



Who owns copyright: employee or employer?

François Guay examines the relationship between employee and employer in Canadian copyright and highlights some of the similarities and differences with the law in the US

Canadian copyright law is, like the history of its people, at the crossroads between the British common law approach to copyright and the continental European civil law approach. On one hand, the Canadian Copyright Act¹ expressly provides that an employer is the owner of the copyright in its employees' works. On the other hand, the law recognises some moral rights to the author, which exist independently of the copyright.

General rule

As a general rule in Canada the author of a work is deemed to be the first owner in the copyright. This principle is reinforced in infringement litigation by a presumption that the author, except proof to the contrary, is deemed to be the owner of the copyright².

The notion of "author" is not defined in the Copyright Act. It has been defined by case law as the individual who exercises the skill and judgment which results in the expression of the work in material form³.

There are exceptions to the general rule in the case of engravings, photographs and portraits⁴; works created by or for the government⁵; performer's performances, sounds recordings and communication signals⁶; and works made in the course of employment⁷. There is also always the possibility for the author to make exception to the general rule by assigning its copyright to a third party, but such an assignment must be in written form to be valid under Canadian copyright law⁸.

Exception: work made in the course of employment

Much like other countries of the Commonwealth, the Canadian Copyright Act expressly provides that an employer is the owner of the copyright in its employee's works:

13. [...]

(3) 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 the copyright, but where the work is an article or other contribution to a newspaper, magazine or similar periodical, there shall, in the absence of any agreement to the contrary, be deemed to be reserved to the author a right to restrain the publication of the work, otherwise than as part of a newspaper, magazine or similar periodical.

Three conditions must be met for this exception to the general rule to apply:

- the author of the work must be in the employment of some other person under a contract of service or apprenticeship;
- the work must be made in the course of employment by that person; and
- there must be the absence of any agreement to the contrary.

Where the three conditions are met, the exception will apply and the employer will be the first owner of the copyright in the work authored by its employee. Thus, the employer will enjoy the exclusive rights to produce, reproduce, perform, publish the work or authorise any such act.

a) Conditions

i) Employment under a contract of service or apprenticeship

This condition refers to the common law distinction between a contract of service and contract for services. For the rule to apply, there must have been a contract of service between the author and the employer. There have been very little cases litigated on this issue in Canada and thus, courts did not have the opportunity

to develop a clear and determinative test that would be specific to the context of copyright law. Instead, Canadian courts usually borrow the tests developed in tax and labour cases where this question has been the subject of much more discussion.

The Control Test

The Control Test is usually the first one to be considered by courts. Under this test, the individual will be considered to be working under a contract of service "if the ultimate authority over the performance of his work reposes with his employer in the sense that the individual is subject to his employer's orders and direction".⁹ It has long been established that the employer does not need to exercise this control *de facto* as long as he could do so.

On the contrary, if the employer simply gives the individual objectives while the manner in which the tasks are to be accomplished is left to the individual's discretion, courts are more likely to conclude to a contract for services.

Although control is an important



and often determinative test, it cannot be the decisive test in the case of individuals of particular skill or expertise, such as professionals. For example, an in-house counsel in a business or a full-time physician in a plant may very well be employees subject to a contract of service although their superiors cannot dictate how they are to accomplish their duties on a daily basis, because of the professionals' independence and the lack of knowledge of the management force in these specialised areas of expertise.

The Organisation or Integration Test

In the case of professionals, courts often rely on the Organisation or Integration Test. With this test, the question will be whether the individual is employed as part of the business, with his work forming an integral part or whether his work, although done for the business, is not integrated into it but only an accessory to it¹⁰. For example, a university does not dictate the precise content of the lectures given by its professors, but the subjects taught are nonetheless an integral part of the courses offered by the university¹¹.

The Supreme Court of Canada recently applied this test in *671122 Ontario Ltd v Sagaz Industries Canada Inc*¹². The court proposed factors to be considered when applying this test: the level of control, whether the individual provides his own equipment, whether the individual hires his own helpers, the degree of financial risk taken by the individual, the degree of responsibility for investment and management held by the individual and the individual's opportunity for profit in the performance of his tasks¹³.

The Economic Reality Test

The Economic Reality Test is similar to the Organisation or Integration Test. Under that test, the question will be whether the individual is carrying on business for himself (or on his own behalf) and not merely for a superior. This question can be answered by the determination of who runs the risk of profit or loss¹⁴.

ii) The work must be made in the course of employment

The conclusion that someone is indeed under the employment of some other person under a contract of service is not alone sufficient to trigger the application of S 13(3) of the Copyright Act. This is explained by the simple reality that we do not work all the time and, hopefully, have some time left to create works that are not related to work.

There is no clear and precise rule of where the "course of employment" begins and ends.

Each case is to be determined on its very facts. A study of the case law shows that courts consider various factors such as whether the work was prepared in the individual's free time or in his work time, whether the work was prepared following instructions given by the employer or at the individual's own initiative, whether confidential information to which the individual would not have had access without his employment was used to prepare the work, whether the employer's resources were used, whether the task is part of the individual's job description, etc.

