

DEATH AND THE MAIDEN – PROBATE AND COPYRIGHT

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Dealing with the estate of a deceased person who has been involved in creative industries, as an executor, as a beneficiary, or as a person seeking an assignment or a licence, requires an understanding of both copyright and probate.

Deceased's Assets

The Deceased may own physical creative materials, and may also own copyright, including copyright that is embodied in the physical materials. Copyright is personal property,¹ which is separate property from the physical materials.²

In particular, the Deceased may own copyright in copyright works³ including in particular

- Literary works including novels and song lyrics, but also including treatments, emails, letters and diaries;
- Dramatic works including scripts;
- Artistic works including paintings, drawings, sculptures and photographs but also including costume designs, doodles and storyboards;⁴
- Musical works including musical compositions but also including jingles, arrangements and soundscapes.

Generally speaking, the copyright owner of a work is the author,⁵ unless the author was an employee who created the work in the course of employment.⁶

In relation to photographs, the Deceased may have photographs in their possession but may not own copyright in the photographs. The owner of the work is the photographer, although a person who commissions a photograph for private or domestic purposes is the owner of the photograph⁷, and in relation to photographs made before 1 July 1998, the persons who commissioned the photograph for *any* reason is the owner of the photograph (although for photographs from May 1969 the author may restrain use for any purpose other than the commissioned purpose or the private or domestic purpose⁸). Generally speaking, the Deceased will not own the photographs in which the Deceased appears unless they are commissioned photographs or “selfies”.

The Deceased may also own copyright in “other subject matter” including

- Sound recordings,⁹ which includes professionally produced recordings of musical work, as well as any audio recordings of interviews or lectures, on a computer or a dictaphone, where the owner of

¹ Section 196 Copyright Act

² Pacific Film Laboratories Pty Ltd v. Commissioner of Taxation (1970) 121 CLR 154; In re Dickens, Dickens v Hawksley [1935] 1 Ch, 26

³ Section 31 Copyright Act

⁴ Section 10 “artistic work”

⁵ Section 35 Copyright Act

⁶ Section 35(6) Copyright Act. See Redrock Holdings Pty Ltd v Hinkley (2001) 50 IPR 565; Insight SRC IP Holdings Pty Ltd v The Australian Council for Educational Research Limited [2012] FCA 779

⁷ Section 35(5) Copyright Act

⁸ Grant Matthews v ACP Publishing Pty Ltd (1998) 41 IPR 535. The right may cease on the author’s death, since the legislation specifically refers to “author” not owner (unlike section 36 infringement), or author or author’s LPR (unlike section 195AN moral rights)

⁹ Section 85 Copyright Act

the work is the person who commissioned the recording or the maker of the sound recording,¹⁰ that is, the person who owns the record.¹¹

- Cinematograph films,¹² which includes professionally produced theatrical films as well as film recordings on an iPhone or Youtube videos, where the owner is the person who commissioned the recording or the maker of the film,¹³ that is the person by whom the arrangements necessary for the making of the film were undertaken.¹⁴
- Television or sound broadcasts,¹⁵ and published editions¹⁶

The Deceased may have contractual rights and obligations. These include rights and obligations under production and investment agreements, royalty agreements, development agreements, option and assignment agreements and intellectual property licences.

If the Deceased granted a licence, then the licence continues to bind the Deceased's successors.¹⁷ If the Deceased granted an option, the position is less clear. A pre-signed assignment agreement held in escrow will not be effective if the option is exercised after death so the assignment agreement is dated after death, since a dead person cannot sign an agreement. However, an irrevocable power of attorney with consideration to sign the assignment agreement will be effective, since it is not revoked by the principal's death.¹⁸

If the Deceased was required to perform obligations, and the time for performance was before the Deceased died, then the counter-party may have a claim against the Deceased's estate. For example, if the Deceased was required to pay money pursuant to a contract then this is an estate debt, or if the Deceased was required to deliver a draft or otherwise provide a service before the Deceased died, then the counter-party may have a claim against the Deceased for breach of contract.

If the Deceased is entitled to a contractual benefit, then it is necessary to determine whether the right is assignable. Assignable contractual rights are choses in action, and a species of personal proprietary rights.¹⁹ It may be that the benefits are not assignable, because having regard to the nature of the contract and the subject matter of the contractual right in question, that right is personal in the sense that the identity of the contractual obligee is material to the contractual relationship itself, that is, it is a "personal contract".²⁰ There may otherwise be an implied term that there is a right to terminate if the Deceased dies.²¹

The Deceased may have assigned or otherwise licensed certain rights to collecting societies, such as CAL (Copyright Agency Limited) and APRA (Australian Performing Right Association), to collect royalties, licence fees and other payments on the Deceased's behalf.

