
THE BUSINESS LAWYER

WORK FOR HIRE AGREEMENTS; OBVIOUS BUT OFTEN OVERLOOKED

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Business owners beware!

What would it mean to you and to your company if you discovered that your company does not own the new advertising program, computer software, process, machine, device or chemical formulas it just had developed? How will the quality of your life be affected if your arch competitor suddenly starts using your company's copyrighted materials and patents, given to it by one of your employees or your consultants?

Do not assume that just because you paid for the creation of the copyrighted materials or the invention of the subject matter of the patents, you own them. The law is clear - - without an agreement between the creator of this intellectual property and your company, the creator may very well own the rights to it, leaving your company without any protection.

Under copyright law, your employees and consultants must execute a contract acknowledging that the work you hired them to perform is a work-made-for-hire. Thus, all copyrighted works resulting from these engagements belong to you and you can prevent all others from copying or using them without your authorization.

It is true that an employee acting within the scope of his or her employment is not entitled to any ownership of any intellectual property resulting therefrom. However, a court may disagree

that such an employer/employee relationship exists. Therefore, it is imperative that at the outset of the engagement of an employee, a written agreement be executed whereby such person acknowledges that he or she has no rights to any work created for your company.

What if you do not have such agreements in place with your current employees? Here's what you will have to prove to a judge to gain ownership: that (a) the company exerted tremendous control over the employee's manner and means of creating the work; (b) the company provided significant input and limitations on what the final product would look like; (c) the employee merely transcribed or acted on the company's instructions; (d) the company provided the employee with employee benefits i.e. health and life insurance, a 401K pension fund; (e) the company paid the employee hourly wages and employee's social security, federal and state income taxes; (f) the employee's job description included responsibilities above and beyond the development and production of the particular product; (g) the employee was in fact hired as an employee with specific responsibilities; (h) the employee created the product at the company facilities, during company time and on company equipment; and (i) the employee created the product as part and parcel of his or her obligations and service to the company.

Think you will succeed in court? How much in legal fees will that fight cost? Obviously an agreement executed by your employee presents a more

cost-effective alternative.

U.S. patent laws are even stricter. The company must have an agreement in writing. The company has no right or title to an employee's invention just because the invention is conceived and developed while the inventor is employed by the company. As a matter of fact, no agreement means no rights. Nor can such rights be compelled, even though the employee created the invention by using the company's facilities while on company time.

Thus, err on the side of caution . . . have an agreement in place, and save yourself from future headaches. Failure to do so may result in irreparable harm to both your company and you.