



## Intellectual Property Information Sheet

# Employer/Employee/Commissioning Relationships Who Owns the Intellectual Property?

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It has been long established that in an employer/employee relationship, anything invented by an employee as part of the normal duties of employment will belong to the employer. This concept has since been codified under Section 2(1B) of the Registered Designs Act 1949, Section 39 of the Patents Act 1977, Section 4(4) of the Plant Varieties Act 1997 and Section 11 (2) of the Copyright, Designs & Patents Act 1988.

### Normal Duties of Employment

What is within the normal duties of employment is a question of fact.

Some comfort is given where the normal duties of employment are specifically defined in the contract of employment. However, any definition of the employee's normal duties, which is too broad, giving the employer benefit of anything the employee creates, will be considered unenforceable.

Special assignments which relate closely to the employee's normal duties are more likely to be considered as belonging to the employer. In such circumstances, the test is whether the employee was under any duty, whether general or specific, to try to create the invention/work.

As the owner of the intellectual property, the employer retains the benefit of it. However there is one exception, which is provided for under Section 40 of the Patents Act 1977. This allows employees to seek compensation from the employer where that employee's invention/patent has been of substantial benefit to the employer. The amount of compensation should be such an amount so as to secure the employee a fair share of the benefit the employer received or may reasonably be expected to receive from the invention/patent.

Recently, in the case of *Kelly and Chiu v GE Healthcare Limited*, two employees were awarded £1.5 million in compensation under Section 40 of the Patents Act 1977.

### Commissioned Works

Unfortunately, ownership of work created by a non-employee under a commissioning arrangement is not as clear as that created under an employee/employer relationship.

Only the Registered Designs Act 1949 makes specific reference to commissioned works at Section 2(1A), which states that the person paying for the commissioned work will own it.

In all other situations, legislation does not provide specifically for commissioned work. Notwithstanding this, as far as copyright is concerned, the Copyright, Designs & Patents Act 1988 states that any transfer of ownership of copyright must be in writing. Therefore unless the commissioning party obtains a written assignment in respect of the copyright work created by the commissioned party, it will not own the copyright. It is easy to identify the issues that this may cause e.g. where a company has hired a web designer to create a web page, it is important for that company to own the intellectual property rights attached to the website to enable it to maintain, upgrade and adapt the website as the company sees fit.

Accordingly, where work is commissioned, whether it is for the design of a website, software or a new breed of flower, it is highly recommend to enter into an agreement between the person commissioning the work (and most likely paying for it) and the person creating the work, which provides for an automatic transfer of ownership in the intellectual property rights.

