

## **Exceptions to the First Ownership Rule**

By Carmen Low

It is a commonly accepted principle that copyright ownership lies with the author of a work. In Malaysia, it is codified in Section 26 (1) of the Copyright Act 1987 (CA) which provides that copyright shall vest initially in the author (first ownership of copyright) who can by way of a written instrument transfer his or her copyright to a third party in exchange for a monetary sum.

There are however exceptions to this rule which can be found under sections 26 (2) and (3) of the CA which encompass a work made under an employment contract, a commissioned work and work carried out under the direction or control of the Government. In such circumstances and unless there is any agreement to the contrary, copyright ownership of the work is transferred to the employer or other person for whom the work is prepared even though the employer is not the original creator. This article will focus on the exceptions relating to works made by employees and commissioned works.

### **Works made by employees**

Pursuant to section 26(2)(a) of the CA, an employee whose work is created in the course of his or her employment is not entitled to be the initial owner. Instead, ownership of the created work lies with the employer unless otherwise agreed between both parties. The terms and conditions relating to the ownership of the works created by the employees in the course of employment are often observed and incorporated in employment agreements.

This rule was tested in the case of **Syarikat Faiza Sdn Bhd & anor v Faiz Rice Sdn Bhd & anor [2017] MLJU 1595** where the 2<sup>nd</sup> Defendant served as general manager of the 1<sup>st</sup> Plaintiff. He had attempted to argue that he is the author and owner of the copyrighted works consisting of literary works, artistic works and typographical arrangements in the design of the get-up of the 1<sup>st</sup> Plaintiff's rice packages as the said works were not made in the course of employment. The Court held that since the 1<sup>st</sup> Plaintiff's business was indeed trading in rice products, there was no reason that the 2<sup>nd</sup> Defendant, who was one of the four co-authors of the original works would create the works other than for use by the 1<sup>st</sup> Plaintiff's business. Therefore, the works were likely to have been made in the course of the 2<sup>nd</sup> Defendant's employment with the 1<sup>st</sup> Plaintiff, with him being their General Manager.

The Court further ruled that any alleged oral agreement pertaining to the 2<sup>nd</sup> Defendant's copyright ownership in the original works must be between the 2<sup>nd</sup> Defendant and the 1<sup>st</sup> Plaintiff itself. The 2<sup>nd</sup> Defendant cannot rely on the oral agreement (if at all) between the 2<sup>nd</sup> Defendant and the 2<sup>nd</sup> Plaintiff (a director of the 1<sup>st</sup> Plaintiff) to exclude the transfer of copyright in the works to the 1<sup>st</sup> Plaintiff employer. The 2<sup>nd</sup> Defendant's appeal to the Court of Appeal on these findings was dismissed where the Court of Appeal held that the High Court had correctly found that 2<sup>nd</sup> Defendant was under the employment of the 1<sup>st</sup> Plaintiff when the original works were created and that there were other contemporaneous documents in the form of the 2<sup>nd</sup> Defendant's business card, pay slips, letters etc which showed that the 2<sup>nd</sup> Defendant was the 1<sup>st</sup> Plaintiff's general manager.

In the case of **Stephenson Jordan & Harrison Ld v MacDonald & Evans [1952] RPC 10**, the Plaintiff there contended that the ownership of a literary work, a book titled 'Flexible Budgetary Control and Standard Costs' written by a previous employee of the Plaintiff company, Mr. Evans Hemmings (who has passed away at the time of dispute) who assigned the copyright of the work to the Defendant's publishing company, belonged to the Plaintiff. The UK Court of Appeal found that the writing was not part of the duties of Mr. Evans Hemmings with the Plaintiff and therefore ownership of the book remains with Mr. Evans Hemmings. The scope of employment of an employee is therefore a pertinent factor in determining if a copyright work belongs to the employee author or the employer.

### **Works made pursuant to a commission**

Another exception to the first ownership rule is that where the work was created pursuant to a commission. The word 'commission' is not defined under the CA. The Court in the case of **Aktif Perunding Sdn Bhd v Zava & Associates Sdn Bhd [2018] 7 MLJ 692** opined that the ordinary dictionary meaning of the word 'commission' may be adopted in interpreting the same word stipulated in section 26(2)(b) of the CA, which simply means 'to order' or to 'place an order'. In that case, the Plaintiff on acceptance of the letter of intent issued by the main contractor, Ahmad Zaki Sdn Bhd, had proceeded to draw up certain mechanical and electrical engineering drawings for the construction of student accommodation at the Universiti Teknologi Malaysia. Disputes as to the ownership of the copyright in the drawings arose when the main contractor terminated the Plaintiff's appointment and appointed the 2<sup>nd</sup> Defendant to replace the Plaintiff. It was held by the Court that the signing of the letter of intent constitutes a 'commission' under section 26(2)(b) of the CA and therefore, whilst the Plaintiff is the author of the drawings, the ownership of the copyright subsisting in the drawings was transferred to the main contractor, who commissioned the said drawings by virtue of section 26(2)(b) of the CA.

It is interesting to note that the Plaintiff in this case endeavoured to argue that the section 26 of the CA was inoperative premised upon him expressly reserving and asserting his copyright in the drawings by affixing its own name on the title block of the drawings. The argument was subsequently rejected by the Court on the basis that the title block was never intended to serve the purpose of reserving copyright and even if the Plaintiff has indeed expressly reserved copyright by indicating its name on the title block as claimed, such reservation has no legal effect for it cannot displace the statutory implication of a commissioned work under section 26(2)(b) of the CA.

In summary, the general rule of thumb is that copyright ownership vests in the author of the copyright work (unless otherwise assigned by the author). Where a copyright work is created in the course of one's employment (also known as contract of service) or as a result of a commission (also known as contract for services), the ownership of the work is transferred automatically to the employer or the person who commissioned the work save where the parties have signed an agreement to the contrary. It is therefore prudent that employers and commissioners set out in clear terms the scope of the parties' rights relating to the intellectual property rights of works created pursuant to a specific employment or commission for better governance of the parties' relation in the workplace.