The Deceased may also be entitled to moral rights. There is debate whether moral rights are part of copyright (German monism) or moral rights is a distinct right apart from the economic rights of copyright (French dualism). In any event, the Copyright Act provides that right of integrity in cinematograph films ceases on death, but the right of copyright in other copyright works subsists for the

¹⁰ Section 97 Copyright Act

¹¹ Section 22(3) Copyright Act

¹² Section 86 Copyright Act

¹³ Section 98 Copyright Act

¹⁴ Section 22(4) Copyright Act

¹⁵ Section 87 Copyright Act

¹⁶ Section 88 Copyright Act

¹⁷ Section 196(4) Copyright Act

¹⁸ Section 16(1)(e) Powers of Attorney Act 2003

¹⁹ *Pacific Brands Sport & Leisure Pty Ltd v Underworks Pty Ltd* (2006) 149 FCR 395 [32]

²⁰ *ibid*

²¹ *Codelfa Constructions v State Rail Authority NSW* (1982) 149 CLR 337

full term of copyright,²² and the right may be exercised by the author's legal personal representative and are not otherwise transmissible by will or operation of law.²³ Notably, the LPR may be more pro-active in exercising an author's moral rights – a living author may be reluctant to exercise moral rights because they may not get any further work, but the LPR of a dead author may have no such qualms. Notably, one of the leading French moral rights cases, relating to the colourisation of John Huston's film "Asphalt Jungle" was brought by the heirs of John Huston, not John Huston himself.²⁴

Legal Personal Representative

A dead person cannot own property.

Copyright is transmissible by operation of law.²⁵ In NSW, the relevant law is the Probate and Administration Act 1898.

The Deceased's real and personal property vests in the executor or administrator (the legal personal representative or LPR) after probate or letters of administration has been granted, as from the date of death.²⁶ The property vests in the LPR even if the property is not listed in the probate application inventory of property.

However, if there is no grant of probate or letters of administration, and before probate or letters of administration is granted, the property vests in the NSW Trustee and Guardian.²⁷ The NSW Trustee and Guardian is merely a "holding", and NSW Trustee and Guardian is not required to take any active steps, such as collect debts such as royalties or progress payments, or grant licences.²⁸

Therefore, if a person wants to use a deceased person's copyright work, they must first check whether probate or letters of administration has been granted, and if not then agitate for it to be granted. The NSW Supreme Court keeps a record of all probate and letters of administration that has been granted in NSW (although older files are transferred to the State Archives Collection). Any person is entitled to apply for a copy of a will where probate has been granted by applying for an exemplification of the will, and a person who is a beneficiary or executor is entitled to apply for a copy of the full probate including an inventory of assets.²⁹

Therefore, it is not enough to deal with a beneficiary, the person who would be entitled to the asset pursuant to the deceased's will or on intestacy. A beneficiary has no legal or equitable interest in any asset or in the estate until and unless there has been a distribution to the beneficiary.³⁰ In part, this is because all of the Deceased's asset must first be applied to pay the Deceased's debts and funeral, testamentary and administrative expenses.³¹ It may be that after the outstanding ATO debt and credit card bills are paid, there are no net assets. In part, this is because a beneficiary is not required to accept a gift and may disclaim.³²

If there has been no grant within three months of the Deceased's death, a person with an interest in the estate may apply to the court for a grant of letters of administration.³³ However, the only person who may

²² Section 195AM Copyright Act

²³ Section 195AN Copyright Act

²⁴ *Turner Entertainment v Huston*, French Court of Cassation 28 May 1991

²⁵ Section 196 Copyright Act

²⁶ Section 44 Probate and Administration Act 1898

²⁷ Section 61 Probate and Administration Act 1898

²⁸ *Abu-Arab v NSW Trustee & Guardian* [2014] NSWSC 954

²⁹ NSW Supreme Court Probate, Frequently asked questions about probate

http://www.supremecourt.justice.nsw.gov.au/Pages/sco2_probate/frequently_asked_questions.aspx

³⁰ *Commissioner of Stamp Duties (Qld) v Livingston* [1965] AC 694

³¹ Section 46C Probate and Administration Act

³² *Tantau v Macfarlane* [2010] NSWSC 224

³³ Section 75 Probate and Administration Act. See also section 63 relating to a grant of administration of intestate estate.

apply is a person with an *interest in the estate*, such as a beneficiary or a creditor, and not merely a person who is *interested in the estate* such as a person who is seeking a licence to use the Deceased's copyright.

