Guest columnist

OLIVIA WHITCROFT

"When you hear someone say, 'We own this technology', what is it that they are claiming to own?"

What does it mean to assign intellectual property to a company as part of a technology project? IP specialist and lawyer Olivia Whitcroft explains all

Let's imagine a common scenario: a company (Alpha Ltd, say) is engaging another company (Beta Ltd) to provide technology services, including development of a bespoke software platform. The parties have agreed that Alpha will own the platform and other outputs of the services. One party approaches me for a "simple intellectual property assignment clause" for the agreement, to sit alongside the description of the services and payment provisions.

It can be tempting, then, to send across something short and snappy: "Beta assigns to Alpha all intellectual property in or relating to the platform and other results of the services."

Does this work? Maybe, but only if it's a very simple project. If we think things through in a bit more detail, there are likely to be complications.

What is intellectual property?

First, what is meant by "intellectual property" (often called IP, and not to be confused with internet protocol)? The term is used to mean legal rights that protect creations of the human mind. Many agreements use a definition that encompasses everything under the sun… and occasionally the wider universe.

The definition will usually start with IP commonly associated with software and technology deliverables: copyright, patents and rights to inventions, and database rights. It's generally sensible to include these. It will also wrap up other core IP and related rights: design rights, domain names, trademarks, right to sue for passing off, trade secrets. Maybe not all obviously relevant, but they'd feel left out if we didn't include them.

Then the definition will move on to those that can be categorised as "since we're listing IP, let's really list IP":

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"IP is used to mean legal rights that protect creations of the human mind"

BELOW Copyright should be clearly assigned in an IP agreement

geographical indications, utility models, rights related to copyright, performers' rights, semiconductor topography rights – woah! But we're not done yet. We still need to mention other potential IP rights under the heading of "we're not sure whether or not this adds anything, but better safe than sorry": other rights anywhere in the world in know-how, software, methodologies, ideas, trading styles, get-up, discoveries, data, confidential information and more.

At the other end of the scale, some agreements don't define IP at all. This leaves some uncertainty as to what the parties intend. In context, it may be given a more limited meaning, but it could also be interpreted as capturing all the rights listed above.

Is all this IP being assigned?

Looking at our snappy assignment clause, Beta is assigning all these rights in or relating to the platform and the results of its services. Assuming it's actually capable of assigning these rights (we'll come on to this), is it clear what is captured? Consider, for example, Beta's business know-how and methodologies that it uses to provide its services, and its trademarks in its own business – are these accidently wrapped up in the assignment? What confidential information and data are being given away, and what does this even mean?

In relation to software code, developers may build on their own existing technology to create a bespoke solution for a customer. If this is the case for Beta, and it assigns to Alpha all copyright in the platform code, this means that it no longer has rights to its own underlying technology. This could be very damaging for Beta's business.

From Alpha's perspective, it may like the wide definition and overarching assignment. But it will also want clarity on what it's actually getting, and may not benefit from an overly wide assignment that just causes disputes down the line.

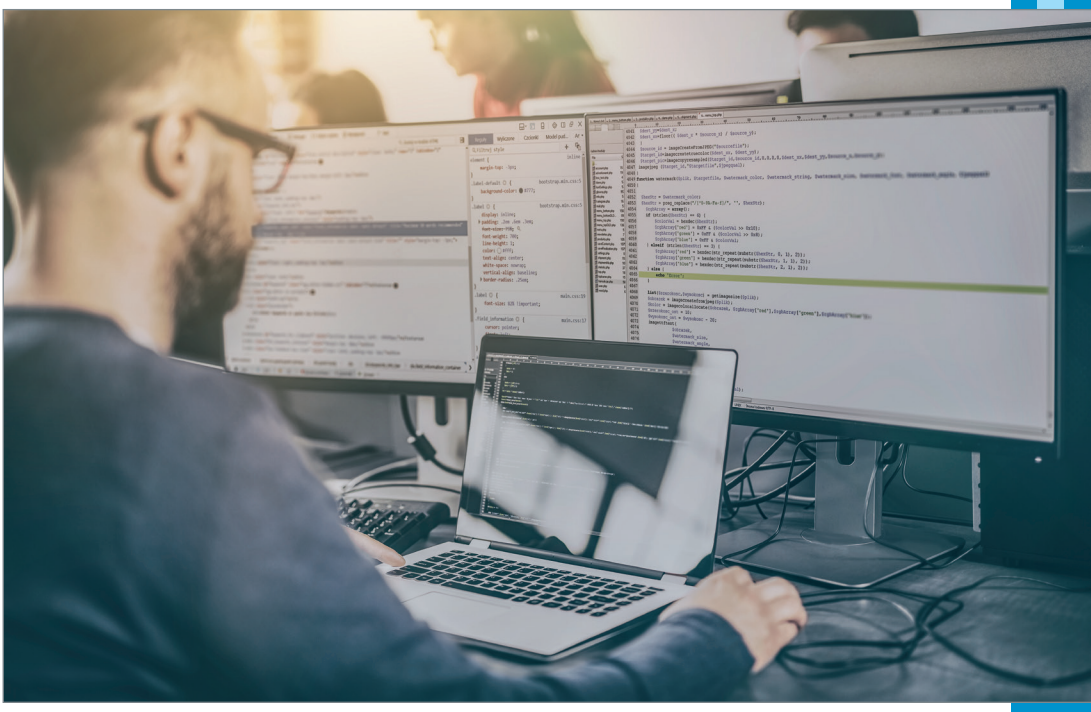
Can it be assigned anyway?

