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# You Can Negotiate Intellectual Property Rights

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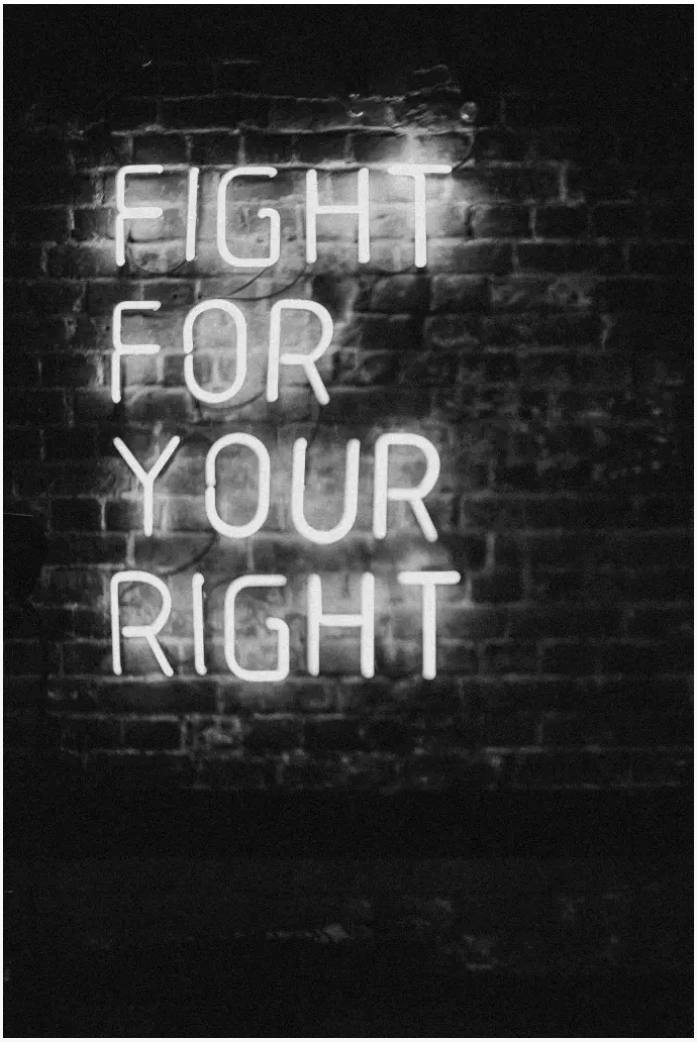
creatives, intellectual property, IP rights, protect yourself, work-for-hire

Did you know that you can negotiate intellectual property rights with your clients or contractors? Many people assume intellectual property, or IP, rights are binary — either one party holds them or the other does. They may feel backed up against a wall when they read a contract with provisions about work-for-hire, exclusivity, "perpetual throughout the universe in any and all media, whether now known or hereafter devised," yada-yada-yada.

They don't want to sign over so many rights, but they think it's either sign on the line or lose the opportunity.

In fact, there's a world of middle ground between any two extremes in an IP agreement. Very few things are truly non-negotiable — it's really only a matter of what you're willing to give up at what price.

This means you should feel free to negotiate IP rights and come to terms that both parties find acceptable.




# A Couple IP Concepts

In order to explain this, let's start with a few basic concepts.

For the most part, IP rights clauses concern a creator of a work and a client who is paying for or in some way compensating the creator for that work. Simple enough, right? Well, let's look at what that actually means.

## What Does "Owning" IP Rights Actually Mean?

In the first place, IP rights are what we call **nonmonetary provisions**, meaning they concern matters other than compensation as such. Of course, holding some rights may empower you to make money off of something, but the right itself is considered nonmonetary.

In general, the person who created a particular work is considered the "author" and also owns all of the rights to the work at the outset. (For the exception, see "work-for-hire"

below.) While ownership of the rights to the work can change an infinite number of times, the author will always remain the same. (This distinction can lead to certain consequences with respect to "moral rights" as well as potential termination of copyright transfers, but we won't delve into either of these topics within this post.)

What's most important to keep in mind when negotiating IP-related contracts, however, is that any owner of copyrights in the work, regardless of the proportion of ownership, can grant a ***nonexclusive*** license in the work without seeking permission from any other owners of the work. The only obligation that the licensor would have to the other co-owners is to account for any profits derived from the nonexclusive license.

