

Who owns the copyright and trademark?

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Who owns the copyright and trademark?

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This question is asked increasingly frequently by business owners and managers who realise that copyright and trademarks are important assets in their business. Some of these persons may realise that copyright exists in an important work for their business, but they do not understand the ownership issues surrounding the work. Other persons unfortunately may not even be aware that copyright exists in a particular work.

This is not only the case when works subject to copyright protection are created in-house by businesses, but also – and especially – when such works are created by outside persons or agencies. In certain situations the copyright does not belong to the person or business for which the work was created, in terms of the South African Copyright Act, No 98 of 1978 (as amended). This is especially the case with certain categories of so-called commissioned works.

In the author's experience, major problems can – and do – arise when copyright works are created by outside agencies that then own the copyright in such works. This gives rise to the anomaly that the person who technically owns the copyright has no real interest in holding such rights (eg, in an infringement situation), while the person for whom the work has been created and who uses the work does not own the copyright and cannot exercise copyright in the work for infringement purposes because he is not the legal owner of such copyright.

Although at first glance this appears to be a purely copyright problem, it will be appreciated that an artistic work such as a company or product logo also functions as a trademark. Hence, this problem spills over into the field of trademarks.

Before embarking on an examination of this problem, some general background is

given to place the problem in context and to inform readers who may not be familiar with the broader aspects of copyright law.

The author v the owner of copyright

The author of copyright

For the more general categories of works – that is, literary, musical and artistic works – the author of a work is the person who actually creates the work and reduces an idea to a material form. Alternatively, several persons can jointly create a work, being joint or co-authors. Whether a person has contributed sufficiently to the creation of a work is a matter of fact and depends on each case.

The Copyright Act grants protection for certain categories of works only (as outlined below) and sets requirements for subsistence of copyright. For example, the work must be original; it must be written down, recorded (in analogue form or digitally), or otherwise reduced to material form; the author (or one of them) must be “a qualified person” as defined; and the work must be first published or made in South Africa or in a member country of the Berne Convention.

More specifically, the Act defines “author” to mean, in relation to:

- a literary, musical or artistic work – the person who first makes or creates the work;
- a photograph – the person who is responsible for the composition of the photograph;
- a sound recording – the person by whom the arrangements for the making of the sound recording were made;
- a cinematograph film – the person by whom the arrangements for the making of the film were made;
- a broadcast – the first broadcaster;
- a programme-carrying signal – the first person emitting the signal to a satellite;
- a published edition – the publisher of the edition;
- a literary, dramatic, musical or artistic

work or computer program which is computer-generated – the person by whom the arrangements necessary for the creation of the work were undertaken;

- a computer program – the person who exercised control over the making of the computer program.

One should understand that there is a functional and legal difference between the position of the author of a work, on the one hand, and the owner of copyright subsisting in the work, on the other hand. The difference, of course, will merge and overlap when a person creates an original work for himself. In such case the person is both the author of the work and the owner of the copyright in the work. More particularly, such a person is the so-called first or initial owner of copyright – because the person could assign or transfer the copyright at a later stage to another person or company that will become the second owner of copyright. However, it is important to note in this situation that the first person will remain the author of the work, although no longer the owner of copyright subsisting in the work.

The owner of copyright

Before delving into the question of ownership, it may be interesting to look briefly at joint or co-ownership of copyright. The Copyright Act does not provide any regulation in regard to exploitation of jointly owned copyright, and, as with co-ownership of other forms of movable property, South African common law principles therefore apply. In other words, one of the co-owners cannot exploit, or license exploitation of, the copyright work without the consent of all the other co-owners. Hence a certain level of cooperation between co-owners is required for the exploitation or licensing of the copyright work. However, a co-owner can sue for copyright infringement in his own right.

Turning now to the ownership issue as such, section 21 of the Act deals generally with the question of ownership of copyright.

The first part of this section provides the general rule that the author of a work is the first owner of copyright in the work. Analogously, in the case of joint authorship, such authors are the first co-owners of the copyright (see section 21(1)(a)).

