Please note that section 26 of the Act is not subject of this review.

18. The commissioning rule is further subject to section 28 of the Act, which relates to copyright vesting in certain international organisations.⁶
19. The author's moral rights (the right to be identified, the right to object to derogatory treatment, and the right to object false attributions) and the right to privacy of certain photographs and films are independent of copyright ownership in the work. The commissioning rule does not affect the moral rights enjoyed by authors of commissioned works.
20. However, additional protection for those who commission photographs or films for private and domestic purposes is afforded by section 105. Section 105(1) provides:

A person who, for private and domestic purposes, commissions the taking of a photograph or the making of a film has, where copyright exists in the resulting work but is owned by some other person, the right—

- (a) Not to have copies of the work issued to the public; and
- (b) Not to have the work exhibited or shown in public; and
- (c) Not to have the work broadcast or included in a cable programme.⁷

II. History of Commissioning Rule

21. The existence of the commissioning rule in New Zealand can be traced back to the 19th century.⁸ Section 2 of the Fine Arts Copyright Act 1877 (NZ)⁹, for example, provided:

“... when any work of art ... shall be made or executed for ... any other person for a good or a valuable consideration, the person so ...making or executing the same shall not retain the copyright thereof ... but the copyright shall belong to the person for on whose behalf the same shall have been made or executed...”.

Although it is clear that the commissioning rule and its predecessors have had a long history, the underlying reasons for the introduction of these provisions are not always certain.

22. Under the Copyright Act 1908 (NZ) which consolidated, inter alia, the Fine Arts Copyright Act 1877 (NZ) and the Photographic Copyright Act 1896 (NZ), copyright

⁶ The full text of section 28 can be found in [Annex 2](#) of this paper.

⁷ The full text of section 105 can be found in [Annex 2](#) of this paper.

⁸ For detail see Brown A, Grant A (1989) *The Law of Intellectual Property in New Zealand*, Wellington, Butterworth, para 4.44 - 4.47.

⁹ In 1877 the New Zealand Parliament enacted the Fine Arts Copyright Act. The Fine Arts Copyright Act 1862 (UK) continued in force in New Zealand alongside the New Zealand Act.

in a “work of art” that has been commissioned was owned by the commissioner, unless there was an agreement to the contrary. A “work of art” included a wide range of works, namely paintings, drawings, engravings, useful ornamental designs, sculptures, photographs and negatives of photographs.

23. However, under the Copyright Act 1913 (NZ) the application of the commissioning rule was limited to engravings, photographs and portraits. The 1913 Act basically followed the Copyright Act 1911 (UK) which applied the commissioning rule only to those categories of work.
24. The commissioning rule was again expanded in scope under section 9(3) of the 1962 Act (NZ), adding paintings, drawings and sculptures. These additions were not discussed in either the Dalglish Committee Report¹⁰ or the Parliamentary debates on the Bill. Under the 1962 Act (NZ) the commissioning rule was further applied to film and sound recordings. The inclusion of sound recordings may have been the result of the 1962 Act (NZ) largely being based on the Copyright Act 1956 (UK), which included sound recordings in its commissioning rule.
25. The 1985 amendment to the Copyright Act 1962 added models as a category of protected subject matter and also added them as a category of works to which the commissioning rule applies. There is no direct reference to the reasons for the inclusion of models in the commissioning rule. However, the Industrial Property Advisory Committee in its two reports¹¹ concluded that there should be consistency between the rights arising from designs that originate from models with those that originate from drawings. This may, to some extent, explain the inclusion of models, as drawings were already within the scope of the commissioning rule.
26. Section 21(3) of the current Copyright Act 1994 added computer programs to the list of works covered by the commissioning rule. This was the result of the Industrial Property Advisory Committee recommending that first ownership of copyright in commissioned computer programs to be vested in the commissioning party.¹² Section 21(3) additionally applies to diagrams, maps, charts, and plans. The inclusion of these types of graphic works, however, was carried over from the 1962 Act (NZ). The term “engraving” was already covered by the commissioning rule under the 1962 Act and its definition included all these additional terms.
27. The Copyright Act 1994 further included section 105(1) of the Act, with a similar provision in the UK legislation. Section 105(1) of the Act is a limited privacy right and provides a person commissioning the taking of a photograph or the making of a film for private and domestic purposes the right to restrain the use to which the copyright owner can put it. It recognises the private or domestic nature of many commissioned photographs and films, and the likelihood that many consumers will

¹⁰ The Dalglish Committee was the first independent New Zealand committee to review and make recommendation on copyright reform.

¹¹ Industrial Property Advisory Committee, “The Law of Copyright as it applies in New Zealand to industrial designs: Report to the Minister of Justice”, 1 August 1983, para 1.2 and 20 February 1984, para 7.1.

¹² Industrial Property Advisory Committee, “The Legal Protection in New Zealand for Computer Programs: Report to the Minister of Justice”, 18 March 1986, para 14.6.

sign standard form contracts transferring their copyright to the photographer or filmmaker often without a full understanding of the implications for subsequent use of that work.

III. The Rationale Behind the Commissioning Rule

28. The evolved rationale of the commissioning rule was summarised by the Department of Justice in 1994:¹³

“There are two reasons for the existence of the commissioning rule. One is that if a work is made pursuant to a commission and has been paid for, the commissioner should be entitled to copyright in the work. In many instances, the commissioner will often have directed or influenced the nature of the work created. The other rationale is that works such as photographs, paintings and even plans are frequently commissioned by members of the public for private or domestic purposes. These people will usually not appreciate the existence or the implications of copyright protection and would not be likely to bargain to obtain copyright.”

29. The rule also reflects the economic rationale for copyright that it provides a return on investment. In addition, it has been argued that commissioners provide opportunities for creative works to be made which might not exist otherwise.¹⁴
30. The Ministry invites views on the rationale behind the commissioning rule.

B. International Approaches & Developments

31. The treatment of ownership of copyright in commissioned works varies across different countries. This section considers the position in a number of relevant jurisdictions.¹⁵
32. The United Kingdom (UK), Australia, Ireland, and Canada, have either amended or repealed their commissioning provision or are in the process of doing so. The scope of the commissioning rule in these jurisdictions is or was limited, as it previously only applied to photographs, portraits and engravings, and in some cases to film and/or sound recordings.¹⁶ The UK and Ireland have both repealed the commissioning rule, but their copyright legislation sets out similar protections for private commissioners of photographs and films such as provided by New Zealand’s section 105. Australia’s copyright legislation has a commissioning provision that applies to photographs for a private and domestic purpose, paintings or drawings of a portrait, and engravings. It vests copyright with the commissioner

¹³ Department of Justice, Law Reform Division, “Copyright Bill: Departmental Report to Commerce Select Committee”, November 1994, p 23.

¹⁴ For example, Kamal Puri “Copyright in Commissioned Works in Australia” *European Intellectual Property Reports*, vol 6 1995, p 290 at p 291.

