



Professional Perspective

IP Ownership in Remote Work Environments

*R. Lee Fraley and Charles F. Hauff, Jr.,
Snell & Wilmer*

Reproduced with permission. Published June 2020. Copyright © 2020 The Bureau of National Affairs, Inc. 800.372.1033. For further use, please visit: <http://bna.com/copyright-permission-request/>



IP Ownership in Remote Work Environments

Contributed by *R. Lee Fraley* and *Charles F. Hauff, Jr.*, Snell & Wilmer

Ownership of intellectual property can be one of the most misunderstood and elusive issues that businesses need to resolve. Many individuals and businesses assume—often incorrectly—that they own all rights in any IP related to their business simply because they purchased content or paid a third party to complete a task for them. In addition, they may also mistakenly believe that because a person “works” for them, they own any and all IP that such person creates or invents. However, determining ownership of the subject IP, in many instances, is nuanced, and may be exacerbated by current common remote working environments.

IP Ownership

As it relates to IP, the overriding principle is that its creator, developer or inventor is the owner. While IP can take many forms, this article will focus on issues surrounding copyrights, trademarks, patents and trade secrets. In addition, other concerns arise in small business contexts where “business owners” may not be deemed “employees” for the purposes of determining IP ownership. Each will be considered briefly below.

Copyright

Ownership issues in the copyright arena are fraught with problems. The oft-cited “work-for-hire” doctrine is generally not as broad as most think. Moreover, simply paying someone to create something for you does not in and of itself transfer ownership of the IP. For example, a computer technician who writes code for a software program owns the copyright in the code and the photographer or designer who takes photographs of company products or designs a company logo owns the copyrights in the photographs and logo. If the creator of such work is an employee of a business and the work is “created within the scope of his or her employment,” as opposed to being created completely outside the work environment and solely on the employee’s own time, then the copyrights in the work are owned by the business.

However, as remote work places cause shifts in responsibilities and needs, how is the scope of employment defined? Is it determined when the individual is hired? By their job description as subsequently established? Or, by virtue of what they are being paid to do now?

In the case of outside contractors and any specifically ordered or commissioned works, such as those set forth in Section 101, the “work made for hire” doctrine can apply, but only if the parties expressly agree that it is such a work in a written instrument. Otherwise, if the creator is simply an outside contractor or third party creating works, a written assignment is necessary. Simply hiring and paying the IP creator is not enough.

In the above example involving a software program, absent a written assignment, the company would typically be left with a license of some undefined scope to use the software from the designer, but it would not own the copyright for the software in the absence of the written assignment of the copyright to the company. Thus, great care needs to be taken to confirm that the resulting work and its ownership rights flow to the owner.

Trademarks

At least in the U.S., in general, the first user of a trademark owns the trademark rights in the mark, logo, design or any other special trademark right. However, in many foreign countries, trademark rights are only obtained by registration, and the first person or entity to register a trademark has priority over the first one to use it.

Of note, many marks, logos and creative designs used in marketing and advertising are created by non-employees or contractors. While creativity in selecting new marks may indeed occur, the use of a new mark that is nonetheless confusingly similar to another’s mark can give rise to liability. As such, use without appropriate clearance and right-to-use investigations can create significant risks. Moreover, such non-employees and contractors may innocently file for registration of such marks, logos and designs and related domain names in their own names in the interest of “helping” their client, but then fail to transfer over such interests prior to their work relationship being terminated.

Remote workplaces tend to reduce the likelihood of clearance and other due diligence efforts. As remote workplaces cause work to be done possibly even outside of the U.S., or by individuals not ordinarily involved in such endeavors, many issues may arise for the actions they take or fail to take on the company's behalf.

Patents

Historically, in the U.S., the first to invent a patentable invention is awarded the patent; however, the US, and most countries of the world, now adhere to a first-to-file ownership structure. Under this structure, the first filed patent application is generally awarded the patent. Depending on state law, typically that patent right is owned by the business and the patent is assigned as a matter of law under the "hired-to-invent" legal doctrine. However, like the "work made for hire" doctrine discussed above, this doctrine is often much narrower than business owners would like.