Let's say the parties do intend for Alpha to own all IP in the platform, or a clearly defined set of IP, such as copyright. Is Beta capable of assigning such copyright to Alpha? The assignment relies on Beta already owning such IP, or for developments to be 100% Beta's own original work. Developers often make use of open-source or third-party components, and may involve other parties (such as subcontractors) in their services. In these cases, Beta won't automatically be the owner of all the copyright in the platform, and may be limited in what it can assign.

Beta could solve this by saying it is only assigning IP that it is capable of assigning. But this doesn't give Alpha much confidence in what it's getting, and will impact the potential value of its new platform. Alpha may instead want guarantees from Beta that it is able to assign the relevant rights.

Is an assignment enough?

Alpha will want to ensure that what it gets is useful. If Beta's assignment isn't effective, or doesn't cover all rights to the whole platform, this may not give Alpha what it needs to use and exploit the platform. Alternatives to assignment, such as licences (exclusive, sole or non-exclusive), may need to be considered. If there are registered rights such as trademarks, patents and design rights, additional steps may be needed to record any assignment at the relevant registries.



In addition, not everything to do with software is an "ownership" issue. How about provisions to ensure Alpha actually has access to the code and is able to understand and support it? Should there be controls over how information is used in practice? For example: keeping details of inventions confidential to protect their commercial value or patentability, or ensuring compliance with data protection rules for any personal data.

How do we solve this?

Before putting pen to paper when drafting an IP clause, parties should think about what the services involve, what the platform actually is, and what IP may exist. For example, consider the following.

- **Software code:** As well as new developments (by Beta and its subcontractors), the code may comprise Beta's pre-existing code, open-source and other third-party components. Copyright in each element may need to be addressed separately in the agreement.

- **Inventions:** If there are any novel and inventive elements to the platform and what it does, there could be additional rights as an invention (separate to the specific code used to create it). Maintaining confidentiality will be important, and the parties can consider the potential for a patent application in one or more territories.

- **Designs:** Design elements of the platform may include, for example, the user interface, and visual and aural outputs. These could give rise to copyright, design rights, trademarks and other rights relating to branding.

- **Content:** If the platform will collate data or other content, or if Beta's services include the collection or processing of data, additional rights may arise. These include database rights, and copyright in content. Other commercial and legal issues may need to be addressed, such as protecting business information and data protection compliance. Note that a party could be a controller of personal data (under data protection law) without necessarily owning the intellectual property rights to the relevant database.

- **Other materials and know-how:** The services may involve creating or providing related documents or materials in which additional IP may subsist. In order to provide the services, Beta is also likely to draw on the existing expertise and know-how of its staff and subcontractors.

Once this has been broken down, the parties can work out what they want to do with each different element. Do they really intend for Alpha to own everything? If it isn't feasible to assign to Alpha every element that it wants to use or control, licensing options can be considered. An exclusive licence for the platform as a whole, for example, may achieve required exclusivity of use, without needing to transfer ownership to Alpha.

It may be helpful to spell out specific rights that won't be assigned, such as rights to Beta's underlying code and know-how. Alpha may also be able to obtain its own direct, non-exclusive licences for third-party components.

IP rights can also be carved up even more, such as by jurisdiction, duration or by the exclusive rights they give. For example, Alpha could be assigned copyright in the UK, but Beta may retain copyright in the rest of the world. Or a licence may cover rights to copy the code, but not the right to make adaptations of the code.

Clarity over IP may in turn assist with clarity over the value of the platform to Alpha and, leading on from this, the fees to be paid to Beta.

Related issues can also be addressed in the agreement, such as provisions on recording assignments at relevant registries, access to the code, confidentiality and data protection.

There may be some negotiation on the extent of any warranties; essentially these are promises made by Beta as to what it is providing. For example, Beta could warrant that it has the right to assign or license the relevant IP, and that the platform won't infringe any third-party IP. These types of promises (and related indemnities) should not be given lightly, and the allocation of risks will need careful consideration in the context of the wider commercial deal.

ABOVE Software code can include open-source and third-party components

"A licence may cover rights to copy the code, but not to make adaptations of the code"

So, can we use our snappy assignment clause?

Let's look again at our snappy assignment clause: "Beta assigns to Alpha all intellectual property in or relating to the platform and other results of the services."

Now we have understood what rights we're talking about, we may well decide to come back to this or something similar. A general assignment such as this may be useful to wrap up any IP that may not have been specifically thought of.

However, we are likely to add some clarifications and qualifications: the intended meanings of "intellectual property", "platform" and "results of the services"; any exclusions from or limitations to the assignment; the extent of any promises from Beta that it is capable of giving the assignment. The definition of intellectual property could focus on the most relevant rights, while also including any other rights of a similar nature that may give protection to software and relevant content.

A parting thought: next time you hear someone use the simple phrase, "We own this technology", sit back and have a think – what is it precisely that they are claiming to own?

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