



OWNERSHIP OF INTELLECTUAL PROPERTY RIGHTS

1. OWNERSHIP

1.1 Ownership of patents

As far as patents are concerned there are three separate persons, the inventor, then applicant and the owner of the patent rights. In the legal sense, 'a person' can be a human being or a company.

The inventor is the person who has the creative idea that constitutes the invention. Often there are two or more inventors, each having genuinely contributed to the invention. Merely giving advice or carrying out tests or managing the inventor's section or department does not count as joint inventorship. The applicant is the person who files the patent application, which need not be either the inventor or the owner. Anyone can file an application, but a patent can only be granted to the inventor or the correct owner. Any disputes regarding ownership must therefore be sorted out while the patent application is proceeding through the patent office.

Ownership is usually judged in an employment context; the position is that patent rights frequently belong to the employer. Under the Patents Act 1977 there is a threepart test. One first defines the 'normal duties of the employee', and then decides if an invention was likely to result from these duties. One also looks at any special obligations of the employee at the time the invention was made.

Normal duties

'Normal duties' may be defined in the engineer's contract of employment or in preemployment correspondence. However, duties often change with time and are not necessarily reflected in the records, so one also needs to consider the employee's general 'duty of good faith' to the employer, that is, the obligation to further the employer's business, and also the custom and practice in the company. One must also consider if the engineer was working on a special project in an unusual area at the time the invention was made. From all these facts, a judgement is made about what the engineer was really expected to do at the time the invention was made.

Is an invention likely to result?

Once the engineer's duties have been defined, one decides if this is the sort of work from which an invention is likely to result. Much engineering work is creative and therefore it is highly likely to generate inventions and any such invention will belong to the employer. Other types of work where inventions are



not expected would, for example, include production of engineering drawings, where a draughtsperson is employed to turn sketches into detailed drawings; if such a person makes an invention relating to a product in one of those drawings, it is highly probable that the employer would not be able to claim ownership of that invention.

Does the employee have special obligations?

This phrase is taken to refer to senior management, who have very broad responsibilities to their employer, and whose inventions in any field relating to the company would probably belong to that company. How far down the hierarchy of the company this provision extends is not clear. A managing director's obligations would extend over the whole of the company's activities, but those of a sales manager would not.

Example:

The three-parts test was considered by the High Court in 1984 in a case relating to Wey valves. The inventor, Mr Harris, was employed by Reiss Engineering as manager of their Wey valve department. The company sold valves made by a Swiss company, Sistag, or valves made by Reiss using Sistag's drawings. Reiss did not have any development facilities, did not design valves, or make improvements or modifications to them. While Reiss advised customers on which valve body material and sealant to use, any problems developing after sale of a valve were referred to Sistag. Mr Harris developed a new kind of valve, which solved a problem encountered when Wey valves, and other types, were used for powders, such as pulverised fuel. He applied for a patent, and Reiss claimed ownership. The court found that the invention belonged to Mr Harris. His normal duties did not include designing or inventing, and indeed the company itself took no responsibility for designing or inventing Wey valves. Considering his status, Mr Harris did not have 'special obligations' towards the company; his obligation was limited to selling Wey valves. While a managing director would have an obligation covering the whole spectrum of a company's business, a sales manager's obligations are much more limited.

The way the law is expressed puts the onus on the employer to prove what the employee's duties were, and to show that an invention was likely to result. But the invention does not have to be made during working hours or on the company's premises: an engineer's brain is owned by an employer 24 hours a day, so having an idea at the weekend or on holiday does not affect the answers to the questions set out above. Even testing the idea at home first, using one's own materials, does not alter the ownership position. Similarly, if an engineer tests a personally owned invention using an employer's equipment and materials, this does not allow the



employer to claim ownership, although there might be differing views about misuse of company property and time.

The law on ownership of patentable inventions cannot be varied by an agreement signed before the invention is made. Therefore, an employer cannot insist that an employee signs away any rights in advance, for example, when arriving at a new job. Agreements can be made after the invention is created which determine who owns it, the employer or the employee, presumably because the inventor then has some idea as to how important the invention is, and can therefore make a reasoned judgement

on its value.