¹⁵ Excerpts from other countries copyright legislation can be found in [Annex 2](#).

¹⁶ In addition to photographs, portraits, engravings, films and sound recordings, New Zealand applies the commissioning provision to paintings and drawings that are not portraits, diagrams, maps, charts, plans, models, sculptures, and computer programs.

but allows the commissioned person to restrain uses not contemplated at the time of the agreement. In Canada, the commissioning rule currently applies to photographs, portraits and engravings. Canada, however, is in the process of amending its copyright legislation and has proposed to repeal the commissioning rule. Individuals who commission a photograph for personal or domestic purposes would be able to make personal and non-commercial uses of that photograph. In the United States (US) a commissioning provision applies to nine categories of works.

I. The United Kingdom

33. United Kingdom copyright legislation has provided the model for various copyright statutes in New Zealand, including the Copyright Acts of 1913, 1963 and 1994. It is therefore useful to review some of the key developments of the commissioning rule in the UK.
34. One of the early statutes that had a provision relating to first ownership of copyright in commissioned works was the Fine Arts Copyright Act 1862. It provided that the copyright in commissioned paintings, drawings and photographs belonged to the commissioner unless there was an agreement to the contrary. "It appears that the provision as to commissioned pictures was made to prevent the unauthorised copying of portraits."¹⁷
35. The Copyright Act 1911 (UK) expressly referred to portraits and provided that the commissioner of an engraving, photograph or portrait would be the owner of copyright in these works, subject to an agreement to the contrary.
36. In 1956, the UK enacted a new Copyright Act and added sound recordings to the list of commissioned works. It vested copyright ownership in the person who commissioned the taking of a photograph, a painting or drawing of a portrait, the making of an engraving or of a sound recording, subject to an agreement to the contrary. The rationale behind the 1956 provisions was to provide a measure of protection for the privacy of individuals.
37. Alternative approaches to balancing the interests of commissioners and authors were discussed in the UK as a result of the Whitford Committee Report.¹⁸ The majority of the Committee recommended that copyright in all commissioned works should belong to the author, subject to the commissioner having an exclusive licence for all purposes that could reasonably be said to have been within the contemplation of the parties, and the commissioner having the power to restrain any exploitation for other purposes against which he could reasonably take

¹⁷ Stated as such by the Royal Commission, "Royal Commissions and the Report of the Copyright Commissioners", 1878, para 103.

¹⁸ The Whitford Committee was set up to consider whether any, and if so what, changes would be desirable in the law relating to copyright, particularly by the Copyright Act 1956. See Committee to Consider the Law on Copyright and Designs, "Copyright and Design Law: Report of the Committee to Consider the Law on Copyright and Designs", 1977, Command Paper Cmnd 6732. Command papers are presented by the Government for the information of Parliament.

objection. The exclusive licence concept was not adopted as it was thought to introduce too much uncertainty.

38. The UK repealed the commissioning rule in 1988. Section 11(1) of the Copyright, Designs and Patents Act 1988 (UK) provides that the author of a work is the first owner of the copyright and no exception is provided for commissioned works. However, section 85 of the 1988 Act sets out the same rights of restraint for private commissioners of photographs and films that formed the model for New Zealand's section 105. During the House of Lords debates¹⁹ it was acknowledged that the "current law is anomalous" in the way that it treated different categories of work in different ways. Privacy concerns related particularly to photographs and films, whereas with paintings it was considered that the commissioner would usually be in possession of the physical object. In regard to section 85 of the 1988 Act it was also noted that there is a limit to the extent to which copyright law may be used to protect privacy. The practical impact on the reallocation of copyright ownership is limited as the commissioning rule had applied only to a narrow range of works.

II. Australia

39. Section 35(5) of the Copyright Act 1968 (Cth) provides that when a photograph for a private and domestic purpose, painting or drawing of a portrait or the making of an engraving is commissioned, the commissioner is the first owner of copyright. This position may be modified by agreement. Where the purpose for commissioning is made known to the author at the time of the agreement, the commissioner can restrain its use for any extraneous purpose. A private or domestic purpose is defined in section 35(7) of the 1968 Act as including a portrait of family members, wedding party or children. Sections 97(3) and 98(3) of the 1968 Act vest copyright in the commissioner in the case of commissioned sound recordings and cinematograph films.
40. Section 35(5) was amended in 1998 by the insertion of the words "for private or domestic purpose" after the word "photograph". The Senate Legal and Constitutional Legislation Committee recommended in its minority report section 35(5) of the Act to be amended to give commercial photographers first ownership in copyright. The Australian government accepted that an amendment of s 35(5) of the Act was desirable for commercial photographers, who had been seeking this reform for a number of years. Other works affected by the commissioning rule were not discussed.

III. Canada

41. Section 13(2) of the Copyright Act 1985 provides that a person commissioning a photograph, portrait or engraving is the first owner of copyright, unless there is a specific agreement to the contrary.

¹⁹ House of Lords, *Copyright, Designs and Patents Bill*, 23 February and 29 March 1988.

42. Canada is in the process of reforming its copyright law. In June 2005, Bill C-60, an Act to amend the Copyright Act, was introduced in Parliament. However, because of the early held election in January 2006, it will be necessary to introduce a new and possibly similar bill sometime after the election, which Cabinet will have to approve.
43. Bill C-60 proposed to repeal section 13(2) of the 1985 Act. First ownership of copyright in commissioned works would rest with the author. However, an individual who commissions, and pays for, a photograph for personal or domestic purposes would, subject to an agreement to the contrary, be able to make personal and non-commercial uses of that photograph.²⁰ The Standing Committee on Canadian Heritage²¹ concluded in its Interim Report on Copyright Reform²² that existing federal and provincial privacy legislation would best address the concerns of consumers who commission photographs for private or domestic purposes.

IV. Ireland

44. Section 23 of the Irish Copyright and Related Rights Act 2000 vests copyright primarily in the author. Where a work is commissioned, copyright remains with the author (and not the party commissioning and paying for the work), unless specifically assigned to the commissioning party.
45. However, section 114(1) gives the person who, for private and domestic purposes, commissions the taking of a photograph or the making of a film, the right not to have the work, or copies of the work, made available to the public.
46. Under section 10 of the repealed Copyright Act 1963 a person who commissioned the taking of a photograph, or the painting or drawing of a portrait, or the making of an engraving, and paid or agreed to pay for it, was considered the owner of copyright in that work. A similar right was provided to a person who commissioned the making of a sound recording or film.

V. The United States

47. Section 201(b) of the US Copyright Act 1976 provides that the author of a work will be the copyright owner, except where the work is "made for hire". In that case, the

²⁰ Government Statement on Proposals for Copyright Reform (24 March 2005) available at <http://strategis.ic.gc.ca/epic/internet/incrp-prda.nsf/en/rp01142e.html>.

