

**ROLL 'EM PRODUCTIONS, INC.,
JEFF BARABE, and MICHAEL FOX, in
their representative capacities,
APPELLANTS,**

v.

**DIAZ BROADCASTING CO. d/b/a
MEDAL BELAU TV, and ALFONSO
DIAZ in his representative capacity,
Appellees.**

CIVIL APPEAL NO. 11-017
Civil Action No. 08-209

Supreme Court, Appellate Division
Republic of Palau

Decided: June 29, 2012

[1] Copyright: Work Made for Hire

Whether a work of art qualifies as a “work made for hire” is critical because it determines who owns the copyright to the work of art.

[2] Statutory Interpretation: Conflict Between Provision and Definitions

When a substantive provision of a statute conflicts with a statutory definition, the definition should yield to the substantive provision to give the statute its full effect.

[3] Statutes: Copyright Act; **Copyright:** Work Made for Hire

Sections 801(z) and 822(b) of the Copyright Act are not in tension.

[4] Statutes: Copyright Act; **Copyright:** Work Made for Hire

The Copyright Act begins operation from the fundamental dictate that, subject to certain exceptions, copyright in a work protected under the Act vests initially in the author or authors of the work. One exception is when a work of art is authored by an employee within the scope of her employment, in which case the copyright vests with her employer, provided that there is no written agreement to the contrary. Another exception is when a work of art is commissioned pursuant to a signed writing explicitly stating that the copyright will vest with the commissioning party. These are the only two scenarios in which the “work made for hire” exception applies to Section 822(a).

Counsel for Appellants: Kassi Berg

Counsel for Appellees: Salvador Remoket

BEFORE: KATHLEEN M. SALII, Associate Justice; LOURDES F. MATERNE, Associate Justice; and ALEXANDRA F. FOSTER, Associate Justice.

Appeal from the Trial Division, the Honorable ARTHUR NGIRAKLSONG, Chief Justice, presiding.

PER CURIAM:

Appellants Roll 'Em Productions, Inc., Jeff Barabe, and Michael Fox appeal the June 2, 2011, Judgment entered by the Trial Division in favor of Appellees in this copyright infringement case. Appellants argue that the Trial Division incorrectly interpreted the “work made for hire” provision of the Copyright Act, 39 PNC § 801 *et. seq.* (Act),

when the Trial Division held that a video created by Appellants for a specific client was a “work made for hire,” despite the absence of an explicit written agreement classifying the video as such. We agree with Appellants and reverse the decision of the Trial Division.¹

BACKGROUND

In 2008, the Executive Branch of the National Government asked Appellants to create a short video (Video) showcasing various capital improvement projects in Palau. Appellants and the Government did not formalize their relationship with a written agreement or contract. Rather, Appellants created the Video, which qualifies as a copyrightable original work of art, *see* 39 PNC § 811, and sent the Government an invoice for it. The invoice does not indicate that the Video was a “work made for hire.”

Later, the Government gave the video to Appellees, competitors of Appellants, and told Appellees to air the Video on television. Appellees did so without permission or license from Appellants.² In turn, Appellants sent an invoice to Appellees to collect a licensing fee, but Appellees refused to pay it. Appellants sued, claiming Appellees violated their copyright to the Video.

After a hearing, the Trial Division ruled in favor of Appellees, finding that Appellants did not own the copyright to the

Video. After reviewing the text of the Copyright Act, the court reasoned that a written agreement was unnecessary to establish a work of art as a “work made for hire.” It further reasoned that the Video was a “work made for hire” commissioned by the Government, and that the Government, not Appellants, owned the copyright to the Video. As such, the court entered judgment in favor of Appellees.

Appellants filed the instant appeal. They argue that the text of the Copyright Act is plain and unambiguous insofar as it requires a written agreement to establish a work of art as a “work made for hire,” unless that work of art is produced by an employee for an employer. Because Appellants and the Government never signed a written agreement, they argue that their Video is not a “work made for hire,” and that they own the exclusive copyright to it.

STANDARD OF REVIEW

We apply a *de novo* review to all legal conclusions of the Trial Division, including those based on statutory construction. *Isechal v. ROP*, 15 ROP 78, 79 (2008).

ANALYSIS

The only question on appeal is whether, under the Copyright Act, a copyrightable work of art produced by an independent contractor may qualify as a “work made for hire” in the absence of a written agreement between an independent contractor and a commissioning party³ explicitly

¹ Pursuant to ROP Rule of Appellate Procedure 34(a), we find this case appropriate for submission without oral argument.

² When Appellees aired the Video, they cut the ending credits from it, which would have attributed the Video to Appellants.

³ By “commissioning party,” we mean the person or persons who commissioned the work of art by the artist.

establishing the work of art as such. The Act defines a “work made for hire” as follows:

“Work made for hire” means (1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for a particular use if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

39 PNC § 801(z).

[1] Whether a work of art qualifies as a “work made for hire” is critical because it determines who owns the copyright to the work of art. Thus, 39 PNC § 822(a) provides that the “[c]opyright in a work protected under [the Act] vests initially in the author or authors of the work.”⁴ Section 822(b), however, provides a different rule for “works made for hire”:

In the case of a work made for hire, the employer is the author for purposes of this chapter and, unless the parties have expressly agreed otherwise in a written instrument signed by them, the employer owns all of the rights comprised in the copyright. In the case considered in section

⁴ Similarly, 39 PNC § 822(d) provides that “[c]opyright in an audiovisual work or sound recording vests initially in the producer of such work, unless otherwise specified by contract.”

