COURT HOLDS THAT EMPLOYEE CAN'T ASSIGN COPYRIGHT HE NEVER OWNED

by
Barry Gamache
LEGER ROBIC RICHARD, Lawyers
ROBIC, Patent & Trademark Agents
Centre CDP Capital
1001 Square-Victoria - Bloc E – 8th Floor
Montreal, Quebec, Canada H2Z 2B7
Tel.: (514) 987 6242 - Fax: (514) 845 7874
www.robic.ca - info@robic.com

A recent decision of the Trial Division of the Federal Court of Canada has reviewed the provisions of Canada's *Copyright Act* (R.S.C., 1985 c.C-42) relating to ownership of works made in the course of employment (*Télé-Direct Publications Inc.* v. *Southam Inc.*, no. T-1021-93, June 28, 1995).

Plaintiff Tele-Direct Publications Inc. (Tele-Direct) initiated infringement proceedings against Southam Inc. (Southam) on the basis of copyright owned in a work created by Donald Lorne Richmond, one of Tele-Direct's employee. Before trial, Southam sought to examine Mr. Richmond claiming that, as an employee, he was an assignor of the copyright work in question which had been registered in the name of the plaintiff.

In a very short decision, Mr. Justice Pinard set aside Southam's Direction to Attend an examination for discovery that had been served upon Mr. Richmond. In the judge's word, the allegation in Tele-Direct's statement of claim that Mr. Richmond, the author of the copyright work, "is and was an employee of the plaintiff at all times relevant in these proceedings" could not justify Southam's request. Mr. Justice Pinard did not accept the defendant's submission that the *Copyright Act* deems that an assignment has taken place from an employee to an employer, thus entitling the defendant to cross-examine an alleged predecessor in title regarding the copyright. Rather, the Court made reference to subsection 13(3) of the *Copyright Act* which provides that, *inter alia,* where the author of a work was in the employment of some other person under a contract of service or apprenticeship and the work was made in the course of his employment by that person, the person by whom the author was employed shall, in the absence of any agreement to the contrary, be the first owner of copyright; it therefore held that Tele-Direct would then be the first owner of copyright and Mr. Richmond could not have assigned to Tele-Direct what he could never have owned in the first place.

Section 13 of the *Copyright Act* establishes a framework for determining who, among an author, an author's employer and others, is the owner of the copyright in any work. Section 13 begins with the general rule that the author of a work is the owner of the copyright therein. The *Copyright Act* does not define what constitutes authorship. It is generally accepted that the person who creates the work i.e., who expresses an idea in a tangible form is the author. The remaining provisions of Section 13 set out various exceptions to this basic rule, including the one referred to by Mr. Justice Pinard, namely when work is made in the course of employment. Section 13 therefore underlines the importance of distinguishing between authorship of a work and ownership of copyright therein. It is not always the person who reduces an idea to its material form who may claim to copyright in it, although that is the general rule set out at the beginning of Section 13.

Under subsection 13(3) of the Act, a person who creates a work in the course of his employment is considered, absence stipulation to the contrary, to have renounced in favor of his employer the ownership of the copyright in the work. This rule applies to authors under a contract of service. In the case of an independant contractor - that is someone who is engaged by a contract for services rather than a contract of service - copyright is retained by the author.

As Mr. Justice Denning observed in *Stevenson, Jordan & Harrison, Ltd.* v. *MacDonald & Evans* (1951), (1952) 1 T.L.R. 101 (C.A.), at p. 111, there can be no single test for determining whether the relationship between an employer and an employee is governed by a contract of service as opposed to a contract for services. One could look to what degree the employer controls the employee's manner of providing its services - the proposition being that a person who works under a contract for services can be told what to accomplish by his principal but not how to execute what he is to accomplish. However, this test is not well suited to contemporary industrial relations in which a class of so-called professional employees has emerged. These employees may enjoy a great deal of autonomy in the way they execute their work, yet still be bound by a contract of service. To wit it has been held that the significance of control in determining whether an employee is under a contract of service is inversely related to the skill required to perform the job: see *Beloff* v. *Pressdram Ltd.* (1972), (1973) R.P.C. 765, (Ch.D.) Ungoed-Thomas J., at p. 772.

Although control is still a factor of varying relevance to be considered in distinguishing between a contract of service and a contract for services, another criterion to make this distinction was identified by Denning J. in *Stevenson, Jordan & Harrison, Ltd.* v. *MacDonald & Evans*, referred to above, who stated, at p. 111, that: "Under a contract of service, a man is employed as part of the business, and his work is done as an integral part of the business;

whereas, under a contract for services, his work, although done for the business, is not integrated into it but is only accessory to it."

Even when it is demonstrated that the author of a work was under a contract of service at the time the work was created, the author remains first owner of copyright therein unless it is also shown that the work was made in the course of the author's employment. In principle, an employee bound by a contract of service may create a work outside the course of his employment even though the work is intrinsically related to the services he performs for his employer.

In the case at issue, these distinctions were not reviewed by the Court as it was clearly understood that Mr. Richmond, an employee, had created the work in the course of his employment. Mr. Justice Pinard's decision is however a timely reminder that subsection 13(3) does not create a presumption of assignment from employee to employer but rather simply states who is the first owner of copyright in employment situations.

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