LPR Granting Rights

The LPR has the right to deal with the Deceased's property, including granting licences. During administration of the estate, if there are more than one executor, then any one executor can bind the estate including granting licences. However, after the executors have completed administration, the executors are then holding assets as trustees, and must act together.³⁴

Therefore, the Deceased needs to carefully consider who to appoint as executor as part of the Deceased's estate planning. It may be that the Deceased appoints one person as executor generally, and another as "literary executor" or executor for limited property. For example, Patrick White appoint Perpetual Trustee as his executor subject to appointing Barbara Mobbs, his agent, as his literary executor. The will specified her role as administering and licences and contracts, power to realise copyright by assignment or licence, pay money to executor.³⁵ The literary executor's role may extend beyond the traditional executor and include collating and editing papers for publication and effectively curate the Deceased's work.

The executor or administrator has fiduciary duties to the beneficiaries, including when the executor or administrator is exercising rights, including

- to prevent waste and devastavit³⁶
- maximise the value of the estate
- exercise care, diligence and skill of prudent person³⁷
- act in best interests of all present and future beneficiaries of the trust³⁸
- act impartially between beneficiaries and classes of beneficiaries³⁹

A beneficiary also has a right of due administration, to ensure that the Deceased's estate is properly administered. The court has a discretion as part of its supervisory jurisdiction to revoke a grant of probate or letters of administration if the due and proper administration has been put in jeopardy.⁴⁰

The LPR may have challenges discharging their fiduciary duties to the beneficiaries when granting rights.

There may be disagreement between the beneficiaries about exercising the rights. If the LPR exercises the rights and generates income, then this is maximising the value of the Deceased's estate and acting in the interests of all of the beneficiaries. The LPR may be discharging their duties, even if some of the beneficiaries do not want the rights exercised. If the LPR does not exercise the rights because one or some of the beneficiaries do not agree, then this is not maximising the value of the Deceased's estate and may be characterised as preferring the interests of some of the beneficiaries and not acting impartially between beneficiaries, and/or may be characterised as not duly administering the estate.

The only qualification is that some forms of exploitation may not be maximising the value of the estate. The value of copyright as a chose in action may include goodwill, reputation and exclusivity,⁴¹ and this may be damaged if the copyright is over-exploited or exploited inconsistently with the author and the

³⁴ *Union Bank of Australia v Harrison* (1910) 11 CLR 492; *Australian Olympic Committee Inc v The Big Fights Inc* 46 IPR 53 at [412] per Lindgren J; *John v John* [2010] NSWSC 937

³⁵ Justice G Lindsay "Literary Executor and the Lighthouse" STEP Presentation; 18 November 2016

³⁶ *Bird v Bird* [2013] NSWCA 262

³⁷ Section 14A Trustee Act 1925

³⁸ Section 14B(2)(a) Trustee Act 1925

³⁹ Section 14B(2)(c) Trustee Act 1925

⁴⁰ *Mavrideros v Mack* (1998) 45 NSWLR 80

⁴¹ *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* (2009) 81 IPR 378

work's reputation or integrity. For example, when Friedrich Nietzsche died, his executor published some of Nietzsche's later work, after Nietzsche had gone mad, damaging Nietzsche's "brand".

The Deceased may complicate issues by leaving directions in the will, which may be binding or may mere wishes. For example, Franz Kafka directed his executor to destroy all his unpublished work. The executor ignored the direction, and preserved and published the work.⁴²

Distribution to beneficiaries

If the Deceased bequeaths copyright to a beneficiary, or copyright forms part of residue, the LPR distributes the copyright to the beneficiary by an assignment in writing, signed by the LPR in the LPR's capacity as owner of the rights.⁴³ A beneficiary may call for their bequest under the will,⁴⁴ which would include rights if the beneficiary is entitled to rights.

The transfer of rights may "deadlock" the rights if the Deceased bequeaths the copyright to a number of beneficiaries. This is because copyright can only be licensed if all of the copyright owners agree.⁴⁵ If the beneficiaries do not agree how to license the rights, then the copyright cannot be exploited. The Deceased should carefully consider whether to bequeath separate copyright to separate beneficiaries, rather than bequeath all copyright to all beneficiaries with the risk that the copyright may be deadlocked.

The beneficiary entitled to the copyright is also entitled to the income generated by the copyright after the Deceased's death, such licence fees or royalties, but must ultimately bear the costs of attributable to the copyright such as the costs of enforcement.⁴⁶ The Deceased may no longer own the copyright, but may only have a contractual right to royalties or other payments. If the Deceased bequeaths the right to royalties or other payments, or the right to royalties or other payments forms part of residue, the LPR distributes the right by assigning the *contractual right to royalties* – it is not sufficient to assign "royalties" since royalties are future property that cannot be assigned.⁴⁷

If the Deceased bequeaths physical material to a beneficiary, it may be unclear whether the Deceased has also bequeathed the copyright. If a person is entitled, beneficially or otherwise, to the manuscript of a literary, dramatic or musical work, or to an artistic work, *and the work was not published* before the death of the testator, the bequest shall, unless a contrary intention appears in the testator's will, be read as including the copyright in the work in so far as the Deceased was the owner of the copyright immediately before his or her death.⁴⁸

