

need to know

02|2016



Intellectual Property Ownership: A Practical Guide

This document has been prepared by Ukie Member Russells Solicitors. The purpose of this document is to provide an outline of some common issues that arise when developing software and determining ownership of certain intellectual property rights available under English law. This document does not constitute legal advice and does not provide an all-inclusive review of the applicable law. This document takes into account the relevant legislation in force at as January 2016.

I definitely own all the rights, it was my idea...

Many a lawyer has been asked to review documents claiming to transfer ownership of intellectual property rights (IP), such as copyright, often accompanied with the assertion: "I definitely own all the rights...".

What regularly transpires is that there is either no documentation at all, or there may be vague email chains alluding ownership, or even some hastily drafted documents consisting of cribbed, cut and pasted wording from other 'legal' documents. Unfortunately, what this documentation (or lack thereof) usually confirms is that the IP has not been successfully transferred.

IP ownership is easily overlooked, particularly when people are caught up in the excitement of the idea and are creatively engaged, focusing on developing the game/app.

So, how did it come to this?

Let's take a step back and look at how easy it is to get into this position. For a detailed summary on certain types of IP and their creation under English law there is a helpful "need to know" document prepared for Ukie: [Introduction to Intellectual Property Rights](#), which can be accessed here.

Bearing in mind the creation of IP for this type of development project, the table on the following page provides a practical walkthrough of how confusion over IP-ownership can arise, and some possible solutions to these problems.

Intellectual Property Ownership: A Practical Guide

Step 1	You have a great idea for a computer game/app.
Step 2	You decide that you need some help so you enlist a third party developer (such as a friend, colleague or freelancer). You discuss your idea, share thoughts and decide upon a plan of action where the developer writes the code for the game/app. You agree to pay him/her a small fee for this development work.
Step 3	The developer demonstrates the app to you and following your discussion makes various tweaks resulting in a fully developed product that you decide to publish (i.e. launch on an app store).
Step 4	The launch is a success and you start to generate revenue from sales through the app store. As awareness for the app increases and revenue steadily grows you are approached by a company interested in licensing/acquiring the app and associated IP. As conversations progress you are asked to provide evidence of ownership of the app and underlying IP. Equally, the scenario could be that you are seeking investment into your company. Investors will want to know that the IP is owned or controlled by the company they are investing in, and any uncertainty at this stage could severely hinder such opportunities.
It is at this point that the assumption “I definitely own all the rights, it was my idea...” begins to unravel.	
Legal Position	Generally speaking, under English law IP rights protect the expression of the idea as opposed to the idea itself. IP rights will subsist in the app (i.e. the software) created by the developer, and the developer will automatically own certain IP rights (such as the copyright) in the software even though you may have paid (commissioned) for its development and despite the fact that it was your idea. So, until you either own or have a licence of the necessary IP, it is highly unlikely you will be able to progress the commercial opportunity anticipated in Step 4 above.
How can I fix this?	
Step 1	The simplest way is to seek an IP assignment from the developer, thereby transferring all IP rights in the app to you (or the company you have established). An illustrative version of a short form IP assignment has been prepared by Russells Solicitors and can be accessed here . It provides an example of the wording and clauses commonly found in an assignment of intellectual property owned by such a developer and where the software provided does not contain any third party or open source software. Where third party or open source software is involved it is recommended that you seek guidance on the related licence terms and how those terms may benefit or impede the commercial exploitation of your app. Licensing is an alternative option but could make matters more complicated, and for this reason it is outside the scope of this document.
Step 2	Make sure that all future development work is carried out under a contract that includes an IP assignment (in your/your company's favour).
Question:	What if I employ developers via my company?
Answer:	If a person is employed directly by your company (as a developer) i.e. that person is not a contractor but an actual employee, then generally speaking under English law the IP in the developed work will automatically pass to the employer upon creation. In any event, please make sure your employment contract provides for this. If your company engages a developer as a contractor then the legal position outlined above applies and the IP will belong to the contractor unless the contract between the developer and your company (for the developer's services) contains an IP assignment in favour of your company.

Key Points

- + IP ownership needs to be accurately documented and this can be by way of an IP assignment, employment contract or services agreement.
- + Establish ownership of the IP from the outset and ideally before any development work has begun. You may have to pay more to secure ownership of the IP after completion of the work, as the developer may believe that the IP has more value now that you have an investor interested in your company or a third party wishing to acquire or licence the product.
- + Obtaining ownership of the IP does not mean you will be considered to be an IP-grabbing tyrant. Instead, look at it as an essential part of the fulfilment of the project. If ownership is uncertain it could soon put the brakes on fully achieving your ambitions with the project, whether that is monetising via an app store, licensing to a third party publisher or as part of developing your start-up company's value/IP assets.

What should I do next?

For further information on this topic please contact Marine Cabour (marinec@russells.co.uk) at Russells Solicitors.