The second part of this section provides that where an author, in the course of employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship,

produces a literary or artistic work for use in any such publication, the proprietor of such publications will be the owner of copyright in the work insofar as the copyright relates to use in such publications, or for reproduction of the work for purposes of publication. However, in all other respects, the author shall be the owner of copyright. Examples of such other uses would be to use the work in a book, a film or a broadcast (see section 21(1)(b)).

The third part of this section provides that, where a person commissions:

- (a) the taking of a photograph;
- (b) the painting or drawing of a portrait;
- (c) the making of a gravure;
- (d) the making of a cinematograph film; or
- (e) the making of a sound recording,

and pays or agrees to pay for it in money or money's worth, and the work is made in pursuance of such commission, such person will be the owner of copyright subsisting in the work (see section 21(1)(c)). This so-called commissioning sub-section is discussed further below.

The fourth part of this section provides that, in a case not falling within either paragraph (b) or (c) set out above, where a work is made in the course of an author's employment by another person under a contract of service or apprenticeship, that other person (ie, the employer) will be the owner of copyright subsisting in the work (see section 21(1)(d)).

The fifth part of the section provides that the operation of paragraphs (b), (c) and (d) set out above may be excluded by agreement between the parties, and is subject to the author's so-called moral rights (dealt with in section 20). The agreement may be oral or in writing, but should preferably be in writing for certainty (see section 21(1)(e)).

The last part of this section provides that ownership of copyright in works made by or under the direction or control of the state, or such international organisations as may be prescribed, will initially vest in the state or the international organisation concerned, and not in the author.

The commissioning subsection - section 21(1)(c)

Shortcomings

Historically, and generally speaking, South Africa's IP laws have been based largely on British IP laws over the last century or longer. Hence the provisions of this subsection originate from the British Copyright Act of 1956 (and its predecessor,

the British Copyright Act of 1911). The British Copyright Committee of 1951 had criticised the provision in its report that copyright in certain commissioned artistic works was allowed to vest in the commissioner while copyright in other artistic works was left to the author/artist. However, this criticism was not acted upon by the British legislature (nor subsequently by the South African legislature). Consequently, it will be seen that this subsection has a long history and that, although its provisions had been fundamentally questioned in the UK, it has been retained in the South African Act.

When the subsection is examined closely, it will be seen that the categories of commissioned works are not exhaustive, and extend to only five types/categories of works. To be comprehensive it should at least cover the general categories of works – that is, literary, musical and artistic works. Hence it is incomplete in its coverage of works eligible for copyright protection, in that most categories of works covered by the subsection are not included in its scope. This means that instead of ownership of all so-called commissioned works vesting in the commissioner, the ownership of most categories of works created under commission vests in the author/creator.

When one examines the types of works that are covered in closer detail, some of these are quite interesting. For example, reference to “the painting or drawing of a portrait” *per se* excludes paintings or drawings of other types. This implies that certain artistic works are excluded from the scope of this subsection and hence are treated differently. Therefore, copyright in the work will be owned either by the commissioner or by the artist/author, depending on the type of work. This distinction – which technically seems insignificant – leads to a dramatic difference in ownership, and is clearly not justified.

“Gravure” (short for “photogravure”) is a remarkable type of work. This apparently refers to a picture produced from a photographic negative transferred to a metal plate and etched in (ex *The Concise Oxford Dictionary*). This process and type of work was used in the 19th century but is so outdated that printers today are no longer familiar with such old technology.

By way of summary, besides the specific shortcomings pointed out above, the major criticism of this subsection is that, if the Act is to include a commissioning provision, it should be comprehensive in scope to be meaningful, and not limited to a few types/categories of works – some of which are relatively unimportant in

business/commercial practice. An example of the effect of the subsection is discussed below to illustrate the point.