In many states, case law affirms a narrower principle that an employee who was hired to invent a specific technology has a duty to assign his or her rights to his employer. This principle is based on the idea that this arrangement and assignment was contemplated in the employment contract, and the employee's sole responsibility was to create the invention. In other words, there was some express agreement or understanding that the rights to the invention would pass to the employer as a direct result of the employment relationship.

As responsibilities and business needs shift as people work in remote environments, questions as to what are the scope of rights that would fall under the "hired to invent" doctrines are likely to arise.

In the patent context, businesses often have the so-called "shop-right" doctrine to fall back on. Under this doctrine, a "shop-right" is generally one that is created at common law, when the circumstances demand it, under principles of equity and fairness that entitle the employer to use without charge an invention patented by one or more of its employees. Typically, such shop-rights are non-exclusive and non-transferable. Moreover, a typical factor used in assessing whether a "shop-right" is applicable includes whether the employee used the employer's resources in conceiving the invention. Among other things, this analysis may include current or past agreements, whether the inventive work was performed at the employer's facility or otherwise using the employer's resources, and whether the employer provided guidance and direction in the inventive process.

But, many times these same factors creep into the analysis of whether the employee was "hired to invent," making outcomes under either standard difficult to predict.

Trade Secrets

In broad generality, ownership considerations with respect to trade secrets largely track those related to patentable technologies. However, in the context of trade secrets, information is protectable only if it is secret, the owner derives economic value from the fact that it is secret, it is not generally known, or capable of being known, and the owner makes reasonable efforts to protect the secret's secrecy.

As such, in the context of trade secrets, the threats are not so much in the ownership determination, but in the risks that remote workplace environments present. In this regard, businesses may want to consider evaluating guidelines with respect to confidential information in general, and trade secrets in particular, are in place, what security networks and infrastructure are being used to access and protect information, especially with respect to confidential and trade secret information, and what types of policies are in place with respect to personal devices and any communication on social media and other social networks.

IP Created by Business Owners

IP ownership can be even more complicated when it comes to IP created by owners of an entity. Business owners (for example, partners in a partnership or members in a limited liability company) may assume that any IP they or other owners create for their business belongs to the business. However, unless the owner is employed by the company, and hired for the purposes of creating IP or working within their scope of employment, ownership rights in the IP are likely retained by the creator, i.e., the company owner, and not the company, absent an assignment agreement.

Avoiding IP Ownership Disputes

Despite its potential complexity, IP ownership rights may often be correctly and readily secured at relatively low expense. Given current remote workplace environments, businesses and owners may want to consider:

- Reviewing all contracts and employee agreements. Any contract—including a partnership agreement or an operating agreement for an LLC, an employment agreement, or a consulting agreement for creators, developers or other contractors—can often be drafted to contain more certain IP ownership and assignment provisions dictating who owns IP created for certain purposes or under certain circumstances, including remote working arrangements.
- In instances where deficiencies are identified, short IP assignment agreements or simple amendments to prior agreements can often be prepared and executed by employees and third-party contractors to ensure that a company owns the IP prepared on its behalf. When addressing these deficiencies, particularly as to curing for prior IP created by employees, state law may give rise to concerns over consideration given for assignment of prior IP, and thus the preparer should be aware of the scope of IP being remedied.
- Clearly identifying job duties and tasks. Consider documenting changes in responsibilities such that if an employee is in the business of designing, creating or inventing any new IP, there is a clear communication to the employee or third party that the relationship gives rise to an obligation to assign such new IP.
- As employees' working environments become remote, businesses should understand that arguments will undoubtedly arise as to whether certain design, creative or inventing activities in creating or developing new IP took place using the employee's resources (technology, home, etc.) as opposed to the business's resources. Written agreements with well drafted provisions and defining a clear scope may resolve these issues but must likely be in place before (not after) the creative and inventive activity takes place.

Overall, disputes over IP ownership can significantly and negatively impact a company's value and growth potential by exposing it to concerns over whether the company controls the IP it believes it owns. Therefore, entities may wish to invest a relatively small amount of time and money into continuing to correctly secure the IP they should own. This may save them the pains of attempting to correct mistaken or undesired IP ownership prior to a deal or acquisition.