Sector and product guides: Dealing with Ad and Design Agencies

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Many innovative products are generated inside a company, but a good number are the product of a brief to an outside designer, or the company's own idea may be finished off by an outside agency. Advertising campaigns can be generated inside the company, but more often than not they are the product of a pitch, or a specific brief from a company.

Whatever the source, the outcome can be highly successful. Unfortunately, all too often the company with the successful product or campaign may find itself not owning or controlling its brand new product or the content of its advertisements.

Not taking care of the intellectual property rights where external agencies are involved can cause problems later on. Companies can avoid this by turning their minds to the issue at the beginning and making sure that everyone is clear on their position.

The answer to the question "Well we paid for it, so we own it don't we?" will not always

be “Yes you do”. In fact, it will commonly be, “no you don’t”, and that can come as a nasty surprise.

Copyright ownership is the main problem here, and that is because it is confused and complex. If the various relationships and rights are not sorted out at the beginning, companies and their agencies get caught up in a confused maze of conflicting rights, and end up with results that are not entirely to their liking.

The reason for this is that the rules which apply to copyright ownership differ, depending on the type of work and also on the country you are dealing with. Copyright law in Australia and the United Kingdom on this issue is different to that which applies in New Zealand. To confuse matters even more, the government is considering changing the law in New Zealand, so it’s important to watch for new developments.

The starting point for copyright ownership is that the author, ie the person who creates the work, owns the rights to that work, and can control who uses it and who reproduces and copies it.

For written material (or “literary works” as they are referred to in the Copyright Act) it is generally pretty easy to establish the identity of the author. For other types of material it can be more difficult. For a computer generated literary, dramatic, musical or artistic work, the author is the person by whom the arrangements necessary for the creation of the work are undertaken. For a film or a sound recording, it will be whoever undertakes the arrangements for the recording or film.

The author of a computer-generated work, a sound recording, film, or broadcast can be a person or a company.

Where two or more people contribute to a particular work, they will be joint authors.

While the author is regarded as the first owner there are two exceptions to that, and those exceptions can in turn be overriden by contract.

Where someone makes a literary, dramatic, musical or artistic work in the course of their employment, the employer owns the rights to that work. This means for instance that if an employee of an advertising agency creates a jingle, or an employee of a design agency creates a new design for a bottle, the advertising agency owns the copyright in that jingle or bottle.

The definition of employee excludes an independent contractor, so if the advertising agency had a non-employee create the jingle, then that person owns it.

The second exception to ownership by the author is what is known as the "commissioning rule". This says that if someone commissions and pays for or agrees to pay for certain types of work, that person owns the rights to that work.

The items to which this exception applies are specifically listed: photographs, paintings, drawings, diagrams, maps, charts, plans, engravings, models, sculptures, films or

sound recordings and computer programs.

In those specific cases, the answer to the question of “Well we paid for it, so don’t we own it?” may well be “Yes you do”.

The commissioning exception does not apply to written or “literary” works. That means for instance that if you commission someone to write a script for your advertisement, some copy for your advertising campaign, or some articles for your website, you probably don’t own copyright in it.

But if you have had someone take a photograph for you, or produce some artwork or drawings for your product, then you will own copyright in it.

It gets even more complicated, however.

Both the employment exception and the commissioning exception are subject to another rule – you can contract out of those particular rules by agreement. One area where this happens is photographs. Photographers will commonly have a contract with their customers which says that copyright belongs to the photographer and that the customer only has the rights to the prints. Similarly, computer software companies may give their customers a licence, rather than allow them to own the rights to the program. This means that the building blocks of computer programs are not captured by a particular customer to the exclusion of all other potential customers. Standard architects contracts will have clauses where the architect owns the rights to the house

plans, and licenses the customer to build a single house.

What you cannot do by contract is oust the basic rule as to first ownership, if what you are doing is not within the two exceptions. This means that if what you need to own or control is neither made by an employee, nor on the list of specific exceptions, you are back with the author owning the copyright work.

This can mean that for an advertising commercial, you might own the film, or the billboards, because you commissioned them, but you won't own the script.

If you don't want the author to own it, you have to transfer ownership, and that transfer, or assignment, as it's technically known, needs to be in writing.

If it seems complicated, that is because it is complicated, and for that matter unsatisfactory, both for companies and for the agencies.

One of the areas which can causes issues is the pitch, or situations where the outside agency approaches a company with ideas, or provides a number of options, from which the company selects a single option.

In those circumstances, if the company wants exclusivity over that option, it should either obtain an assignment of copyright or an exclusive licence.

If the company doesn't want the other options to be offered to anyone else, then its

brief to the outside agency should make that clear, and it should be agreed between the parties.

Because a new product or advertising campaign may comprise a number of elements, there is a risk that there may be different answers to the question as to who owns the various components of the product or campaign. That can be very awkward to manage, and a real problem if there are infringement issues at a later date.

From the point of view of agencies, whose reputation rests of the quality of their work in the marketplace, it's not particularly satisfactory either. If the item in question is one where the commissioning rule applies, the company could alter the work in a way the agency or designer doesn't like without reference back to the designer, or the work could be released in an unfinished form, which damages the agency's reputation.

The law on commissioning does not apply in Australia, nor in the United Kingdom. The good news for those who are bemused and confused by all this is that the government is considering abolishing the commissioning rule.

Finally, it is important not to forget about moral rights. These give an author the right to insist on being identified as the author of a particular work and to object to any distortion or derogatory act in relation to the work. These righs are personal to the owner and cannot be assigned, though they may be waived. If a particular design is critical to a business it is worth asking the designer for a waiver of that right, because sometimes the use by the company of the copyright work at a later date may conflict

with the author's vision for it.

Conclusion

Because it's a complex picture, the message is that you should set it all out in a contract at the start and discuss it thoroughly with everyone involved, so everyone knows where they stand. Crossing your fingers and hoping, or relying on the Copyright Act to resolve disputes at a later date may lead to unpalatable results.