

Who Owns the Intellectual Property Developed by an Independent Contractor?

John C. Martin, Esq.¹

In general, the decision to hire an employee or an independent contractor will depend on several factors, including the type of business, corporate form, and tax structure. Often, employers do not wish to burden themselves with the many obligations that accompany permanent employment, including workers compensation, insurance, and taxes. However, businesses must be aware of the consequences that result when an independent contractor is hired instead. In this article, we discuss one often overlooked factor: whether inventions or discoveries made by an independent contractor will be owned by the employer.

Under the Copyright Act, inventions and discoveries made by an employee belong to the employer if they are made within the scope of employment. In the event of a dispute over ownership of the intellectual property, the case may turn on whether the invention or discovery was made within the scope of one's employment. In general, however, employers are usually in a better position when they define the relationship as employer-employee as far as ownership of intellectual property is concerned.

When the worker is an independent contractor, by contrast, intellectual property created by the contractor or consultant will not automatically be owned by the employer. This is true even if the idea, invention, or expression is made within the scope of the contractor's engagement or on the worksite of the employer. In some cases, independent contractors may gain rights to intellectual property or rights of a co-author.

Employers can solve this problem by defining their relationship with an independent contractor in a written agreement. Often, the most important feature of an independent contractor agreement will be a grant back of intellectual property rights. But the issue will also turn on how the worksite is set up, the hours during which the independent contractor worked, and whether the intellectual property was created within the scope of the contractor's engagement.

Business owners should take this lesson to heart when negotiating with consultants for research and development, creation of software, or other development of proprietary ideas and expressions. A well-defined non-disclosure agreement, as well as a later agreement to grant intellectual property rights should also be considered to solidify the employer's rights.

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¹ John C. Martin is a business and estate planning attorney in Menlo Park, California. His Silicon Valley office provides small businesses, families, and individuals with business legal services throughout California. For more details, visit his website at: <http://www.johncmartinlaw.com>.

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