One of the few cardinal rules of copyright ownership is that ***exclusive*** rights can only be transferred through a written agreement signed by all owners. On the other hand, the fact that some third party may have a nonexclusive license may make it impossible to grant anyone else exclusive rights in a work without any strings attached.

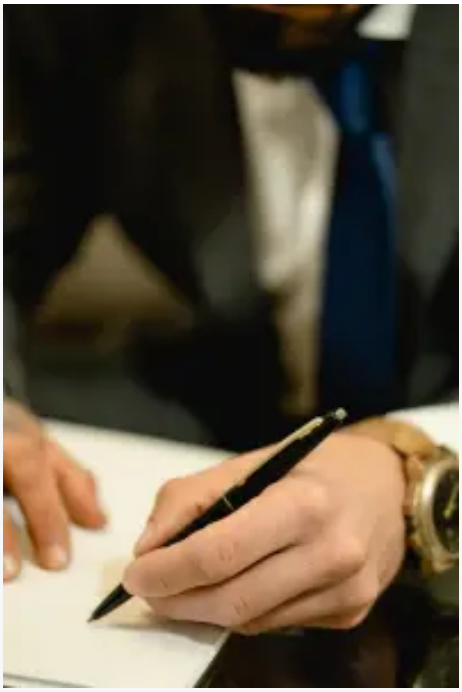
These default rules about what owners can do can be altered through a written agreement to the contrary. So, if there *are* multiple owners of rights to a work, before even considering transferring rights to any third parties, the co-owners should seriously consider contracting with *each other* about how their copyrights are going to be managed. Who is prohibited from doing what without permission, and at the same time, which of the owners can make unilateral decisions about disposition of the IP? And who gets how much money and what kind of credit?

## All Rights Reserved

When you enter into a creator-client relationship, we can think of the either/or options as two extremes. At the extreme end of creator's rights is what we can call "**all rights reserved**." You will often see this in published books, claimed either by the author or the publisher. It means no one may reproduce or use the work in any way (except for fair use, which is a whole other thing). It's also a reminder that you don't acquire the rights to a CD or book by purchasing it at a store.

Fun fact: This clause is usually redundant when attached to the work itself, since the copyright holder automatically holds all rights. You really only need to specify when you *don't* claim all rights. But it looks very official (there are lawyers lurking!) and should make someone pause before casually using or reproducing the work without permission.

When it comes to contracts, however, most of them will include a provision that says something like: "All rights that are not explicitly granted in this Agreement are expressly reserved." Even here, it's usually a catch-all on top of an agreement that includes some rights granted to the client.



## Work-for-Hire

At the extreme of client's rights is **work-for-hire**, also called "work-made-for-hire." If you're a creator under such an arrangement, then you basically have no rights regarding the work you produce for your client once the client fulfills their end of the bargain. This may be the case if you're employed by a studio, production company, or marketing agency or in many contracting agreements. Legally speaking, the client is the author or creator of the work.

(Work-for-hire gets more complicated. For instance, your client could actually attribute the work to you, and yet you would not legally hold any rights. And not all contractor work counts as work-for-hire. You can geek out on this **here** and **here** if you like; we hope to write more on the subject soon.)

EDIT: We *did* write more on the subject! Check it out **here**.

# IP Rights You Can Negotiate

Between owning all the rights and owning none of the rights is the playground of intellectual property rights negotiation.

Maybe that doesn't get you as excited as it does us, but we think it's good news for you. In brief, it means that as long as you and the other party agree *in writing*, you can modify and share IP rights in almost any way you can imagine.

Rather than thinking about just "ownership," we encourage you to think about the following elements: **control**, **compensation**, and **credit**. Owners of IP start out with all those in hand, but then any of them can be transferred in varying degrees through your contract. Just because you get paid and receive credit for your work doesn't necessarily mean that you can control how it's used — or that you can't have any control at all. Again, these things aren't binary.

For instance, you might, as a creator, cede your rights to reproduction of a work but retain the right to be credited as the author. Or, more commonly, you might retain the right to include the work in a portfolio for the purposes of marketing your services.

Say you're a videographer who does work on contract for marketing agencies and private clients. Your client will understandably expect to own the video you produce and to put their own name on it as the author. However, you will probably want to specify in your agreement that you retain the right to include some portion of the video in a sample reel or perhaps a link to the entire video on your site. You may offer, or the client may request, to allow a certain period of time to elapse before you do so.

