OWNERSHIP AND RIGHTS IN INTELLECTUAL PROPERTY

Welcome to another edition of Protecting Your Creativity by The Livingston Firm. Each edition of Protecting Your Creativity will discuss various aspects of intellectual property law and related business matters. This edition discusses ownership of intellectual property.

A question that comes up often in our intellectual property practice is "Who owns it and who has rights to it?" There is no one answer that fits all situations as the answer varies depending on what type of intellectual property is involved, e.g., patents, trademarks, and copyrights or trade secrets, and the relationship of the parties.

Patents

Employer-Employee

Unless there is a written agreement specifying who owns patent rights, an employee who invents something is deemed to be the owner of the patent rights to an invention. However, if the employee created an invention on company time or used company resources in doing so, the employer has "shop rights" to the invention. Shop rights gives an employer a non-transferable, non-exclusive, royalty-free license to practice the invention, i.e., make, use and sell products or use a method covered by the invention. Although an employer may have shop rights to the invention the employee still owns the patent rights to the invention and as such may practice the invention or license others, even the employer's competitor, to do so as well. The latter reason alone is why every company should have its employees sign an agreement covering these issues at the time of hiring.

Co-Inventors

Again, unless there is a written agreement to the contrary, any co-inventor may practice an invention, or license others to do so, without obtaining permission of any other co-inventor(s) and without any legal obligation to account for or pay over any royalties or profits to the other co-inventor(s). Thus, it is important to have a written agreement between co-inventors regarding these matters or to have all co-inventors assign their rights into a legal entity formed to hold title to the patent rights.

Trademarks/Servicemarks

In the United States and some foreign countries, e.g., Canada, ownership rights to a trademark or servicemark belong to the first user of the mark, unless the mark is being used under a license agreement. Therefore, if one person patents a product and licenses those patent rights to another, the person or company selling the patented product under a particular trademark is deemed the owner of the trademark that is now associated with the product covered by the patent. This is why it is so important to have a license agreement between an inventor and a licensee which clearly sets forth who owns the rights to the trademark under which the patented product is sold. Otherwise, an inventor who has to terminate a patent license due to non-payment of royalties or other default will have to start all over with marketing the product under a new trademark. Outside of the United States the rules are different as the first person to actually file for a registration of a mark owns the rights to the mark.

Copyrights

Employer-Employee

Generally, the employer owns the copyrights to a work as a "work for hire" unless the work has no relationship to the employer's business.

Independent Contractor

Contrary to the employer – employee scenario, an independent contractor owns the copyrights to a work unless there is a written agreement to the contrary. Even if an individual or business pays for or commissions someone to make a work, the independent contractor owns the copyrights to the work and can control the rights to use of the work and may even bring suit to enforce those rights. Therefore, if you have a client who hires an independent contractor to design a website or write software, if there is no written agreement as to who owns the copyrights, the independent contractor can legally prevent your client from ever modifying the website or software, which could cost your client more money as your client may be forced to pay all over again for a new website design or new software.

Co-authors

Unlike co-inventors of a patent, co-authors of a copyright must account to each other for royalties and profits each make, not withstanding the fact that a co-owner can license or sell his or her copyright to a third party without the permission of the other co-owner.

Trade Secrets

Intellectual property covered by trade secrets, such as unpatented inventions (including unpublished patent pending inventions) formulas, pricing, business methods and so forth generally belong to the creator of the trade secret, usually a company, provided steps are taken to keep such trade secrets confidential. To keep trade secrets confidential, it is necessary to restrict access to those trade secrets to only those persons who have a need to know and

having anyone who is given access to those trade secrets sign confidentiality or non-disclosure agreements, also called "NDAs," prior to disclosing the trade secrets. The latter reason is why it is so important for an employer to have its employees sign NDAs, and for inventors to have prospective investors, manufacturers or licensees, sign NDAs before disclosing trade secrets and unpublished patent pending inventions.

CONCLUSION

The laws regarding ownership of and rights to intellectual property vary considerably depending upon the type of intellectual property at issue. However, the common and reoccurring theme when dealing with these issues is that a creator, whether he, she or it be an inventor, employer, employee, author, independent contractor or other, have a written agreement in place regarding these issues of ownership and rights in order to have those rights protected.

Determining your rights to intellectual property and preparing the agreements necessary to protect those rights is a service that should be performed by attorneys who specialize intellectual property law.

The Livingston Firm specializes in all areas of intellectual property law including patents, trademarks, copyrights, trade secrets, franchising, litigation and business law. As the largest full-service intellectual property law firm in Southwest Florida with over forty years of combined experience, The Livingston Firm can be there to assist you from beginning to end with protecting your ideas and inventions and getting those ideas and inventions to market.

Thank you for taking the time to read this edition of Protecting Your Creativity. If you are in need of our services then please contact us to schedule an appointment.

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