Example:

Before the Patents Act 1977 came into force employers could be quite grasping, and one case is a useful example. A storeman, Mr Hudson, was employed by Electrolux Limited, which among other things made vacuum cleaners. Mr Hudson and his wife jointly invented a device for holding the disposable paper bags in a vacuum cleaner which allowed any type or shape of bag to be used. Mr Hudson had signed an employment contract agreeing that all inventions made by him would belong to Electrolux. The High Court found that this was unacceptably broad; he was not employed to make inventions and the rights belonged to him, not his employer. The current law makes it clear that such a contract nowadays is not enforceable.

The previous law was weighted much more towards the employer as far as ownership of patents was concerned. It was based not on statute law but on the general law of 'master and servant', under which anything produced in the course of employment belonged to the employer. The words came to mean anything authorized by an employer, whatever the actual duties of the employee. Only the extremely unfair type of contract signed by Mr Hudson was held to be unreasonable, so the Patents Act 1977 introduced a more balanced position. In addition to joint inventorship rights there can also be joint ownership, for example, by two companies. There can be joint ownership between an employee and an employer by agreement after the invention is made, but there cannot automatically be joint ownership by an employee and an employer. The disparity of influence would be too great, and the law does not award this position.

1.2 Ownership of copyright

This section applies to copyright created since the Copyright, Designs and Patents Act 1988 came into force. Copyright is a long lasting right; it is for the life of the author plus 70 years but before 1 January 1996 it was life plus 50 years; so



previous copyright acts might still be applicable. The position on ownership has not changed substantially, but a precise date of creation may need to be determined to apply subtly different legal wording.

Because copyright protection is automatic with no mechanism for registering rights, there are only two categories of legal people, the author and the copyright owner. The word 'author' is used universally as far as copyright material is concerned and includes designers, artists and composers. It means the actual creator of the work, which depends on the sort of work that is being protected. For written copyright, the author is the person putting pen to paper or using a PC.

For copyright in drawings, the author is the person who fixes the picture on whatever medium is used – the person drawing the sketch, the draughtsperson preparing the detailed drawing or the engineer using the CAD program. If a computer program is being written, the author is the person using the keyboard.

In fields more distant from engineering, the photographer is the author of a photograph and the architect is the author of a drawing of a building, but if a builder builds without making a drawing, the builder is the author. For a film, the producer is considered to create the copyright, not the camera person; for a sound recording, the person creating the work is the author; for a broadcast, the person who has responsibility for its content is the author. If the author is not an employee, the author automatically owns the copyright.

If the author is employed, then the test for ownership of copyright is much less complex than for patents. The law simply states that copyright material generated 'in the course of employment' belongs to the employer. The questions to ask would be:

- Is the engineer an employee?
- Was the copyright work created as part of that employment?

This judgement is sometimes difficult to apply when an engineer's work and outside interests overlap. This is frequently the case with software engineers, who often write programs for their employers and for other contacts, using the same skills. If the applications of the programs are quite different, such as process control software for an employer and a computer game for a third party, there will be little risk of

conflict and the engineer will personally own copyright in the game.

Example

But if the applications do overlap disputes arise. This was the case with Mr Magee, who at one time was employed by Missing Link Software as the manager of a team writing software for a personnel management system. A few months after Mr Magee was made redundant by Missing Link, a competitor started to market a very similar system, running on the same hardware; it had been written by Mr Magee.



Missing Link claimed ownership of the copyright. An independent expert formed the opinion that given the size of the program and the timescale, the similar system must have been written while Mr Magee worked for Missing Link. Missing Link argued that he had been employed to work in the field of personnel management software systems, so any such software that he wrote was part of his employment duties and belonged to his employer. The High Court judge held that this was a strong argument and granted an injunction to stop the competitor from continuing to market the system. (NB: There was no argument of copyright infringement, the programs were quite different creations.)

If the author of a copyright work is not employed but has special obligations to the company, for example, as a director, copyright is considered to be held in trust for the company and the company could request formal ownership if it wished. Similarly, the copyright created by a partner would be held in trust for a partnership.

An employer and an employed author can agree in advance that the normal rules of ownership do not apply, and that the employee owns copyright. Although copyright in commissioned material does not automatically belong to the commissioning company, if one company pays another to create copyright material, the circumstances may be such that the creating company holds the copyright in trust for the commissioning company. That company, having paid for the work to be generated, will at the very least have the implied right to use the work for the intended purpose, for example, by copying it for internal use within the company or for sale, depending on the intention when placing the contract. The implied right may not be unlimited. For example, if a photograph is commissioned for limited use, such as an internal record, and the company then decides to use it for a major advertising campaign, the photographer might be able to argue that the implied right is limited to internal use; for an advertising photograph, the fee charged might have been higher.

