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Office of General Counsel

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# Intellectual Property Ownership and Licenses in Contracts

MINNESOTA STATE

# Four Types of Intellectual Property

- Patents (inventions, discoveries, plants)
- Trade Secrets (non-public formulas, processes, etc.)
- Copyrights (novels, paintings, photographs, movies, songs, presentations, etc.)
- Trademarks (distinct names, logos, symbols, non-functional packaging)

In most Minnesota State contracts, the intellectual property (IP) at issue will be copyright (more rarely, trademark or patent rights are implicated). Because of this, we will only be discussing copyright.



# Copyright: An Overview



# Copyright

## What is a copyright?

- The exclusive legal right to publish, print, perform, sing, record, literary, artistic, or musical material
- Includes the right to authorize others to do the same

## Protects only the fixed expression of original ideas

- “Captured in a sufficiently permanent medium such that the work can be perceived, reproduced, or communicated for more than a short time.”

## Goals of Copyright Law

- Balance the interests of creators with that of the public
- Encourages the sharing and access of work by creating limited exclusive rights

## Federal Copyright Act

- Copyright automatically exists upon creation of work, but registration provides additional benefits

# What Type of Works Are Eligible?

- Literary works (words, numbers, or other symbols regardless of the media, includes computer programs)
- Musical works (and accompanying lyrics)
- Dramatic works (and accompanying music)
- Choreographic works
- Pictorial, graphic and sculptural works (includes maps)
- Audiovisual works (motion pictures and television)
- Sound recordings (whether musical, spoken or other sounds)
- Architectural works
- Compilations (assembling select preexisting materials in a way that the resulting work as a whole is an original work of authorship)

# What Type of Works Are Not Eligible?

- Ideas, procedures, methods, systems, processes, principles or discoveries
- Titles, personal or business names, short phrases, slogans, domain names
- Mere listing of ingredients or contents or simple set of directions
- Works not fixed in a tangible form (improvisation or other live events not recorded)
- Typeface, fonts, layout or design
- Blank forms (scorecards, graph paper, diaries, calendars, rulers)
- Familiar symbols (punctuation, common patterns, peace sign and gender signs, hazard symbols, religious symbols)
- Duplications of public domain works
- Federal government works

# Who Owns The Copyright?

- The author who created the work.
- Two authors are joint owners with an indivisible interest in the whole if they:
  - Created a single work with the intent to merge their contributions into inseparable or interdependent parts of a unitary whole (versus a collective work, where each author's contribution is separate and distinct from the ownership in the collective work as a whole)
- A third party upon assignment.
  - If using a contractor and the work will not fall into one of the enumerated categories eligible for “work for hire”, must get an assignment (e.g., website design, photography, custom software) to ensure ownership.
- The employer if the work is a “work made for hire.”

# Works Made for Hire

- If a work is “made for hire” the employer is typically considered the author, even if an employee or contractor actually created the work.
- If an employee, it must be made as part of employee’s regular duties.
  - Software created by staff programmer
  - Magazine article created by a staff journalist (not freelance)
  - All work of Minnesota State administrators and staff (not faculty)
- If a commissioned work by a contractor, it must be specified in the contract as a “work made for hire” and fall into one of nine eligible categories (collective work, audiovisual work, a compilation, instructional text, etc.)
  - Many things we contract for will not be a “work made for hire” under the FCA, so an “assignment” clause is necessary in the contract



# What's Included in a Copyright?

- A bundle of rights:
  - Reproduction
  - Derivative works
  - First distribution by sale or other transfer
  - Public performance
  - Public display
  - Action for infringement

# Intellectual Property and Contracts



# Why Does IP Matter in Contracts?

- In most Minnesota State contracts, the IP at issue will be copyright (more rarely, trademark or patent rights are implicated).
- Copyright protects the expression of original ideas and applies to any creative work fixed in a tangible medium – photographs, books, articles, artwork, plays, music recordings, etc.
- Copyright controls who can use material going forward.

# Why Does IP Matter in Contracts?

- Copyright does not require registration; in most cases the rights automatically belong to the author or creator.
- Because copyright automatically belongs to the author or creator (and the work-for-hire doctrine only applies in limited circumstances), if Minnesota State wants to own or use materials produced under a PT or other contract, we need clear contractual language that says we have that right.
- If you use copyrighted materials of another, you must have permission, or else you may be subject to an action for infringement with large statutory damages.

# How is Copyright Ownership Transferred?

- Any or all of a copyright owner's bundle of rights can be transferred to another person.
- Transfer of copyright ownership is called an 'assignment.'
- Formal permission without transfer is called a 'license.'
- Copyright assignments and licenses are legal agreements that need to be in writing. Oral permission is not enough, which is why we have included a written clause in our contract template.

