

THE AUTHOR AS DECISION-MAKER

An Economic and Legal Analysis of How Copyright is Allocated, and Why

KIMBERLEE WEATHERALL*

*We should seek to preserve real benefits from copyright laws for the authors in whose name they are granted [and] seek to ensure that copyright laws are not mere pretexts for protecting the investment and entrepreneurial initiative of their exploiting partners. Why after all do we continue to have copyright laws which derive their legal and moral force from the act of creativity? Why do we not simply have producers' investment laws? ... If we are not prepared to provide legal buttresses for the interest of the author, why are authors here at all?*¹

I INTRODUCTION

A. The Step from Author to Owner

In modern copyright law, the central role of the author – the human creator who exercises some minimal personal autonomy in the creation of the work² – is frequently treated as above challenge.³ The human author is central because it is their act that gives rise to copyright works. It is also critical because – and this is the focus of the present paper – copyright law and theory makes an important step: from designating someone as *author*, to designating them *first owner* of rights in the work.⁴ This step is essential to the

* BA, LLB (Hons I) (USyd) BCL (Oxon) LLM (Yale). Lecturer in Law and Sesqui Lecturer in Commercial Law, University of Sydney, Faculty of Law. The research assistance of Melissa Bromley, Abhishek Singh, and Raha Hatami is gratefully acknowledged.

¹ William Cornish, “The Author as Risk-Share”, 15th Manges Lecture, Columbia Law School, March 26, 2002, 26 *Columbia Journal of Law & Arts* 1, 12 (2002).

² The conceptual centrality of the author dates back to the Statute of Anne in 1710: “An Act for the Encouragement of Learning by Vesting the Copies of Printed Books in the Authors or Purchasers of such Copies, 1710, 8 Anne, c. 19. The centrality of the author is also reflected in the US Constitution, Article 1, Sec. 8 cl. 8. Jane Ginsburg, “The Concept of Authorship in Comparative Copyright Law”, Columbia Law School Public Law and Legal Theory Research Paper Group, Paper No. 03-51, at manuscript page 9 (available at http://ssrn.com/abstract_id=368481) (last visited April 23, 2003). See below Part I.B (pg5) nn 26-29, where I justify my focus on the human creator.

³ See Peter Jaszi, “Toward a Theory of Copyright: The Metamorphoses of ‘Authorship’” 1991 *Duke L. J.* 455, 466 (1991) (the centrality of the concept of ‘authorship’ is “uncritically accepted”).

⁴ This general rule is embodied in *Copyright Act* 1968 (Cth of Australia) s 35; *Copyright Act* 1976, 17 U.S.C. §201(a); *Copyright, Designs and Patents Act* 1988 (UK) s 11(1). It should be noted however that in Australian law, we do *not* talk about the ‘author’ of a Pt IV Subject Matter (ie film, sound recording, television broadcast or published edition). In relation to those subject matters, the first owner is not the “author” (it is not even the director in the case of a film) – rather, it is the person or organization which

coherence of modern copyright law, although we tend blithely to pass it by, treating author and owner as practically synonymous.⁵ Logically, a law that is about *authors'* rights should give rights in preference to protect the creator and not other parties like the investor.⁶ Only with really good reason should such a law consider removing from the human creator author the power voluntarily to make the first transfer of copyright.⁷ And yet there are a surprising number of cases where the author is not the sole first recipient of rights. The law recognizes various *other* interests in the initial allocation of copyright rights – producers' and investors' interests among them.

The concept of “authorship” is expected to do an awful lot in copyright law.⁸ On the one hand, it captures the “mystery” of the creative act. On the other, because we tend to elide authorship and ownership of copyright, it performs an economic function of identifying the holder of rights. Little wonder, then, that there has been a revival of interest in the concept of authorship in copyright law; and little wonder that this scholarship highlights the tensions between these philosophical and economic issues. So we have, on the one hand, comments by Cornish and Ginsburg which illustrate a belief in the importance of authors and the “act of creativity”. Ginsburg in her paper calls for a focus back on “author-vested copyright”, and for a realization that, where copyright has expanded over time, the “expansion of the rights of ownership ... flow[s] from the creative act”.⁹ Cornish has suggested we take another look at entrenching limits on the transferability of copyright in order to protect ongoing interests of authors in works.¹⁰ Nimmer, too, has

made the arrangements necessary for the making of the subject matter. This, of course, looks a *lot more* like a producer's investment law. The step from author to first owner *is* a step, despite a tendency, in some cases, to blur the two issues: Ginsburg, above n2, S. Ricketson, *THE LAW OF INTELLECTUAL PROPERTY : COPYRIGHT, DESIGNS & CONFIDENTIAL INFORMATION*, *** (1999-).

⁵ Landes and Posner in their seminal work on the economic analysis of copyright do this explicitly: William M. Landes and Richard A. Posner, “An Economic Analysis of Copyright Law” 18 *J. Legal. Stud.* 325, 327 (1989)

⁶ *Feist Publications, Inc. v. Rural Tel. Serv., Co.*, 499 U.S. 340, 352-55 (1991) (arguing that copyright law is about protecting creativity, not mere investment); cf. *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* (2002) 192 ALR 433, 472 ¶160 (Lindgren J)

⁷ After the author has voluntarily transferred copyright rights, it is a different question, issues still arise—in particular, concerns that artists get “ripped off” by producers and distributors of works. Indeed, on the day of completing writing of this paper there was another news story about proposals for laws in California to ensure artists receive their fair share of royalties. I also include among ‘voluntary’ transfers situations where an author becomes bankrupt – at least in that situation, while the copyright itself may not have been voluntarily transferred, the transactions that led to bankruptcy are ‘voluntary’. On this reconciliation, see NIMMER ON COPYRIGHT, §10.04. On the question of bankruptcy and intellectual property, see generally Melissa Jacoby and Diane Zimmerman, “Foreclosing on Fame: Exploring the Uncharted Boundaries of the Right of Publicity” 77 *N.Y.U. L. Rev.* 1322 (2002).

⁸ Jaszi has referred to the way that authorship is a kind of instrumental concept, used to achieve different ends in different circumstances; see also Rochelle Cooper Dreyfuss, “Collaborative Research: Conflicts On Authorship, Ownership, And Accountability” 53 *Vand. L. Rev.* 1161, 1168 (2000)

⁹ *Ibid.*, manuscript p29

¹⁰ Cornish, above n1. Some such rights already exist in Anglo-American jurisdictions. In the United States, there is the termination right (17 U.S.C. §203); and some moral rights – rights personal to the author which are not automatically transferred/waived on sale of the work – exist in the United Kingdom (*Copyright, Designs and Patents Act* 1988 (UK) ss 77 – 89), in Australia (*Copyright Act* 1968 (Cth of Aust.) Part IX) and in the United States in relation to works of visual art (17 U.S.C. §106A)

explored the borders of authorship in an attempt to find some unifying ideas.¹¹ At the other extreme, an Australian court relied on a truly “economic” view of authorship as a concept of convenience, correlative merely with generation of a work, in holding that authorship “does not require novelty, inventiveness, or creativity, whether of thought or expression, or any form of literary merit”.¹²

There has *also* been a lot of recent interest in *ownership* of copyright works, much of it using the insights provided by law and economics. The majority of this scholarship is concerned with the division of initial ownership rights between two potential candidates: authors (or inventors) on the one hand, and members of the public on the other.¹³ These studies have been focused on that most central of questions in copyright law: the balance between access and incentives:¹⁴ with how, and on what principles, we should divide rights in creative works between author and the “rest of the world,” and how such divisions will impact on the kinds of creative endeavours that are encouraged, or the markets formed.¹⁵

So we’ve had interest in authorship; we’ve had interest in ownership. Less explored is the step from one to the other. How, and why, does an author become an owner – and when are they *not* so fortunate: when are copyright rights that we might expect to see reside in the author moved, involuntarily, to some other party? Ordinarily, we don’t need to look at this issue in much detail. The wonderful thing about the author → owner step is that it appears to represent a very happy marriage of moral and economic considerations. As Madison pointed out, “the public good” – which we could interpret to mean the utilitarian ends of copyright, being the production of new copyright works – “fully coincides ... with the claims of individuals”¹⁶ – to control over, and autonomy in relation to – their works. Authors have the incentive to invest an appropriate amount of time and resources in

¹¹ See Nimmer’s remarkable piece on authorship in the Dead Sea Scrolls: David Nimmer, “Copyright In The Dead Sea Scrolls: Authorship And Originality” 38 Hous. L. Rev. 1 (2001) (exploring authorship in the scrolls, and positing a view of authorship based on intent to author).

¹² *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* (2002) 192 ALR 433, 472 ¶160 (Full Federal Court, Lindgren J)

¹³ I am including future authors and inventors among the “public” here; since there are no selective criteria for identifying who can be an author or inventor: they are identified only by undertaking the creative activity! On this point of allocation, see for example Wendy Gordon, “Excuse and Justification in the Law of Fair Use: Commodification and Market Perspectives”, in Niva Elkin-Koren and Neil Netanel (eds), *THE COMMODIFICATION OF INFORMATION* 149, 155 nn 18, 19 (2002), where Gordon considers this very question of “Who will *receive* an *ab initio* right to use the resource, as compared with the non-owning people who must *purchase* a privilege to use the resource” – and goes on to consider the author, and the public/potential copiers.

¹⁴ William M. Landes and Richard A. Posner, “An Economic Analysis of Copyright Law” 18 J. Legal Stud. 325, 326 (1989)

¹⁵ See especially Yochai Benkler, “Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain” 74 NYU L Rev 354 (1999); Benkler, “A Political Economy of the Public Domain: Markets in Information Goods Versus the Marketplace of Ideas”, in Dreyfuss, Zimmerman and First (eds) *EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY* (2001). Also Neil Netanel, “Market Hierarchy and Copyright in our System of Free Expression” 53 Vand. L. Rev. 1879 (2000)

¹⁶ *THE FEDERALIST NO. 43*, at 271-72 (J. Madison) (C. Rossiter ed. 1961).

creating intellectual property.¹⁷ The market for information goods is promoted because granting the author all the key ownership rights (subject to some exceptions) reduces transaction costs.¹⁸ Thus the general social welfare is served. Simultaneously, from a moral or ‘justice’ point of view, the author creator seems the eminently appropriate recipient of rights in their own creation. Allocating rights to the author satisfies our strong, intuitive sense, backed up by rhetoric¹⁹ and philosophy, that authors have a natural right to the products of their creativity.²⁰ It is little wonder, then, that we tend to talk about the author as being the self-evidently appropriate grantee of the fulsome rights provided by copyright law.²¹

And yet, in some cases, law (legislative or in caselaw) departs from the general rule. In particular, I am referring to those situations where *someone other than the human author or the public* is granted an ownership interest in copyright that does not come via consensual transfer from the author. Some such cases are well known: the work for hire doctrine²² is a prime example. Other situations of involuntary transfer have arisen through the interaction between copyright and other laws, for example community property.²³ At other times, we have a strong sense that someone other than the author has a legitimate interest in the copyright work: comments to that effect have issued from courts of highest authority in the United Kingdom and Australia, in cases where it seemed that someone was being imposed on when copyright was granted to another who wronged them in making the work.²⁴

Economic analysis of reasons for the step from author to owner can shed some light on how these situations should be handled. My argument, in brief, is that where

¹⁷ Eg Richard Watt, COPYRIGHT AND ECONOMIC THEORY: FRIENDS OR FOES? 1 (2000); generally Landes and Posner, *Ibid*.

¹⁸ Watt, *ibid*, 17; See also Wendy Gordon, “Excuse and Justification in the Law of Fair Use: Commodification and Market Perspectives”, in Niva Elkin-Koren and Neil Netanel (eds), THE COMMODIFICATION OF INFORMATION 149, 155 nn 18, 19 (2002). Such transaction costs as there are can be alleviated by collective rights organizations: see Robert Merges, “Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations” 84 Calif L Rev 1293 (1996); see also Richard Watt, above n17, Ch.6, 161-99.

¹⁹ Ever since the enactment of the Statute of Anne, the legitimacy of copyright and its extensions has been championed using the rhetoric of the protection of authors: Peter Jaszi, “Toward a Theory of Copyright: The Metamorphoses of ‘Authorship’” 1991 Duke L. J. 455, 468-71 (1991)

²⁰ The various philosophical strains are explored further below, in part II.C, page 17 and following.

²¹ Peter Jaszi, “Toward a Theory of Copyright: The Metamorphoses of ‘Authorship’” 1991 Duke L. J. 455, 466 (1991) (referring to the fact that the centrality of the concept of ‘authorship’ is “uncritically accepted”). Jaszi refers to this as our tendency to “mythologise” authorship (*ibid* at 459); see also James Boyle, SHAMANS, SOFTWARE, AND SPLEENS : LAW AND THE CONSTRUCTION OF THE INFORMATION SOCIETY (1996) (seeking to debunk the ideal of “Romantic authorship”).

²² Below, notes 117-128 and accompanying text.

²³ *Rodrigue v Rodrigue* 218 F.3d 432 (5th Cir. 2000); *Worth v Worth* 195 Cal.App 3d 768 (1987)

²⁴ I refer here to the decision of the High Court of Australia in *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 185 ALR 1 (suggesting in *obiter* that a party whose land was trespassed upon might have copyright in the film made by the trespasser); and the comments by judges of the House of Lords in *Attorney General v. Guardian Newspapers Ltd* [1989] 2 F.S.R. 181 (“*Spycatcher*” case) (suggesting that the United Kingdom Government might own copyright in a book written by a former spy in breach of contractual and equitable duties). *Attorney-General v Blake* [2001] 1 AC 268 (the George Blake case) (again, considering copyright ownership of a book written by a spy)

philosophical approaches to copyright look for a creator, the economic analysis of copyright law, in choosing to whom to allocate rights in a copyright work, for the *best-placed decision-maker*. Two sets of decisions are relevant here: first, the decision to create a new copyright work; second, the decision (generally, decisions) to exploit or disseminate. There are very good reasons why the human creator of a copyright work has an advantage in making these decisions; generally then, the human author is the appropriate first owner of copyright.

Highlighting the importance of decision-making, and the different decisions involved, helps us to understand when the human author should not, from an economic point of view, be allocated the initial rights in a copyright work: either (a) because the human author is not the best-placed decision-maker or (b) because for other reasons, we do not want one or other of those decisions in the human author's hands. These situations are explored further below.

Highlighting the dictates of an economic analysis of authorship → ownership in this way also makes clear another important thing about authorship as it is explored in actual legal principle. It enables us to see, all the more clearly, exactly how far from economic principles the courts step in exploring authorship in those cases where ownership of a copyright work is disputed.²⁵ A survey of both the theory, and the cases, clearly shows that neither economic considerations, *nor* moral considerations, can fully justify initial allocations of copyright, and certainly courts draw on both.

B. The Author as Human Creator: An Explanatory Note

I will be referring, throughout this paper, to the “human author” or human authors. By this term, I am referring to the understanding of “author” that Jane Ginsburg has advanced: the “human being who exercises subjective judgment in composing the work and who controls its execution ... a human creator who, notwithstanding the constraints of her task, succeeds in exercising minimal personal autonomy in her fashioning of the work”.²⁶ I refer to “human author” to make clear I am talking about this human creator, and not entities “deemed” to be authors by legislation.²⁷ Laws in different jurisdictions

²⁵ This general point is not new, of course: see for example Alfred Yen, “Restoring the Natural Law: Copyright as Labor and Possession” 51 Ohio St. L. J. 517, esp. 546-47 (1990).

²⁶ Ginsburg, above n2. See generally *Committee for Creative Non-Violence v Reid* 490 US 730, 737 (1989) (“As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection”); *Burrow-Giles Lithographic Co v Sarony* 111 US 53, 57-58 (1884) (“An author in that sense is ‘he to whom anything owes its origin; originator; one who completes a work of science or literature.’”); See also *Cala Homes v Alfred McAlpine Homes* [1995] FSR 818, 835 per Laddie J (“What is protected by copyright ... is more than just the skill of making marks on paper or some other medium. It is both the words or lines and the skill and effort involved in creating, selecting or gathering together the detailed concepts, data or emotions which those words or lines have fixed in some tangible form which is protected. It is wrong to think that only the person who carries out the mechanical act of fixation is an author.”)

