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Legal Brief

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Protect Your Intellectual Property Rights When Working With Independent Developers

With rapid changes in technology, businesses often hire or commission independent developers to meet changing business needs. For instance, a business may retain Web site designers to update Internet Web sites, software developers to produce software to help with management or manufacturing, or engineers to improve existing products or design new products. However, when a project is complete and the developer's fee is paid, the business may not own all rights to what has been developed.

It is a common misconception that once the consultant has been paid, the business owns all copyrights, patents and other intellectual property (IP) rights related to the development, and the business can do anything it wants with the work. Along with this misconception, businesses often assume that the independent developer has no further rights in the development. Unfortunately, unless there is a specific agreement addressing IP, these assumptions regarding IP rights are incorrect and a business may not have actually purchased everything it intended.

Ownership of Copyrights

One of the reasons for this misunderstanding is that the law treats the IP rights of an employee differently than those of an independent consultant. Under copyright law, the "work-for-hire" doctrine normally makes businesses the "authors" and thus the owners of copyrightable developments made by employees in the scope of their employment. In addition, many businesses require employees, as a condition of employment, to execute IP agreements. These agreements typically cause an employee to assign to the business the employee's ownership rights, including all copyrights, patents and other IP rights relating to and resulting from the employment.

However, the "work-for-hire" doctrine of copyright law normally does not apply to copyrightable developments made for a business by a non-employee. Although there are certain types of copyrightable developments for which the "work-for-hire" doctrine may apply to non-employees, that doctrine only applies to specific types of work and only when there is a written agreement making it applicable. Thus, the copyrights relating to a development, such as a Web site or a computer program, may belong to the independent developer who developed the Web site or computer program. Under these circumstances, the customer for whom the development was made has the right to use it only for "the purposes contemplated by the parties."

Ownership of Patent Rights

A similar result occurs under patent law with one significant exception: Employees remain the inventors of inventions made in the course of their employment. Nevertheless, a business normally owns its employees' inventions and has a right to have any related patents assigned to it either by operation of law or through an IP agreement as mentioned above.

As with copyrighted works, however, an invention made by a non-employee inventor is owned by that inventor, not the business who is the customer of the inventor. Under these circumstances, the business that commissioned the work only has the right to use the development for "the purposes contemplated by the parties."

Why Copyrights and Patents Matter

The owner of a copyright to a writing or product has the legal right to control "derivative works," that is, any future modification of the writing or original product. Consequently, without a specific agreement that states otherwise, an independent developer may be the only party who can legally modify a Web site or computer program the developer produced. Similarly, the owner of a copyright or a patent has the legal right to control all uses of the development beyond "the purposes contemplated by the parties," a vague legal concept that is open to many interpretations. The owner of a patent or a copyright also can issue licenses to third parties to use the very development, or some variation of the development made for another client.

In conclusion, before hiring an independent developer, it is important to enter into a written agreement regarding intellectual property rights resulting from the work commissioned.

With the need for new technology to compete in the global market, collaborative efforts in developing new technology and the resulting intellectual property rights (IP) raise a number of issues:

- The traditional "work for hire" doctrine and other employee related IP ownership principles do not apply to independent developers of IP.
- An independent developer may retain patent rights and copyrights to the work product commissioned by a business.
- It is important to address the ownership of IP of a development with your developer before commencement of any work.
- Carefully negotiated agreements with independent developers should prevent future disputes regarding ownership and use of IP.

For more information on intellectual property rights, contact Catherine Moodey Doyle at MacDonald Illig Jones & Britton, LLP at 814/870-7662 or cdoyle@mijb.com.