1.3 Ownership of rights in registered designs

This section applies to registrable designs created since the Registered Designs Act 1949 came into force, as amended by the Copyright, Designs and Patents Act 1988. The person who creates a registered design by putting pencil to paper or operating a keyboard to run a CAD program is the author of the design. The owner of a computer on which a computer-generated registrable design is created would be the person 'making the necessary arrangements', so the author can be a company. The relevant law assumes that a registrable design is created by one



person only, so if there are two or more creators, they need an agreement about how to deal with joint ownership.

The author is also the owner of the rights in a registrable design except under the following circumstances:

1. The design was produced 'in the course of employment' – the words are the same as those used for copyright. There have been few cases where any doubt is raised as to whether the work was done in employment or not: most registered designs belong to the employer.
2. The registrable design was produced under a commission, when the person placing the commission is the first owner. This means that if Company A pays Company B to carry out design work by a company employee, Company A owns the registrable design from the moment it is created. The law does not make any reference to written agreements varying the ownership position either between employee and employer or in the context of a commission, but agreement in advance is not forbidden and is therefore presumably possible.

1.4 Ownership of trade marks

There do not seem to have been arguments between employees and employers about ownership of trade marks, which is a little surprising given the high values that are associated with well-known marks. If an employee creates a logo the rules for ownership of artistic copyright would apply. Single words and short phrases do not attract literary copyright. Often trade marks are created by agencies in return for payment, and the contract terms generally assign all rights to the company intending to use the mark. The owner of a trade mark is generally the person or company that uses the mark first, or is the first to apply to register it. Where disputes do arise is in conflicts between similar marks where either one is used without registration and the other is registered later, or both are used, possibly in a small way, and then one business expands until the risk of confusion becomes noticeable. This can be sorted out by agreement between the owners, for example, limiting use to a specific geographical area for a small business, or to different goods or services. If one or both of the marks are registered, these limitations can form a condition of the registrations.

1.5 Problems of joint ownership and split ownership

Joint ownership

If any type of IPR is jointly owned the joint owners can each use the right themselves. Thus, each joint owner can make a patented product and each can copy copyright material. What they cannot do is sell the right or grant licences to third



parties without the permission of the other joint owner(s). This is the reason that joint ownership by an employee and employer is not automatic in any intellectual property (IP) law, although it seems at first to be the logical way to solve ownership disputes. In such a case, the employer could use the patent or copyright material within the company, but the employee could use the right only by licensing it, which would need the permission of the employer. This is clearly unequal.

The restriction also needs to be considered when non-manufacturing institutions, such as higher education establishments or research organisations, are working in collaboration with manufacturing companies. If IPRs are jointly owned, the manufacturing company can use the rights internally without the permission of the joint owner, but the non-manufacturer can only use them through a licence with consent of the manufacturer. The simple solution is to give ownership to one party and explicit licence rights

to the other party. For example, the manufacturing company can own the IPRs, with a university having the right to licence third parties. The licence may need to be limited to a field of use which avoids direct competition with the manufacturing company that has funded the work, but this is usually achievable.

Split ownership

This is when different types of rights are owned by different parties, for example, an employer and an employee. Suppose an engineer invents a new product which is patented and the rights belong to the engineer individually; the engineer will almost certainly have prepared drawings of the product, and since the tests for ownership of copyright and design right are less specific than for patentable inventions, the employer may well own those rights.

In these circumstances, the law is explicit. The employee can use the invention and the copyright and design right also. The employer has no rights to stop such use as far as exploitation of the invention is concerned. What the employee cannot do is to use copyright or design right created by fellow employees as part of their employment, for example, if detailed product designs were produced by someone else. The employer has full rights over those designs. Also, the employee cannot disclose the employer's confidential information, either in filing a patent application, or in exploiting the invention.

2.CHANGE OWNERSHIP

Once the first owner has been established, any type of IPR can be sold (assigned) into new ownership provided certain formalities are completed, or a personally owned right can be bequeathed in a Will. After any IPR has been assigned, the



previous owner has lost all control of it and cannot use the invention or copy the copyright material etc. or license others to do so.

The position of joint owners is that although each can use the IPR without the permission of the other, the share in the right cannot be assigned (or licensed) without the permission of the other joint owner(s).

Intellectual property rights can also be mortgaged.

