

Who owns the IP rights? Are you fully Protected

Rasha Al Ardah - Partner - Intellectual Property
r.alardah@tamimi.com - Dubai International Financial Centre

One of the most crucial issues for investors when evaluating a new investment opportunity is the company's intellectual property ownership and security over it, which determine the strength of the intellectual property right. Without strong intellectual property and established protection over the associated rights, few investments would be made into new or growing enterprises.

Who owns the intellectual property is a crucial issue to be considered. From an investor's perspective, an ideal scenario would entail a company's intellectual property having already been vested and registered (where possible) with the appropriate body. Hence, a company that is looking to attract investors must ensure that all intellectual property rights are vested in it. While it may seem easy to achieve there are many issues to be taken into consideration.

There are two types of intellectual property rights; registered and unregistered rights. Registered rights are those rights that must be applied for. The created work should fulfil specific criteria in order to be approved and subsequently benefit from the protection of such rights given to it post-approval (for example, the right to license the work). Examples include patents, designs and trademarks. Unregistered rights, on the other hand, are rights that arise automatically on the creation of the work, without the need for any specific formalities or registration, the most common such right being copyright. Both rights are equally important to any business however, as there is no inherent record of the work, special care should be taken when dealing with unregistered rights (especially when it comes to ownership).

The ownership of intellectual property can be a complex issue, especially when it is created by an employee or by a third party who is not an official employee (for example, if the work is created prior to establishing or when commissioning a third party to create). There is a common misconception that whatever is done during employment is automatically owned by the company however, in reality, this is not always the case. It is not a given that the company owns the intellectual property rights relating to such work, unless there is a clear agreement regarding the transfer of ownership of the IP to the company.

Another issue that adds to the complexity of ownership, is when several people work on one project, some may change roles, change projects or even leave the company altogether. This may create an issue regarding who owns the intellectual property and the level of contribution of each party to the overall work. In such circumstances, again the company will not necessarily have automatic ownership of the right. Proper agreements should be put in place at the earliest stage of the project in order to ensure ownership rests with the company.

The agreements sought are typically known as assignment agreements, and can be entered into between the company and the relevant employees, agents, and/or consultants etc., irrespective of whether the creator is employed by the company or not. The assignment will be in writing and clearly define and describe the exact work and rights being transferred, only then may a company claim it maintains ownership of the intellectual property. In many instances, obtaining an assignment can be challenging, especially if it is required at a later stage (for example, after the product proved successful). When asked to sign an assignment agreement at the request of a company, many employees, former employees or third parties decline to do so. In such cases, negotiations should be entered into and carefully managed in order to secure the assignment of the relevant intellectual property right. In some cases, a company may consider obtaining a licence instead of an assignment. In other instances, negotiations may fail, and a company may need to reconsider its product, the relevant IP and perhaps seek an alternative solution.

It is worth mentioning that, whilst copyright is not required to be registered, it can be recorded with the UAE Copyright Offices to create evidence of ownership. To record the copyright at a UAE Copyright Office, an assignment is usually requested from the authors, especially if the applicant is a company. This only supplements the importance of obtaining an assignment as an important requirement to facilitate the recording copyright but accordingly ensure smoother enforcement of your rights.

Regardless of the situation, it is in the interests of a company (and advisable) to take the question of ownership seriously, actively take steps to ensure that it either owns the IP or obtains a licence for use, and not let anything remain unresolved. The cost of infringing IP rights could be huge if the matter is not resolved during the early stages.

Accordingly, companies should ensure that all employees working on major products for the company have executed clear assignment agreements that have the effect of transferring the IP rights related to such products to the company, and for any agreement established with a third party, to also ensure that the IP right is transferred or licensed. In addition, it is imperative that a company registers all of its registrable intellectual property rights as soon as possible, and selects the correct IP form of protection and registration for the respective works, as registered IP rights attract more robust legal protection than unregistered ones.