Implications – an example

A particular shortcoming in the subsection arises in a typical scenario that takes place when a company has commissioned a design agency to create a new logo for it without properly arranging (in writing) to take assignment of the copyright in the logo. Since the logo (as an artistic work) is not a portrait, the work will fall outside the scope of the subsection and the artist/designer (or his agency) will own the copyright in the logo. The problems arising from this situation have been experienced in the writer’s practice and appear to happen quite frequently in business practice.

Firstly, the artist/agency will have acquired ownership of the copyright that it does not need and will not generally use/exercise, for example, when called upon by the company to sue an infringer – a third party who copies the logo. Secondly, the company has apparently “purchased” only the logo *per se* and not the copyright relating to the logo. More particularly, and depending on the agreement between the parties, what the company has purchased at most is a licence to use the logo. This gives rise to a considerable problem facing the company when infringement of the logo takes place. The company will, of course, wish to stop the infringement, but cannot do so because it is not the copyright owner. To take legal steps, it either will need the artist/agency to act against the infringer – which the artist/agency will generally refuse to do – or will first need the artist/agency to assign the copyright to the company in writing. In the writer’s experience, certain artists/agencies may refuse to assign the copyright (unless they are further remunerated for such assignment). This understandably leaves the company in an unenviable position.

Another implication from such a case is that the company invariably registers the logo as one of its trademarks (possibly as its major or “house-mark”). The incongruent position for the company is that it owns the logo and the trademark registration (for the logo), but not the copyright itself in the logo.

This situation clearly does not accord with modern commercial/business practice. A company in the modern world that has paid good money for a new logo purpose-designed for it expects to acquire – and, it is submitted, should automatically acquire – not only the new logo itself (ie the artistic work *per se*),

but also the ownership of copyright in the new logo. In other words, the subsection should provide for ownership of copyright to vest automatically in the company in respect of all works it may commission.

However, while the subsection remains, the best advice by the writer is for a person in the position of the company to enter into an agreement with any outside artist/agency that will design, or has designed, any logos/trademarks for it. Such agreement should be in writing and should be entered into preferably before the work/logo has been created, at the time of commissioning the work.

Case in point – the problem comes before the High Court

Although such situations arise fairly often, these fortunately do not often reach the courts. However, one such situation recently developed into a conflict and was brought before the High Court. The case, *Catgraphics CC v Africon Engineering Limited*, based on the commissioned design of a corporate logo, was launched before the High Court, and was appealed in part to the Supreme Court of Appeals. The case was not reported in the published law reports and did not proceed far enough to decide any of the real issues that arise from such situations.

This case highlights the problems that can and do arise from such commissioned works, and the unwarranted time and expense that can result for commerce and industry. It is submitted that the cause of this is quite simply that the Act does not deal comprehensively and properly with commissioned works in the commissioning section.

As a brief observation, the writer has been required on several occasions to attempt to construe the terms of such oral commissioning agreements when the parties had never discussed such issues at all. It appears that when a corporate or product logo has resulted specifically from such a commissioned work, the best and most reasonable construction one can place on the putative terms of such agreement is that the parties had intended the licence to be royalty-free, perpetual and intended solely (not exclusively – because this is required to be in writing) for use by the licensee (with the licensor agreeing itself not to use the logo).

The solution – a simple amendment to the Act

As suggested above, the scope of the commissioning subsection should be expanded to include all commissioned works. With the possible exception of

computer programs, where different considerations arise this can be accomplished by amending the wording of subsection 1(c) of section 21 of the Act to refer to “the making of any work eligible for copyright” instead of specifying the five types/categories of commissioned works (a) to (e) listed above.

Such an amendment would modernise the South African Act, rid it of outmoded provisions, bring it into line with present-day commercial practices and deal even-handedly with all categories of copyright works. This simple amendment would deal adequately with any shortcomings, to the benefit of all concerned. It appears that the time to lobby for this amendment has now arrived.

In the meantime, readers/owners of copyright – and especially owners of logos/trademarks that have been costly to design, develop and promote – should carefully determine the legal position in their own (and in other) countries to secure the ownership of copyright in the relevant works wherever possible.



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