# Copyright License vs. Assignment

- In an assignment, the creator sells her ownership rights (in whole or in part) and no longer has control over how the buyer uses the work
  - Assignment can be partial (e.g., assigning the movie rights to one party and the tv rights to another)
- In a license, the creator maintains her ownership rights, but gives permission for the buyer to exercise some of the creator's rights
  - Licenses may also be partial grants of rights

# What Does a License Do?

- A copyright license is a formal document or contract clause that spells out which rights are being granted, the extent the materials can be used, and the length of time the materials can be used.
- A copyright license may grant all or part of the copyright bundle of rights:
  - Reproduction
  - Distribution
  - Making Derivative Works
  - Public Performance
  - Public Display
  - Digital transmission

# Copyright License Types

Copyright licenses can be:

- Exclusive or Not-Exclusive – if the contractor is granting Minnesota State a license, can they also grant a license to other colleges and universities?
- Royalty Free or Rights Managed – Do you owe the contractor money for each additional use of the materials (royalties) or is the fee for the development of the materials the only fee?
- Transferable or Non-Transferable – Can you transfer the license to another party?
- Sublicensable or non-sublicensable – Can you grant another party all or part of your rights?
- Worldwide or geographically limited – Does the license give you worldwide rights? Or only rights in Minnesota or the US?
- Perpetual or time limited – Does the license expire?
- Revocable or irrevocable – Can the creator terminate the license in the future?





# Performance License Example

- A common copyright license may allow a College to publicly perform a well-known musical as part of the theater program, but it may not allow you to record the musical and sell copies of it.
- It may limit the performance geographically (only in the US or only in Minnesota).
- The license only grants some of the bundle of rights to the College.

# Example License Language Found in a Contract

*The CONTRACTOR hereby grants the Minnesota State a non-exclusive, perpetual, irrevocable, worldwide, fully paid, royalty-free license to reproduce, modify, distribute, publicly display, and use the MATERIALS for internal non-profit educational purposes consistent with this agreement.*

- This license does not allow Minnesota State to use the materials for any external or commercial purpose.



# Intellectual Property in Marketplace

Marketplace provides three options for IP ownership

- 1) Institution will own the IP created by the Contractor (Standard)
- 2) Contractor owns all IP but grants a license to Minnesota State
- 3) Contractor owns all IP

The screenshot shows a portion of a contract form. On the left, there is a vertical navigation bar with several items, each preceded by a green checkmark icon. The items are: 'Is this contract with another state agency (inter-agency)? \*', 'Ownership of Intellectual Property \*', 'Total Contract Value Range \*', and 'Is this contract with a law firm/lawyer, public accountant/audit firm, or for banking services? \*'. The 'Ownership of Intellectual Property \*' item is currently selected, and its dropdown menu is open. The dropdown menu has a blue header bar and contains three options: 'Institution will own the IP created by the contractor (standard)', 'Contractor will own the IP, Institution desires permission to use after expiration of the contract', and 'Contractor will own the IP, Institution declines permission to use after expiration of the contract'. Above the dropdown menu, there are two radio buttons: 'Yes' (unselected) and 'No' (selected).

# Changing IP Language in Marketplace

- Once you've drafted a contract in Marketplace and answered the above question, if you need to change the language, you need to go back into the questions in Marketplace and change your answer.
- The system will re-generate a new clause based on your answer.

# Which Option Do I Choose?

- What have you negotiated?
  - The parties to a contract may have different desires for who owns the IP resulting from a contract.
- When Minnesota State is paying someone to create something for us, usually we want to own the materials or at a minimum, be able to use the material going forward.
- However, a contractor may not want to give up their IP because they may want to be able to use it later or sell it to others.

# Option 1:

## 13. OWNERSHIP OF MATERIALS AND INTELLECTUAL PROPERTY RIGHTS.

a. MINNESOTA STATE shall own all rights, title and interest in all of the materials conceived or created by the CONTRACTOR, or its employees or subcontractors, either individually or jointly with others and which arise out of the performance of this contract, created and paid for under this contract, including any inventions, reports, studies, designs, drawings, specifications, notes, documents, software and documentation, computer based training modules, electronically, magnetically or digitally recorded material, and other work in whatever form (hereinafter MATERIALS). The CONTRACTOR hereby assigns to MINNESOTA STATE all rights, title and interest to the MATERIALS. The CONTRACTOR shall, upon request of MINNESOTA STATE, execute all papers and perform all other acts necessary to assist MINNESOTA STATE to obtain and register copyrights, patents or other forms of protection provided by law for the MATERIALS. The MATERIALS created under this contract by the CONTRACTOR, its employees or subcontractors, individually or jointly with others, shall be considered “works made for hire” as defined by the United States Copyright Act. All of the MATERIALS, whether in paper, electronic, or other form, shall be remitted to Minnesota State by the CONTRACTOR, its employees and any subcontractors, and the CONTRACTOR shall not copy, reproduce, allow or cause to have the MATERIALS copied, reproduced or used for any purpose other than performance of the CONTRACTOR’S obligations under this contract without the prior written consent of MINNESOTA STATE’S authorized representative.