²⁷ see eg 17 U.S.C. 201(b) (“In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title”)

seem to vary on the rather basic question of whether an author must be a human being.²⁸ Things become even *more* complex once we move beyond straightforward items like books, or paintings, where someone must put pen to paper, or brush to canvas, and reach items like films, or sound recordings: it is not at all evident who is the ‘author’ of a film or sound recording.²⁹ To avoid the worst confusions that this all entails, I will refer to “human authors” and owners of copyright.

II FROM AUTHORSHIP TO OWNERSHIP AND THE ECONOMIC THEORY OF COPYRIGHT

In this first section of the paper, I outline both the economic and non-economic reasons for assigning initial rights in copyright works to authors. The basic line of analysis embodied here is well known, but there are particular aspects which need to be highlighted for the purpose of my argument. In Part A I will think about economic issues in the allocation of property rights, taking the perspective of a policymaker seeking to maximize social welfare. The overall question from this perspective is simple: is a system of exclusive property rights needed to encourage production or efficient use of resources, and will the benefits generated by such a system outweigh its costs?³⁰ Part II.B applies these ideas to copyright. In Part II.C, I briefly draw the contrast between the law and economics analysis put forward in this part, and *other* well known justifications for allocating rights to authors. This part forms a background to Part III, where I look at areas where the human author is *not* the first owner.

²⁸ It has been argued that only human beings can be authors under the Berne Convention: see Ricketson, “People or Machines? The Berne Convention and the Changing Concept of Authorship” 16 Colum.-VLA J. L. & Arts 1 (1991).

²⁹ The Australian legislation avoids the issue entirely – it does not call *anyone* an author in relation to these kinds of subject matters: it goes straight to ownership, says that ownership lies in the body who “made” the item – meaning, in essence, the producer. In relation to Pt IV subject matters (cinematograph films, sound recordings, broadcasts and published editions), ownership lies with the person, including corporation, that “made” the subject matter: *Copyright Act 1968* (Cth) ss 97-100; ‘maker’ is the person who owned the record for a sound recording, or the person who “did the acts necessary for the production of the first copy” of a film (s 22) – this will often be the company (juridical person) who employs the human beings who physically do the arranging etc. The UK legislation *does* call the person who is the producer the author, but looks to essentially the same factors: *Copyright, Designs and Patents Act 1988* (UK) s 11(1) provides that the owner of copyright in a work is the author. “Author” is defined in s 9, In relation to a sound recording or film, for example, the author is “the person by whom the arrangements necessary for the making of the recording or film are undertaken”. This could be a juridical person – ie a company: Justine Pila and Andrew Christie, “The Literary Work Within Copyright Law: An Analysis of its Present and Future Status” 13 IPJ 133, 156 (1999).

³⁰ See Harold Demsetz, “Toward a Theory of Property Rights”, 57 Am.Econ.Rev.Pap & Proc. 347 (1967); Robert Ellickson, below n31

A. Thinking Economically about Initial Allocations of Property Rights: the General Theory

Property rights are justified to the extent they bring benefit to individuals in society. What we are looking for are property rights which will generate the maximum social wealth, by promoting the production of goods and a subsequent market in those goods. Thus to facilitate this generation of social wealth, there are two types of decisions that theory needs to take into account in allocating property rights in tangible property. First, there is the decision to produce socially desirable goods. Second, there is the set of decisions involved in subsequent transactions in relation to those goods. From an efficiency point of view, in allocating rights, at least in relation to goods that require production, we are looking to identify the party best placed to make the decision to create, and a decision-maker, also, who will reduce transaction costs in relation to those goods.

1. *Influencing the Decision to Produce: Dynamic Efficiency*

Identifying a first holder of property rights can be a very important decision. The question is: how do we justify identifying someone as the owner? What are the purposes we are aiming to achieve, and what qualities must they have? When we look at the general economic theory of property rights, we see that what we are looking for, in relation to goods that need to be produced, is a *person who will make and carry into effect the decision to produce*.

In general, when we are thinking about instituting a property regime, or adjusting it to fit new conditions or new technologies,³¹ we have to decide a number of intertwined, important issues. First, we need to decide what is the thing to be owned, and what are its boundaries. Second, what are the rights in the thing going to be defined, and what is their extent? Broadly speaking, the most important rights and powers³² we are looking to confer are rights to exclude³³ (closely associated with rights to the use of the thing, and to the benefits it may yield, enforced through exclusion rights), and the power to transfer the object of property.³⁴ The combination of these rights and powers enables us to identify

³¹ Ellickson, "Property in Land" 102 Yale LJ 1315, *** (1993) (noting that a property system – in his case land – is "a dependent variable that is affected by technologies, scale efficiencies, risks, ideologies and other variables regarded as independent.")

³² I will use here the broad, catch all concept of "rights" – aware, of course, that this encompasses, to use Hohfeldian terminology, rights, privileges and powers. Wesley N. Hohfeld, "Some Fundamental Legal Conceptions as Applied in Judicial Reasoning" 23 Yale L. J. 16 (1913)

³³ Regarding the importance of the right of exclusion, see Thomas Merrill, "Property and the Right to Exclude" 77 Neb L Rev 730 (1998)

³⁴ As to the fundamental importance of the power of transfer, see A. M. Honore, "Ownership", in OXFORD ESSAYS IN JURISPRUDENCE 107, 118- 19 (A.G. Guest ed., 1st ser. 1961). As to the various, complicated rights in property generally, see Honore, *id*; Jeremy Waldron, THE RIGHT TO PRIVATE PROPERTY 26-61 (1988). Of course the rights that can be associated with property are more complicated, but those complications are not pertinent to the current discussion. Gordon has outlined how these rights operate in both the tangible and intangible property contexts: see generally Wendy Gordon, "An Inquiry into the Merits of Copyright: The Challenges of Consistency, Consent and Encouragement Theory" 41 Stan.L.Rev. 1343, *** (1989).

something as “property,”³⁵ and promotes the creation of a market.³⁶ Finally, choosing an initial recipient for these rights is an indispensable step in the process of bringing the owned objects into the market.³⁷ To be accurate, since frequently rights or privileges in relation to any given “thing” can be divided between different parties, you need to allocate these rights between the various potential first holders.³⁸

Focusing on this last question, we need to work out to whom we want to give these powerful rights. How we analyse this depends, in part, on what kind of thing we are talking about: a resource that, like wheat, needs to be produced or created before it can be owned or, on the other hand, we have some theoretically unowned resource hanging around waiting to be “claimed” – something more like wild animals, perhaps.³⁹ In the case of items whose production we wish to encourage, the demands of dynamic efficiency require us to think about how to ensure the appropriate level of incentives for creation. There will only be incentives if the benefits to the producer outweigh the costs. A rational producer will only invest in production if the benefits *she* will obtain outweigh the costs,⁴⁰ we therefore need some way to ensure that the benefits also accrue *to the same person*.⁴¹ Instituting property rights in goods produced is one way to ensure that *the producer* gets the benefit of their investment. We assume that, if the incentives are there, a person who is best-placed to produce wheat will make the decision to do so.

This basic line of argument is well known. But two further points need to be highlighted.

First, when I talk about the “producer”, this producer *need not be a single individual human being*. It may be, of course. We could have an individual farmer making the

³⁵ In law we look for a certain “concentration” of rights before we will be prepared to call something property. Economics takes a broader view of property as all valuable entitlements. See further below n38.

³⁶ This is the ‘bundle of rights’ view of property: see generally J. E. Penner, *THE IDEA OF PROPERTY IN LAW* (1997). Different forms of property have differing degrees of/combinations of these assorted rights; we tend to look, in reality, for some concentration of the rights.

³⁷ Of course, the demarcation lines between these three questions is never altogether clear; nor is the line between these questions and the initial assessment of whether to have property rights at all. For one thing, the ability to delineate boundaries is a key question in determining whether property rights are a good idea: see eg Ellickson, above n30, ***

³⁸ So, for example, think about a piece of land. You might want to give many of the rights, privileges and powers of ownership to one individual (who becomes the landowner). But certain rights or privileges of use might be given to other parties – for example, neighbours may have certain rights (eg not to have pollutants spewing into the air) that will limit the landowner’s rights. Allocation of rights between the various parties is the question we are concerned with here. The law and economics aware reader will notice of course that I am shifting here between the legal concept of property – which looks for a thing which is the subject of a concentration of rights – and a more economic view of property referring to any valuable rights in things. At least for the purposes of this paper, not much in fact turns on this distinction – except perhaps confusion about the term property!

³⁹ In the case of unowned things that are “hanging around”, unlike with goods that need to be produced, law and economics has perhaps little to say about justifying initial distribution (subject to concerns perhaps about strategic behaviour later on): Richard Watt, above n17; Carol Rose, “Canons of property talk, or, Blackstone’s Anxiety” 108 *Yale L.J.* 601, 618-20 (1998) (property rights are useful in reducing conflicts, and inducing productive incentives but this does *not* justify any particular distribution of entitlements)

⁴⁰ See Richard Posner, *THE ECONOMIC ANALYSIS OF LAW*, 36 (5th ed 1998)

⁴¹ *Ibid.* See also Richard Epstein, “Before Cyberspace: Legal Transitions in Property Rights Regimes” 78 *Chi-Kent L. Rev.* 1137, 1143 (1998)

decision to invest their *own* time and resources on producing wheat, and consuming the products of their own work. But the producer could be a large corporation that employs individual human beings to do the work: efficiencies of scale may need that level of coordination. In this scenario, we don't say that rights to the direct output of their hands belongs to the employee. Why not? Because the employee's contribution is to a broader enterprise chosen, directed and coordinated by the firm. The firm, like the farmer, will only produce if benefits to *the firm* outweigh costs. We want incentives for *the company* to marshal resources and make the decision to engage in production. The underlying economic insight is that resources – here referring to those resources that go into production – tend to be utilized most efficiently when decision-makers internalize costs and benefits of their decisions.⁴² Rights of ownership should be allocated to the person who can internalize the relevant costs and benefits in a way that provides adequate incentives for socially desirable production.⁴³ In the simple scenario, that party is going to be the producer – who makes the decision to incur the costs of production. In the case of a corporation with employees, that decision to produce which property rights encourage occurs at the firm level.

Second, *we are trying to incentivize the decision to produce*, not “reward” the particular producer. It so happens that the best internaliser of benefits and costs is the person who undertakes the costs – that is, the natural or juridical person who actually did the creation. This suggests that if production is truly caused by (initiated and carried into effect) by someone other than the physical labourer who gets their hands dirty, we do not have to feel squeamish about allocating property rights to that decision-maker. Note also that we are assuming that all relevant costs are brought home to the producer. Law should, on this theory, make sure negative externalities of the producer's work (smells, noise, etc) are brought home – for example, by making the producer pay compensation to injured parties.⁴⁴

2. *Influencing the Decision to Exploit: Encouraging Transactions and Static Efficiency*

Ensuring that items are produced however is only one element of the equation that goes into initial allocations of rights: if we want to promote a market for objects, we need to allocate rights to a party so as to ensure ready transferability of rights, to ensure efficient transactions in the market for the object.⁴⁵ This second stage of analysis is of lesser

⁴² See generally Posner, above n40, and in the copyright context, Wendy Gordon, “An Inquiry into the Merits of Copyright: The Challenges of Consistency, Consent and Encouragement Theory” 41 *Stan.L.Rev.* 1343, 1387 (1989), Demsetz, above n30, 450

⁴³ Wendy Gordon, “Excuse and Justification in the Law of Fair Use: Commodification and Market Perspectives”, in Niva Elkin-Koren and Neil Netanel (eds), *THE COMMODIFICATION OF INFORMATION* 149, 155 nn 18, 19 (2002).

⁴⁴ Assuming, of course, that we don't have the Coasean world where there are no transaction costs to reaching this deal without law's intervention: see generally Coase, above n46, Calabresi and Melamed, “Property Rules, Liability Rules, and Inalienability: One View of the Cathedral, 85 *Harv. L. Rev.* 1089 (1972), also Guido Calabresi, *THE COSTS OF ACCIDENTS* 133 (1970). In relation to intellectual property, see Wendy Gordon, “Introduction” to Symposium, 108 *Yale L. J.* 1611, 1616 n30 (1999)

⁴⁵ Posner, above n18, Ch 3; esp p37

importance than the first – the decision to create. We can't identify the best creator, assign rights to them, and then find the best disseminator, and assign initial rights to them too. That would be to create mutually inconsistent rights. Rather, considerations of static efficiency may influence our decision whether to divide up rights in an object of property, and whether to temper those rights we already wish to give to the producer, following on the analysis above.

According to the Coase Theorem, in that wonderful imaginary world – the one without transaction costs – the effect of allocations on subsequent markets shouldn't cause us to pause in the slightest, because consensual bargaining will ensure that all resources end up in the hands of the user who values them most.⁴⁶ This insight would seem to encourage us to allocate broad exclusive property rights to the producer, thus ensuring the incentive to produce – then leaving other interested parties to bargain to the most efficient outcome.⁴⁷ In the real world – one full of very real transaction costs – the person to whom you give rights in the thing *does* matter. Bad allocations of property rights can have negative effects.⁴⁸ A growing literature in this area identifies many barriers to consensual bargaining, even aside from the obvious costs of identifying relevant parties, and getting them together to negotiate. Problems valuing entitlements,⁴⁹ non-economic factors,⁵⁰ and strategic behaviour (not playing “fair”)⁵¹ can all pose barriers to voluntary bargains. In summary, this burgeoning literature has demonstrated that we just cannot ignore initial allocation of rights if we want to achieve certain desired outcomes. Static efficiency may require us to temper the rights in the tangible object so as to allow transactions which would otherwise not occur due to market failure.

To ensure optimal transactions, we also need to allocate property rights in a way that will minimize transaction costs. In practice, this means minimizing the number of people holding rights of exclusion in an object, as Heller has so convincingly demonstrated.⁵²

⁴⁶ Ronald Coase, “The Problem of Social Cost” 3 J.L. & Econ. 1 (1960)

⁴⁷ Mark Lemley, [***] (Property rights theory assigns broad rights, and then leaves parties to bargain to efficient outcome)

⁴⁸ See for example Michael Heller, “The Tragedy of the Anticommons; Property in the transition from Marx to Markets” 111 Harv. L. Rev. 621 (1998) (showing how excessive rights of exclusion in a resource may lead to the ‘tragedy’ of underuse); Wendy Gordon, “Of Harm and Benefits: Torts, Restitution and Intellectual Property” 21 J. Legal Studies 449 (1992) (arguing that giving public a right to copy would be a cumbersome starting point, causing problems of coordination standing in the way of socially desirable levels of production).

⁴⁹ Assigning monetary value to things at stake in any putative deal could be impossible. For example, where allowing use of something will impact on reputation, then monetary values are going to be singularly unhelpful, and the market is unlikely to work to bring about desirable results. See Gordon, above n 13 (discussing “pricelessness”); Yen, above n25, 518-19 (giving examples where outcome is entirely dependent on where you initially assign rights).

⁵⁰ People won't always sell or buy even where it might be rational to do so. Non-economic factors, for example psychological factors, may prevent people reaching deals. For example, the ‘endowment effect’ – an observed effect whereby someone who already has rights will value them more highly than someone who has to purchase them: for discussion see Cass Sunstein (ed), BEHAVIOURAL LAW AND ECONOMICS (2000);. On the possible applications of this endowment effect in intellectual property, see Gordon, above n 13; Yen, above n25.

⁵¹ On strategic bargaining behaviour see in particular Ian Ayres and Eric Talley, ***

⁵² Heller, above n48.

Thus, once again, we are looking to concentrate rights in the hands of a decision-maker – someone who can deal with the work in an efficient way. Hopefully, this is one person or a cohesive group. What we definitely *don't* want is a whole lot of disparate decision-makers, with inconsistent veto rights.

