

# IP requirements in contract drafting

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# IP requirements

- Nature of IP rights in contractual context
- IP commercialisation – sale versus licence
- IP commercialisation – licence terms
- Background IP, Project IP, IP stacking
- Ownership and non-infringement warranties
- Dealing with moral rights
- Dealing with joint ownership

# IP rights as personal property

- intellectual property is property (!)
  - *Copyright Act 1968* (Cth) s196(1)  
“copyright is personal property”
  - *Patents Act 1990* (Cth) s13(2)  
“the [patent owners’] exclusive rights are personal property”
  - *Trade Marks Act 1995* (Cth) s21(1)  
“a registered trade mark is personal property”
  - *Designs Act 2003* (Cth) s10(2)  
“the [design owners’] exclusive rights ... are personal property”

# Assignments: inconsistency

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- legislation is inconsistent across IP types:
  - need for writing
  - need for signature
  - whether one or both parties' signatures required

# Assignments – specific requirements

- *Copyright Act* s196(3): “an assignment of copyright ... does not have effect unless it is in writing signed by or on behalf of the assignor”
- *Patents Act* s14(1): “an assignment of a patent must be in writing signed by or on behalf of the assignor and assignee”
- *Trade Marks Act* s6: “assignment ... means an assignment by act of the parties concerned”; s106: “assignment ... may be with or without the goodwill of the business concerned ...”
- *Designs Act* s11: “The registered owner ... may assign [their] interest in the design by writing. An assignment ... must be signed by, or on behalf of, the assignor and the assignee”

# Assignments – formalities

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- assignments of IP rights should always be
  - in writing
  - signed by both assignor and assignee
- covers all legislative requirements

# Qualities of IP impacting commerciality

- intangible: require careful identification and articulation
- distinct from material expression
- difficult to verify ownership and providence
- vulnerable to extinguishment
- exploitation can expose to liability
- notoriously difficult to value

# Example

- Unintended consequence of separation of IP and tangible materials
- *Re Dickens* [1935] Ch 267
  - left unpublished manuscript to sister-in-law
  - left residuary estate to children
  - sister-in-law later tried to publish the manuscript
  - held: copyright in manuscript had passed to children with estate, sister-in-law only had title in the physical copy



# Grouping IP for convenience

- “ ‘**Intellectual Property**’ includes copyright, patent rights, trade mark rights, ...etc, etc.’
- OK?
- Yes, but caution where rights differ

## ...where rights differ

- *Copyright Act* ss36-39, 101-103:  
reproduce, publish, perform, communicate, adapt, ...
- *Patents Act* s13: make, hire, sell, use, import, ...
- *Trade Marks Act* s20, 120:  
use in relation to similar goods/services.
- *Designs Act* s11: make, import, sell, hire, use in trade

# Commercialisation – sale v licence

- irrevocable & permanent v limited, temporary
- once-and-for-all payment v revenue stream
- pricing risk v risk sharing
- certainty v flexibility
- go-alone v ongoing involvement
- spin-off/sale v ongoing relationship

# Example: hybrid model

- Successful research IP commercialisation model
  - start-up requires access to university research IP
  - licence during start-up (protects IP, defers capital cost)
  - liquidity event (IPO, trade sale)
  - start-up can call for assignment

# Commercialisation – licence scope

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- exclusivity
- term
- territory
- field
- internal/external

# Commercialisation – royalties

- typically a proportion of net revenue
- define “net revenue” (inclusions, exclusions)
- rate notoriously difficult to settle
- sub-licence revenue attracts higher rate
- verification and audit
- conventional terms around reporting and payment

# Commercialisation – performance management

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- no performance terms
  - reasonable/best endeavours to commercialise
  - targets (with associated remedy)
  - minimum sales or royalty payments
  - approach / rates may change during term of licence
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# Commercialisation – other terms

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- sub-licence, assign
- development milestones
- confidentiality(!)



# Background IP, Project IP, stacking

- IP developed/created for purpose of transaction vs IP needed to fully exploit Project IP
- exposes broader issue of IP stacking
- examples: biotech, software development
- risks if not managed:
  - client may not obtain all expected IP
  - client may not obtain expected exclusivity
  - developer/owner may assign same IP to different clients

# Background/foreground questions

- is background IP being used?
- is all background IP owned by developer?
- which party will own project IP?
- what are licence terms for background IP?  
can background IP follow project IP in assignments,  
commercialisation of project IP

# Ownership and non-infringement w'tys

- conventional in assignment, some licences
- arises due to risk allocation: practically impossible to undertake comprehensive freedom-to-operate search
- warranty variations:
  - best of knowledge
  - limited recourse
  - limited scope, eg, US rights only

# Moral rights

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- non-commercial individual rights  
may impact transactions
- assignor / licensor / developer warrants  
compliance / consents
- consent is more complex for non-employees

# Joint ownership

- arises from joint development, agreement
- resolution to deadlock on ownership negotiation
- different regimes allow different rights for joint owners
  - copyright: must obtain all JO's consent
  - patent: may exploit, must obtain JO's consent to assign, licence
  - trade mark: must obtain all JO's consent

# Joint ownership

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- deal with the following in drafting
  - proportions
  - independence of exploitation
  - independence of licensing
  - independence of assignment

# Thank you

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