Federal Court  Cour fédérale

Date: 20140530

Docket: T-1700-12

Citation: 2014 FC 526

Ottawa, Ontario, May 30, 2014

PRESENT: The Honourable Mr. Justice Phelan

BETWEEN:

S. MICHAEL KENNEDY

Plaintiff-Applicant

and

WALDEMAR RUMINSKI

Defendant-Respondent

and

ME HAROLD ASHENMIL

Mis en cause

JUDGMENT AND REASONS

I. Introduction

[1] This is an application under s 57(4) of the *Copyright Act*, RSC 1985 c C-42 [Act] to require the Registrar of Copyrights to correct the name of the holder of three copyright certificates registered on September 14, 2009 by naming the Applicant as the holder of those rights.

[2] The Certificates of Registration are:

- Registration No. 1071140 ("LOL Data Manager")
- Registration No. 1071141 ("Workflow Designer")
- Registration No. 1071142 ("MS Word Add-Ins")

The registrations relate to a corporate data management system software called Law of the Lan intended to be used by law firms for corporate filings. The software is not complete and has not been marketed or sold.

[3] The Certificates are registered in the name of the Respondent Waldemar Ruminski who either worked for or with S. Michael Kennedy as a programmer between 2001 and 2010. The central issue in this case is the ownership of the works, specifically whether the works were created during the course of alleged employment with the Applicant.

[4] The Certificates are not descriptive of the works and the Respondent has refused to provide additional description.

[5] The pertinent legislation is s 13(3) and s 57(4) of the Act.

13. (3) Where the author of a work was in the employment of some other person under a contract of service or apprenticeship and the work was made in the course of his employment by that person, the person by whom the author was employed shall, in the absence of any agreement to the contrary, be the first owner of the copyright, but where the work is an article or other contribution to a newspaper, magazine or similar periodical, there shall, in the absence of any agreement to the contrary, be deemed to be reserved to the author a right to restrain the publication of the work, otherwise than as part of a newspaper, magazine or similar periodical.

13. (3) Lorsque l'auteur est employé par une autre personne en vertu d'un contrat de louage de service ou d'apprentissage, et que l'oeuvre est exécutée dans l'exercice de cet emploi, l'employeur est, à moins de stipulation contraire, le premier titulaire du droit d'auteur; mais lorsque l'oeuvre est un article ou une autre contribution, à un journal, à une revue ou à un périodique du même genre, l'auteur, en l'absence de convention contraire, est réputé posséder le droit d'interdire la publication de cette oeuvre ailleurs que dans un journal, une revue ou un périodique semblable.

57. (4) The Federal Court may, on application of the Registrar of Copyrights or of any interested person, order the rectification of the Register of Copyrights by

(a) the making of any entry wrongly omitted to be made in the Register,

(b) the expunging of any entry wrongly made in or remaining on the Register, or

(c) the correction of any error or defect in the Register,

57. (4) La Cour fédérale peut, sur demande du registraire des droits d'auteur ou de toute personne intéressée, ordonner la rectification d'un enregistrement de droit d'auteur effectué en vertu de la présente loi :

a) soit en y faisant une inscription qui a été omise du registre par erreur;

b) soit en radiant une inscription qui a été faite par erreur ou est restée dans le registre par erreur;

c) soit en corrigeant une erreur ou un défaut dans le registre.

and any rectification of the Register under this subsection shall be retroactive from such date as the Court may order.	Pareille rectification du registre a effet rétroactif à compter de la date que peut déterminer la Cour.

II. Background

[6] To say that the facts are confusing and that the parties have done little to clarify the facts is an understatement.

[7] The Applicant began the design and development process of Law of the Lan system in 1986 along with his lawyer wife. He hired several programmers to assist him with the project.

[8] The parties met in 2001 and the Applicant hired the Respondent on May 29, 2001 as a salaried employee to upgrade and enhance the Law of the Lan project. The evidence included T-4 slips given to the Respondent in recognition of the weekly payments he received. This evidence counters any suggestion that the payments were "draws".

[9] The Respondent takes the position that he had created "works" on his own between 1998 and 2000 prior to any relationship with the Applicant. I accept the Respondent's evidence that the "works" were technical libraries, the existence of which and the independent development of which is confirmed in a Memorandum of November 3, 2003 between the parties.

[10] The bizarre aspect of this case is that the Applicant cannot disprove the Respondent's contention and more significantly cannot establish what is covered by the Certificates because

the Respondent refuses to tell the Applicant except under a court order what the Certificates cover. The Applicant did not obtain that type of order.

[11] Since it is the Applicant who claims ownership, it is reasonable to expect the Applicant to know what he owns or to obtain the evidence to establish ownership.