²¹ The Standing Committee on Canadian Heritage studies and reports on matters referred to it by the House of Commons or on topics the Committee itself chooses to examine. It is a permanent committee established by the Standing Orders of the House. In accordance with its mandate under Standing Order 108(2), the Committee undertook a study of the Government Status Report on Copyright Reform and made recommendations in relation to various copyright issues, including photography issues.

²² [Interim Report on Copyright Reform: Report of the Standing Committee on Canadian Heritage](http://www.parl.gc.ca/InfocomDoc/Documents/37/3/parlbus/commbus/house/reports/herirp01-e.htm) (May 2004), available at <http://www.parl.gc.ca/InfocomDoc/Documents/37/3/parlbus/commbus/house/reports/herirp01-e.htm>.

copyright owner is the employer or other person for whom the work was prepared, subject to agreement to the contrary. Section 101 of the copyright law defines a work “made for hire” as:

- a work prepared by an employee within the scope of his or her employment;
- a work specially ordered or commissioned for use as a contribution to a collective work (such as a magazine), as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.²³

48. These nine categories of works to which the commissioning rule applies tend to relate to works done by freelance authors at the instance, direction, and risk of a publisher or producer, where it was argued that it would be unfair to allow such authors to terminate assignments of rights. Other exceptions (contributions to collective works, parts of motion pictures) were based on the fact that the resulting work involved numerous authors and that permitting terminations of grants of rights to such works would cause chaos. Commissioned photographs appear to most commonly come under the category of “contribution to a collective work”, e.g. magazine or periodical.

C. Commissioned Photographs

49. Over the last several years, individuals and organisations in the photography industry have voiced their concerns relating to the commissioning rule as it applies to photographs. In 1959, the report of the Dalglish Committee, when reviewing the Copyright Act 1913, discussed and rejected a submission that would have limited commissioners’ ownership of copyright in commissioned photographs. The Committee was of the view that a change in law could cause serious inconvenience to commissioners. For example, a commissioner who subsequently wished the commissioned photograph to be reproduced would be forced to go to the original photographer, who might refuse to permit any reproduction or it might prove difficult to trace the photographer. The Committee further argued that the agreed price for which professional photographers offer to do certain work is presumably calculated on the basis that they do not acquire copyright in the photograph. It also referred to the possibility of entering into an agreement reserving the copyright in their works and regarded the whole matter to be one of business arrangement.²⁴

²³ A “supplementary work” is a work prepared for a publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising commenting upon or assisting in the use of the other work, such as pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes and indexes. An “instructional text” is a literary, pictorial or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

²⁴ New Zealand Copyright Committee, “Report of the Copyright Committee”, Wellington, 1959, para 366.

50. The Commerce Select Committee considered the issue in 1994 when it considered the current Act. It argued that granting ownership to the commissioner by default was necessary to protect the members of the public who commissioned works, such as family or wedding photographs. The Committee considered that professional photographers would have sufficient knowledge of copyright, and therefore more bargaining power, to negotiate with commissioners to have copyright in commissioned works assigned to them.²⁵

I. The Key Issues

51. Professional photographers often derive their income or parts of it from taking photographs for commercial entities, for example publishing or advertising businesses. In many cases, the commercial entity will commission the photographer. Section 21(3) of the Act provides default copyright ownership to the commercial client. Advertising and illustrative photographers argue that the commissioning rule puts them in a weak position when negotiating with commissioners, such as large commercial clients.
52. In the absence of an agreement to the contrary, photographers being commissioned by commercial clients may not have any rights to restrain any subsequent use of their work and the commissioner will have unlimited use of their works. This applies irrespective of whether the purpose for commissioning has been made known to the photographer. However, photographers have submitted that, where a photograph has been commissioned for a particular purpose, that purpose may have determined the price but not any subsequent usage of the work.

Example

Section 21(3) of the Act dictates that an advertising company which commissions a photographer to take a photograph for an advertising campaign retains copyright in the photograph. This provision grants the advertising company the right to, inter alia, reproduce the photograph for any subsequent purposes. However, section 21(3) of the Act merely creates a default rule which can be overridden by an agreement to the contrary.

Question 1

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

a. Are most commissioned photographs commissioned by commercial or private clients?

²⁵ Rick Barker, MP and Member of Select Commerce Committee, at Second Reading of Copyright Bill in the House. (1994) vol 545 New Zealand Parliamentary Debates, pp 5270-5285.

- b. To what extent and in what way is copyright ownership of the photographs subject to contractual 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?
- d. Does the purpose for which a work is commissioned determine the price paid? Are subsequent uses of the photograph usually considered when negotiating the price?

53. By treating commissioned photographers differently from creators not covered by the commissioning rule, the rule may undervalue the creative talents of photographers. Equally, it has been argued that assigning copyright to the commissioner reflects the investment in the creation of the work and the commissioners' creative input into the creation of the work.

Question 2

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

54. Any change in the commissioning rule may incur high compliance costs for commissioners, e.g. transaction costs to obtain permission to make subsequent use of the work may increase. For example, it may be difficult to locate the photographer or his or her successor in title.
55. Many photographs are commissioned for private or domestic purposes. Private or domestic purposes relate to non-commercial situations within the personal or domestic sphere. Such situations include, for example, graduation ceremonies, weddings and other special occasions, portraits of families, babies, and pets. Consumers who commission photographs for private or domestic purposes may have certain expectations of retaining copyright in those photographs, including the expectation to be able to subsequently use the commissioned photograph and to be asked for permission when others, including the photographer, may wish to use the photograph. They may also have insufficient knowledge or power to bargain with photographers about the issue of copyright. The commissioning rule is based on the notion that private commissioners usually do not appreciate the existence or the implications of copyright protection and would not be likely to bargain to obtain copyright. A change in the commissioning rule may, therefore, undermine private commissioners' expectations and put them in a weak position when negotiating the terms and conditions of the commissioning arrangement. The onus to negotiate the issue of copyright ownership would be shifted from the photographer to the private commissioner. However, a frequent use of standard form agreements, transferring copyright ownership to the photographer, may reflect that the default position is undermined by current practice. Also, section 105 of the Act provides some level of protection. Regardless of who owns copyright, those who commission photographic or cinematic works for domestic or private purposes can restrain some use to which the copyright owner might put it.

Example

Section 21(3) of the Act dictates that a couple who commission a photographer to take their wedding photographs retain copyright in those photographs. This rule grants the couple the right to, *inter alia*, restrain any other person, including the photographer, from using the photograph in a way that would infringe the couple's copyright in them. However, section 21(3) of the Act merely creates a default rule which can be overridden by an agreement to the contrary. In the case of the couple not being the owner of copyright in the wedding photographs, section 105 of the Act provides that they have the right to restrain uses and communication to the public of the commissioned wedding photographs. This means, for example, that the couple can restrain the copyright owner from publishing their wedding photographs in brochures or showing them in an exhibition.

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? Please explain.