811(z)(2), [sic] the person who has ordered or commissioned the work is the copyright owner.

39 PNC § 822(b).⁵

[2] Both parties agree that Section 801(z)(1) is inapplicable in this case because Appellants were not employees of the Government. Appellees, however, argue that Section 801(z)(2) is also inapplicable insofar as it conflicts with Section 822(b).⁶ Their argument proceeds as follows: Section 822(b) contemplates a scenario in which a work of art is a “work made for hire” even in the absence of a written agreement because it says that “unless the parties have expressly agreed otherwise in a written instrument signed by them, the employer owns all of the rights comprised in the copyright.” *See* 39 PNC § 822(b). Because Section 822(b) implies that a “work made for hire” may exist without a written agreement, it conflicts with the definition in Section 801(z)(2), which requires a written agreement. When a substantive provision of a statute conflicts with a statutory definition, the definition should yield to the substantive provision to give the statute its full effect. *See, e.g.*, 73 Am. Jur. 2d Statutes § 147 (2001). Thus, Appellees argue that Section 801(z)(2)’s writing requirement should be disregarded, and that a work of art

⁵ The reference to “section 811(z)(2)” is a drafting error. The provision should read “section 801(z)(2).” *See* RPPL 6-38 § 14 & RPPL 6-53 § 4.

⁶ Appellees merely adopt the Trial Division’s Findings of Fact and Conclusions of Law as their opposition brief on appeal. They submitted no new arguments, nor did they respond to any of Appellants’ arguments raised on appeal.

by an independent contractor may be deemed a “work made for hire” even in the absence of an explicit agreement to that effect.

[3] We disagree. Sections 801(z) and 822(b) are not in tension. Section 822(b) is comprised of two sentences, each of which applies to one of the two different types of “works made for hire” defined by Section 801(z). Section 801(z)(1) expressly contemplates a scenario—namely, an employer-employee relationship—in which a work of art is a “work made for hire” in the absence of a written agreement. In that scenario, the first sentence of Section 822(b), which explicitly fixes the rights of an “employer,” applies to give copyright ownership to the employer—and not to the employee who authors the work—unless the employer and employee have a written agreement stipulating that copyright ownership vests with the employee. Thus, Section 801(z)(1) correlates to the first sentence of Section 822(b).

In contrast, Section 801(z)(2) correlates to the second sentence of Section 822(b). This is manifest from the text of the second sentence of Section 822(b), which begins, “[i]n the case considered in section 8[0]1(z)(2)” The second sentence simply provides that, when a specific work of art is designated a “work made for hire” under Section 801(z)(2), the commissioning party—and not the independent contractor who authored the work—owns the copyright. The second sentence makes no reference to a written agreement because, by necessity, the second sentence only applies in the presence of a written agreement stipulating that a specific work of art is a “work made for hire.” If there is no written agreement with an

independent contractor, then the resulting work of art cannot qualify as a “work made for hire” under Section 801(z)(2), and the second sentence of Section 822(b) does not apply.

[4] Within this framework, the Copyright Act begins operation from the fundamental dictate that, subject to certain exceptions, “[c]opyright in a work protected under [the Act] vests initially in the author or authors of the work.” 39 PNC § 822(a). One exception is when a work of art is authored by an employee within the scope of her employment, in which case the copyright vests with her employer, provided that there is no written agreement to the contrary. 39 PNC §§ 801(z)(1) & 822(b). Another exception is when a work of art is commissioned pursuant to a signed writing explicitly stating that the copyright will vest with the commissioning party. 39 PNC §§ 801(z)(2) & 822(b). These are the only two scenarios in which the “work made for hire” exception applies to Section 822(a).

This approach is not only required by the plain meaning of the statute, it is also supported by rules of statutory construction, American case law interpreting a similar statute, and sound public policy. The alternative view would render certain words of the statute superfluous or meaningless, a result that should be avoided if possible. *See, e.g., In the Matter of the Application of Won and Song*, 1 ROP Intrm. 311, 312 (Tr. Div. 1986) (“[T]he [Olbiil Era Kelulau] is presumed to know the meaning of words [it uses], and to have used the words of a statute advisedly.” (citation omitted)). The alternative would also be inconsistent with *Community for Creative Non-Violence v. Reid*, 109 S. Ct. 2166, 490

U.S. 730, 738, 742-43 (1989), the definitive American Supreme Court case interpreting nearly identical statutory language and opining that “works made for hire” in an employer-employee relationship are mutually exclusive from those made pursuant to a written agreement by an independent contractor.⁷ Finally, Appellees’ proffered interpretation would upend the foundational policy of Copyright Law—to wit, that copyrights vest initially with the author of a work of art—and would shift the burden to creators, such as freelance artists, poets, musicians, writers, and performers, to take affirmative steps to retain the copyright to their works of art.

CONCLUSION

For the foregoing reasons, we **REVERSE** the decision of the Trial Division that the Video was a “work made for hire.” We **REMAND** for further proceedings consistent with this Opinion.

⁷ While not binding, American case law interpreting a similar statute is instructive to our analysis. *Cf.* 1 PNC § 303.