

Intellectual Property Ownership – An Employer’s Perspective[†]

Many times companies require the services of key employees or specialized consultants, such as engineers, programmers, graphic designers and website designers, to develop new technologies, design corporate logos or prepare websites and other marketing materials.

Surprisingly, companies who spend significant amounts on an employee’s salary, or a consultant’s compensation, will enter into these relationships without any form of written agreement specifying ownership rights.

This information brochure outlines some of the issues surrounding intellectual property ownership from the perspective of an employer.

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WHO OWNS THE INTELLECTUAL PROPERTY?

As a starting point, it is important to note that the rules regarding who owns intellectual property vary according to the type of intellectual property and the facts of the case; and such an analysis can sometimes be quite complex.

COPYRIGHT

In employment situations, s.13(3) the *Copyright Act* makes the employer the first owner of the copyright.

However, problems typically arise where the author is an *independent contractor* or *quasi-employee*; which are not usually considered to be under a "contract of service" and thus do not fall under s.13(3).

Generally speaking an independent contractor is usually always considered to own his or her copyright works.

Moral rights are additional copyrights which also attach to an author’s works. More importantly, moral rights remain with the author, even in a clear employment relationship. The most significant of the moral rights are the right of integrity of work and the right to attribution.

A company may want the author to waive these moral rights, so that it can modify a work after the fact or avoid having to name the author of a work; especially if the author is no longer with the company. If this is the case, the author has to explicitly waive his or her moral rights.

A written agreement, between employer and independent contractor, can both assign ownership of copyright to the employer and waive the moral rights of the contractor.

Questions to ask yourself

Do you consider your relationship with the employee to be one of independent contractor for purposes of payroll deductions or tax law?

Are the works or inventions created by the employee done in the course of employment? Or were they done on their own initiative or on their own time, even though they may relate to your type of business?

Will the company be modifying the work after the employee leaves? For example, will the company hire another website designer to take over maintenance of an existing site?

PATENTS

Unlike copyright, there is no statutory scheme which automatically makes the employer the owner of inventions or discoveries made by an employee.

Quite to the contrary, under the *Patent Act*, the inventor is the first person having the right to apply for a patent. Furthermore, the common law rule in Canada is that the employee-inventor is considered to be the first owner of any patent rights, not the company or employer.

Thus the only way for a company to obtain ownership of an employee's invention, is to have the employee assign the ownership over to the company.

Fortunately, from an employer's perspective, where the employee was *hired to invent* and the invention was made in the course of employment, the common-law deems that an *implied* assignment exists. Unfortunately, this deeming of an implied assignment creates complex issues which may require detailed legal analysis or even applications to a court of law to determine conflicting ownership claims.

A simpler approach would be to have the employee sign an assignment for each invention. Alternatively, an overall employment contract can include an assignment clause covering any and all inventions made by the employee during the course of employment.

CONFIDENTIALITY

Some intellectual property rights, such as patents and trade-secrets, require that information remains confidential. For example, the public disclosure of an invention prior to filing a patent application, will generally result in the loss of most international patent rights (due to the requirement of absolute novelty).

Furthermore, public disclosure prior to filing a patent application will start the timer running on the grace-periods provided under Canadian and U.S. patent law.

Thus, in order for an employer or company to protect the full scope of its intellectual property rights, it is critical for the employer to ensure that its employees protect the confidential information they learn or create on the job.

Fortunately, under the common law employees have a fiduciary duty to protect the property of their employer; including any trade secrets and confidential information. However, many employees may not be aware of this duty.

An employment contract, incorporating clauses to protect the trade secrets and confidential information of the company, can be effective tool to create such an awareness and can often provide additional protection for the employer.

Rogue or Missing Inventors

Difficulties may be encountered where an employee-inventor or co-inventor has left the company, or where an independent contractor relationship has ended on a sour note.

Signing an assignment at that point may be entirely rejected by such individuals, or they may try to hold the company for ransom.

On occasion, an inventor may appear to have simply vanished off the face of the Earth; making the signing of an assignment impossible.

EMPLOYMENT CONTRACTS AND TECHNOLOGY AGREEMENTS

Ideally, an employment contract will be signed when the employee arrives at the job. It is at this stage when the negotiating position of the employer is typically at a maximum and the employee is more likely to sign the contract. Alternatively, where the employment contract is an afterthought, the employer can take the position that the written contract is doing nothing more than recording the existing “unwritten” terms of agreement.

When an existing employment contract is silent with respect to intellectual property ownership rights, it may still be possible for an employer to obtain an enforceable agreement which deals specifically with the IP-ownership concerns. Such agreements are sometimes referred to as technology agreements. A valid technology agreement may be entered into during the course of employment if it is entered into in exchange for certain benefits to the employee, such as a raise or a promotion.

If employees and independent contractors create valuable intellectual property for your business, you should consider employment contracts and technology agreements as a way to protect the intellectual property rights and the value of your business.

HOW YOUR LAWYER CAN HELP:

In addition to providing advise to clients on the filing of patent, trade-mark and copyright applications, an experienced intellectual property lawyer can help with:

- Analyzing intellectual property ownership rights.
- Crafting effective ownership assignments.
- Preparing employment and technology agreements.
- Evaluating inventorship /authorship issues.
- Drafting independent-contractor agreements.

For further information please contact:

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