Question 4

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

Question 5

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

II. Discussion

56. The commissioning rule possibly disadvantages professional photographers in the context of commissions by large commercial entities. Members of the photography industry have indicated that, in practice, photographers rarely contract out of the default position. Similarly, photographers argue that they are unfairly disadvantaged where a work is used for subsequent purposes but those uses are not reflected in the price paid. It is acknowledged that subsequent uses of commissioned works may be subject to an agreement between the photographer and the commissioner. However, this assumes that the photographer has sufficient bargaining power.
 57. By providing copyright to the commissioner of a photograph, the default position also potentially undermines the creative talent of photographers. It is
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acknowledged that in many cases the commissioner may have creative input into the creation of the photograph by directing the outcome of the photograph. However, it will be the photographer who decides the composition, light, point of focus and other specific settings that make the taking of a photograph an act of artistic creativity.

58. A change of ownership rules relating to commissioned photographs may incur higher transaction costs for commissioners. However, these costs are not unique to commercial clients but are incurred by everyone who wishes to use copyrighted material. Publishing and advertising businesses may already have systems in place to obtain permission to use photographs in which they do not own copyright.
59. Provisions that limit subsequent use of privately commissioned photographs are designed to provide protection to private commissioners, but it is important to acknowledge significant private consumer interests. Given the private nature of the photographs taken, control over subsequent use is of key concern to private commissioners.
60. One way of acknowledging the issue of privacy is granting private commissioners first ownership of copyright in commissioned works and thus control over subsequent use of the works. This may reflect reasonable expectations of private commissioners to own copyright in their commissioned photographs and put the onus on the stronger party (the photographer) to obtain agreement to the contrary. Another way of acknowledging the private nature of a work is limiting certain secondary uses while granting ownership to the photographer. Section 105 (1) of the Act already provides some protection of the commissioner's privacy by limiting certain subsequent uses of privately commissioned photographs or films.

D. Other Works Affected by the Commissioning Rule

61. In addition to photographs, computer programs, paintings, drawings, diagrams, maps, charts, plans, engravings, models, sculptures, films, and sound recordings are covered by the commissioning rule. At this stage, it is not clear whether individuals or industries have substantial issues with the commissioning rule relating to these types of work. The Ministry only has limited anecdotal evidence of concerns and can not easily draw from experiences in other jurisdictions, which take different approaches as already outlined in Section B above.²⁶
62. The Ministry, therefore, invites submissions on any substantial issues relating to the commissioning rule as it applies to works other than photographs. Persons making submissions are particularly invited to provide information on the commissioning rule's relevance in practice, its effect on individuals and businesses, and the possible need for any change of the rule.

²⁶ There have been some comments to the Ministry on the issue of commissioned software. However, these comments relate to disputes over ownership of the source and object code in software that have arisen through attempts to construct the underlying contract. They do not, however, relate to the operation of the commissioning rule itself.

I. The Key Issues

63. The first point to consider is whether or not the commissioning rule should continue to apply to those categories of works referred to in paragraph 61. Its perceived advantages and disadvantages, its relevance and effect in practice are important issues to be taken into account. The issues raised in the context of commissioned photographs, as outlined in Section C above, may be of relevance for other types of commissioned works as well, in particular, the question of bargaining power, subsequent use of those works and the protection of privacy. However, other issues may be specific to the type of work.
64. The commissioning rule may create difficulties and uncertainty where several types of works are commissioned but different default ownership rules apply.

Example

Multimedia works are compilations and, therefore, considered literary works. Literary works are generally not covered by the commissioning rule. However, the commissioning rule would apply to a computer program that may underlie a multimedia work. This means that where a multimedia work is commissioned, including the writing of the computer program, the commissioner would, according to section 21(3) of the Act, be the copyright owner of the computer program driving the multimedia work, but not of the multimedia work itself.

Question 6

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

Question 7

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

Question 8

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

Question 9

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

65. A second issue is whether or not works commissioned for private and domestic purposes should be treated differently from works commissioned for commercial purposes. There may be relevant similarities to commissioned photographs for private and domestic purposes, as outlined in paragraphs 55.

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?

66. Section 105(1) of the Act provides some protection of the commissioner's privacy by limiting certain subsequent uses of privately commissioned photographs or films where the commissioner is not the owner of the commissioned work (for example, because he or she has signed a standard form contract transferring copyright to the author of the work). This provision recognises the personal or private nature of many photographs and films and the ease of making copies of those works publicly available. Similar privacy issues for consumers who commission works other than photographs and films for private and domestic purposes have not been brought to the Ministry's attention, but it welcomes submissions on this issue.

Question 11

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

67. 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. Clearly, the issue of extending the commissioning rule is only relevant if there is enough merit in general for this rule to continue to exist. Relevant types of work currently not covered by the commissioning rule include literary works (other than computer programs), dramatic and musical works such as works of dance, and other artistic works such as collages. The Ministry is not aware of any substantial problems in New Zealand resulting from the default rule in section 21(1) that the author is the first owner of copyright where these other types of work are commissioned. However, anecdotal evidence suggests that there is some confusion, particularly in the area of publishing among freelance writers, given that the commissioning rule does not apply to literary works.
68. It is important to bear in mind that the commissioning rule is an exception to the fundamental principle of copyright law set out in section 21(1). Any exception would, therefore, need to be carefully considered.

Question 12

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

Question 13

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

E. Broad Set of Options

69. Depending on the approach taken, there are several options:

Option 1

No amendments to sections 21(3) and 105(1) of the Act.

Option 2

Repeal section 21(3) of the Act. The author of any commissioned work is the first owner of copyright.

Section 105(1) of the Act continues to apply to photographs and films commissioned for private and domestic purposes, or be extended to certain other types of works (yet to be specified).²⁷

Option 3

Amend the scope of works in section 21(3) of the Act. The scope of works included in the commissioning rule is narrowed or expanded and the commissioner of those types of work (yet to be specified) is the first owner of copyright in the work.

Section 105(1) of the Act continues to apply to photographs and films commissioned for private and domestic purposes, or be extended to certain other types of works (yet to be specified).

Option 4

Limit the purpose of commission in section 21(3) of the Act. The author of certain types of works, status quo or yet to be specified, commissioned for private or domestic purposes is the first owner of copyright.

Section 105(1) of the Act continues to apply to photographs and films commissioned for private and domestic purposes or be extended to certain other works (yet to be specified).

70. Any change to the commissioning rule would not be retroactive and, therefore, not affect works that have already been commissioned or created.

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?

²⁷ At this stage, it is assumed that section 105(1) of the Act is not problematic.