Contrary to what one may think, the fact that a work was prepared by an employee in his free time and at his own initiative will not necessarily be sufficient to prevent the application of S 13(3) of the Copyright Act. In *Corso v Nebs Business Products*¹⁵, the employee dealt with the employer's online payroll services. In his free time, the employee developed, in secret, a system that would allow

“Where in Canada the author keeps the status of author and the associated moral rights; in the US, the employer is considered the author of the work when the first two conditions are met.”

companies to pay using an internet-based service. He had the intention of licensing the software to his employer once the development was completed. When dismissed by his employer who eventually found out about his "personal" project, the employee sued his employer for wrongful termination and tried to assert his copyright over the software arguing it was developed during his own free time as a personal project. The court came to the conclusion that the exception applied and that the employer was the owner of the copyright since "it was part of [the employee's] duty to use his creative skills to generate concepts such as [his project] for the benefit of his employer and it is immaterial that it was created largely on his own free time."¹⁶

The situation gets even more complicated when an employee leaves his employment and develops software similar to his former employer's. This situation was addressed by a few decisions in Canada. In these cases, the issue is no longer the application of S 13(3) of the Copyright Act *per se* and becomes a question of non-literal infringement which is a difficult issue for judges to address in software cases¹⁷.

iii) Absence of agreement to the contrary

Employers and employees always have the liberty of providing otherwise. It will usually

take the form of a provision in the contract of service between the employer and the employee. Even if the employer wants the exception to apply, it is recommended to include a provision to that effect in the contract of service to alleviate any doubt on the issue.

In Canadian copyright law, an assignment of copyright must be in writing to be valid¹⁸. On the contrary, although the Copyright Act is silent on this issue, courts have held that in the context of the employment exception, the "agreement to the contrary" need not be written¹⁹.

It also appears that such an agreement may be implied in certain circumstances. Indeed, the Ontario Superior Court of Justice recently held that:

The academic exception is pervasive in the university community. It has been thoroughly understood and accepted for a very long time, including the 80 years the Act has been in force.

It applies to the plaintiff's case. Academic exception is an implied "agreement to the contrary" within the meaning of s. 13(3) of the [Copyright Act].²⁰

Thus, if a formal agreement is absent, it would appear that professors retain the ownership of the copyright in the works they author in the course of their employment. It may become an issue, and it has been seen in a few instances, in cases where graduate students assist professors in their research for a limited period of time and claim the ownership of their work later on when the product of the research is used commercially.

b) Effect

On moral rights

Canada recognises the limited moral rights to the author. The author has the right to the integrity of his work and the right to be associated with it.

Moral rights are distinct from copyrights. They belong to the author and cannot be assigned. Thus, scholars have suggested that authors should retain their moral rights even though the copyright in their work is held by their employer²¹. This proposition remains to be confirmed by Canadian courts²². Furthermore, although they cannot be assigned, moral rights can be waived, possibly in a specific provision in a contract of service.

c) Special circumstances

Editorial work

The exception for works made in the course of employment applies to all the types of works that are recognised by the Copyright Act²³. The Act also provides for a further exception in

the case of articles and other contributions to newspapers, magazines and other periodicals. The exception will still apply, the employer being the first owner of the copyright where the three conditions are met, but the author will retain the right to restrain the publication of his work otherwise than as part of a newspaper, magazine or periodical. This is not, however, a positive right to publish the work.

Crown copyright

Employees of the government are subject to the exception of S 13(3) of the Copyright Act like any other employee. Where the three conditions are met, the government will be the first owner of the copyright in the work created by its employee. However, even if all three conditions are not met, copyright may still belong to the government. Indeed, under the Copyright Act, the government is the owner of the copyright in all works prepared and/or published under its direction or control. Thus, the copyright in a work such as a report or a map will belong to the Crown even though it is prepared by an independent contractor, the relation of which cannot be qualified as a contract of service.

The situation in the US

It is interesting to note that there seems to be a few similarities with US law, as well as differences, with the law in Canada. The US has the same general rule: copyright in a work rests initially in the author of the work²⁴. There is also an exception to this general rule, known as the work for hire doctrine, for works made in the course of employment²⁵. Not unlike the situation in Canada, this exception is subject to three conditions: the work is prepared by an employee; within the scope of his or her employment; and whether there is a written agreement to the contrary. The status of employee is determined following the general common law of agency. The question to be asked is whether the hiring party has the right to control the manner and means by which the product is accomplished. The Supreme Court listed various factors to be considered: the skill required, source of tools, location of work space, whether the hiring party has the right to assign additional projects, the extent of the hired party's discretion over when and how long they must work, the method of payment, hiring and termination of assistants, whether the work is part of the regular business of the hiring party, existence of employee benefits, and the tax treatment of the worker²⁶. To fall within the "scope of employment", three conjunctive elements must be showed: it is of the kind of work he is employed to perform; it occurs substantially within authorised work hours and space; and it is actuated, at least in part, by a purpose to serve the employer²⁷.