3. *Summary: the decision-maker in relation to tangible property*

The upshot is: where tangible property is required to be produced, economic analysis counsels us to seek a *decision-maker*. This decision-maker should have certain qualities. They should be in a good position to take into account all the relevant costs and benefits of production. They should be in a position to initiate and carry through production of socially desirable objects. Property rights provides such a decision-maker with the incentives, in the form of opportunities to internalize benefits, for producers to act, making the decision to produce socially desirable things. At a second level, we need to look forward to the possibility of transactions in the market. Here again, we are looking for a decision-maker, in whom rights may be concentrated for more efficient subsequent transactions. Combining these two, we can say that ownership should be allocated according to whatever starting point is most likely to internalise benefits in a way that will give adequate incentives to produce socially valuable products without causing excessive social losses, and without giving rise to excessive transactional burdens.

B. Applying these ideas in Copyright Law

As with tangible property, in trying to decide to whom to allocate initial rights in copyright works, we can analyse the economic considerations into two sets of decisions on which allocation will have a bearing: the decision to produce the copyright work (that is, the decision to create); and second, the decisions about what to do with the work once produced.⁵³

1. *Influencing the Decision to Produce: Dynamic Efficiency*

Every student of copyright law learns how to apply the economic analysis of property outlined above to copyright, albeit with a couple of twists: this is the incentive theory of copyright that dominates theory in Anglo-American legal systems. On the straightforward economic analysis of copyright, property rights in the intangibles protected by copyright have the same internalization and market promotion functions as property rights in tangible property.⁵⁴ Copyright works are closer to wheat than wild

⁵³ Wendy Gordon has noted that copyright law is not about creating incentives to disseminate a work (above n13, at ***). On the face of the Copyright Clause, and given that copyright owners are perfectly at liberty to never reveal their work, this is true. And yet the economic analysis of copyright law does assume a market promotion function for copyright law, and we assume at least that an aim of copyright law should be reducing transaction costs to some extent such that it will *enable*, if it does not *mandate*, dealings with copyright works.

⁵⁴ For an extensive discussion of this point, see Wendy Gordon, *An Inquiry into the Merits*, above n42, ***

animals: they are not things that just lie around waiting to be claimed,⁵⁵ but require production, usually entailing some investment and use of existing resources. So like other property rights, copyright law provides useful incentives for people to invest and engage in productive labour: in this case, socially beneficial creative labour.⁵⁶ Many people won't incur the costs of producing copyright works unless there is hope of obtaining – internalizing – a sufficient proportion of the resulting benefits.⁵⁷ This is harder with information goods, due to their 'public good' characteristics – non-excludability and non-rivalry.⁵⁸ But the owner of the various rights and privileges associated with copyright ownership can internalize benefits arising from the existence of the work by making the decision whether to publish or not (and can use this decision to solicit payment), and by charging for allowing others to use the work in ways given exclusively to the owner, or by transferring the work.⁵⁹

So, just as with property, in an incentive-based economic theory of copyright, returns on costs is a central issue.⁶⁰ So what are these costs? Obviously, as with tangible property, there are the mostly fixed, sunk costs represented by the resources devoted to production:⁶¹ the paints, or a piano, or paper; the effort, blood, sweat and tears,⁶² as well as the human creator's opportunity costs. Indeed, taking this position to the extreme, an Australian decision has recently gone so far as to say that labour and expense is sufficient for copyright protection – in a case notable for the absence of any consideration of human authors.⁶³ Some other costs are more unique to information goods: in particular, the

⁵⁵ *Parts* of a copyright work may well be "lying around" – those parts that draw on the public domain. However, the final copyright work is something that has been "produced" even if it does draw on the zeitgeist, the collective inheritance of humanity, and the public domain.

⁵⁶ See generally Richard Posner, *THE ECONOMIC ANALYSIS OF LAW*, 36-37 (5th ed 1998). Posner refers to two key roles for exclusive property rights: (1) providing incentives for productive labour, and (2) mediating conflicts and congestion externalities. The latter may be less important to intellectual property owing to its non-exhaustible/non-excludable nature (though not entirely irrelevant): *Ibid.* at 45-46.

⁵⁷ Some will of course, but production will be sub-optimal. We don't really want just the starving artist and the leisured rich to produce information goods

⁵⁸ See generally Watt, above n17, 3ff; Gordon, *An Inquiry into the Merits of Copyright*, above n34, ***

⁵⁹ see Gordon, *An Inquiry into the Merits of Copyright*, above n42, 1389-93

⁶⁰ Jeremy Waldron, "From Authors to Copiers: Individual Rights and Social Values in Intellectual Property" 68 *Chi-Kent L. Rev.* 841, 854 (1993)

⁶¹ Richard E Caves, *CREATIVE INDUSTRIES: CONTRACTS BETWEEN ART AND COMMERCE*, 223 (2000)

⁶² See eg *Harper & Row, Publishers, Inc v Nation Enterprises* 471 US 539, 546 (1985) ("the rights conferred by copyright are designed to assure contributors to the store of knowledge a fair return for their labors."); *Mazer v Stein* 347 US 201, 219 (1954) ("Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered").

⁶³ *Desktop Marketing Systems Pty Ltd v Telstra Corp Ltd* (2002) 55 IPR 1 (Full Federal Court of Australia) ("*Desktop Marketing Systems*") (see especially Justice Sackville at para.272, noting that there was no need to consider the human authors in this particular case). The decision concerns copyright in the phone book – the Australian court held that the labour and expense of collecting, collating, and checking the material was sufficient to confer copyright in the compilation. Special leave is being sought to appeal this case to the Australian High Court. At the time of writing, the result of this application (somewhat akin to seeking certiorari in the United States) was not yet known. See also *CCH Canadian v Law Society of Upper Canada* [2002] FCA 187, ¶35 (Canadian Federal Court of Appeal, 14 May 2002), declaring that 'sweat of the brow' as opposed to creativity is enough to give a work sufficient originality for copyright. This case seems to contradict the Canadian Supreme Court decision in *Tele-Direct (Publications) Inc v American Business Information, Inc* (1997) 154 DLR (4th) 328 (which held there was no copyright in a telephone book). The Australian law is notably different in this respect to US Copyright Law, which in a very similar

“nobody knows” quality⁶⁴ - the additional risk that is associated with the uncertainty, inherent in information goods, whether people will like, and be willing to pay for, your goods.⁶⁵ Some low cost products may be surprise blockbusters;⁶⁶ others expensive flops; I could labour 10 years to write a novel, but if it’s a dud, and no one buys it, I won’t be recovering that investment in a hurry.⁶⁷ This element of risk can be factored in to the decision to create also.

So who should get to be the owner? If the focus is incentives, the answer should logically be – whatever starting point is most likely to internalise benefits in a way that will give rise to adequate incentives to produce socially valuable products.⁶⁸ Someone who can internalize all these costs of production, *and* capture benefits sufficient to justify the expense. This would be whoever is in the best position *both* to internalize the relevant costs, and *make an appropriate decision to create*, based on an assessment of whether those costs are outweighed by the benefits to be generated by creation. Note, once more, that economic analysis is not particularly interested in rewarding individuals: it is interested in ensuring rights go to the party best placed to internalize costs and benefits and produce socially desired objects. Once again, if it is the production that we wish to encourage, we may grant rights to someone other than the physical creator if it is really true that that “other” was the one who initiated the decision to create and ensured it was carried through.

Thus, in the economic analysis of copyright, we are not *necessarily* focused on the particular individual human *creator*, we are looking for the best-placed *decision-maker*. I have already suggested that, in relation to tangible property, that the best decision-maker would be the producer, and that the producer could be the human worker or their employer. The human worker producing furniture has no special advantages over the employer firm in making decisions to produce – on the contrary, it is their employer who is in a position to make judgments on overall costs and benefits.⁶⁹ In the simplest possible case of copyright, the equivalent of the producer is the creator: that is, the author – the human being who undertakes the creative activity.⁷⁰

case – *Feist Publications, Inc v Rural Tel. Serv. Co.* 111 S.Ct. 1282, 1295 (1991) – held that “sweat of the brow” was not the test for subsistence of copyright.

⁶⁴ Richard Caves, above n61, 3

⁶⁵ Landes and Posner, above n5, 328

⁶⁶ In these cases, of course, more market entrants are likely to be attracted as a result (leading to copycat products and stars and films)- reducing over time the likelihood of such windfalls. But perhaps encouraging the truly creative to give it a go in the hope of a windfall. Leading, perhaps, to better products.

⁶⁷ From an efficiency perspective, this is a good thing, because this sends signals to prospective creators, by indicating what society will value: Friedrich A. Hayek, LEGISLATION AND LIBERTY 71-72 (1976) (noting that the role of the market is not so much to reward people for what they’ve done, as to tell them what they ought to do. This entails that some people won’t recover what they expected from their efforts). To the extent that the market will not supply particular *kinds* of information goods – like serious intellectual works, economics tells us we can turn to other possible providers –government through its subsidy of research, and universities where such goods are often produced.

⁶⁸ Wendy Gordon, “Excuse and Justification in the Law of Fair Use: Commodification and Market Perspectives”, in Niva Elkin-Koren and Neil Netanel (eds), THE COMMODIFICATION OF INFORMATION 149, 155 nn 18, 19 (2002).

⁶⁹ Above nn40-41 and accompanying text

⁷⁰ On the meaning of author, see generally Ginsburg, above n2, and sources quoted above n26

Two points follow. First, we are not particularly interested here in the creative act *qua* creative act – just that it occurs and there are incentives for it. The mystery of authorship has no purchase here; *owner* is more interesting than *author*. The implication of this focus on decision-making over actual creation is that in economic terms, the decision-makers role in “directing the pen” – having creative input into the work itself – should be economically irrelevant if they are nevertheless the party directing that creation should occur. Second, investment alone is not sufficient. The fact that a party has contributed the *funds* for a creative work does not mean they are the best placed decision-maker; it does not mean they initiated the creative act. So, for example, in the *Thorogood* case, someone who arranged and paid for recording sessions had no copyright in the resulting recordings.⁷¹ Something more is required.

But surely the special nature of creativity, and how it occurs, is relevant – we can’t just be looking for someone to boss creative people around and coordinate them in ways appropriate to the market? True, the special nature of creativity *does* have to be taken into account. One interesting thing about intellectual property is that the creative individual may, in many cases, actually be at a considerable advantage in making the decision to create something new – because of the peculiar nature of the creative act. The products of creativity are far more individual, and less predictable, than the products of a factory worker or farmhand. Creation is a highly personal process,⁷² much less controllable process than factory work or other routine forms of production.⁷³ Really creative works are often not produced by direction and on order;⁷⁴ there is the element of personal inspiration that cannot be entirely controlled from outside the individual.⁷⁵ Creative people are to some extent self-selecting: they are people, often, who have chosen a creative avenue, sometimes at cost of higher salary elsewhere.⁷⁶ It is not unusual for a creative artist, particularly *new* artists, to come up with a work and *then* seek to sell it to a distributor.⁷⁷ Directing creative talent into various projects is difficult; as Dreyfuss has pointed out, it requires “an understanding of the available alternatives, an appreciation of the creator’s abilities, and the capacity to judge whether creativity will continue to flourish under the demands of the project that has been chosen.”⁷⁸ Non-

⁷¹ *Forward v. Thorogood*, 985 F.2d 604, 607 (1st Cir. 1993).

⁷² They may have no *perspective* on what they produce – but that is another question. What I mean by self-selecting is that they put themselves forward as creators, and choose the work they are ‘inspired’ to do, and are better placed to choose that work than an employer not undertaking creation him or herself.

⁷³ Of course, this is not to say there is no level of creativity in other industries. There is much creativity and skill in, for example, credit analysis and financial planning. It is all a matter of degree, and I am working at levels of gross generalization here, necessarily!

⁷⁴ For an illustration of this, see Justin Hughes’ description of an artist’s feelings on working on commission, Justin Hughes, “The Personality Interest of Artists and Inventors in Intellectual Property” 16 *Cardozo Arts & Ent. L. J.* 81, 156-57 (1998)

⁷⁵ Caves, above n61, 4-5

⁷⁶ Caves, above n61, ***

⁷⁷ The fascinating process of self-selection, and gatekeeping in the creative industries is explored in Caves, above n61.

⁷⁸ Dreyfuss, above n8, 611 (outlining this creative process and the need for creative freedom in relation to university employees). In relation to the creative industries (movies, books, etc) see generally Caves, above n61.

creative employers or others are unlikely to have the ability, in many cases, to tell creative people ‘what to do’ – still less how to do it.⁷⁹ In summary, the creative individual may be the party in a far better position to conceive a work, to create, to know when it is “finished” and “ready” for the world than any other party – employer or investor.⁸⁰

None of this means that the creative worker knows better than any other party the eventual market value of their work – the “nobody knows” quality prevents that being true,⁸¹ and indeed many creative workers are not responsive to market signals but may instead seek to be true to their own vision.⁸² Rather, the creative worker has advantages – not so much in assessing the exact eventual balance of costs and benefits, but in successfully initiating and undertaking creation, and knowing when it is complete: and of course, *initiating and completing creation* is what the copyright incentive structure is about. Thus if we are trying to identify the decision-maker best placed to make a decision on *whether to create*, this level of information possessed by the individual human creator, as compared to any other party that may be involved in the whole creative process, seems to support allocation of rights initially to the creative artist – at least in relation to “creative” copyright works. More utilitarian pieces, produced in the ordinary course of business within many corporations, are a different kettle of fish, to which I return below.⁸³

Note also that the straightforward economic analysis of copyright outlined above assumes also that it is the human author who has incurred the relevant costs, or who is in the best position to take account of costs, up to the point of creation. We will test those assumptions in a moment. First, however, we should consider the basic position in relation to static efficiency, and encouraging transactions after initial allocation.

2. *Influencing the Decision to Exploit: Encouraging Transactions and Static Efficiency*

Once we have decided that copyright works should be owned, and that the author should be the first owner, we need also to think about the second stage of analysis – that is, how do we choose the decision-maker best placed to make decisions on dissemination of the work? As Gordon has pointed out:

“The entitlement package is more than just a way to give the author incentives to produce in the first instance. It also organizes the way already-produced works are rationed and coordinated.”⁸⁴

⁷⁹ Dreyfuss, *Ibid.*

⁸⁰ *Ibid.* 605-26 (outlining the whole process of from conception to dissemination and use from the perspective of the creative employee in a university environment).

⁸¹ see above n64 and accompanying text

⁸² Dreyfuss, above n8, 609-10; Caves, above n61, 4

⁸³ Section III.B, *infra* page 24 and following.

⁸⁴ Gordon, above n34, 1393

Here, again, while a Coasean transaction cost-less world wouldn't worry too much about the effect of initial allocations on the subsequent market, transaction costs in relation to intellectual property may be particularly pervasive.⁸⁵ In the real world, we do need to worry about the two general issues identified above in relation to tangible property: (a) reduction in transaction costs by concentrating decision-making authority in as few owners as possible, and (b) dealing with strategic behaviour and situations of market failure.

In relation to this second question – which gets to the heart of the access-incentives tension inherent in copyright⁸⁶ – there is a growing body of fascinating study. As a result we know much about the kinds of behaviour – particularly creative behaviour - that will be encouraged by certain initial allocations. Professor Gordon has discussed the initial allocation of rights in her studies on fair use in copyright law, specifically noting the kinds of concerns, about strategic behaviour and the inability to assign monetary value to some things - that will prevent ideal outcomes based only on consensual bargaining.⁸⁷ Professor Benkler has written extensively on what kinds of creators, and what kinds of creative activity, are favoured by the current allocations of copyright rights.⁸⁸

But much of this work focuses on issue (b), and specifically on the allocation of rights between two potential candidates only: rights of exclusion to authors (or inventors) on the one hand, and rights of access and use to members of the public on the other.⁸⁹ Thus the studies have been focused on that most central of questions in copyright law: the balance between access and incentives: with how, and on what principles, we should divide rights in inventions and creative works between author and the “rest of the world,” and how such divisions will impact on the kinds of creative endeavours that are encouraged, or the markets formed.⁹⁰ There is less consideration of issue (a): who is the author, and are

⁸⁵ Merges, “Of Property Rules, Coase and Intellectual Property” 94 Colum L Rev 2655, [***] (1994)

⁸⁶ William M. Landes and Richard A. Posner, “An Economic Analysis of Copyright Law” 18 J. Legal Stud. 325, 326 (1989)

⁸⁷ Gordon, above n 13, note 19, where Gordon considers this very question of “Who will *receive* an *ab initio* right to use the resource, as compared with the non-owning people who must *purchase* a privilege to use the resource” – and goes on to consider the author, and the public/potential copiers.