Part Three: Copyright and Contract

A. Background

71. Copyright works are increasingly being made available subject to contractual terms and conditions, which sometimes seek to alter or restrict the uses that can be made of the work as set out in the Copyright Act 1994 (“the Act”).
72. During public consultation on the review of the implications of digital technology for the Act, a number of public submissions raised issues regarding the ability to contract out of provisions of the Act. The submissions, mainly from copyright users in the educational, library and research sectors, expressed concern that contract law is used to change or remove the exceptions to the exclusive rights of copyright owners provided in the Act, and that this interfered with the balance of interests struck in the legislation. Some users argued that the Act should be amended to ensure that permitted acts cannot be negated by the use of licenses or by other means.
73. There is, of course, nothing new about the concept of licensing the use of copyright works. It is common practice in relation to all forms of works, and the returns from licensing provide a crucial part of copyright creators’ economic return for their efforts. Concerns about the erosion of copyright law in the face of contractual provisions have increased in the digital age, however, particularly where there are increasing technical means to enforce those provisions:
- [T]he digital environment fosters the conclusion of contracts, thanks to its structure and its interactive nature. Contracts are thus seen, in addition to or in place of copyright, as a ready solution for the determination of the conditions of use of protected material in the digital environment.²⁸*
74. The use of standard form contracts has increased in the digital environment as a means of facilitating mass distribution of copyright-protected materials to end users, given that they can significantly reduce transaction costs. Many digital products, particularly those delivered over the Internet, are licensed subject to these types of detailed contracts. It is these types of contracts over which most concerns has been expressed, either because they purport to limit the exceptions provided in the Act or because they expand the sphere of control of the copyright owner beyond those rights granted in the Act. For example, the Act does not provide an exclusive right to control access to work.
75. This is a topic of increasing interest internationally, and given the submissions received during the digital copyright review, it was considered timely to ascertain the extent to which the intersection between copyright and contract law is causing difficulties in New Zealand. The purpose of this section of the paper is to seek information regarding the prevalence and effects of contracts that vary the effect of copyright provisions in the Act and the relevance of these contractual provisions to commercial business models. This information is particularly sought in relation to

²⁸ Guibault, *Copyright Limitations and Contracts: An Analysis of the Contractual Overridability of Limitations on Contract* (Kluwer Law International, London, 2002), p 2.

contracts that seek to vary the terms of exceptions provided in the Act. On the basis of the information received, the Ministry will provide advice to the government on whether a full review is warranted. It is not intended that all aspects of contracting out of the Act, e.g. transferring ownership of copyright, will be problematic.

B. Contracting out of Copyright Legislation

76. As noted in Part One of this paper, in relation to the copyright policy framework, an optimal balance within the copyright system is achieved by properly determining the definition of protectable subject matter, scope of rights, terms of protection and permissible limitations.

[U]sers have a general duty to respect the rights owner's subjective rights, except in cases where positive law removes this duty by defining limitations on copyright. Just like the owner's subjective rights, these limitations form an integral part of the copyright regime, since they contribute to the achievement of a balance between the respective rights and duties of owners and users under copyright law.²⁹

77. Freedom of contract, however, is one of the fundamental principles of our legal system. Except to the extent that a contract is proscribed by law,³⁰ people are free to enter into any contractual arrangement of their choosing, and contracts are the primary legal source of obligations between members of a society. The fact that the substance of the contract is disadvantageous or unfair to one or both parties, or that the parties have unequal bargaining power, will not necessarily invalidate the contract.

78. It is generally accepted that parties can contract out of a statutory provision if the statute does not expressly or impliedly prohibit it and the effect of contracting out would not be contrary to law or fundamental public norms. Any resulting contract will be subject to the normal rules of contract, including that a contract will not be binding and enforceable unless both parties agree to the terms and conditions before the contract is formed.

79. These principles apply equally to the Copyright Act. Except where the Act expressly or impliedly prohibits contracting out or where it would be contrary law or fundamental public norms, right owners are entitled to deal with copyright in the same manner as other private property rights. This is explicitly recognised in section 113 of the Act:

- (1) *Copyright is transmissible, as personal or moveable property, by—*
 (a) *Assignment; or*
 (b) *Testamentary disposition; or*
 (c) *Operation of law.*
- (2) *A transmission of copyright may be partial, that is limited so as to apply—*

²⁹ Ibid, p 111.

³⁰ For example, the freedom of contract is limited by principles of unconscionability, privity, mistake, fraud, duress, and fundamental public policy. Certain enactments also limit the ability to contract out of their provisions, for example, section 11 of the Residential Tenancies Act 1986.

- (a) *To one or more, but not all, of the things the copyright owner has the exclusive right to do:*
- (b) *To part, but not the whole, of the period for which the copyright is to exist.*

80. The ability to issue licences for the use of work is also explicitly recognised in section 111, which deals with the impact of licenses on successors in title, and section 112, which provides for warranties implied in certain licences.
81. Licensing of copyright is central to many copyright industries, including software, music and electronic journal services. These licenses are often in the form of standard form, non-negotiable contracts that bind consumers to specific terms of use. Increasingly, these types of contracts are combined with technological protection measures, which make it possible to license and enforce copyright in a global market of mass distribution directly to end-users.
82. Such mechanisms allow copyright owners to develop new business models in the digital environment, which allow for more targeted or tailored use of materials. For example, music made available through legitimate download sites, such as Coketunes and Digirama, are subject to licenses regarding the number of copies that can be made of a downloaded song. Other services have graded payments depending on whether the consumer wishes to download a song to the computer, transfer it to a portable device, or simply listen to a streamed, non-downloadable version. These new developments have obvious benefits to consumers, allowing them to chose and pay for only what they wish to use.
83. Concern has been expressed, however, that standard form contracts often purport to limit or remove the ability to use materials in a manner consistent with the permitted acts and exceptions under the Act. As noted above, they also expand the copyright owner's ability to control the work beyond those exclusive rights granted under the Act. Software and electronic databases, for example, are often licensed subject to detailed and restrictive terms and conditions. Many users will be familiar with the so-called "shrink-wrap" or "click-wrap" licenses to which software is subject. The manufacturer places the terms and conditions of the software license inside the shrink-wrapped box containing the software disc or CD. The consumer is only able to read the terms and conditions once the software has been paid for, and is only able to install the software if he or she agrees to the terms. Similar contracts are entered into for online delivery of software, and have become known as "click-wrap" or "click-thru" licenses. Users are required to indicate their consent to the terms of the agreement by either typing, or clicking on a box marked, "I agree" or something similar.
84. The New Zealand courts have yet to consider the enforceability of these types of agreements. Their validity has been confirmed by courts in other jurisdictions, although there is surprisingly little case law on the topic. Perhaps the most well-known case is *ProCD v Zeidenberg* 86 F.3d 1447 (1996), in which the United States Seventh Circuit Court of Appeals held that copyright law did not "pre-empt" contract law. It held that the shrink-wrap license was valid and enforceable, and that such licenses should be treated as ordinary contracts accompanying the sale of products, and therefore as governed by the ordinary rules of contract law. Important factors influencing the Court's decision were:
- The buyer had notice that a licensing agreement was contained in the box;
 - The license permitted the buyer to return the software for a refund if the buyer did not accept the terms of the license; and
 - Requiring the license to be printed on the packaging was not practical.
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85. Although New Zealand courts have yet to consider this issue, the standard principles of contracting out of legislation would no doubt be applied. The question, then, would be about the validity and enforceability of the individual contract under the principles of contract law.³¹ A key question for the courts in assessing these issues would be the degree to which the contracting out would be contrary to fundamental public law and policy.

