



GENERAL FIRM



## *Intellectual Property And The Business Contract*



By Katheryn A. Andresen, Esq.

The typical business contract may include various references to different forms of intellectual property (“IP”) such as: trademarks, copyrights, trade secrets or patents. If the contracting parties are developing intellectual property as part of the agreement, then the ownership of such developed IP needs to be expressly specified. Conversely, if the IP already exists, then a contracting party’s right to use such IP should be addressed in a license provision.

### **Intellectual Property Types**

Intellectual property is usually broken down into four sub-categories: patents, trademarks, copyright and trade secrets. The first two types, patents and trademarks, may be registered with the United States Patent & Trademark Office and/or with another country’s IP registrar to secure rights. Copyright IP rights are automatic in the United States (and in most other countries under treaty with the US), but a copyright protected work may also be formally registered with the Library of Congress’ Copyright Office. Trade secrets are the one form of IP right which cannot be registered as doing so would eliminate the private trade secret right.

Registered patents grant the owner an exclusive 20 year period to control the sale and utilization of the patented subject. Patents may be issued for an invention in the traditional sense, or for a business methodology, including software or Internet technology. Business method patents may not be obvious subject matters of the patent world, nor easily identified by the average person. While many people may have used Amazon.com’s site to buy items, it is not as obvious that Amazon has a business method patent for the ability to store a buyer’s information to allow for “one-click” shopping. For the consumer – whether it requires two clicks or one to buy an item online – is just a matter of ease of use of the site.

Trademarks include the mark, sound, color or combination used to brand the goods sold by a company. For example, Apple Computer’s apple icon is a classic trademark. Registered marks used to sell services are called service marks, but most people just use the term trademarks when referring to brand protection for either goods or services. In order for a mark to be capable of registration, it cannot be “merely descriptive.” A merely descriptive mark would be an apple image for an apple grower, but when used to sell computers – the apple image is deemed “fanciful” and therefore capable of registration. A trademark allows the owner a 10 year period of exclusive rights which may also be renewed for an additional 10 year period.

Trade secrets are only a protected IP right when they are kept confidential. The moment a trade secret is published to the public, the actual trade secret right is lost. One famous trade secret is the recipe for Coca Cola. Typically any trade secret or component of a trade secret that must be revealed in a business deal is governed by a strict confidentiality obligation.

### **Ownership Considerations**

If your contract is going to include the development of any IP right, then the agreement should expressly include an ownership provision. Such a provision might be written as follows:

**Work-for-Hire/Ownership.** Vendor acknowledges and agrees that all works developed, created or modified during Vendor's performance of Services under this Agreement (each a "Deliverable") shall belong to Company and shall be deemed to be a Work-for-Hire under Title 17 of the United States Code. To the extent any such Deliverable is not deemed to be a Work for-Hire, Vendor hereby assigns all rights, title and interest, including all intellectual property rights and proprietary rights in such Deliverable to Company without further compensation.

The work-for-hire language is necessary as under United States copyright law, the original author or creator of a work is the owner. When the "work-for-hire" language is included, by statute this changes the original owner to be the contracting party who hired the author/creator to create the work on behalf of the contracting party. Generally, an employer owns the works created by its employees, especially if such works are made during the performance of the employee's duties, during work hours and using the employer's equipment.


### **License Considerations**

Your business contract may include a license for some type of IP right. The following language is one type of license:

Vendor hereby grants to Company an exclusive, perpetual, world-wide, royalty free, assignable, and sub-licensable (through multiple tiers) license to reproduce, copy and distribute copies by sale, lease or any other means, perform and display publicly or privately, create derivatives, translate and modify that material into any media.

There are several key components of this particular license grant which should be understood. The first key component is the use right which can be broken down into various sub-use considerations: reproduce, copy and distribute copies by sale, lease or other means, perform and display, create derivatives, translate and modify into any media. Many licenses just say "use" without any further specification and unless there is a litigated dispute about the scope of the license, this may be sufficient. The problem is that if there is ever any litigation regarding the scope of the use grant, having all of the sub-details enumerated, makes it harder for the IP owner to claim the license did not extend to the license holder's use. Please note, however, that some courts would consider a detailed list to be the only rights granted if the parties took the time to enumerate the rights. So, often in a contract you would find the language which says "including but not limited to" which says the parties are about to specify certain sub-elements, however those enumerated elements are not the only ones to be deemed included. Other license components address duration, geographical limits, ability to assign or sublicense, and whether there are ongoing fees or royalties owed for the license grant.

### **Conclusion**

Prior to reviewing a business contract for IP rights, the business owner should know whether the IP the business is paying for the development of the IP, in which case an ownership clause needs to be included. If the IP right is simply going to be licensed, then the details in the license grant need to be considered. 

## ***H&J Adds New Attorneys***

Hellmuth & Johnson, PLLC is pleased to announce that Katheryn Andresen, Edward Beckmann, and Michael McNamara have joined the firm.

**Kate Andresen** joins the firm as Partner and has over 15 years of experience in the areas of information technology, eCommerce, intellectual property and general corporate law.

**Ed Beckmann** has represented parties involved in disputes arising from several industries, including aviation, construction, energy, reinsurance and others. He is also uniquely qualified to represent individuals and businesses whose reputations have been tarnished by libel, slander, or exposure of private information.

**Michael McNamara** practices in the firm's litigation and insurance practice groups. Michael received his law degree from William Mitchell College of Law and is licensed to practice in the State of Minnesota.

To learn more about our new attorneys, please view their biographies on our website at [www.hjlawfirm.com](http://www.hjlawfirm.com).

## *Hellmuth & Johnson Offers Complimentary Estate Planning Seminars*

Less than one-half of Americans have a formal, written estate plan. Of those that do have a plan, many are out of date and likely to produce unintended results. Please join Hellmuth & Johnson attorneys, Tim Davis and Susan Anderson to learn about developing a well-planned legacy through fundamental or advanced estate planning techniques as well as asset protection strategies. The following seminars are complimentary but do require advanced, online registration:

### *April 7th: Fundamental Estate Planning Issues*

3:00 - 5:00 p.m. in the Hellmuth & Johnson seminar room  
Register online at [www.Estateplanning1.ezregister.com](http://www.Estateplanning1.ezregister.com)

### *May 19th: Advanced Estate Planning Techniques*

3:00 - 5:00 p.m. in the Hellmuth & Johnson seminar room  
Register online at [www.Estateplanning2.ezregister.com](http://www.Estateplanning2.ezregister.com)

### *June 23rd: Asset Protection Strategies*

3:00 - 5:00 p.m. in the Hellmuth & Johnson seminar room  
Register online at [www.Estateplanning3.ezregister.com](http://www.Estateplanning3.ezregister.com)

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