⁸⁸ Professor Benkler has particularly focused on what creative behaviour is encouraged by allocation of rights between ‘generations’ of creators, and between creators and the public: Yochai Benkler, “Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain” 74 NYU L Rev 354 (1999); Benkler, “A Political Economy of the Public Domain: Markets in Information Goods Versus the Marketplace of Ideas”, in Dreyfuss, Zimmerman and First (eds) EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY (2001). See also the writings of Neil Netanel, ***, and Professor Mark Lemley: Lemley, above n47.

⁸⁹ I am including future authors and inventors among the “public” here; it seems to me this inclusion is justified since there are no selective criteria for identifying who can be an author or inventor: they are identified only by undertaking the creative activity! On this point of allocation, see for example Gordon, above n13, note 19, where Gordon considers this very question of “Who will *receive* an *ab initio* right to use the resource, as compared with the non-owning people who must *purchase* a privilege to use the resource” – and goes on to consider the author, and the public/potential copiers. An important exception here is William Cornish’s recent piece which looks at the allocation of rights between an author and a subsequent purchaser, or an employer of the author: William Cornish, “The Author as Risk-Share”, 15th Manges Lecture, Columbia Law School, March 26, 2002, 26 Columbia Journal of Law & Arts 1 (2002).

⁹⁰ It is obvious that we don’t want some ‘privileged class’ of creators who get special rights – after all, how would you identify who gets to join? Merit? Competition? Moreover, we don’t want to characterize the

there any other directly interested parties who as well as, or instead of, the human author, may have rights of exclusion.⁹¹ In relation to this issue, as with tangible property, efficiency would counsel ensuring rights are concentrated in a small number of parties, so as to avoid the problem of excessive numbers of veto rights.⁹²

3. *Summary: the economic analysis of copyright law looks to the decision-maker best placed to internalize relevant costs and benefits, and reduce transaction costs.*

In summary, then, as with tangible property, economic analysis of intellectual property tells us to look for a *decision-maker to whom ownership should be allocated*. There are two sets of decisions relevant: the decision to create and the decision to transact or disseminate. The effect of the above analysis is that that decision-maker should be someone who is most likely to internalise benefits in a way that will give adequate incentives to produce socially valuable products without causing excessive social losses, and without giving rise to excessive transactional burdens. They should be in a position to take into account all the relevant costs of creation. This might suggest that the human author is just one of several possible candidates for allocation of rights. But we also saw that creativity has certain special features. Most particularly, the individual creator has advantages, in terms of information and the ability to initiate the creative act, which any investor, or employer or similar party “higher in the food chain” lacks. The implication is that we should put considerable emphasis on the position of the creator as the party to whom rights should be allocated, and that, if we *are* thinking of allocating rights to someone else, that someone should be the better decision-maker in the sense explored above.

C. The Foil: Founding Allocation of Copyright in Human Creativity

So far, I have considered *economic* justifications for making the author the first owner of a copyright work. I have argued that the economic analysis of copyright seeks a *decision-maker*, one who will ensure the initiation and completion of creative works that will contribute to the social welfare. Before coming to the exceptions to the author → owner step, however, it is necessary now to take a small diversionary path: to

rest of the population as “consumers” (with the couch potato as perhaps the model). All members of the public must have some right of ‘participation’ in the culture that surrounds them. See Yochai Benkler, “From Consumers To Users: Shifting The Deeper Structures Of Regulation Toward Sustainable Commons And User Access” 52 Fed. Comm. L.J. 561 (2000); Niva Elkin-Koren ***[article from commodification conference]

⁹¹ Two notable exceptions here are Dreyfuss’ piece: above n8 (looking at whether the university employer of creative workers should be allocated copyright, and what effect that would have on creative workers); and Merges’ piece, above n18 (arguing that on some occasions, the effect of initial allocations in creating multiple exclusion rights can be tempered by the development of institutions like collective rights organizations)

⁹² Heller, above n48; see also applying the anticommons idea to intellectual property: Michael A. Heller and Rebecca S. Eisenberg, “Can Patents Deter Innovation? The Anticommons in Biomedical Research,” *Science*, May 1, 1998, at 698

consider the *other* key rationales of the copyright system, and the contrasts between the two. In order to think about how actual allocations are justified in the real world, we also need to understand alternative rationales for allocating copyright rights.

We have an “intuitive, unanalyzed feeling”⁹³ that authors are entitled to copyright – not just because copyright provides to them appropriate incentives, but because at some deeper level they “deserve” or have a natural or other right to control certain uses of their works. Concepts of reward or desert or right represent a strong influence on copyright jurisprudence. So much so, in fact, that despite emphasis in the US Supreme Court on the instrumental (basically economic) view found in the Copyright Clause,⁹⁴ references to deserved reward continually appear in the U.S. cases. “Desert”, for example, is mentioned in numerous statements of courts on the purposes of copyright, often elided with more utilitarian/social welfare concerns.⁹⁵

There are 3 main strains of philosophical reasoning that seek to give some shape to our intuition. The first is based on an idea of deserved reward: we could say that people who create value for society deserve some reward for it.⁹⁶ A second, very common argument is that a person has rights in their works as a matter of “natural law”, based on the Lockean idea that a person has a natural law property right in their body and, by extension, in the labour of their bodies and the fruits of that labour, including the extrusions of their brain.⁹⁷

⁹³ Breyer, above n150, 288.

⁹⁴ *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429, reh'g denied, 465 U.S. 1112 (1984). (“The monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired”).

⁹⁵ Justin Hughes, “A Philosophy of Intellectual Property” 77 *Geo. L. J.* 287, 303 (1988). See for example *Mazer v Stein* 347 US 201, 219 (1953) (“sacrificial days devoted to such creative activities *deserve rewards* commensurate with the services rendered.”) Frequently, such statements are coupled with more ‘economic’ comments – in *Mazer v Stein* itself the court *also* said that “[t]he copyright law, like the patent statutes, makes reward to the owner a *secondary consideration*.” *Ibid.* As Hughes notes, it is “strikingly easy to move from an instrumental discussion of consequences to an assumption of just rewards.” (*Ibid.*, 303). Waldron has commented on exactly the same phenomenon of elision: above n60.

⁹⁶ Gordon, “An Inquiry into the Merits”, above n42; Yen, above 25; Gordon, “A Jurisprudence of Benefits”, above n68 at 1038 (noting that one strand of the authors’ rights tradition is restitutionary, in the sense that “[i]t has to do with securing, for those who create works of value, reward for their ‘just deserts’”. It can be viewed in various multiple ways: as a form of corrective justice, holding that the person who creates value should be paid for it, just as (arguably) those who generate harm should be made to compensate their victims.”)

⁹⁷ see Alfred Yen, above n25, esp. 546-47 (1990) (“Natural law’s ubiquity within our copyright tradition makes it the logical candidate for dealing with the economic model’s demonstrated inability to select or justify the initial entitlements to property which copyright law must define”); see generally Justin Hughes, “The Philosophy of Intellectual Property” 77 *Georgetown L J* 287 (1988) (considering philosophies of Locke and Hegel as justifications for intellectual property rights). There is an ‘economic’ dimension to this argument: Locke’s view does have a instrumental aspect: it justifies itself on the basis of increasing utility: see Hughes, *ibid.*, 296-97.

The third strand of philosophy used to justify exclusive rights in copyright works is the idea that intellectual property is tied up with the personality or personhood of its human creator. This “property as personhood” idea has been championed by Margaret Jane Radin in relation to many tangible forms of property,⁹⁸ and is often in the intellectual property literature associated with Hegel.⁹⁹ The ‘personhood’ view of property is based on the idea that “property provides a unique or especially suitable mechanism for self-actualization, for personal expression, and for dignity and recognition as an individual person,”¹⁰⁰ and that this should be recognized by protecting property rights of the individual. Such reasoning seems uniquely suited to intellectual property, which, as the creature of the human creator’s brain and personal skills and capacities, seems more intimately to reflect or extend the human author’s personality. On this view, as a result of this deeply personal connection to the work, the human author has an ownership interest based on the claims of personality or individual freedom, regardless of social welfare/wealth maximization concerns.¹⁰¹

The finer details of these various philosophical justifications for intellectual property rights are not important here. What *is* important is the way that these views are a foil to the economic analysis outlined above. Each of these three strands of philosophy: desert, natural rights, and personality find their foundation in the *creative act: not in a production decision*. It is the act or process of creativity – extracting the work from the brain, so to speak; putting fingers to keyboard or brush to canvas – that is rewarded or creates the connection justifying exclusive rights.

More importantly, the natural application of these philosophies is to the creative act of an individual human being, giving rise to some form of right. In the introduction to this paper, I mentioned the view, usually true, that allocating initial rights in copyright works to the human author creates harmony between economic and moral considerations.¹⁰² By now it should be clear that this marriage is happiest where the creator – the human individual creator that is – gets some rights in their product. Creativity is a very *human* trait – and so are “natural rights” and “personality”. This is not to say that people do not use Desert-based,¹⁰³ Lockean¹⁰⁴ or even Hegelian¹⁰⁵ views to justify *corporate* rather

⁹⁸ Margaret J. Radin, “Property and Personhood”, 34 Stan. L. Rev. 957 (1982).

⁹⁹ G. Hegel, PHILOSOPHY OF RIGHT (1821) (arguing that an individual demonstrates ownership of property by imposing his will on it).

¹⁰⁰ Hughes, “A Philosophy”, above n95, 330.

¹⁰¹ See generally Hughes, “A Philosophy of Intellectual Property”, above n95, 332ff; also Justin Hughes, above n74 (further defining and exploring the “personhood” theory of intellectual property).

¹⁰² Above nn16-21, page 3 and accompanying text

¹⁰³ The argument would go something like this: if we adopt the view that copyright is a reward for social benefit provided in the form of creative works, it is consistent to say that such reward will be withheld in cases where the effort and expense warranting such reward was not that of the human creator, but rather, of an employer – corporate or individual – directing the work of the individual human creator or team of creators. The less individual initiative and expense is involved in the creation (the more the individual author is paid a wage for their work and is not the impetus for the creative act), the more that reward to the individual seems out of place.

¹⁰⁴ An example of this kind of analysis – attributing the reward worthy acts to the employer – can be seen in Gordon’s analysis of the Westlaw case: Wendy Gordon, “A Property Right In Self-Expression: Equality And Individualism In The Natural Law Of Intellectual Property” 102 Yale L. J. 1533, 1596-1600 (1993).

than individual ownership. They do. But it is not a comfortable argument. It is notable that many important works on the Lockean and Hegelian views on copyright as Hughes' piece,¹⁰⁶ or Yen's article on natural rights in copyright law,¹⁰⁷ do not really consider the possibility. Even when they do, the process is an anthropomorphic one – the corporate “author” is endowed with the qualities of a human being (intention, will, creativity, action). “Sony”, “West Publishing” or “Telstra” becomes the actor and creative body.¹⁰⁸ An example would be the *Desktop Marketing* case (the Australian phone book case) which constantly refers to the labour and investment and work of *Telstra*. The employees are invisible.¹⁰⁹

The other point worth making, in my view, is that analyzing the economic factors that justify allocating copyright to authors actually makes clear just how happy the marriage between the economic and the just generally is. Too often, in my view, when people think of the economic analysis of copyright they assume that it will lead to “investors' rights” – rights for the economically dominant. Investment is a long way from the human act of creativity that is the foundation of justice-based arguments for copyright. But the best placed decision maker is not so very far from the act of creativity. We are looking for the party, without whom the work would not have been created – she who initiated, directed and sustained the creative effort. This has much in common with a justice-based argument. Generalisation of the economic justifications for copyright allocation is not, therefore, something to be feared.¹¹⁰

III APPLYING THE “OWNER AS DECISION-MAKER VIEW” TO CASES WHERE THE HUMAN AUTHOR IS *NOT* THE BEST DECISION-MAKER

A. Introduction

I have thus far argued that economic analysis requires us to look for a decision-maker; one who is best placed to ensure creation of copyright works most efficiently, internalizing costs and benefits, and reducing subsequent transaction costs in the market that (hopefully) forms. I have further argued that two sets of decisions are relevant: the

¹⁰⁵ I am aware of only one article which has made a personality-based argument in favour of corporate ownership of copyright: Hughes' 1998 article: above n74, 149-61. Hughes' basic contention is that a key personhood interest is served by conferring rights on employers and commissioners, and that is a concept of “intentionality”. To Hughes, the cases illustrate an awareness that the patron or employer's “intentions imbue and control the artistic endeavour”, and conversely, the individual human creator's intentions, and hence personhood, is less tied up with such a work. The shape of the work for hire doctrine, in other words, can be explained according to an “intentionality” theory of personhood. This is a highly attenuated view of ‘personhood’.

¹⁰⁶ Hughes, above n95

¹⁰⁷ Yen, above n25

¹⁰⁸ An alternative to the anthropomorphic approach would be to assume a voluntary, implicit transfer from natural human being to corporate owner. This is not the usual approach however in the literature.

¹⁰⁹ See above n63 and accompanying text.

¹¹⁰ Cf Ginsburg, above n2, arguing that generalization of the works for hire doctrine would be to divorce copyright from its foundations in creativity. In my view, the foundation remains creativity, even on an economic analysis.

decision to create, and the decision to disseminate. In this part of the paper I will apply that idea, to see whether it is of any assistance in those cases where law has, or has considered, allocating rights *away* from the human author.

In many cases, the obvious and appropriate decision-maker is the creative human author. They hold many advantages, as illustrated above. So when is this not true? Are there circumstances where economic considerations would advocate removing copyright rights from the human author and placing those rights instead with some other identifiable party?

There are two scenarios that I will consider here. Doubtless there could be others, but that would be a much longer paper. What I do wish to consider are those scenarios where the law – either in the form of courts, or through legislative action – has considered or has in fact removed copyright from the human author involuntarily. Interestingly, these two broad scenarios map to the two decision sets analysed above. The first scenario is where the creative act is done under the direction of, or with the participation of, another party. In this scenario, the *decision to create* is taken out of the human author’s hands. The second scenario is where a copyright work arises from some civil or criminal wrong, and hence the desirability of the first decision – the decision to create – is questionable. In this scenario, we do not want to provide incentives for creation, it is *only* the *decision to disseminate* that we are dealing with: who should have ownership rights over this work already created?

B. Where the decision to create is made and carried into effect by someone other than the human author: employee and commissioned works

We have posited up until this point that the human creator of a work is likely to be in many cases the best-placed decision-maker: deciding what to create and what resources to devote to that creation. This picture, while appealing and of course true in some areas, does not represent the way that many copyright works are in fact made. Many copyright works are made by employees or people otherwise working under the direction of others. A human author may – indeed in modern creative industries will *often* – *not* be taking all the risks or incurring all the other costs when she creates. The question is – how should rights in the work be allocated in such cases? As always, in a Coasean world of costless transactions we would not worry of course – human authors will make deals with their employers or people commissioning works, and many copyrights would probably end up with someone other than the creator, after proper exchange of value. As Rochelle Cooper Dreyfuss put it, “the Coasean intuition is that voluntarily associations for the express purpose of producing output should lead to private allocations of intellectual property rights in that output.”¹¹¹ But of course, we do not have that world.

¹¹¹ Rochelle Cooper Dreyfuss, “Collaborative Research: Conflicts On Authorship, Ownership, And Accountability” 53 Vand. L. Rev. 1161, 1164 (2000).