C. Limitations on the Ability to Contract Out of Copyright Legislation

86. Limitations or exceptions in copyright legislation are designed to resolve actual or potential conflicts between the interests of right owners and users and also to implement particular aspects of public policy. They typically serve one of four purposes: protecting fundamental freedoms, such as freedom of expression; safeguarding competition; promoting the dissemination of knowledge or responding to practical problems where individual negotiation or enforcement is impossible.³²
87. The rationale behind a particular exception may reflect one or more of these reasons, and this may determine the weight that might be given to the limitation and, thus, whether it should be possible to limit its application by contract. "Precisely because some 'legitimate interests' weight heavier than others or contribute more directly to copyright law's utilitarian objectives, certain contractual agreements that purpose to restrict the application of a specific limitation on copyright may warrant greater attention than others."³³
88. This issue is matter of interest internationally, and some jurisdictions have developed methods to address it. The following examples are illustrative, and are not intended to be exhaustive.
89. In the United States, the Uniform Computer Information Transactions Act confirms the enforceability of licences where they are communicated after the sale has taken place (as in "shrink wrap" license). The doctrine of "copyright misuse" has also developed, similar to the patent misuse doctrine, whereby rights granted under copyright legislation may not be enforced if the courts consider that their enforcement would be contrary to law or public policy.³⁴
90. Copyright legislation in some countries prohibits the ability to contract out. In some cases, this prohibition is virtually absolute and almost all copyright

³¹ Leading New Zealand texts on intellectual property consider that New Zealand courts would be likely to follow similar reasoning: see Frankel & McLay, *Intellectual Property in New Zealand* (LexisNexis, Wellington, 2002), para 1.5.3; Heaphy (ed), *Intellectual Property Law in New Zealand* (Brookers Online Libraries, Update 10, 2005), para 8.12.2).

³² Guibault, pp 27-28.

³³ *Ibid*, p 293.

³⁴ See, for example, *Lasercomb America, Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990); *DSC Communications Corp. v. DGI Technologies, Inc.*, 81 F.3d 597 (5th Cir.1996).

exceptions are made mandatory, and cannot be altered or avoided by contractual provisions. This is the case in the Belgian Copyright Act 1994, following amendments to implement the European Database Directive.³⁵

91. More commonly, copyright legislation provides that specific limitations or exceptions cannot be limited or overridden by contract. Article 9(1) of the European Union's Computer Programs Directive³⁶ provides that contractual terms that are contrary to exceptions for back-up, interoperability and study or testing of a program are null and void. A similar provision limiting contractual terms exists in Article 15 of the European Database Directive.

92. In the United Kingdom, section 296A of the Copyright, Designs and Patents Act 1988 provides:

Where a person has the use of a computer program under an agreement, any term or condition in the agreement shall be void in so far as it purports to prohibit or restrict-

- (a) *the making of any back up copy of the program which it is necessary for him to have for the purposes of the agreed use;*
- (b) *where the conditions in section 50B(2) are met, the decompiling of the program; or*
- (c) *the observing, studying or testing of the functioning of the program in accordance with section 50BA.*

93. Section 57(4) of the Irish Copyright and Related Rights Act 2000 states:

*The terms of a licence granted to an educational establishment authorising the reprographic copying for the educational purposes of that establishment of passages from literary, dramatic or musical works or the typographical arrangements of published editions or original databases, which have been lawfully made available to the public, shall be void in so far as they purport to restrict the proportion of a work which may be copied (whether on payment or free of charge) to less than that which would be permitted under this section.*³⁷

94. In the Australian Copyright Act 1968 (Cth), section 47H states that "An agreement, or a provision of an agreement, that excludes or limits, or has the effect of excluding or limiting, the operation of subsection 47B(3), or section 47C, 47D or 47F, has no effect."³⁸

95. No similar provisions exist in the New Zealand Act, and indeed, the ability to contract out of the exception for making back-up copies of computer programs is

³⁵ Directive 96/9/EC of the European Parliament and Council of 11 March 1996 on the legal protection of databases.

³⁶ Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs.

³⁷ A similar restriction exists in section 327(2) of the Irish Copyright and Related Rights Act 2000 in relation to legitimate use of a database.

³⁸ These sections provide exceptions for copies made automatically as part of a technical process (s 47B(3)), back-up copies of computer software (s 47C), reproducing computer programs to make interoperable products (s 47D) and reproducing computer programs for security testing (s 47F). In other words, it is not possible, under the explicit terms of the Act, to contract out of these exceptions.

expressly confirmed in section 80(3)(b) of the Act.³⁹ Equally, the exceptions in sections 45, 48, 57 and 88 expressly do not apply if a license is available.⁴⁰

D. The Australian Review

96. In April 2001, the Australia's Attorney-General presented the Australian Copyright Law Review Committee ("CLRC") with the task of inquiring into the relationship between copyright and contract. The CLRC's terms of reference begin by noting:⁴¹

The rapid and continuing growth of electronic commerce has facilitated the use of contract to set terms and conditions on access to and use of copyrighted material. The Copyright Act 1968...

97. The CLRC was instructed to report on the extent to which trade in copyright works was subject to agreements that exclude or modify the exceptions in the Australian Copyright Act and to make recommendations as to whether such agreements should be enforceable. Its final 350 page report was completed in April 2002 and made available to the public by the Attorney-General in October of that year. In preparing the report, the CLRC engaged in public consultation on its terms of reference, on an Issues Paper released in June 2001 and a Discussion Paper in October 2001.
98. Having reviewed the literature and information on the extent to which electronic and other trade in copyright works is subject to agreements that exclude or modify the copyright exceptions, the CLRC concluded that electronic trade in copyright material differs from non-electronic trade. In the case of the electronic trade, mass direct contracting with end users was possible, both domestically and across national borders, and so materials were more likely to be subject to licenses for access that modify the exceptions in the copyright legislation. It also noted that copyright material in electronic form was more vulnerable to unauthorised copying, but equally could be protected to some extent through technological protection measures.
99. The use of such agreements to exclude or modify copyright exceptions led the CLRC to conclude that, if such agreements were enforceable, it would mean a displacement of the copyright balance in important respects. Among its six recommendations, the CLRC suggested that the Australian Act should be amended to provide that an agreement, or a provision of an agreement, that

³⁹ The full text of section 80 can be found in Annex 2 of the paper.

⁴⁰ These sections provide exceptions for copying for educational purposes of films and sound recordings (section 45), recording by educational establishments of broadcasts and cable programmes (section 48), playing or showing sound recordings or films by libraries and archives (section 57) and reception and retransmission of a broadcast in a cable programme service (section 88).