However, the effects of the exception seem different. Where in Canada the author keeps the status of author and the associated moral rights; in the US, the employer is considered the author of the work when the first two conditions are met. This qualification appears to have several consequences. For example, there is no moral right recognised in the case of works for hire, the duration of copyright is different and the termination of grants provisions are not applicable. A written agreement to the contrary may only prevent the employer from also being the owner of the copyrights in the work, but should not affect its status of author and all the associated effects.

It should also be noted that the work for hire doctrine in the US seems to have a wider scope in the sense it can also apply outside the context of an employer-employee relationship for some specific types of works that are specially ordered or commissioned.

Summary

The rule is relatively clear and simple and very few cases get litigated in Canada on this issue. However, both parties to an employee-employer relationship will benefit from having a specific provision in their contract to either confirm that the exception applies or, in the contrary, provide otherwise, thus preventing future litigation and avoiding being taken by surprise by the application of the rule in unexpected circumstances. A good example of such unexpected circumstances is the case of *Hawley v Canada*²⁸. In that case, the plaintiff was incarcerated in a minimum security establishment where he was required, like all inmates, to be gainfully employed for a nominal salary of six dollars per day. While most of the inmates were working on the farm associated with the institution, the plaintiff suggested instead painting a mural for the institution's common room, which he was eventually authorised to do. When the plaintiff was released on parole, he claimed ownership of the copyright in his painting and requested to have the painting returned to him or, in the alternative, be awarded compensatory damages. The Federal Court found that the plaintiff was an employee and thus, the institution, as his employer, was the owner of the copyright in his painting by virtue of S. 13(3) of the Copyright Act²⁹.

Footnotes

1. R.S.C. 1985, c. C-42 ["Copyright Act"]
2. S. 34.1(1)(b) of the Copyright Act.
3. John S. McKeown, *Fox on Canadian Law of Copyright and Industrial Designs*, 4th ed., looseleaf (Toronto: Carswell, 2009) at 17-2.
4. S. 13(2) of the Copyright Act.
5. S. 12 of the Copyright Act.
6. Ss. 15-26 of the Copyright Act.

7. S. 13(3) of the Copyright Act.
8. S. 13(4) of the Copyright Act.
9. *Marotta v R*, [1986] 2 F.C. 221 at para. 12 (F.C.) (McNair J.) ["Marotta"].
10. *Ibid.* at para. 16.
11. *Rosen v The Queen*, [1976] C.T.C. 42 (F.C.) (Marceau J.).
12. [2001] 2 S.C.R. 983.
13. *Ibid.* at para. 47.
14. *Marotta*, supra note 9 at para. 19.
15. 2009 CarswellOnt 1410 (Ont. S.C.J.) (Strathy J.); see also *Courier Complete Inc v Fraidakis* (2005), 40 C.P.R. (4th) 50 (Ont S.C.J.) (Pitt J.).
16. *Ibid.* at para. 77.
17. See for eg, *Delrina Corp v Triolet Systems Inc* (2002), 17 C.P.R. (4th) 289 (F.C.A.) and *Matrox Electronic Systems Ltd v Gaudreau* (1993), J.E. 93-1619 (Qué. S.C.) (Guthrie J.).
18. S. 13(4) of the Copyright Act.
19. *Canavest House Ltd v Lett* (1984) 2 C.P.R. (3d) 386 (Ont. H.C.J.) (Callon J.).
20. *Dolmage v Erskine* (2003), 23 C.P.R. (4th) 495 at 521 (Ont S.C.J.) (Searle J.).
21. See for eg, Marie-France Bich, "Emploi et propriété intellectuelle – médiations sur les droits moraux du salarié" In *Développements récents en droit de la propriété intellectuelle* (Cowansville : Service de la formation permanente du Barreau du Québec, 1999) 195.
22. The argument was raised by the plaintiff but not discussed by the Court in *Nintendo of America Inc v Camerica Corp* (1991), 34 C.P.R. (3d) 193 (F.C.) (Rouleau J.).
23. See S. 5 of the Copyright Act and the associated definitions in S. 2 of the Copyright Act.
24. 17 U.S.C.A. § 201(a).
25. 17 U.S.C.A. § 201(b).
26. *Community for Creative Non-Violence v Reid* (1989), 109 S. Ct. 2166 at 2178-2179.
27. *City of Newark v Beasley* (1995), 883 F. Supp. 3 at 7 (D.N.J.).
28. (1990), 30 C.P.R. (3d) 534 (F.C.) (Joyal J.).
29. *Ibid.* at 547.

Author



François Guay is a partner in the Montreal office of Smart & Biggar/Fetherstonhaugh and he has practised exclusively in intellectual property litigation for nearly 30 years. He is among the top five most experienced IP litigators in Canada and has argued many cases that have resulted in leading jurisprudence in all areas of IP law.