I. The Law

What the law actually says is well known: in many cases, copyright in employees' works and commissioned works gets allocated to the employer or commissioner. The fact that the copyright law may offer more advantages to publishers and employers than employees or individuals is not a new idea; indeed, while early copyright law, such as the *Statute of Anne*, conferred rights on authors, at the time copyright was usually transferred for a lump sum to first publishers.¹¹² Royalties contracts and the like came much later.¹¹³ And in both the United Kingdom,¹¹⁴ and the United States,¹¹⁵ courts had started to develop the equivalent of a "works for hire" doctrine even before the legislature intervened to codify the rule.

Law in all three legal systems considered here draws a distinction, to some extent, between works produced in the course of employment, and works produced on commission. First, in relation to employee works, the work made for hire doctrine, as it is known in the United States, or employers' copyright, is the single most important exception to the general rule regarding copyright ownership. The effect of the doctrine is the displacement of the usual rule that steps from human author to owner: the result is the effective dispossession of the human creator employee in favour of the employer.¹¹⁶ The United States,¹¹⁷ the United Kingdom¹¹⁸ and Australia,¹¹⁹ like many other jurisdictions,¹²⁰ all have rules that an employer is the first owner of copyright in works created by their employees in the course of employment.¹²¹ The work never vests in the employee but

¹¹² On the importance of publishers' interests in early copyright law, see L. Ray Patterson, COPYRIGHT IN HISTORICAL PERSPECTIVE (1968).

¹¹³ Watt, above n17 ***

¹¹⁴ ***

¹¹⁵ *Bleistein v Donaldson Lithographing Co* 188 US 239, 248 (1903); *Colliery Engineer Co v United Correspondence Schools Co* 94 F.152 (C.C.S.D.N.Y. 1899). The works for hire doctrine was first codified in the 1909 Act.

¹¹⁶ Of course, the way that the legislation is framed, there is no 'transfer' required. I am calling it a kind of 'involuntary transfer' because the author, being the human creator, 'gives up' any rights they might have had had they created something outside the scope of their employment, frequently without conscious action on their part, and even before they can necessarily foresee what they will create (ie, at the moment of employment, not at the moment of creation), through the effect of the legislation. More properly, it is a displacement of the usual rule.

¹¹⁷ *Copyright Act* 1976, 17 U.S.C. §201(b) provides that "[i]n the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author". "Work made for hire" is defined in 17 U.S.C. §101, and includes "work prepared by an employee within the scope of his or her employment".

¹¹⁸ *Copyright, Designs and Patents Act* 1988 (UK) s11(2).

¹¹⁹ *Copyright Act* 1968 (Cth of Australia) s 35(6) (literary, dramatic, musical and artistic works created by employees). In relation to films, sound recordings, etc see above n29

¹²⁰ See further the examples given by Ginsburg, above n2, manuscript p26-27.

¹²¹ It is not uncommon for special exceptions to exist for journalists; these are really a specialized application of the reasoning underlying the work for hire doctrine: see *Copyright Act* 1968 (Cth of Aust.) s 35(4). The United Kingdom abolished special treatment for journalists in enacting the 1988 legislation. In the United States these issues have been dealt with under 17 U.S.C. §201(b) and also §201(c) (contributions to collective works); see *N.Y. Times Co v Tasini* 533 US 483 (2001).

vests immediately in the employer at the moment the work is made:¹²² indeed, US law even calls the employer the author.¹²³

These provisions which confer rights on the employer are strong in their disassociation of work from human creator. The result of their application, in these Anglo-American jurisdictions, is sometimes to remove not just economic rights of control but also other residual protections usually given to the individual author. In the United States, employers and employees cannot by contract agree that a work will not be made for hire,¹²⁴ and classification as a “work made for hire” means that termination provisions do not apply;¹²⁵ nor do such moral rights as are protected by the Visual Artists Rights Act.¹²⁶ In Australia, the provisions are slightly less strong: employers and employees can make contrary agreements regarding ownership,¹²⁷ and employees may retain moral rights, although it is relatively easy for an employer to ensure these do not interfere with the employer’s actions.¹²⁸

The position is slightly different in relation to commissioned works. The United Kingdom makes no special provision for works produced on commission.¹²⁹ In Australia, copyright belongs automatically to the commissioner only in relation to a limited set of commissioned artworks.¹³⁰ The United States has a more extensive provision with nine kinds of commissioned works, extending beyond artworks: these works are deemed ‘for hire’ and hence copyright belongs to the commissioner.¹³¹

¹²² *Thomas Forman & Sons Ltd v Balding & Mansell* [1928] MCC 501; *Geographia Ltd v G W Bacon & Co Ltd* [1911-1916] MCC 179; *Nicol v Barranger* [1917-23] MCC 219.

¹²³ 17 U.S.C. §201(b). Note that in the Australian legislation, the employer is not the author – just the owner (the distinction is maintained). The UK legislation is like the Australian: s11(2) of the *Copyright, Designs and Patents Act* 1988 (UK) provides that “[w]here a literary, dramatic, musical or artistic work is made by an employee in the course of his employment, his employer is the first owner of any copyright in the work subject to any agreement to the contrary”

¹²⁴ Jessica Litman, “Copyright, Compromise, And Legislative History” 72 *Cornell L. Rev.* 857, 889 (1987). Under 17 USC 201(b) the presumption that the employer is the author of the work is not rebuttable; the parties can agree in writing that some incidents of ownership remain with the employee but the presumption is that all ownership falls to the employer.

¹²⁵ 17 U.S.C. §203 (the provision applies to “any work other than a work made for hire.”); §304(c) (also applying to “any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire”).

¹²⁶ 17 U.S.C. §106A provides for rights of integrity and attribution in relation to “work[s] of visual art”. “Work of visual art” is defined in 17 U.S.C. §101 to exclude “any work made for hire”.

¹²⁷ *Copyright Act* 1968 (Cth of Aust) s 35(3)

¹²⁸ *Copyright Act* 1968 (Cth of Aust.) ss 195AW(4), 195AWA(4). The effect of these provisions is that employees may execute a written consent to any and all breaches of moral rights, for the benefit of their employer applying to “all works made or to be made by the employee”. A single clause in the employment contract would suffice it seems.

¹²⁹ Prior to 1989, the United Kingdom had an exception in relation to commissioned engravings, portraits and photographs not dissimilar to the Australian provision described *infra* n130.

¹³⁰ Basically, copyright belongs to the commissioner only in the case of photographs for a private domestic purpose, portraits, or engravings made on commission, and subject to agreement to the contrary: *Copyright Act* 1968 (Cth of Aust) s 35(5) and s 35(3).

¹³¹ Commissioned works are included as “works made for hire” (thus copyright belongs to the commissioner under 17 U.S.C. §201(b)) in 9 specified scenarios set out in the definition of “works made for hire” in 17 U.S.C. §101: “a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary

2. *How consistent are such provisions with the economic analysis of copyright?*

Are these provisions justified, and how, consistent with economic considerations, should they be interpreted? Following the analysis set out in Part II, we need to determine when the employer, or commissioner, is the best-placed decision-maker. The answer to this question is not straightforward. Nor, as will be seen below, does it map onto the question of whether someone is, under the law of agency, an employee as such.¹³² There are three scenarios we could consider separately (although in real life, of course, these scenarios are points on a spectrum rather than distinct categories):

- (i) The non-creative employee working under direction;
- (ii) The creative employee working under direction;
- (iii) The creative worker with freedom to determine what and when they create.

(i) The Non-Creative Employee

The first scenario is where you have employees contributing to or creating some copyright work under the direction of the employer, in circumstances where the work is not one of the really creative works – like high art, or literature, or musical compositions – but some more ‘mundane’ piece. There is a strong argument that, in *these* cases, the best-placed decision-maker *is* in fact the employer. First, they are in a position to take into account all the relevant costs and benefits. The employer devotes an employee’s time, as well as any equipment provided, and in the absence of reallocation of the initial copyright, the hiring party might not commit the resources and facilities necessary to enable the author to create the work.¹³³ They are the one that has a right to direct an employee’s time – and choose creative work or non-creative work for their employees. Where an independent creator is self-selecting – they choose to undertake that work, and assess their own skill level, in the case of employees, that freedom is taken away. The *employer* selects their employees, and initiates the creation of copyright works, at least at a broad level. More importantly, those factors that would support allocation of rights to the employee, such as the unpredictability of creative inspiration; the personal nature of the act of creation – just do not apply here.

This reasoning applies whether the employer is directing work in a very fine-grained way, or whether the employer has only broad supervision over creation. Even when an

work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.”

¹³² This is the question which the Supreme Court held was the relevant one in determining whether a work was made by an employee: *CCNV* case, above n26

¹³³ Neil J. Wilkof, “Continuity and Discontinuity in the Law of Copyright: Exceptions to the Author as First Owner” [1991] 13(8) EIPR 288-295, 288.

employer is not telling an employee exactly what to do – frequently the case with high skill or highly creative employees – they are still the one *initiating creation* – making the decision. They are not telling their employees to make hamburgers instead. We want to motivate the employer to direct resources to creation, and to initiate creation – not to make them interfere in the individual’s actions.¹³⁴ In a sense, from the point of view of providing incentives for creation, investment is almost enough.

It is not difficult to think of cases where the individual human beings engaged in the production of a copyright work almost disappear from view. The *Desktop Marketing* decision in Australia is one recent example.¹³⁵ The case involved copyright in the White Pages telephone book; the claim for copyright was upheld in the case. Notable for present purposes however is the entire absence from the case of the human beings who helped produce the work.¹³⁶ The labour and effort that warranted copyright protection in the case was labour and effort by the company. In such cases, the copyright work is truly produced – not just at the instance or through the motivation of the employer, but at their direction.¹³⁷

From a static perspective, the allocation of rights to the employer is also efficient, because it enables “consolidation of exploitation authority”.¹³⁸ In other words, particularly in relation to works created by more than one employee, allocation of rights to a single employer promotes the market and efficient transactions in relation to the work by consolidating the authority to make decisions about the work, considerably reducing transaction costs and enabling the copyright to be transferred.¹³⁹ Allocating copyright to the employer is a way “to put decisions on disseminating, revising, or building on works in the hands of the entity that will maximize creative value, rather than on the entity that bankrolled the production.”¹⁴⁰

¹³⁴ It is true that we want incentives to create better, more valuable works – but the employer’s role here is probably limited to choosing the better *employees*, not directing the actual work itself.

¹³⁵ See above n63 for a description of the case, and a comparison with law in other jurisdictions.

¹³⁶ Indeed, Justice Sackville at para.272, specifically noted that there was no need to consider the human authors in this particular case: *ibid.*

¹³⁷ For another (US) example, see *Clarkstown v Reeder* 566 F.Supp 137, 141-42 (S.D.N.Y. 1983) (referring to a doctrine that emphasizes the direct human creator as one that “improperly places primary emphasis on the efforts of the scribe and not on the genesis of the ideas memorialized in the work.

¹³⁸ The phrase is Rochelle Cooper Dreyfuss’: above n8, 1201.

¹³⁹ Ginsburg comments that the main justification for the work for hire doctrine is pragmatic – it is just more efficient to centralize or concentrate ownership – and what better way than to call the employer the “author”? This centralization of authority was, indeed, a key reason supporting the “works made for hire” doctrine in the United States, and a key factor in the negotiations surrounding the provision that preceded the 1976 Act: See *Community for Creative Non-Violence v Reid* 490 US 730, 744-48 (1989) (outlining the discussions that led to the “carefully worked out compromise aimed at balancing legitimate interests on both sides”); Jessica Litman, “Copyright, Compromise, And Legislative History” 72 *Cornell L. Rev.* 857, 889-91 (1987) (outlining the importance of the movie industry in the negotiations around the ‘work made for hire’ provisions).

¹⁴⁰ Dreyfuss, above n8, 1202

(ii) The Creative Worker with Freedom to Determine How, When, and What to Deliver

At the other end of the spectrum from the ‘worker bee’ just described is the creative author who produces work *for* someone else, but who retains a significant degree of creative freedom. This describes, most obviously, the independent artist producing works on commission, but also might describe some employees in special circumstances. For example, academics working in a university environment have considerable freedom to determine what they produce, when, and what kind of work they produce. For artists on commission, and academics, the description of the creative process in Part II.B.1 above¹⁴¹ seems apt: the act of creation is personal; it is hard for outsider parties (employer or commissioner) to direct or channel into particular projects; it is unpredictable in outcome.

The first, obvious point is that ideally, we want parties to such relationships to deal with copyright ownership: the general economic preference is for private ordering, as being more efficient than attempts by government to set bright line rules. In the case of commissioned works, it could be argued that necessarily, the parties are dealing with each other directly, and dealing in relation to the work so that rights in the work, one would expect, should be foremost in their mind. If this is true, then surely their intentions as expressed in any dealings should be reflected in the final deal. The problem with private ordering is that allocation of rights in works is not always at the top of peoples’ minds: such rights are “not a part of the ‘mental furniture’” of many people, and, without some guidance, people are going to run into trouble.¹⁴² Such problems are expensive to fix after the fact. I can think of no better illustration of the problems that do arise here than the legal situation in the United Kingdom. Since the introduction of the 1988 Act, there have been no specific provisions dealing with commissioned works, and even before that the provisions on commissioned works were limited.¹⁴³ The result is a long line of authority where courts have had to deal with the fact that the parties haven’t explicitly adverted to copyright ownership in their dealings. The courts in the United Kingdom have sought consensual transfer, by looking at the intention of the parties.¹⁴⁴

¹⁴¹ Above nn 72-80 and accompanying text (page 14)

¹⁴² *Ibid.*

¹⁴³ Similar to the Australian provisions described at n130 above.

¹⁴⁴ Laddie, Prescott & Vittoria, *THE MODERN LAW OF COPYRIGHT AND DESIGNS*, 818 (3rd ed. 2000); *Massine v De Basil* (1938) 82 So. Jo. 173 (“it was a necessary implication from all the facts of the case that the right to the choreography and the libretto in those cases where the plaintiff was responsible for them should in equity be the property of the defendant and that he should be entitled to have the rights assigned to him.”); *Redrock Holdings Pty Ltd v Hinkley* (2001) 50 IPR 565 (Fed Ct of Aust., Single Judge); *John Richardson Computers Ltd v Flanders & Anor* [1993] FSR 497; *Warner v Gestetner Ltd* [1988] 4 EIPR D-89 (drawings of cats commissioned by advertising agency); see also in relation to patent *Adamson v Kenworthy* (1931) 49 RPC 57; *Sterling Engineering Co Ltd v Patchett* [1955] AC 534. Such cases are not however confined to the United Kingdom: see eg *Dielman v White* 102 F.892, 894 (C.C.D. Mass. 1900) (holding that “If a patron gives a commission to an artist, there appears to me a very strong implication that the work of art commissioned is to belong unreservedly and without limitation to the patron.”). Prior to 1976, US courts recognised a rebuttable presumption that under s 26, author impliedly agreed to pass right in the copyright of his work to the commissioning party: *Yardley v Houghton Mifflin Co, Inc.* 108 F.2d 28, 44 USPQ 1 (2d Cir. 1939) (re the commissioned creation of a mural, held “the general rule is applicable and the right to copyright should be held to have passed with the painting, unless the plaintiff can prove that the parties intended it to be reserved to the artist.” (44 USPQ at 3)). Later cases this presumption held

For example, in the *Robin Ray* case in the United Kingdom, the court stated that “in each case it is necessary to consider the price paid, the impact on the contractor of assignment of copyright and whether it can sensibly have been intended that the contractor should retain any copyright.”¹⁴⁵ These problems with private ordering suggest that if efficiency would require rights should be in the employer or commissioner, then we can justify providing a default rule which will obviate the need for negotiations on the point.

I would argue, however, that there is little economic justification for allocating rights to the employer or patron in the case of really creative workers who are free to determine the time, and manner of their own creation. Simply put; in these scenarios the employer, or commissioner, is not the best-placed decision-maker. They are not allocating particular resources to the act of creation; they are not directing that creation occur or otherwise ensuring that there is creation. The informational advantages outlined above apply, and are not outweighed by other concerns. Furthermore, it is very unlikely that, in these situations, allocating rights to the human author will clutter up subsequent markets. In short: they are not initiating, nor ensuring completion of, acts of creation. They provide only investment, and, as I have outlined above, that is not sufficient.