This middle ground explains why you see so many people credited at the end of a film nowadays. While most people involved in the production will be employees of some production company, their contracts have provisions that obligate the company to credit them. By contrast, a lot of content you find on the web was created by a marketing company or content creator but not credited to them.

The important thing is to make it all plain, in writing, in your agreement.

## What Kind of Rights Do I Actually Need?

Another hard-and-set rule is that you can only transfer rights that you actually possess. Seems obvious, we know, but a contract is just words if it doesn't reflect reality. If the parties aren't careful, then unpleasant surprises with the chain of title await.

It's rare that transfers of IP rights involve only two parties or a single deal. Usually, one IP deal is part of a bigger picture. For example, a film producer acquires a variety of rights over the course of creating a film, and all of these rights are acquired for the purpose of ultimately distributing the film. To do so, the producer will need to contract with a distributor. That means that all of the prior agreements with all of the various contributors to a film must account for that future agreement with the distributor. What kind of rights will the distributor want? A producer won't be able to transfer any rights to the distributor if the producer didn't secure those rights in the first place.

A similar situation regularly arises within marketing when an end-client hires an advertising agency. To help accomplish the client's goals, the agency hires a bunch of other contributors, many of whom are freelancers (read: independent contractors). The agency, in

effect, is a middleman in reselling the freelancers' services, but it can only resell what it actually owns itself. So when it's negotiating contracts with freelancers, the agency wants to secure as many rights as possible so that it has the flexibility to use the freelancers' contributions within the final work product. From a freelancer's perspective, the agency is the "client" in the contract negotiation. The freelancer needs to consider what he wants from the deal, but he also always needs to keep in mind what the agency will need for accomplishing the end-client's purposes.

## How to Negotiate Intellectual Property Rights: Creators

Rather than deciding you must always retain such-and-such rights, we find it's helpful to think in terms of "at what price can the client get those rights?"

For instance, if you are a graphic designer, you might have two tiers of service. At the first tier, you allow the client to use your work for certain purposes but you retain ownership of it. This is akin to a licensing deal. At the second tier (which is priced higher), you're producing work-for-hire, so the client pays more and in turn acquires more rights to the work.

You may find some clients who balk at the tiered menu model, assuming they should get all rights. But, when the rubber hits the road, and the client has to consider the extra cost of acquiring full rights, they will soon enough decide what's important to them and what they're willing to pay for.

This tiered system has the advantage, for some creators, of either giving them more control over the work on the one hand or commanding higher fees on the other.

To be clear: It's not about "selling out." It's about finding agreement between the value you're creating and the compensation you receive for it in terms of both money and exposure. If you're an artist, you'll probably retain more rights than a graphic designer, and that's okay. You're doing different things.

Some creators find it difficult to imagine holding no rights over their work. That's fine if that's the kind of work you want to do. If, however, you're offering your creative talents as a service, you have to find that tipping point or points where the fee you can charge is worth ceding the rights — and covering your expenses for the month.

## How to Negotiate Intellectual Property Rights: Clients

If you're hiring a creator to produce a work for you, you should know how you intend to use it and what rights you will therefore require. Generally, marketing materials will fall under work for hire, and the contractor will only claim the right to use the work in a portfolio for the purpose of attracting new clients.

It's when you want to use creative works such as photographs or paintings or songs as part of your marketing or branding that you'll have to negotiate more.

As a negotiation strategy, you might ask for full rights and see what the creator asks. This gives you a ceiling on what their services will cost.

From there, you can discuss the cost of more limited rights arrangements, but the only way to go from that first number is down.

## Closing Thoughts on Negotiating Non-Monetary Provisions

Whether you're hiring or creating, you'll need to know your "walkaways." That is, what terms are simply nonnegotiable for you such that you would rather walk away than alter that part of the contract.

When, in negotiation, the other party asks for changes to the contract, get beyond the *what* to the *why*. Why do they want those changes? Are their requests driven by something reasonable, or does it feel like their attorneys are just trying to justify their jobs by "overlawyering?" Rather than just saying "no way," you should ask the other side to explain their concerns. You may decide that you're happy to meet in the middle — under the right terms.

Very few contract points are truly zero-sum.

Long story short, do not be afraid to negotiate intellectual property rights (and other non-monetary provisions, such as *noncompetition*, *nonsolicitation*, *confidentiality*, etc.) as part of your agreement with a creator or client. Need help deciding what rights to ask for or claim on a contract? **Contact us** and we can walk you through it.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