Intellectual Property: Who OWNS it?

The law relating to the ownership of intellectual property varies depending on the nature of the intellectual property and the circumstances surrounding its creation. Those who engage employees, independent contractors or third parties to sell their wares and services are well-advised to set out their expectations in writing at the outset of the relationship.

Copyright

Under the Copyright Act, the first owner of copyright is deemed to be the employer if the work is created in the course of employment. This statutory presumption, of course, does NOT apply to works created outside the “course of employment”.

When an author was a student or professor with a university or other educational institution during the relevant time, a review of that institution’s intellectual property policies and labour agreements is necessary to determine ownership. In Canada, these institutions will often share title to their intellectual property or the profits derived therefrom with the responsible students and professors.

In the absence of an employment relationship or written agreement to the contrary, the general rule is that the “author” will be the first owner of copyright. This applies to independent contractors. Even after an independent contractor has been paid, a written assignment of copyright is usually required to transfer exclusive rights in the work to those who paid for its creation. Otherwise, the independent contractor retains title to the copyright and may sell copies of the work to other parties.

In some circumstances, copyright in a single work may be shared. This generally occurs when more than one party was involved in the creation of the work. For instance, a corporation and an individual may co-own copyright in a work where one author was an employee of the corporation and the other was an individual retained by the corporation as an independent contractor. In the absence of evidence to the contrary, the law will generally presume that all authors collaborated equally in the creation of the work and, as such, enjoy rights as co-owners.

Although co-ownership in a joint work appears fair, it is fraught with challenges making it commercially inconvenient. First, the rights of co-owners vary widely from country to country making it a challenge to manage at the international level. Under Canadian law, the co-owners of copyright may assign their interest to another party, but they cannot independently publish, reproduce or license that work without the consent of all the other owners. This can unfairly tie the hands of co-owners when one co-owner will not agree on whether or how to exploit a joint work. Where possible, it is therefore prudent to avoid the co-ownership of copyright.

Patents

Under the Patent Act, the inventor is deemed to be the first owner of an invention in the absence of an agreement to the contrary. Again, this generally applies to independent contractors. For independent contractors, this presumption may be set aside where: (a) there is a written agreement to the contrary; or (b) looking at all the circumstances surrounding the relationship, it is necessary to imply that a term of that relationship was that the independent contractor does not own the invention.
With respect to the ownership of an invention created in the course of employment, the Patent Act is silent. The rights of employers and employees are instead determined at common law.

In Canada, the common law has determined that the “mere existence of an employment relationship does not disqualify employees from patenting inventions made during the course of their employment”. This remains true even if the employee used the employer’s time and materials and the invention relates to the employer’s business. The two exceptions are where: (1) there is a written agreement to the contrary; or (2) the employee was employed for the express purpose of inventing or innovating. In deciding who owns an employee’s invention, the following factors will be considered:

a. whether the employee was hired for the express purpose of inventing;
b. whether the employee at the time of hiring had previously made inventions;
c. whether the employer had incentive plans encouraging product development;
d. whether the conduct of the employee once the invention had been created suggested ownership was held by the employer;
e. whether the invention was the product of the problem the employee was instructed to solve;
f. whether the employee sought help with the invention through the employer’s normal channels;
g. whether the employee was dealing with the employer’s highly confidential information or work; and
h. whether it was a term of the employment that the employee could not use the ideas which they developed to their own advantage.

Again, when an inventor was a student or professor with a university or other educational institution during the relevant time, a review of that institution’s intellectual property policies and labour agreements is necessary to determine ownership. These policies often treat copyright and patents quite differently. There are also specific statutory rules governing the ownership of inventions made by public servants or employees of Crown corporations.

Like copyright, co-ownership of inventions is fraught with challenges. Although the Patent Act provides procedures for filing a patent application without the consent of all the inventors, joint patentees will have restricted rights to exploit the invention in Canada. Each patentee is entitled to work the patent themselves on their own account, but will require the consent of all the others to license the patent to others. Again, the law varies from country to country in this regard making the management of patent rights among joint patentees difficult at the international level. Where possible, it is also prudent to avoid the joint ownership of patents.

**Trademarks**

Unlike copyright and patents, trademark rights do not arise when the mark is first “coined” by an employee or independent contractor. Trademarks rights only arise in a geographic territory after sales have commenced there in association with the mark. These rights accrue only to the first trader who engaged in such sales or who authorized the use of the mark for this purpose in that territory.

Further, under Canadian law, title to trade-marks cannot be shared. A trade-mark is a mark used for the purpose of distinguishing wares and services sold by one business from those sold by other businesses. Where a trade-mark fails to serve this purpose, it will no longer qualify as a trademark. A single legal entity – whether a person, company, partnership or joint venture – must therefore retain exclusive control over the use of a mark to ensure its continued validity in Canada. To demonstrate such control when licensing a mark, trademark owners must retain
the right to control the character and quality of the wares and services associated with the mark.

Consequently, disputes rarely arise with employees and independent contractors as to which party is entitled to ownership of a trademark. Ownership disputes are more common with distributors and licensees. The resolution of these disputes will often depend on whether: (a) there is written license or distribution agreement under which the trademark owner can effectively supervise the quality of the wares and services associated with its mark; and (b) whether the owner effectively exercised those rights.

The fact that a distributor was formerly a wholly owned subsidiary or a related company, may not be sufficient to demonstrate the required level of control over the mark. Accordingly, it is strongly recommended that trademark owners enter into written agreements with all distributors and licensees and that they routinely exercise their right to conduct quality inspections.

**Conclusion**

Effective control of intellectual property can be critical to business success. In the absence of a written agreement, the law governing the ownership of intellectual property produces sometimes unexpected and dissatisfying results from a business perspective. In most cases, the early adoption of properly written agreements can avoid these nasty surprises.

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"Generally speaking, an “author” is a person who was directly involved in the creation of the work. Mere conception of an idea does not confer rights as an author. Where there is ambiguity, an author is the person who exercised the “skill and judgment” that resulted in the expression of the work in a material form.”

"There are special rules governing the ownership of commissioned photographs and engravings.

"Generally speaking, an “inventor” is any person who made an ‘inventive’ contribution to the invention.


"However, where a trademark includes graphic elements such that it is also eligible for copyright protection, it may be necessary to consider the application of copyright law principles as well."