Would this lead to problems of static efficiency? One of the key justifications for allocating rights to employers is so that you don’t end up with works with multiple holders of exclusion rights. I would argue, however, that in the case of these very creative works, however, the number of collaborators is likely to be either small, or at least very well coordinated. Static efficiency, then, is not a justification for allocating rights to the employer either.

The upshot is: really creative workers in an atmosphere where they are free to initiate and complete creation should retain copyright. The implication of this argument is that universities should, in general, not be allocated rights in the creative output (journal articles, etc) of their employees, no matter how well salaried or otherwise integrated into the work of the university.

An example of this kind of scenario arose in the *Playboy Enterprises v Dumas*.¹⁴⁶ The case concerned paintings produced by a freelance artist, Patrick Nagel, for publication in Playboy Magazine. Nagel worked on days, and at times of his own choosing. Playboy started by giving specific commissions to Nagel, for illustrations to accompany specific articles or letters, but after some time a course of conduct emerged where Nagel routinely

almost irrefutable, provided that commissioning party had the right to control or supervise the creation of the work: *Brattleboro Publishing Co v Winmill Publishing Corp* 369 F.2d 565, 151 USPQ 666 (2d Cir 1966) (re ownership of certain advertisements vested in a newspaper or in its advertisers).

¹⁴⁵ *Robin Ray v Classic FM plc* [1988] FSR 622, 640. In *Robin Ray*, copyright in fact remained with the human creator. The decision of the court very much emphasizes the importance of the particular individual’s talents – his encyclopaedic knowledge of classical music which was used to create a database of classical music works, rated according to such things as popularity, for use in an automated music selection system for use in broadcasting. The contributions of the commissioning radio station are very much downplayed by the court, which exalts the particular genius of the particular human creator. It is the employers’ people who are reduced to minions – probably appropriately.

¹⁴⁶ *Playboy Enters., Inc. v Dumas*, 831 F. Supp 295 (S.D.N.Y. 1993), rev’d in part, 53 F.3d 549 (2d Cir. 1995).

submitted paintings to Playboy, which generally published the work. The district court found that as time went on, he “was given greater freedom to submit the paintings he wanted, which apparently matched what Playboy was interested in publishing.”¹⁴⁷ This is a fairly classic situation of an artist painting when the inspiration hits him, at times and in a manner of his choosing. It could not seriously be argued that Playboy is the best-placed decision-maker here. Only Nagel knows when he is going to paint, and what he is going to paint. Creation of the works depends on his initiative and completion depends on his decision to devote the resources. Not surprisingly, the paintings were not found to be works made for hire – even though produced specifically for Playboy and published by Playboy.

It is sometimes argued that a creative worker does not require allocation of full rights in their work, because parts of what to some people would be a “cost” (time spent labouring on a work) she may consider a pleasure, or even a psychological imperative. She may not, therefore, require recovery of the full social value of her work to convince her to create.¹⁴⁸ Virginia Woolf once said that the writer needs only a room of one’s own and an income of £500 a year;¹⁴⁹ this may not be true for every writer, and not today, but her expression has an economic counterpart: all the individual human creator may require, as Breyer has pointed out, is to be paid her “persuasion cost”¹⁵⁰ – the amount that will convince the human author that their time and effort is better spent creating for another than doing some other job. As an argument against *allocating* copyright to the human author, this is a false argument. All it really means is that the first *transfer* may occur at a lower price than we would expect – with the result, of course, that the author does not in fact get an amount that reflects the full social benefit generated by her work.

(iii) The Creative Worker Working Under Direction

Of course, the two categories considered above are extremes of the spectrum. More often, the human author will have some creative element to their work, but will not be working in a situation of complete freedom. A notable feature of the legislative provisions in each jurisdiction, there is scope for judicial interpretation on the basic question of whether a work and a relationship between parties falls into those cases where the work does not belong to the individual human creator.¹⁵¹ So, there arises a real issue

¹⁴⁷ *Playboy Enters., Inc. v Dumas* 53 F.3d at 552 (quoting District Court)

¹⁴⁸ Caves calls this the “*art for art’s sake*” property; it certainly reflects our experience of ‘creative types’. Note here that I am talking about the risks up to the point of creation. Clearly, after creation of a work risks may be distributed between all kinds of parties – distributors, agents, promoters etc; these risks and costs will presumably be dealt with via contractual relations between the relevant parties. These issues are explored in Caves’ consideration of complex creative products, above n61.

¹⁴⁹ Quoted in Caves, above n61, 33. The idea was expressed in 1928 lectures to the female almost-students of Cambridge University, lectures later embodied in the book *A Room of One’s Own*.

¹⁵⁰ Stephen Breyer, “The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs, 84 Harv. L. Rev. 281, 285 (1970)

¹⁵¹ In both the United Kingdom and Australia there is room for debate on the question of whether a work was created “within the scope of the employee’s employment”. In the United States, there is room for interpretation on this question, and also for interpretation along the lines of the analysis set out in the *CCNV* case (above n26).

as to how the provisions should be interpreted in any given fact scenario. The economic analysis outlined in Part II suggests that we should look at the circumstances of the case to determine who is the best decision-maker in the particular scenario. Do the factors that courts and the law look at in fact reflect an assessment of the decision-making role of the first owner of copyright?

To determine this, we can look at the situations where law *does* allocate copyright to the employer/commissioner, and assess whether these are situations where the employer or commissioner *is* the better placed decision-maker. In relation to these creative works, and creative workers, the human creator has a clear informational advantage, as outlined above.¹⁵² The employer or commissioner should only be the better decision-maker where either (a) there is something about the particular nature of the work which puts the individual creator at a disadvantage, or (b) where giving rights to individual creators will so tie up the work with excessive numbers of holders of exclusive rights that the market for the work will be stymied.

First, we can look at the categories of commissioned works which are deemed works for hire under 17 U.S.C. §101. The striking feature of many of the categories deemed works made for hire is that they involve contributions to some form of collective work where there would be many individual human creators. The provision refers to “collective works”, but also “motion picture[s] or other audiovisual work[s]” (which clearly involve many different kinds of creators¹⁵³), “compilation[s]”, and works that are supplementary to another work. These are all scenarios where it is clear that the coordinating entity – the employer or commissioner – is the appropriate decision-maker – in initiating creation and following it through, in taking into account all the relevant costs, *and* in ensuring smooth transactions afterwards. Indeed, it was concerns about future marketing of films and other such works that was a motivating factor in including these kinds of items under works made for hire.¹⁵⁴

Next, do the factors the courts consider in determining whether, as a matter of the law of agency, a creative worker is an ‘employee’ and hence making works for hire reflect a concern with who is the better decision-maker in the circumstances? Arguably, the factors emphasized by the courts *do* reflect such a concern. Sometimes the concern for decision-making authority is blindingly explicit: so, for example, in *CCNV*, in seeking to interpret the meaning of “work made for hire” in the US Copyright Act, the US Supreme Court considers the economic effect later transactions in a copyright work of one proposed interpretation.¹⁵⁵ Thus the Court concerned itself explicitly with the second of the decision sets emphasised in Part II: decisions regarding later transactions.

¹⁵² Above, nn72-82 and accompanying text (page 14).

¹⁵³ See Richard Caves, above n61, *** (referring to the ‘motley crew’ phenomenon – the need to coordinate many kinds of (creative) workers in making such items as films)

¹⁵⁴ See *CCNV v Reid*, above n26, 746-49 (outlining the negotiating history of the work made for hire provisions in the *Copyright Act 1976* (US)).

¹⁵⁵ *CCNV*, above n139, 749-50. *CCNV*’s offered interpretation, the Court stated, by detracting from certainty and predictability of ownership, would prevent planning and negotiation between parties. It would ‘leave[] the door open for hiring parties, who have failed to get full assignment of copyright ... to unilaterally obtain work-made-for-hire rights years after the work had been completed...’.

Sometimes, however, the factors are more implicit. Studies which have looked in detail at the application of the works for hire doctrine in the United States have noted some common features. Jaszi argues that these cases reflect a distorted version of the Romantic conception of authorship, in that the “employer [is] cast as the visionary, and the employee as a mere mechanic following orders”.¹⁵⁶ Following the *CCNV* case, Jaszi argues, the crucial inquiry is “the hiring party’s right to control the manner and means by which the product is accomplished”.¹⁵⁷ According to Jaszi, this is a means “merely to rationalize possession”.¹⁵⁸ Hughes has also looked in detail at the cases on works made for hire, and noted a similar kind of theme. The commission test used by the courts, argues Hughes, reflects intentionality – it is a measure of whether the patron’s intentions “imbue and control the artistic endeavor”.¹⁵⁹ Hughes relies on two factors in the case law to support his argument: first, the reliance on whether the patron was “the motivating factor in producing the work”;¹⁶⁰ the Second Circuit, for example, requires that the work must be “at the patron’s instance and expense”.¹⁶¹ Second, Hughes relies on the fact that courts inquire how much control the patron had over the artistic program – courts consider whether the works would have been the same, regardless of the presence of the patron.¹⁶²

Another interpretation of these themes in the cases is that these factors all go to whether the employer or patron/commissioner is the best placed decision-maker, particularly in relation to the first, important decision – the decision whether to create. Clearly, where the court looks at whether a work was made at *the instance* of the patron, or where the patron is the *motivating factor*, it is, indeed, the patron who has made that crucial decision. If it is at the patron’s *expense*, then, again, the patron may be better placed to weigh up costs and benefits of production of the work. Similarly, the more control is exercised by the patron over production, the more it could be argued that creation, and completion of the work is dependent on the decisions of the patron, not the creative author. In summary, I would argue that, while no doubt the decisions of the courts do not always conform to theory, the factors that are looked at in determining whether a work is made “for hire” *can* be interpreted so as to address the right concern: who is the best placed decision-maker.

An example of this kind of scenario is found in the case about the song – “Who’s Afraid of the Big Bad Wolf?” The court in that case found that “[i]n short, the ‘motivating factors’ in the composition of the new song, “Who’s Afraid of the Big Bad Wolf,” were Disney and Berlin. They controlled the original song, they took the initiative in engaging

¹⁵⁶ Jaszi, above n3, 488-89

¹⁵⁷ *Ibid*, 490

¹⁵⁸ *Ibid*, 490

¹⁵⁹ Hughes, above n74.

¹⁶⁰ Hughes, above n74, 154; citing *Siegel v. National Periodical Publications*, 508 F.2d 909, 914 (2d Cir. 1974); *Philadelphia Orchestra Ass’n v. Walt Disney Co.*, 821 F. Supp. 341, 348 (E.D. Pa. 1993); *Picture Music, Inc. v. Bourne, Inc.*, 457 F.2d 1213 (2d Cir. 1972).

¹⁶¹ *Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 555 (2d Cir. 1995).

¹⁶² Hughes, above n74, 155-57

Miss Ronell to adapt it, and they had the power to accept, reject, or modify her work.”¹⁶³ Another Disney example is the *Fantasia* case: which concerned copyright in the performance of the Philadelphia Orchestra for the score of the movie *Fantasia*.¹⁶⁴ In that case, the contributions of Disney are emphasized in the court’s consideration of whether the work was made for hire: the court refers to the fact that Disney selected the pieces, undertook the recordings, were present at rehearsals; that Disney was the “motivating factor and that Disney maintained control of the Orchestra”.¹⁶⁵ In each of these cases, Disney was considered the author under the deeming provisions of 17 U.S.C. §201(b). In my view, both decisions were appropriate. In each case, creation would not have occurred but for Disney, and Disney initiated, and ensured completion of, creation.

3. *Conclusions: the employee or commission cases*

*A copyright law for ‘continuity experts’, or, as the French might more pithily put it, ‘le droit d’auteur sans auteur,’ that is what generalization of the US doctrine of works made for hire and its foreign law analogues ultimately promises.*¹⁶⁶

It should be clear by now that I disagree with this assessment. Properly interpreted, and even taking an economic perspective, the works made for hire doctrine, or employers’ copyright, is *not* “investors’ copyright”. Of course, it is true that, as Ginsburg has pointed out, “[a]uthorship attribution appears to have less to do with a philosophical equivalence of employers or commissioners with creators, than it does with a utilitarian centralization of control in the economically dominant party.” But that does not mean economic domination is enough in and of itself. Certainly, the degree of control over production is a key factor used by the courts to make the relevant determination. However, by looking at the decision-making role of the employer, many of these cases can be rationalized with economic principles. The point is – this makes sense from an economic point of view, and the *factors* considered by the courts appear, whether consciously or unconsciously, to match what an economic analysis would expect.

4. *An extension: the “other contributor” cases*

I have argued that mere investment in the creation of a work is not sufficient under the analytical model offered earlier. Rather, the economic analysis of copyright asks us to look for a decision-maker. So the fact that a party, other than the human creator of a work, has contributed financially to creation does not give them ownership rights in the

¹⁶³ *eg Picture Music Inc v Bourne, Inc* 457 F.2d 1213, 1216 (2d Cir 1972).

¹⁶⁴ *Philadelphia Orchestra Association v The Walt Disney Company* 821 F.Supp 341 (E.D. Pa. 1993) (the case concerned the recording by the Philadelphia Orchestra of the music for *Fantasia*, and the question whether, in selling the video and laser disc versions of the film, Walt Disney was obliged to pay royalties to the Orchestra).

¹⁶⁵ *Fantasia* case, above n164, 348-49

¹⁶⁶ Ginsburg, above n2, manuscript p29

resulting work. This analysis is entirely consistent with the law in some other cases where ownership interests in copyright works have been claimed by – but not given to – by non-creative contributors.

(i) Marital Property

The first subset of “community” cases is those that arise in the marital “community”: where courts have been asked to consider whether to interfere with the usual rule that first ownership vests with the author is cases involving the division of the property of a marriage. It is not hard to see some basis for a claim by the non-creative partner. The presumption in community property states is that all property acquired during a marriage by either spouse is property of both spouses.¹⁶⁷ In general, this means that *both* spouses are given rights to manage and control the property.¹⁶⁸ So there is an argument that the non-creative spouse should get ownership rights – exploitation and control rights – in works produced during the marriage. After all, part of the cost of creation is borne by the non-creative partner in a relationship. They, too, have some “opportunity costs” in the sense that when their partner takes up creative activity, they are not earning a wage or accumulating assets. The non-creative partner may, in some circumstances, even be supporting the creative partner to a greater or lesser degree. If investment in creation were sufficient to give rise to some ownership interest in copyright, there would be a claim here. Allocating rights – particularly exploitation and control rights, the copyright equivalent of the property right of exclusion – to the non-creative partner does involve a step away from the general author = first owner rule in copyright.¹⁶⁹ There are potential problems, from an economic point of view, with allocating property rights in the non-creative spouse, however. First, it would mean dividing ownership, which would have the effect of raising transaction costs in future dealings with the work¹⁷⁰ - particularly if the former spouses are not on friendly terms!

So what have the courts said here? The question of ownership of copyright arose directly in the case of *Rodrigue v Rodrigue*,¹⁷¹ when, following divorce, Mrs Rodrigue claimed an

¹⁶⁷ See eg California Family Code. §760 (1994); Louisiana Civil Code, art 2369.1 and 2369.2.

¹⁶⁸ Cal. Fam. Code §1100;

¹⁶⁹ It could be argued that any “transfer” of copyright to the community is in fact consensual – by voluntarily being part of the marriage, the creative partner consents to sharing all their goods – including their creative property (their artworks). The decision in *In the Marriage of Worth* suggests something along these lines by positing that copyright initially vests in the author spouse under federal law, and then transfers to both spouses by operation of the community property law: *in the Marriage of Worth*, 241 Cal. Rptr. 135 (Ct App. 1987).