[12] On November 3, 2003, the parties entered into the Memorandum purporting to set out the respective shares in the project's intellectual property. The Memorandum was drafted by a lay person and is no model of clarity in drafting. The key provisions are:

> The parties agree that they have all made contributions to LoL (Law of the Lan) Project and Product (in final development), and wish to establish the share in the IP (Intellectual Property) that accrues to each of the parties.
>
> Mike Kennedy (Product Conception & Project Financing) 80%
>
> Val Ruminski (Database Design & Programming) 20%
>
> …
>
> In addition, certain Technical Libraries have been developed independently by Val Ruminski, and used in the LoL project. These technical Libraries are to be licensed, free of any charges, for use by the LoL Product and its direct derivatives.

[13] In the spring of 2009 the Respondent advised the Applicant that the project was complete. However, upon testing, there were numerous deficiencies which the Respondent was to fix.

[14] On September 14, 2009, the Respondent registered for the three Certificates.

[15] Two weeks after registration of the certificates (then unknown to the Applicant), the Applicant requested the Respondent load the software, source code, executable code and other documentation into an office computer for independent evaluation. The Respondent refused to do so.

[16] Relations between the parties declined, and the Respondent continuously refused the Applicant's request for the source code. Eventually the Applicant refused to make the weekly payments, changed the locks and effectively ended the relationship.

[17] On February 21, 2010, the Respondent made a claim for employment insurance benefits. While he was initially unsuccessful because his refusal to follow his employer's orders constituted misconduct, on appeal it was found that the timelines of the employer's demands were unreasonable.

[18] At no time in the employment insurance proceedings was there a finding that the Respondent was not the employee he claimed to be.

III. Analysis

[19] The issues in this matter are:

a) whether the Applicant has met the evidentiary burden of establishing error in the Certificates;

b) was the Respondent an employee? and

c) who is the owner of the works covered by the Certificates?

A. *Evidentiary Burden*

[20] This case is complicated by the fact that it is no longer possible to identify what was brought into the project by the Respondent or what the state of the project was at the time the Certificates were registered. It appears that the technical libraries, such as they were in 2000, were commingled with the work done by the Respondent during the course of his relationship with the Applicant and are no longer identifiable.

[21] Therefore, the Applicant has not established what software is covered by the registrations. Indeed he admits to not knowing what software is covered by the Certificates. He also admits that he does not know and has never seen the technical libraries referred to in the Memorandum.

[22] However, the Applicant has established that further work on the project was done by the Respondent which on a balance of probabilities included more than the technical libraries. The Respondent has not shown that only the technical libraries are covered by the Certificates. For reasons discussed under Employment, the Applicant has established an interest in the Certificates and therefore their issuance (including the manner in which it was done) was in error in not reflecting the Applicant's interest.

B. *Employment*

[23] I find no merit in the Respondent's contention that the relationship at issue was a partnership with a weekly draw.

[24] The Respondent reported his income as employment income for tax purposes and identified the Applicant as his employer. He knew that the Applicant made the necessary source deductions from his weekly pay cheques.

His claim for employment benefits constitutes an admission that at least he saw himself as an employee. This fact, combined with the nature of weekly payments and his characterization of them as employment income, is sufficient in this case to establish that he was an employee.

[25] As a result of this finding, s 13(3) of the Act is relevant. It vests copyright in the works created during the course of the Respondent's employment with the Applicant unless there is an agreement to the contrary.

[26] The Memorandum constitutes such an agreement. It governs the respective ownership interests of the Applicant and Respondent in the works created by the Respondent during the course of the employment relationship.

C. *Ownership*

[27] The Memorandum purports to create "shares of IP" and/or "interests in IP". This is inconsistent with complete ownership of copyright in the works created during the course of the employment relationship belonging to either party.

[28] The Memorandum creates a 20% ownership in the project with the remaining 80% being held by the Applicant who was responsible for the financing.

[29] The technical libraries to the extent that they can now be identified, having been created before employment, are outside ownership in the Certificates. The technical libraries became part of the project but only by way of a free license.

[30] There is no evidence that the Certificates were only to cover the technical libraries. The evidence suggests that they covered the work done after the Memorandum came into effect.

[31] Therefore, the Certificates should have reflected the co-ownership of the Applicant and Respondent.

IV. Conclusion

[32] The application will be granted in part. The Registrar of Copyrights shall be directed to amend the registration to reflect joint ownership. The result being mixed, no order for costs will be made.

JUDGMENT

THIS COURT'S JUDGMENT is that the application is granted in part. The Registrar of Copyrights is directed to amend the registration to reflect joint ownership. No order for costs is made.

"Michael L. Phelan"

Judge

FEDERAL COURT

SOLICITORS OF RECORD

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