⁴¹ Copyright Law Review Committee, *Copyright and Contract* (2002), p 3. A full copy of the report is available at http://www.ag.gov.au/agd/WWW/clrHome.nsf/Page/Overview_Reports_Copyright_and_Contract.

excludes or modifies, or has the effect of excluding or modifying the operation of certain exceptions⁴² would have no effect.⁴³

100. The CLRC's report is recommendatory only and the Australian Government has yet to formally respond to the report.

E. Submissions Sought

101. The above issues raise a number of questions regarding whether the copyright owner's freedom of contract is or should be limited by rules of copyright law to which the Act and the general rules of law do not necessarily provide a definitive answer.
102. Before these questions can be addressed, however, it is crucial to understand how the interaction between contract and copyright law is affecting the market in New Zealand and the extent to which this may or may not be giving rise to problems for creators, owners and users of copyright-protected material.

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?

Question 16

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

Question 17

⁴² These included exceptions for fair dealing (ss 40-42, 103A-103C), reproduction for the purposes of judicial proceedings (ss 43 and 104), temporary reproductions made in the course of communication (ss 43A and 111A) and reproduction and communication by libraries and archives (ss 48A-52, 110A-110B).

⁴³ Copyright Law Review Committee, *Copyright and Contract* (2002), para 7.49.

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?

103. The Ministry welcomes views on these issues, along with any supporting evidence or information.
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Annex 1 – List of Questions

Commissioning Rule

Question 1

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

- a. Are most commissioned photographs commissioned by commercial or private clients?
- b. To what extent and in what way is copyright ownership of the photographs subject to contractual 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?
- d. Does the amount of paid commission cover subsequent use of the commissioned photograph?

Question 2

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

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?

Question 4

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

Question 5

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

Question 6

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

Question 7

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

Question 8

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

Question 9

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

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?

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?

Question 12

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

Question 13

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

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?

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?

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?

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?

Annex 2 – Text of Legislative Provisions

The following are relevant excerpts from the copyright legislation of New Zealand, the UK, Australia, and Ireland:

A. New Zealand: Copyright Act 1994

Section 21: First ownership of copyright

- (1) *Subject to the provisions of this section, the person who is the author of a work is the first owner of any copyright in the work.*
- (2) *Where an employee makes, in the course of his or her employment, a literary, dramatic, musical, or artistic work, that person's employer is the first owner of any copyright in the work.*
- (3) *Where—*
 - (a) *A person commissions, and pays or agrees to pay for, the taking of a photograph or the making of a computer program, painting, drawing, diagram, map, chart, plan, engraving, model, sculpture, film, or sound recording; and*
 - (b) *The work is made in pursuance of that commission,— that person is the first owner of any copyright in the work.*
- (4) *Subsections (2) and (3) of this section apply subject to any agreement to the contrary.*
- (5) *Subsections (1) to (4) of this section apply subject to sections 26 and 28 of this Act.*

Section 26: Crown copyright

- (1) *Where a work is made by a person employed or engaged by the Crown under a contract of service, a contract of apprenticeship, or a contract for services,—*
 - (a) *The work qualifies for copyright notwithstanding section 17(1) of this Act; and*
 - (b) *The Crown is the first owner of any copyright in the work.*
- (2) *Copyright in such a work is referred to in this Act as "Crown copyright", notwithstanding that such copyright is assigned to another person.*
- (3) *Crown copyright shall expire,—*
 - (a) *In the case of a typographical arrangement of a published edition, at the end of the period of 25 years from the end of the calendar year in which the work is made;*
 - (b) *In the case of any other work, at the end of the period of 100 years from the end of the calendar year in which the work is made.*
- (4) *In the case of a work of joint authorship where one or more, but not all, of the authors are persons employed or engaged by the Crown under a contract of service, a contract of apprenticeship, or a contract for services, this section applies only in relation to those authors and the copyright existing by virtue of their contribution to the work.*
- (5) *Subject to this section and to any other express provision of this Act, the provisions of this Act apply in relation to Crown copyright as to other copyright.*
- (6) *Subsection (1) of this section applies subject to any agreement to the contrary.*
- (7) *This section is subject to section 27 of this Act.*

Section 28: .Copyright vesting in certain international organisations

- (1) *Where an original work (being a literary, dramatic, musical, or artistic work or a film) is made by an officer or employee of, or is published by, an international organisation to which this section applies,—*
 - (a) *The work qualifies for copyright notwithstanding section 17(1) of this Act; and*
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- (b) *The organisation is the first owner of any copyright in the work.*
- (2) *The copyright of an international organisation under this section shall expire,—*
 - (a) *In the case of a typographical arrangement of a published edition, at the end of the period of 25 years from the end of the calendar year in which the work is made or such longer period as may be specified for the purposes of this paragraph pursuant to subsection (5) of this section:*
 - (b) *In the case of any other work, at the end of the period of 50 years from the end of the calendar year in which the work is made or such longer period as may be specified for the purposes of this paragraph pursuant to subsection (5) of this section.*
- (3) *Subject to this section and to any other express provision of this Act, the provisions of this Act apply in relation to the copyright of an international organisation under this section.*
- (4) *An international organisation to which this section applies shall be deemed to have, and to have had at all material times, the legal capacities of a body corporate for the purposes of holding, dealing with, and enforcing copyright and in connection with all legal proceedings relating to copyright.*
- (5) *The Governor-General may from time to time, by Order in Council,—*
 - (a) *Declare that any international organisation is an international organisation to which this section applies:*
 - (b) *For the purposes of complying with any international obligation of New Zealand, specify a period for the purposes of paragraph (a) or paragraph (b) of subsection (2) of this section.*

Section 80: Back-up copy of a computer program

- (1) *Subject to subsection (3) of this section, copyright in a computer program is not infringed by the making of a copy of the computer program if—*
 - (a) *The copy is made by or on behalf of the lawful user of the copy of the program (in this section referred to as the "original copy") from which the first-mentioned copy is made; and*
 - (b) *The copy is made solely for the purpose of being used by or on behalf of the lawful user of the original copy—*
 - (i) *Instead of the original copy in order to preserve the original copy for use if the copy is lost, destroyed, or rendered unusable; or*
 - (ii) *If the original copy is lost, destroyed, or rendered unusable.*
- (2) *If the original copy is lost, destroyed, or rendered unusable, the copy made pursuant to subsection (1) of this section shall be deemed for the purposes of this section to be the original copy.*
- (3) *Subsection (1) of this section does not apply to the making of a copy of a computer program—*
 - (a) *From an infringing copy of the computer program; or*
 - (b) *Contrary to an express direction by or on behalf of the owner of the copyright in the computer program given to the lawful user of the original copy not later than the time when the lawful user of the original copy acquired that original copy.*
- (4) *For the purposes of this section,—*
 - (a) *A reference to a computer program includes a reference to an adaptation of that program; and*
 - (b) *A reference to a copy of a computer program is a reference to any object in which the program is reproduced in a material form; and*
 - (c) *A reference to an express direction, in relation to a copy of a computer program, includes a reference to a clearly legible direction printed on the copy or on a package in which the copy is supplied.*