¹⁷⁰ Transaction costs could be increased in two ways: first, by adding another negotiating party to any negotiations, meaning possible veto power, especially since in some cases consent of the other partner will be required in dealings with the property. Second, even if control lies with one of the parties (eg the creative party), they may have a duty of stewardship – ie of proper management of the property – which will interfere with the decisions they make regarding exploitation, and may inhibit some decisions. *Rodrigue* (below n171) suggested, without deciding, that there might be some obligation of stewardship on the party controlling the copyright.

¹⁷¹ *Rodrigue v Rodrigue* 218 F.3d 432 (5th Cir. 2000), *cert denied* 2001 US LEXIS 2007 (2001) (hereafter *Rodrigue*). The question had arisen in an earlier Californian decision, *In the Marriage of Worth* 195 Cal. App. 3d. 768 (1987). In the *Worth* decision, the Californian Court of Appeal found that the copyrights were community property. This case was discussed and criticized in NIMMER ON COPYRIGHT ***.

undivided half interest in the works of her artist husband under Louisiana's community property law – particularly his “Blue Dog” series.¹⁷² Mr Rodrigue argued that the community property provisions were pre-empted by federal copyright law.¹⁷³ The 5th Circuit concluded that under Louisiana law, the author-spouse in whom copyright vests retains exclusive *managerial* control of the copyright – in effect, retaining the right to make decisions about the exclusive rights under §106 – but that the *economic benefits* of the copyrighted work belong to the “community”.¹⁷⁴

This is entirely consistent with the framework set out in Part II. First, from the perspective of the economic analysis of copyright, Mrs Rodrigue had no claim to ownership in the copyright: she was in no way a relevant decision-maker. An ownership claim would also lead to increased transaction costs in the second decision set – exploitation in the market. But is there a problem with dividing up the economic benefits? I would argue no, because that forces the creative spouse to ‘internalise’ the costs of creation, an approach which generally leads to more efficient use of resources. If there remains one weakness in the case, from an economic perspective, it lies in the court's comment that the author may not have perfect freedom in making licensing and exploitation decisions: they may be constrained by an obligation to be a ‘prudent administrator’.¹⁷⁵ This additional constraint on Mr Rodrigue's freedom to enter transactions in relation to his work has the potential to increase transaction costs into the future.

(ii) Australia: Indigenous Interests in Property

The second set of cases – or rather, case – which is interesting to consider in light of the “owner as decision-maker” framework put forward above is *John Bulun Bulun v R & D Textiles Ltd*.¹⁷⁶ The case was brought as a test case, designed to push the boundaries of Australian copyright law, by seeking to find some means of recognition for the rights of a traditional indigenous community – the Ganalbingu – in artworks executed by an individual artist, John Bulun Bulun, but representing traditional designs integral to the spiritual beliefs of the group.¹⁷⁷ The design represented, *Djulibinyamurr*, was a

¹⁷² Louisiana Civil Code, art 2369.1 and 2369.2

¹⁷³ 17 U.S.C. §301; also the Supremacy Clause, US Constitution Art VI, s 5

¹⁷⁴ *Rodrigue*, above n171, 435, and 437. More specifically, the “co-management” provisions of the Louisiana Civil Code (La. Civ. Code. Art 2346) were pre-empted as being inconsistent with copyright's approach of vesting the exclusive rights initially in the copyright owner (17 USC. §201(a)): *Ibid* at 438, but as the *Copyright Act* §106 does not mention any exclusive right to economic benefits of copyright, provisions of the Louisiana Code were not pre-empted which allow for the economic benefits of property solely managed by one partner to belong to the community.

¹⁷⁵ Louisiana Civil Code Art 571; *Rodrigue* above n171, 437, 442

¹⁷⁶ *Bulun Bulun v R & T Textiles* (1998) 195 ALR 193 (“*Bulun Bulun*”). I have dealt with this case, and its ramifications and difficulties, and in particular the difficulties arising from recognition of collective interests in artistic works of the kind sought in the case at more length in an earlier article: Kimberlee Weatherall, “Culture, Autonomy and *Djulibinyamurr*: Individual and Community in the Construction of Rights to Traditional Designs” (2001) 64 *Modern Law Review* 215

¹⁷⁷ *Ibid*. 198. The Court indeed recognized that “the submissions of counsel for the applicants reflected a wide ranging search for a way in which the communal interests of the traditional Aboriginal owners in cultural artworks might be recognized under Australian law. This exercise was painstakingly pursued by counsel for the applicants ... That the claim was ultimately confined to one for recognition of an equitable

particularly sacred design, handed down within the community.¹⁷⁸ The artist, Bulun Bulun, had had conferred on him the right to represent the design in new artworks, following various levels of initiation and the exhibition of an appropriate level of skill.¹⁷⁹ Various arguments were tried to argue that Bulun Bulun shared an ownership interest with the Ganalbingu people (a) that Bulun Bulun held his copyright on express trust for the Ganalbingu people, or (b) that Bulun Bulun owed fiduciary duties to the Ganalbingu in relation to the artistic work. In the event, Von Doussa J found that Bulun Bulun owed fiduciary duties to the Ganalbingu people, and was required to refrain from exploiting the artistic work in a way contrary to the laws and custom of the Ganalbingu people, and to take appropriate actions to restrain infringement.¹⁸⁰

The case, therefore, was an attempt to find that ownership interests – interests in equity in this case – were held, *from the moment the work was created, by someone other than the actual artist* – in this case the community.

Obviously, this is a very special case, and principles from it are not readily generalisable. However, it is interesting because it is arguable, in this case, that decision-making authority was very much held jointly between the artist and the Ganalbingu. This is a case where the costs of creation are arguably shared between the group and the individual artist. It is also a case where the work would not have existed but for the contributions of both tribe and individual artist. Decision-making authority prior to creation was shared in the sense that Bulun Bulun was only permitted to create the work in accordance with traditional law. Decision-making authority after the creation was in fact shared between tribe and artist by reason of the traditional laws that governed the ways Bulun Bulun could use the work. In the result, ownership rights – rights *in rem* were not held by the tribe, because this would have been inconsistent with the law set up in the *Copyright Act*. Nevertheless, it is interesting to note that an analysis in terms of decision-making authority can be extended – albeit *very* extended – to fit this situation.

C. Where the decision to create is *not* one we want to encourage: invasion of right cases

In the introduction to this part, I suggested that there were two sets of cases where the law may take copyright away from the human creator, without that human creator's voluntary transfer of rights. The first set involved employee and commissioned works. In those cases, I have argued, the author is, at least in some cases, *not* the most appropriate decision-maker. As a result, it is consistent with the economic analysis of copyright to allocate the rights in the work to someone other than that human author. But as I also

interest in the legal copyright of Mr Bulun Bulun is an acknowledgement that no other possible avenue had emerged from the researches of counsel". That the case was a test case is only underlined by the fact that the respondent quickly settled; the case was kept on foot to determine the legal issues raised and the part of the opponent was played by counsel for various Australian governments which were intervenors in the case.

¹⁷⁸ *Ibid*, 199, 200

¹⁷⁹ *Ibid*, 210

¹⁸⁰ *Ibid*, 211

pointed out, focusing on who is the best decision-maker highlights those cases where the author *is* the appropriate decision-maker, even where some other party has invested in or participated in the creation of the copyright work.

The second category of cases where the law may deprive a human author of their copyright is in the case of copyright works that arise from, or are associated with, some distinct legal wrong: where the creation of the copyright work involves some invasion of the legal or equitable rights of another party. We can divide these cases into two broad categories. The first category is where the creation of the copyright work is *in itself* a legal wrong: for example, creating the work may be a breach of fiduciary duty,¹⁸¹ or a breach of confidence.¹⁸² The second scenario is where the copyright work arises from some wrong, but where the action of creation of the work was not illegal. For example, a film may be made by someone who has broken in to a house to make the film.¹⁸³ The issues may be better understood using a few examples.

1. *Example 1: Breach of Confidence*

It has been recognised that in some cases a constructive trust over property gained as a result of a breach of confidence may be an appropriate remedy for the breach of confidence.¹⁸⁴ But what if the fruits of the breach of confidence are a copyright work? Should the author's ownership give way to the claims of the wronged party? Does the wronged party in fact own copyright?

This situation has in fact arisen in at least two important cases concerning the memoirs of spies in the United Kingdom. In the first, Peter Wright, an ex-MI5 officer, wrote the book *Spycatcher*, his memoirs of his time with MI5. In writing the book, Wright breached several legal duties, including a duty of confidence to the Crown and duties under the *Official Secrets Act*, as well as a declaration that Wright had signed acknowledging his obligations of secrecy. The case concerned not the publication of the book, nor any

¹⁸¹ *Blake*: full list of citations below n189

¹⁸² This situation arose in *Attorney General v. Guardian Newspapers Ltd* [1989] 2 F.S.R. 181 (the *Spycatcher*) case; in *Attorney-General v Blake* [2001] 1 AC 268 (the George Blake case), and in the United States, in the *Snepp* case: *Frank W Snepp III v United States* 444 US 507 (1980). All three of these cases concern books written by former intelligence agents, contrary to duties of confidence, statutory duties under relevant intelligence legislation and in breach of fiduciary duties. In both *Blake* and *Spycatcher*, the question of ownership of copyright was canvassed. The issue was not raised in the *Snepp* proceedings, where the question was confiscation of profits made.

¹⁸³ *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 185 ALR 1

¹⁸⁴ *Lac Minerals Ltd v International Corona Resources Ltd* [1989] 2 SCR 574 (Canadian Supreme Court declared that a defendant which had, in breach of confidence, used information revealed in confidence by the plaintiff about gold exploration to acquire property held that property on constructive trust for the confiding plaintiff. The property represented an unjust enrichment of the defendant, and a restitutionary remedy was appropriate. Justices Sopinka and McIntyre dissented, on the basis that there was virtually no support in the caselaw for the imposition of a constructive trust over property acquired as a result of the misuse of confidential information; and that damages was an adequate, and appropriate remedy). The approach was not without controversy, Sopinka and McIntyre JJ in dissent considered, that, in the absence of much caselaw granting a constructive trust over property acquired as a result of the misuse of confidential information, the remedy should simply be damages.)

action against Wright (who was not, as you might imagine, in England at the time) but efforts by the United Kingdom Attorney General to prevent newspapers in the United Kingdom from reporting material from the book.

The point of interest in the case lies in obiter comments made at first instance, in the Court of Appeal and in the United States. At each level, counsel for the Attorney-General were invited to make submissions regarding equitable ownership of copyright in the book.¹⁸⁵ At each level, counsel declined the invitation, owing, in large part, to the fact that copyright would not give them the full remedy they sought – which was an injunction against publication of the *information* in the book, and not just its expression: a remedy not available, of course, in copyright law.¹⁸⁶ Even in relation to the expression of the book, defences of fair dealing, the United Kingdom equivalent of fair use, would likely be available. But a number of the judges suggested in clear terms that the Crown might own copyright in the work. Thus, Scott J at first instance opined

*“If Mr Wright in writing the book was acting in breach of a continuing duty of confidence and fidelity that he owed to the Crown, there would, in my view, be a strong argument for regarding the product of the breach of duty as belonging in equity to the Crown.”*¹⁸⁷

Very similar remarks were made by a number of other judges at each level, including in the House of Lords.¹⁸⁸ The comments are obiter, as the point was not relied on by the Crown, but the number of judges who made the comment is striking.

Several years later, in the case of *Attorney-General v Blake*.¹⁸⁹ George Blake was a member of the Secret Intelligence Service from 1944 – 1961, and an agent for the Soviet

¹⁸⁵ It should be noted that there is no difficulty in recognizing the separation of equitable and legal ownership in copyright: see for example, copyright may be held on trust: *Mifflin v Dutton* 112 F 1004 (1st Cir. 1902) aff'd 190 US 265 (1903) (publisher may obtain copyright on behalf of himself and author, which would protect interests of both, and publisher would become trustee of copyright on behalf of both); *Hanson v Jaccard Jewelry Co* 32 F 202 (CC Mo 1887) (copyright may be taken out in name of trustee for benefit of another who is ‘author or proprietor’); *Maurel v Smith* 271 F 211 (2d Cir 1921) (consent of coauthor to take out copyright in name of one does not destroy his interest therein, although legal title vests in person taking out copyright; cannot appropriate it exclusively to himself so as to impair its worth as to others); *Bisel v Ladner* 1 F.2d 436 (3d Cir. 1924); *A. Brod, Inc. v. SK & I Co., L.L.C.*, 998 F. Supp. 314, 326 n.12 (S.D.N.Y. 1998) (copyright may be held on constructive trust); see also K Garnett, J James, G Davies, COPINGER AND SKONE JAMES ON COPYRIGHT, 299ff (14th ed 1999); *Massine, Nichols Advanced Vehicle Systems Inc v Rees* [1979] RPC 127 at 139; *John Richardson Computers Ltd v Flanders* [1993] FSR 497 at 516.

¹⁸⁶ *Spycatcher*, above n182, per Lord Donaldson, MR at 265-66 describes counsel for the Attorney-General giving exactly this explanation for the non-reliance on copyright.

¹⁸⁷ *Spycatcher*, above n182, 212.

¹⁸⁸ *Spycatcher*, above n182, **Court of Appeal:** 265-66 (Sir John Donaldson MR, Court of Appeal), 283 (Lord Dillon, Court of Appeal); **House of Lords:** 314 (Lord Keith of Kinkel); 317 (Lord Brightman), 327 (Lord Griffiths); 340 (Lord Goff of Chieveley); 345 (Lord Jauncey of Tullichettle)

¹⁸⁹ This case, too, went all the way to the House of Lords: see **High Court:** *Attorney-General v. George Blake* [1997] Ch. 84; **Court of Appeal:** *Attorney-General v Blake* [1998] Ch 439; **House of Lords:** *Attorney-General v Blake* [2001] 1 AC 268

Union from 1950-1961. When this came to light Blake was imprisoned for unlawfully communicating information contrary to the *Official Secrets Act*. He escaped from jail and defected, and in 1989 he wrote an autobiography, based in part on material acquired while he was in the Secret Intelligence Service. The Crown brought proceedings aimed at depriving Blake of any financial benefit from his writing.

This time, the Crown explicitly based its action on an argument that the Crown was the beneficial owner of the copyright in the book and the defendant was accountable in equity to the Crown for all past and future royalties. Again, this argument was found to be appealing by at least one judge.¹⁹⁰ However, the claim to the copyright failed, largely because at no level did a court find that Blake had breached any fiduciary duty or duty of confidence. At most, Blake had breached his contract. In the House of Lords, Blake was held liable to account for his profits arising from the breach of contract.¹⁹¹

There is no clear authority finding that a person in breach of confidence holds copyright on trust for the person to whom they owed the duty. Furthermore, it is not difficult to find cases that are analogous on the facts – involve a breach of confidence and a work created in breach – where similar arguments have *not* been made.¹⁹² Nevertheless, the obiter indicates strong inclination on the part of judges at least to consider such arguments.

2. Example 2: Breach of Fiduciary Duty or Duty of Employees

Breach of confidence is not the only kind of case where claims by wronged parties to copyright have been raised. Another situation where these questions have arisen is in the

¹⁹⁰ Scott VC found this argument just as appealing in this case as he did in *Spycatcher*, subject to two problems. The first was that Scott VC found no breach on the basis of which such a remedy could be ordered. The second was a problem with *Lister v Stubbs*, authority – albeit unpopular and widely disapproved – that a profit made by an agent in breach of fiduciary duty otherwise than by use of his principal's property does not give rise to a proprietary claim. *Lister & Co v Stubbs* (1890) 45 Ch D1. The decision was disapproved by Lord Reid in the Privy Council in *Attorney-General for Hong Kong v Reid* [1994] 1 AC 324, but remains binding at first instance: Scott VC, *Blake*, above n189. The Court of Appeal and House of Lords did not address the merits of the copyright claim once they had determined that there was no breach of confidence nor breach of fiduciary duty.

¹⁹¹ *Blake*, above n189. This of course is very similar to the result in a similar case in the United States: *Frank W. Snepp, III v United States* 444 US 507 (1980). In that case a former CIA Agent published a book about the CIA's activities in South Vietnam, contrary to his fiduciary duties to the Agency, in breach of the "extremely high degree of trust" involved in his role, and contrary to a contract requiring him to submit writings for pre-publication review by the CIA. The State sought, and obtained, a constructive trust over the profits made from the book.