If there is a mistake in the will, such as a clerical error or the will does not give effect to the Deceased's instructions, a person may commence proceedings to rectify the will.⁴⁹ If a clause of the will is meaningless or ambiguous, a person may commence proceedings for construction of the will and evidence (including evidence of the testator's intention) is admissible to assist in the interpretation.⁵⁰ For example, in *Diana Dupain v Jill White*,⁵¹ there was an issue about Max Dupain's will and the scope of the phrase "exhibition photographic negatives" which were not part of the commercial business and the copyright in the negatives, the phrase "photograph exhibition prints" which were not part of the commercial business and the copyright in the prints, and all other negatives which formed part of residue.

⁴² Supra n34

⁴³ Section 196(3) Copyright Act

⁴⁴ Section 85 Probate and Administration Act

⁴⁵ *Prior v Sheldon* (2000) 48 IPR 301

⁴⁶ *Lloyd v Frape* (1922) 23 SR (NSW) 11, *O'Brien v McCormick* [2005] NSWSC 619

⁴⁷ *Norman v Federal Commissioner of Taxation* (1963) 109 CLR 9; *Shepherd v Federal Commissioner of Taxation* (1965) 113 CLR 385

⁴⁸ Section 198 Copyright Act

⁴⁹ Section 27 Succession Act; see also *Lockrey v Ferris*; *Estate of Brown* [2011] NSWSC 179

⁵⁰ Section 32 Succession Act

⁵¹ *Diana Palmer Dupain v Jill White* (unreported, 16 September 1994, NSW Supreme Court, Cohen J)

Cohen J relied on evidence that during his lifetime, Max Dupain had referred to “exhibition” negatives and prints to describe his non-professional work, even if the work never appeared in an exhibition.

Testamentary Trust

The Deceased’s will may create a testamentary trust and bequeath the copyright to the trustee of the testamentary trust rather than to individuals directly. Therefore, the “beneficiary” and the copyright owner is the trustee of the testamentary trust not the individuals. This may overcome the problem of the “deadlocked” copyright, because the trustee may grant rights even if the individuals may disagree (subject to fiduciary duties, as stated above).

The testamentary trust may be a fixed trust or a discretionary trust. If it is a fixed trust, then the individuals who are the beneficiaries of the fixed trust have a vested and indefeasible interest in the asset, and presently entitled to the income and will be taxed personally accordingly.⁵² A beneficiary who has capacity may also call for their interest and collapse the trust,⁵³ although this may not be possible if there is one copyright and a number of beneficiaries because of the risk of prejudice to the other beneficiaries arising from deadlock.⁵⁴ If it is a discretionary trust, then the individuals are objects of the trust and merely have a right to be considered. The individuals are not presently entitled to asset or any income until it is distributed to them, and trustee is taxed on income that is not distributed.⁵⁵

Companies

The Deceased may not directly own copyright, but may own shares in a company, and the company may own the copyright. For example, the Deceased may have created a special purpose vehicle as the production company to produce the film.

The executor has no rights in the company’s assets including the copyright, but only owns the shares. The executor is not automatically a director of the company, even if the Deceased was a director of the company, because the role of a director is personal⁵⁶ so it ceases on the Deceased’s death. If the Deceased was the sole shareholder and sole director, the executor may appoint a person including himself or herself as a director.⁵⁷

It may be that the company has been de-registered. The company assets including the copyright vest in ASIC.⁵⁸ A person can only apply to ASIC to reinstate the company if ASIC is satisfied that it should not have been deregistered, or apply to the court if it is just that the company is reinstated, *and* the applicant is a person aggrieved by the deregistration or a former liquidator.⁵⁹ Therefore, the executor may apply for the company to be reinstated.

Conclusion

Intangible assets are an increasingly valuable part of the economy. However, not all intangible assets are owned by companies. A person dealing with intangible rights will also need to deal with individuals, which may include dealing with the estates of the individuals. This requires understanding not only the laws relating to intangible rights but the framework of laws relating to probate and administration of deceased estates.

⁵² Section 97 Income Tax Assessment Act 1936

⁵³ Saunders v Vautier (1841) 4 Beav 115

⁵⁴ Beck v Henley [2104] NSWCA 201

⁵⁵ Section 99 Income Tax Assessment Act 1936

⁵⁶ Mancini v Mancini [1999] NSWSC 799; (1999) 17 ACLC 1570

⁵⁷ Section 201F Corporations Act

⁵⁸ Section 601AD(2) Corporations Act

⁵⁹ Section 601AH Corporations Act

