Who Owns What? Employer and Employee Ownership of Intellectual Property in Canada

One of the hottest topics in intellectual property ownership is the question of who owns inventions or copyright in works developed by artificial intelligence. However, the vast majority of intellectual property owned by a business is developed by employees in the course of their employment. Surprisingly, many companies (especially in the start-up context) do not have a grasp on intellectual property developed by employees. This article breaks down the various ownership situations for intellectual property created by employees in Canada.

Copyright

While copyright is often perceived as being limited to "artistic" works, such as music and paintings, copyright protection extends to a much broader scope of works which are extremely valuable for businesses, including logos, manuals, software source code, the content of websites, and many other types of work.

The general rule is that the author is the first owner of the copyright in their work. The author of a work is not defined in the *Copyright Act* but is generally the person who creates the work, for example by writing, drawing, or composing it. The author is the person who expresses the work in an original form by exercising the skill, labour, and judgment which results in the expression of the work in material form.

There is no provision in Canadian copyright law that corresponds to the "work made for hire" doctrine in United States law. Therefore, unless an author of a work makes an assignment in writing of the copyright in the work to the person who commissions that work, the author owns copyright in the work. This general rule is subject to certain exceptions, including in the case of works made in the course of employment.

Specifically, subsection 13(3) of the *Copyright Act* provides that, where the author of a work is employed, and the work is made in the course of employment, the employer is the first owner of the copyright, in the absence of any agreement to the contrary. For the rule on employment to apply: (i) the author of the work must be in the employment of another person; (ii) the work must be made by the author in the course of employment; and (iii) there must be no agreement to the contrary. For there to be

an employment relationship, there must be a “contract of service or apprenticeship” and not a “contract for services”.

Accordingly, any work created by an employee will generally be owned by the employer.

However, copyright ownership has its limits. Specifically, subsection 13(3) of the *Copyright Act* does not address an author’s moral rights. Moral rights are granted exclusively to the author and include the author’s right to maintain the integrity of the work and the right to be cited as its author. Importantly, moral rights cannot be assigned, even if the employer is to be the owner of the copyright. Accordingly, it is important that any employment agreement provide for a waiver of the employee’s moral rights.

Trademarks

The *Trademarks Act* does not contain any employment-specific provisions regarding the ownership of a trademark. Traditionally, trademark ownership was dependent on who uses the trademark, rather than the person who creates or designs it. However, now that Canada has adopted a system which does not require use to secure a trademark registration, an employee who, for example, develops the name of a product, could seek to file an application for its registration. It is unlikely that the employee would withstand a legal challenge to its rights in the application. For example, the employer could allege bad faith on the part of the employee or a lack of intention to actually use the trademark. Further, in the case of a design trademark, the employer could assert owner of copyright in the design (assuming it was created in the course of employment).

More typically, the ownership issue arises between the employer and any third-party marketing consultant, graphic designer or other contractor retained to develop the brand and related visuals. If the trademark includes an artistic or other work, a written assignment is needed from the outside creator

Patents

The *Patent Act* does not include specific provisions addressing the ownership of rights in inventions made during the course of employment. Generally, it is presumed that the employee will have ownership of his or her invention and any resulting patent for discoveries made during the course of employment. This presumption holds true even where the employee’s invention is useful for the employer’s business, the employee made use of the employer’s time, co-employees, and material, and the employee allowed the employer to use the invention.

There are two main exceptions to this presumption: (i) where there is an express agreement to the contrary (unlike in the copyright context, such an agreement need not be in writing); and (ii) the employee was hired for the express purpose of inventing or innovating. In both these cases, ownership rests with the employer.

The Federal Court of Canada has outlined a list of eight factors that a court should consider in deciding whether an employee was hired to invent. These factors are whether:

1. the employee was hired for the express purpose of inventing;
2. the employee had, at the time of hiring, previously made inventions;
3. the employee was part of an incentive plan encouraging product development;
4. the employee’s conduct once the invention was created suggested ownership was held by the employer;
5. the invention was the product of a problem the employee was instructed to solve;

6. the invention arose following the employee's consultation through normal company channels (i.e., was assistance sought from others in the company?);
7. the employee was dealing with highly confidential information or confidential work; and
8. it was a term of the employee's employment that they could not use the ideas that they developed to their own advantage.

Not all eight factors must be present for a finding that the employee was hired to invent, nor is any one factor more important than another. Since the enquiry is fact specific, employers should ensure that all employees who are in positions where they may invent enter into written employment agreements that specifically provide that all inventions are owned and assigned to the employer.

Industrial Designs

Much like the *Copyright Act*, subsection 12(1) of the *Industrial Design Act* provides that the first owner of a design is its author, unless the author has executed the design for another person for a good and valuable consideration, in which case the other person is the first proprietor. It should be noted that unlike the *Copyright Act*, the *Industrial Design Act* does not specifically require an employment relationship for this exception to apply.

Jurisprudence suggests that an employee's salary will qualify as good and valuable consideration such that industrial designs developed in the course of employment will be owned by the employer. It remains unclear whether the creation of industrial designs needs to be part of the employee's duties for this rule to apply (i.e., whether the salary has to be linked to the creation of the design for it to qualify as good and valuable consideration). Although the provision applies equally to employees and contractors, an employer is best served by ensuring it has a written agreement with such individuals that industrial designs developed by an individual are owned by the employer.

Conclusion

The rules regarding ownership of intellectual property developed by employees vary depending on the type of intellectual property right involved. Further, in some cases, the tests involved to determine ownership are fact specific and could lead to disputes about ownership. Accordingly, it is in the best interests of a business to have written agreements with employees or others hired to invent or create which address ownership of any intellectual property rights.

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