

WHO OWNS YOUR INTELLECTUAL PROPERTY?

You may be asked this question by a financier, a venture capitalist, an auditor, a customer or a competitor. Are you the owner?

Intellectual property

You might think your intellectual property includes:

- business name or domain name
- (electronic) circuit layout rights
- confidential information (trade secrets) such as know how
- copyright in software, manuals, drawings, pictures, marketing material
- industrial designs (registered or not)
- inventions (patented or not)
- plant breeders rights
- trade marks (registered or not) for brands, logos, packaging.

But do you own them, legally?

Creators

As a first issue, we should recognize that only human beings create intellectual property. That person may be working for or with a partnership, a company or a government at the time, but the creator is that person and not the partnership, company or government.

We always start with that creator and work from there. We assume that the creator owns the intellectual property, until we find evidence that someone else does. Lacking that evidence, the creator is the owner.

Employees are a special case: In law, a thing an employee creates in the course of his or her employment is 100% owned by the employer. There are statutory rules in the *Circuit Layouts Act*, *Copyright Act*, *Designs Act* and *Plant Breeders' Rights Act* to that effect. A similar rule is in the general law about employment contracts. Note that a director of a company (as such) is not an employee of that company.

Now look below at these problems as the rules are applied to different facts.

Problems

1 – The creator was never an employee of the business that claims to own the intellectual property. This is where the distinction between an employee and a contractor is important. In law, we assume a contractor owns the intellectual property in what he or she creates. This applies, for example, to an architect preparing a building plan for a client; a solicitor drafting a contract for a client; a freelance software engineer writing code for a developer, a marketing consultant preparing an advertisement or a logo. The solution is to have a contractual term, or some other legally effective document, that conveys ownership from the contractor to the business.

2 – The creator was not an employee when he or she created the thing. A person may create something, perhaps only an original idea, while not an employee and then bring that thing to a later employment where it may be used, developed and commercialised. The legal problem is whether ownership passed from the creator to the employer. If the intellectual property has discrete parts, it may be that the employee still owns the original intellectual property and the employer the rest. It may be that the employee has a claim on the entire intellectual property. The solution is the same as for problem # 1.

3 - You do not know whom the creator was. In this case you have a problem unless all the possible creators were employees who would have created or contributed to the thing in the course of their employment. Keep records.

4 - The creator created or developed the thing partly during work and partly as a private project outside work. A classic example is the software engineer who develops a product partly at home in their private time and using their private computer. The employer probably owns the whole product. If making the product was outside an employee's course of employment, the employer may want to yet claim some ownership because of the improper use of work resources.

5 – The creator created or developed the thing outside the course of his or her employment. Not everything an employee creates is in the course of the employment. To be in the course of

employment it must be connected to his or her usual duties. An employee taxi driver who invents an algorithm for solving a physics problem probably owns it rather than the employer.

6 – A registered intellectual property right (such as a patent) is not registered to the business. This may come about because the right is registered to someone before their association with the business and that since then the business has used the right (perhaps without ever paying money to the registered owner). If this informal arrangement breaks down, the registered owner may assert that the arrangement was only a licence and not a transfer of ownership. We see cases where a creator is issued shares in a company on the informal understanding that the creator's intellectual property would benefit the company, but the creator later leaves (with or without the shares) and claims retained ownership in the intellectual property. Sometimes a registered intellectual property right is not transferred to the business because of concerns about capital gains tax or stamp duty, but those issues can be addressed.

7 – There is no convenient record of the intellectual property. You should be able to identify all your intellectual property. It's hard to know you own something you don't even know you have. This is a problem for larger businesses or those with significant research and development programs running. It is also a problem with know how that is not put down in writing.

8 - An employee does not know the law. A creator who was an employee may feel that they own the intellectual property - because they were never told otherwise. They may think they are free to sell or licence it.

9 – Confidential information is not safeguarded. Information can lose its character as confidential information (that the courts will protect) if the business does not take steps to identify and safeguard the information. A sensible policy might be to notify relevant staff about what is confidential and their duty to keep it confidential; where outsiders may learn the information, they might be required to sign a Confidentiality Agreement (sometimes called a Non-Disclosure Agreement).

10 – Licence terms vest ownership in enhancements in the other party. The business may licence an outsider to use its intellectual property and, under the licence agreement, the outsider comes to own any enhancements the outsider makes. This can be a problem for everyone; the business does not own and maybe

cannot use the enhancements; the outsider however may not be able to use the enhancements without a continuing licence of the original intellectual property.

11 – Collaborations with other businesses do not expressly address any intellectual property that results. If parties collaborate on a project, they may create new intellectual property. That may include perhaps copyright in written material, a registrable design or a patentable invention. If their agreement to collaborate is not in writing (sometimes called a Joint Venture Agreement or a Teaming Agreement) or does not expressly address the intellectual property issue, then the general law applies and may have uncertain or unexpected results; it could be that only one of them is the owner, it could be they are equal owners, it could be that they are owners but not equally. A collateral problem is if only one of the parties wants to spend money applying for a patent or other registration of intellectual property they both own – often addressed by the applicant becoming the sole owner, but granting the other party a free licence to use the intellectual property.

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