Section 105: Right to privacy of certain photographs and films

- (1) *A person who, for private and domestic purposes, commissions the taking of a photograph or the making of a film has, where copyright exists in the resulting work but is owned by some other person, the right—*
 - (a) *Not to have copies of the work issued to the public; and*
 - (b) *Not to have the work exhibited or shown in public; and*
 - (c) *Not to have the work broadcast or included in a cable programme.*
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- (2) Subject to subsection (3) of this section, the right conferred by subsection (1) of this section is infringed by a person who does an act of the kind described in paragraph (a) or paragraph (b) or paragraph (c) of subsection (1) of this section.
- (3) The right conferred by subsection (1) of this section is not infringed by an act that, under any of the following provisions of this Act, would not infringe copyright in the work:
 - (a) Section 41 (which relates to the incidental copying of a work in an artistic work, film, broadcast or cable programme):
 - (b) Section 59 (which relates to parliamentary and judicial proceedings):
 - (c) Section 60 (which relates to Royal commissions and statutory inquiries):
 - (d) Section 66 (which relates to acts done under statutory authority):
 - (e) Section 67 (which relates to acts permitted on assumptions as to expiry of copyright or death of the author in relation to anonymous or pseudonymous works).
- (4) The right conferred by subsection (1) of this section is infringed by a person who does an act described in subsection (2) of this section or who authorises another person to do such an act.

B. The UK: Copyright, Designs and Patents Act 1988

Section 11: First Ownership of copyright

- (1) The author of a work is the first owner of any copyright in it, subject to the following provisions.
- (2) Where a literary, dramatic, musical or artistic work is made by an employee in the course of his employment, his employer is the first owner of any copyright in the work subject to any agreement to the contrary
- (3) This section does not apply to Crown copyright or Parliamentary copyright (see sections 163 and 165) or to copyright which subsists by virtue of section 168 (copyright of certain international organisations).

Section 85: Right to privacy of certain photographs and films

- (1) A person who for private and domestic purposes commissions the taking of a photograph or the making of a film has, where copyright subsists in the resulting work, the right not to have—
 - (a) copies of the work issued to the public,
 - (b) the work exhibited or shown in public, or
 - (c) the work broadcast or included in a cable programme service;
 and, except as mentioned in subsection (2), a person who does or authorises the doing of any of those acts infringes that right.
- (2) The right is not infringed by an act which by virtue of any of the following provisions would not infringe copyright in the work—
 - (a) section 31 (incidental inclusion of work in an artistic work, film, broadcast or cable programme);
 - (b) section 45 (parliamentary and judicial proceedings);
 - (c) section 46 (Royal Commissions and statutory inquiries);
 - (d) section 50 (acts done under statutory authority);
 - (e) section 57 (anonymous or pseudonymous works: acts permitted on assumptions as to expiry of copyright or death of author).

C. Australia: Copyright Act 1968 (Cth.)

Section 35: Ownership of copyright in original works

- (1) This section has effect subject to Parts VII and X.
 - (2) Subject to this section, the author of a literary, dramatic, musical or artistic work is the owner of any copyright subsisting in the work by virtue of this Part.
 - (3) The operation of any of the next three succeeding subsections in relation to copyright in a particular work may be excluded or modified by agreement.
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- (4) *If a literary, dramatic or artistic work:*
- (a) *is made by the author under the terms of his or her employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship; and*
 - (b) *is so made for the purpose of inclusion in a newspaper, magazine or similar periodical; the following paragraphs apply:*
 - (c) *the author is the owner of the copyright only in so far as the copyright relates to:*
 - (i) *reproduction of the work for the purpose of inclusion in a book; or*
 - (ii) *reproduction of the work in the form of a hard copy facsimile (other than a hard copy facsimile made as part of a process of transmission) made from a paper edition of, or from another hard copy facsimile made from a paper edition of, an issue of the newspaper, magazine or similar periodical, but not including reproduction by the proprietor for a purpose connected with the publication of the newspaper, magazine or similar periodical;*
 - (d) *except as provided by paragraph (c), the proprietor is the owner of the copyright.*
- (5) *Subject to the last preceding subsection, where:*
- (a) *a person makes, for valuable consideration, an agreement with another person for the taking of a photograph for a private or domestic purpose, the painting or drawing of a portrait or the making of an engraving by the other person; and*
 - (b) *the work is made in pursuance of the agreement;*
the first-mentioned person is the owner of any copyright subsisting in the work by virtue of this Part, but, if at the time the agreement was made that person made known, expressly or by implication, to the author of the work the purpose for which the work was required, the author is entitled to restrain the doing, otherwise than for that purpose, of any act comprised in the copyright in the work.
- (6) *Where a literary, dramatic or artistic work to which neither of the last two preceding subsections applies, or a musical work, is made by the author in pursuance of the terms of his or her employment by another person under a contract of service or apprenticeship, that other person is the owner of any copyright subsisting in the work by virtue of this Part.*
- (7) *In this section:*
hard copy facsimile, in relation to a literary, dramatic or artistic work, means a facsimile which is in a material form and from which the work is visible to a human being without the use of any device. Private or domestic purpose includes a portrait of family members, a wedding party or children.

D. Ireland: Copyright and Related Rights Act 2000

Section 23: First ownership of copyright

- (1) *The author of a work shall be the first owner of the copyright unless—*
- (a) *the work is made by an employee in the course of employment, in which case the employer is the first owner of any copyright in the work, subject to any agreement to the contrary,*
 - (b) *the work is the subject of Government or Oireachtas copyright,*
 - (c) *the work is the subject of the copyright of a prescribed international organisation, or*
 - (d) *the copyright in the work is conferred on some other person by an enactment.*
- (2) *Where a work, other than a computer program, is made by an author in the course of employment by the proprietor of a newspaper or periodical, the author may use the work for any purpose, other than for the purposes of making available that work to newspapers or periodicals, without infringing the copyright in the work.*

Section 114: Right to privacy in photographs and films

- (1) *Subject to the exceptions specified in subsection (3), a person who, for private and domestic purposes, commissions the taking of a photograph or the making of a film has, where copyright subsists in the resulting work, the right not to have the work or copies of the work made available to the public.*
- (2) *Subject to subsection (3), the act of making available to the public, or authorising the making available to the public, of a work or copies of a work referred to in subsection (1) without the authority of the person who commissions the work infringes the right conferred by subsection (1).*
- (3) *The right conferred by subsection (1) shall not be infringed by an act, which under section 52, 71, 72, 76 or 88 would not infringe the copyright in the work.*
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