¹⁹² See for example *Imutran Ltd v Uncaged Campaigns Limited* [2001] 2 All ER 385 (UK High Court, Morritt VC), where leaked confidential documents regarding animal experimentation were used extensively by an animal rights activist in writing a long document then published online. An injunction was sought (and obtained) for breach of confidence but no argument apparently made that the owner of the documents owned copyright in the activist's work. See also *Food Lion, Inc. v Capital Cities/ABC, Inc.* 194 F.3d 505 (1999), a US case analogous to *Service Corporation* (described above n195), where two journalists were employed by a food preparation company, and secretly filmed unhygienic practices. It was held that while there was a tort of disloyalty, only nominal damages would be awarded. There was no claim to copyright in the film.

case of employees who produce works in breach of their duty to the employer: for example, where the employee has been “moonlighting” for a competitor, in breach of her duties of loyalty and fidelity to her employer, or perhaps creating works in anticipation of starting her own business. It is hard to argue such works are created “in the course of employment”, but courts in various jurisdictions have held, or at least entertained the suggestion, that copyright in works thus created is held on trust for the wronged employer.¹⁹³ In *Missing Link Software v Magee*¹⁹⁴ for example, an English court accepted that it was at least arguable that where an employee, while employed, wrote software designed to be marketed in competition with his employer’s product, this was a breach of fiduciary duty and the fruits of that breach might be held on constructive trust for the employer. The two leading treatises in English copyright law both recognize that it is an open question whether an employer is entitled in equity to the copyright in a former servant’s work where the former servant has breached their fiduciary duty, and duty of fidelity to the employer.¹⁹⁵

3. *Example 3: where the copyright work arises from a wrong but is not a wrong in itself*

Questions about appropriate copyright ownership are hard enough where the publication itself is a wrong. The connection, however, between legal wrong and copyright work is not always quite so direct. In a second set of cases, the copyright work is a result of, or a profit from, the wrong, but the act of creation is not a wrong. So, for example, a criminal might write a book about their crimes. Or a trespasser on land (civil or criminal) may make a film while on the land. Trespassing is the wrong here – not filming. So how does the wrong impact on the rights in the resulting copyright work? In these cases, it might be argued that the copyright work would not have arisen “but for” the wrong, and, in a sense, the copyright work is the “profits” of the wrong. There is, however, an intervening act – the writing of the book, or the making of the film – which is *not* in itself legally wrong.

This situation arose relatively recently in a case that came before the High Court of Australia: *Australian Broadcasting Corporation v Lenah Game Meats Pty Limited*.¹⁹⁶ The basic facts are these: the plaintiff, Lenah Game Meats (“Lenah”) ran a possum

¹⁹³ *Redrock Holdings Pty Ltd v Hinkley* (2001) 50 IPR 565 (Sup. Ct. of Victoria, Aust., first instance) (copyright in various software programs created in spare time while employed and taken by employee to a competitor)

¹⁹⁴ *Missing Link Software v Magee* [1989] 1 FSR 361

¹⁹⁵ K Garnett, J James, G Davies, *COPINGER AND SKONE JAMES ON COPYRIGHT*, 304 (14th ed 1999); Laddie et al, above n144, 846-47. The question was considered recently by Lightman J in *Service Corporation International plc v Channel Four Television Corporation* [1999] EMLR 83. An employee of the plaintiff funeral home chain, working undercover for a documentary company, covertly filmed certain discreditable events. One question in the case was whether the plaintiff owned copyright in the film, or at least equitable title to the copyright. It was clear that the film was made in breach of Anderson’s duty of fidelity to his employer. The judge took the view that the copyright, even if owned by Anderson (it was not clear whether Anderson did own the copyright, it was not held on trust for the plaintiffs. The judge (Lightman J) appeared to confine any principle regarding equitable ownership to cases of a breach of *fiduciary* duty.

¹⁹⁶ *Australian Broadcasting Corporation v Lenah Game Meats Pty Limited* (2001) 76 ALJR 1

abattoir, producing possum meat for export.¹⁹⁷ An unidentified person apparently broke in to the abattoir, installed a camera above a particularly grisly part of the operation, and then later returned, retrieved the film (complete with sound), and sent it to the Animal Liberationists. They, in turn, passed the film on to the ABC, which broadcast parts of the film, and wanted to screen further extracts. Lenah sought an injunction. Lenah faced considerable difficulties: there was no breach of confidence because the information was not confidential. Australian law recognizes no right to privacy, particularly for companies. So the basis for an injunction was weak at best, non-existent at worst. The point of interest for intellectual property law comes, again, in obiter. Justices Gummow and Hayne suggested the following:

*A film may have been made ... in circumstances involving the invasion of the legal or equitable rights of the plaintiff or a breach of the obligations of the maker to the plaintiff. It may then be inequitable and against good conscience for the maker to assert ownership of the copyright against the plaintiff and to broadcast the film. The maker may be **regarded as a constructive trustee** of an item of personal (albeit intangible) property ... In such circumstances, the plaintiff may obtain a declaration as to the subsistence of the trust and a mandatory order requiring an assignment by the defendant of the legal (ie statutory) title to the intellectual property rights in question.*¹⁹⁸

In other words, where an item of intellectual property is made in circumstances where there is invasion of the legal or equitable rights of a plaintiff, then a constructive trust is one possible remedy for the plaintiff.¹⁹⁹ Little authority is given for this proposition. It may be that the court had in mind various cases where thieves who have taken away property have been said to hold such property on constructive trust.²⁰⁰ And yet the film is different, as I pointed out above. The film is something that did not exist before. Filming, in itself, is not a legal wrong – and was not a legal wrong in the circumstances where the information filmed was not confidential.

D. Analysis of the Invasion of Right cases

The interesting observation that emerges from looking at the cases is that the courts seem inclined to hand copyright over to a wronged party. No doubt there are all sorts of

¹⁹⁷ Apparently possum meat is remarkably lean. Frankly, I don't think I want to know.

¹⁹⁸ *Lenah Game Meats*, above n196, per Gummow and Hayne JJ [102].

¹⁹⁹ Callinan J also supported the argument: see *ibid* Callinan J [295]-[308]. Gaudron J agreed generally with Gummow and Hayne JJ. Thus four of the six judges in the case supported this argument.

²⁰⁰ There is authority that money stolen is “trust money in the hands of the thief”: *Black v S Freedman & Co* (1910) 12 CLR 105 at 110 per O'Connor J; *Australian Postal Corp v Lutak* (1991) 21 NSWLR 584 at 489 (Bryson J); *Zobory v FCT* (1995) 64 FCR 86 at 90. There is also authority that a person who came onto private property and stole valuable budwood to a nectarine breed kept only by the plaintiff held the budwood, and the nectarine trees cultivated from that budwood, on trust: *Franklin v Giddins* [1978] Qd R 72.

reasons for that particular instinct. But how *should* such situations be dealt with in law? There are a number of options in this situation, from a public policy point of view. We could:

- (i) Refuse copyright protection to the work altogether;
- (ii) Recognise copyright but grant an injunction against use/publication, and damages or account of profits as a remedy; or
- (iii) Make the wrongdoer hand over copyright: that is, interfere in the author → first owner step and recognize someone else has a stronger interest – even if that interest lies only in destroying the work.

The first of these options was a solution that was adopted historically. Early English courts²⁰¹ had little compunction refusing copyright where works were contrary to public policy.²⁰² So, courts refused copyright protection where a letter or an artwork contained a fraudulent representation,²⁰³ or the work was libelous or even blasphemous.²⁰⁴ Another well known category – thankfully less important today – was where the work itself was proscribed by law: for example, it may be contrary to censorship laws.²⁰⁵ This approach of refusing copyright may still be exercised in the United Kingdom,²⁰⁶ and probably

²⁰¹ from the time of Lord Eldon: *Southey v Sherwood* (1817) 2 Mer 435; 35 ER 1006 (poem Wat Tyler, no copyright because of ‘libellous tendency’); *Walcot v Walker* (1802) 7 Ves 1, 32 ER 1 (verse by satirical writer; Lord Eldon suspected it could well be libelous and required further inspection before allowing copyright existed). It has been said that Lord Eldon appointed himself general censor by means of the doctrines developed in these cases: see Lord Campbell, LORD CAMPBELL'S LIVES OF THE LORD CHANCELLORS AND KEEPERS OF THE GREAT SEAL OF ENGLAND, 3rd Series, Vol VII, 632, 655ff (1847)

²⁰² Various different justifications were given for the doctrine: from arguments that since the work was “illegal” there could be no property in it; to arguments that to recognize the property would impugn the integrity of the court (*Stockdale v Onwhyn* (1826) 2 B & C 173, 108 ER 65; *Lord Byron v Dugdale* (1823) 1 LJOS Ch 239), to the need to protect the public from the work (eg *Martinetti v Maguire*, 16 Fed. Cas. p920 (No. 9173) (C.C.Cal.1867); *Glyn v Weston Feature Film Company* [1916] 1 Ch 261; *Burnett v Chetwood* (1720) 2 Mer. 441n).

²⁰³ *Slingsby v Bradford Patent Truck and Trolley Company* [1906] WN 51 (trade catalogue with untrue claims about patent ownership contrary to the Patents legislation not protected by copyright); *Davies v Bowes* 209 F 53 (1913); [1911-1916] MCC 131 (US) (journalist who invented false news, defendants based a play on the false news; no copyright); *Wright v Tallis* (1845) 1 CB 893 (book fraudulently purporting to be a translation of a work by an eminent German author; not protected by copyright).

²⁰⁴ *Walcot v Walker* (1802) 7 Ves 1, 32 ER 1 (verse by satirical writer; Lord Eldon suspected it could well be libelous and required further inspection before allowing copyright existed); *Southey v Sherwood* (1817) 2 Mer 435; 35 ER 1006 (poem Wat Tyler, no copyright because of ‘libellous tendency’); *Stockdale v Onwhyn* (1826) 2 B & C 173, 108 ER 65 (memoirs of a prostitute – both obscene and libelous); *Lord Byron v Dugdale* (1823) 1 LJOS Ch 239 (irreligious poem “Don Juan” by Lord Byron)

²⁰⁵ *Dane v M.&H. Co.* 136 U.S.P.Q. 426 (N.Y.Sup.Ct.1963) (striptease denied copyright because it did not “elevate, cultivate, inform, or improve the moral or intellectual natures of the audience”); *Baschet v London Illustrated Standard Company* [1900] 1 Ch 73 (naughty French pictures not protected by good wholesome English copyright law); *Glyn v Weston Feature Film Company* [1916] 1 Ch 261 (obscene, “grossly immoral” book and film that glorified adultery and free love; not protected by copyright); *Stockdale v Onwhyn* (1826) 2 B & C 173, 108 ER 65 (memoirs of a prostitute – both obscene and libelous); *Pasickniak v Dojacek* 37 Man. R. 265, [1928] 1 W.W.R. 865, [1928] 2 D.L.R. 545 (Canada Court of Appeal) (considers the obscenity issues; concerns Ukrainian book about interpretation of dreams. Alleged to be obscene because of some of the interpretations).

²⁰⁶ Laddie, Prescott & Vittoria, above n144, 738: noting the doctrine but also noting that no case has been reported in recent times, and that the jurisdiction, if it exists, “ought to be exercised sparingly, and with

Australia, although it has been rejected in the United States.²⁰⁷ But denying copyright was always an unsatisfactory solution in many respects. First, it is a very extreme step, requiring clear, strong public policy justifications. Second, at least in the United States, it may interfere with free speech values.²⁰⁸ Third, in the case of undesirable works, the dilemma the courts recognized, even as they denied copyright, was that this could lead to a situation copies were even *more* readily distributed, as the writer could not seek any injunction.²⁰⁹ Finally, some of these works remain valuable and it would be wasteful to simply declare them unprotected: for example, works created by employees in breach of fiduciary duty.

Let us assume that we do not wish to simply refuse copyright. We then need to deal with the question: what do we do about (a) ensuring there is no incentive to create such works, and (b) dealing with dissemination questions in relation to the works that exist. Does the economic analysis of law have *anything* to say about these situations at all?

One answer is to say no – the economic analysis of copyright has no role here. There is certainly no doubt that this is an area where the limitations of economic analysis of copyright are evident. Economic analysis cannot tell us which works are desirable. It cannot tell us which works to ban. It is, quite simply, a question of public policy which works are desirable and which are not; that it is a matter for public policy whether certain works will be banned, and what punishment is imposed on the law breakers.

On the other hand, perhaps there is an argument that the economic analysis as set out in Part II has *some* role here, because we still need to deal with property in the created work, even if we assume, as we should, that we want nothing to do with incentives to create such works that involve a wrong. The distinction between decisions to create, and decisions to disseminate, is perhaps a useful one here. If we leave the decision to *create* out of account, due to the associated illegality, we still perhaps can deal with the second question: who is the appropriate decision-maker in relation to dissemination?

Of course, once you leave the decision to create out of account – on public policy grounds, you still must identify the best decision-maker at the dissemination stage. What would be relevant to this calculation? We can take the costs of creation incurred by the human author (trespasser or spy) out of account, because the conduct in question is not to be encouraged. This leaves us with a set of costs and benefits of the work to be balanced. We should identify (a) the costs to the wronged party imposed by the act of creation – if the employee was breaching their fiduciary duty, were they wasting time and effort they

respect to a code of behaviour accepted by the overwhelming majority of society.” *Glyn* was cited without apparent disapproval as recently as in the *Spycatcher* case, above n182, 314 (Lord Keith of Kinkel); 345 (Lord Jauncey of Tullichettle)

²⁰⁷ *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852 (5th Cir 1979) (cf earlier cases like *Martinetti v Maguire*, 16 Fed. Cas. p920 (No. 9173) (C.C.Cal.1867) and *Simonton v Gordon* 12 F.2d 116 (S.D.N.Y. 1925) where the doctrine was applied.

²⁰⁸ See the discussion in *Mitchell Bros Film Group*, above n207.

²⁰⁹ Courts recognized this very problem early on: see eg *Southey v Sherwood* (1817) 2 Mer 435; 35 ER 1006; *Lord Byron v Dugdale* (1823) 1 LJOS Ch 239; *Stockdale v Onwhyn* (1826) 2 B & C 173, 108 ER 65 all recognized the issue.

should have spent for the benefit of the employer? We should also consider (b) the costs and benefits of dissemination, however, remain relevant. . It requires us, however, to make a very careful balancing of the interests implicated at the dissemination stage. A range of interests are relevant here. First, there may be an interest, on the part of the wrongdoer, in freedom of expression. Second, there may be an interest on the part of the wronged party to keep confidential matters confidential, or to protect their reputation. Third, there may be an interest on the part of the public to receive information.

These issues cannot be dealt with in the abstract, but only in relation to the facts of any given case. The strength of any interest of the public in the information, for example, would need to be weighed against any right of a wronged party to protect their reputation. Different countries might reach different results on this basic question. What the analysis makes clear, in my view, is that it *is* indeed useful to think about both decisions to create and decisions to disseminate, and to identify a best placed decision-maker. The analysis also makes clear, however, that economic analysis has serious limitations in this area. We must look to public policy to determine what works are important and which should be banned; who has the more important interests in the case of dissemination.

IV CONCLUSIONS

I have sought, in this paper, to explore one of the less explored areas in the economic analysis of copyright: that is, the initial allocation of rights in copyright works, and how it is we justify the step from author to owner. My argument has been that detailed consideration of the economic analysis of copyright shows that we are looking, in essence, for a well-placed decision-maker: one who can, with maximum efficiency, make the decisions (a) to create the work, and (b) to disseminate the work thereafter. Focus on the decision-maker reveals some of the reasoning, in particular behind the work for hire doctrine, but also other situations where copyright rights may be allocated away from the human author. It also, in my view, reveals even more the symmetry of the whole, and the way that economic and justice-based considerations can be harmoniously interpreted.