Assignment of individual IPRs

2.1 Patents

Rights in a patent or a patent application can be assigned, provided the sale is recorded in writing and both parties to the deal sign the document. The assignment can be registered in the Register of Patents. Such a registration is not essential, but it is highly advisable because if a patent is first assigned to Company A who does not register the change of ownership, and then the original owner (dishonestly or in error) assigns it to Company B, Company B would not be affected by the earlier unregistered

assignment. Furthermore, if the assignment is not registered within 6 months of the sale and if the new owner sues for infringement, there is no right to receive damages for any infringement committed while the assignment was not registered. The right to file a patent application can also be assigned. Any person has the right to file an application so a formal record of the assignment is not essential, but it is helpful if there is a subsequent dispute. In an employment context, a written confirmation that an invention was made as part of an engineer's normal duties can be a useful record as it helps to avoid later disagreements. If a US patent application is filed, a formal assignment of rights from the individual inventor is always essential because only the inventor can apply for a US patent.

2.2 Registered designs

A design registration, an application for a registration or the right to make an application can be assigned. The assignment must be registered in the Register of Designs; if not, the assignment is not admissible in court as evidence of ownership. However, there are no restrictions on payment of damages as with patents. Since registered designs and design rights are so closely linked, to eliminate any doubt, it is advisable to include the design right associated with the registration in the assignment.

2.3 Design right

A design right can be assigned provided there is a written agreement signed by the assignor, that is, the original owner. The person receiving the rights need not sign.



The right can be assigned in advance, that is, before the design is created, provided the person who would otherwise be the first owner signs the document.

If a design right is assigned and the same owner owns a registration for the same design, the assignment is taken also to mean assignment of the registration unless the document makes it clear that this is not the intention.

2.4 Copyright

Copyright can be assigned provided there is a written document signed by the assignor, the person giving up the ownership. The assignment can relate to future copyright, that is, material not yet generated, provided the person who would otherwise be the first owner signs the document. If the copyright is artistic copyright in drawings of an article in which there will be design right and may also be a design registration, and if the work is commissioned so that design right and any registration belong to the person paying for the work, then surprisingly copyright in the drawing does not automatically change hands. It is clearly convenient if copyright is formally assigned into the ownership of the commissioning organisation.

2.5 Trade marks

Registered trade marks are usually closely associated with 'goodwill', that is, the general reputation of a business and it is usual to assign registered trade marks with the goodwill. If an assignment document refers to transfer of goodwill, the associated trade marks are transferred by implication.

Trade marks can be assigned without goodwill provided the result is not deceptive or confusing, that is, the result is not that two companies are using the same or similar marks relating to the same or similar goods or services.

Mortgages

Intellectual property rights can be mortgaged and in recent years it has become increasingly common to use IPRs as security for a loan. The IPR can either be the subject of a mortgage in the normal sense in which legal title passes to the mortgagee, or alternatively a charge can be created over it when there is no passage of legal title, but certain rights are given as security for the loan.

Mortgages for patents, copyrights, registered designs and design rights cause few problems. In effect the right is assigned. Mortgages for trade marks are technically more difficult (because the owner of a mark is supposed either to use the mark himself or herself, or to control use by others under licence), but are not impossible.



Transfer formalities

When any IPR is assigned, it will almost always be in return for payment of some kind, in legal terms 'a consideration' (although this can be as little as £1), so the assignment constitutes a contract. A contract is valid if it is signed by an individual engineer acting on his or her own behalf. Sometimes the signature is witnessed; this is merely to provide additional proof if the contract is ever disputed.

Since 1989 there has been no need for a company to have a common seal for use on documents: a contract signed by a director and a company secretary, or by two directors, in each case signing on behalf of the company is legally valid. This applies unless the company itself has internal regulations which vary the general position. In the rare cases when an IPR is assigned without consideration, the assignment must be by way of a deed. The appropriate wording must be used for individuals and for companies, and the signatures must be witnessed. The professional legal adviser involved in the transaction will take care of this point.

After a transfer of a patent, registered design or registered trade mark, the assignment should be recorded at the Patents, Designs or Trade Marks Registry as appropriate.

Answer all questions

1. Discuss about the ownership of the following IP.
(9)
 - a) Ownership of Copyrights (3)
 - b) Ownership of Trademark (3)
 - c) Ownership of Registered Design (3)
2. Write short note on joint ownership and split ownership.
(6)
3. Illustrate in detail about Change ownership
(5)