b. The CONTRACTOR represents and warrants that MATERIALS produced or used under this contract do not and will not infringe upon any intellectual property rights of another, including, but not limited to, patents, copyrights, trade secrets, trade names, and service marks and names. The CONTRACTOR shall indemnify and defend, to the extent permitted by the Attorney General, MINNESOTA STATE at the CONTRACTOR’S expense from any action or claim brought against MINNESOTA STATE to the extent that it is based on a claim that all or part of the MATERIALS infringe upon the intellectual property rights of another. The CONTRACTOR shall be responsible for payment of any and all such claims, demands, obligations, liabilities, costs and damages, including, but not limited to, reasonable attorney fees arising out of this contract, amendments and supplements thereto, which are attributable to such claims or actions. If such a claim or action arises, or in the CONTRACTOR’S or MINNESOTA STATE’S opinion is likely to arise, the CONTRACTOR shall, at MINNESOTA STATE’S discretion, either procure for MINNESOTA STATE the right or license to continue using the MATERIALS at issue or replace or modify the allegedly infringing MATERIALS. This remedy shall be in addition to and shall not be exclusive to other remedies provided by law.

# Option 1: Minnesota State Owns All IP (Standard)

- Minnesota State will own whatever the Contractor creates during the contract and can use it in any way we like. The Contractor will have no further rights to the material.
- In special cases, if we expect the Contractor will be building on work he or she did before the contract started, we may carve out “pre-existing IP” and be clear they get to keep that. Contact legal counsel to assist with this special condition.
- If in doubt, choose this option.

# Option 2

## 13. OWNERSHIP OF MATERIALS AND INTELLECTUAL PROPERTY RIGHTS.

a. CONTRACTOR shall own all rights, title and interest in the materials conceived or created by the CONTRACTOR, or its employees or subcontractors, either individually or jointly with others and which arise out of the performance of this contract, created and paid for under this contract, including any inventions, reports, studies, designs, drawings, specifications, notes, documents, software and documentation, computer based training modules, electronically, magnetically or digitally recorded material, and other work in whatever form (hereinafter MATERIALS). The CONTRACTOR hereby grants MINNESOTA STATE a non-exclusive, perpetual, irrevocable, worldwide, fully paid, royalty-free license to reproduce, modify, distribute, publicly display, and use the MATERIALS for internal non-profit educational purposes consistent with this agreement.

b. The CONTRACTOR represents and warrants that MATERIALS produced or used under this contract do not and will not infringe upon any intellectual property rights of another, including, but not limited to, patents, copyrights, trade secrets, trade names, and service marks and names. The CONTRACTOR shall indemnify and defend, to the extent permitted by the Attorney General, MINNESOTA STATE at the CONTRACTOR'S expense from any action or claim brought against MINNESOTA STATE to the extent that it is based on a claim that all or part of the MATERIALS infringe upon the intellectual property rights of another. The CONTRACTOR shall be responsible for payment of any and all such claims, demands, obligations, liabilities, costs and damages, including, but not limited to, reasonable attorney fees arising out of this contract, amendments and supplements thereto, which are attributable to such claims or actions. If such a claim or action arises, or in the CONTRACTOR'S or MINNESOTA STATE'S opinion is likely to arise, the CONTRACTOR shall, at MINNESOTA STATE'S discretion, either procure for MINNESOTA STATE the right or license to continue using the MATERIALS at issue or replace or modify the allegedly infringing MATERIALS. This remedy shall be in addition to and shall not be exclusive to other remedies provided by law.



# Option 2: Contractor Owns All IP but Grants a License

- This means that the Contractor owns whatever they create, but Minnesota State is granted a narrow license to keep a copy of the materials and use them for limited educational purposes.
- If Minnesota State needs to be able to use the material for non-educational purposes (e.g., for marketing purposes), you'll need custom license language in the contract.
  - Please contact legal counsel to assist with this.

# Option 3

## 13. OWNERSHIP OF MATERIALS AND INTELLECTUAL PROPERTY RIGHTS.

a. CONTRACTOR shall own all rights, title and interest in the materials conceived or created by the CONTRACTOR, or its employees or subcontractors, either individually or jointly with others and which arise out of the performance of this contract, created and paid for under this contract, including any inventions, reports, studies, designs, drawings, specifications, notes, documents, software and documentation, computer based training modules, electronically, magnetically or digitally recorded material, and other work in whatever form (hereinafter MATERIALS).

b. The CONTRACTOR represents and warrants that MATERIALS produced or used under this contract do not and will not infringe upon any intellectual property rights of another, including, but not limited to, patents, copyrights, trade secrets, trade names, and service marks and names. The CONTRACTOR shall indemnify and defend, to the extent permitted by the Attorney General, MINNESOTA STATE at the CONTRACTOR'S expense from any action or claim brought against MINNESOTA STATE to the extent that it is based on a claim that all or part of the MATERIALS infringe upon the intellectual property rights of another. The CONTRACTOR shall be responsible for payment of any and all such claims, demands, obligations, liabilities, costs and damages, including, but not limited to, reasonable attorney fees arising out of this contract, amendments and supplements thereto, which are attributable to such claims or actions. If such a claim or action arises, or in the CONTRACTOR'S or MINNESOTA STATE'S opinion is likely to arise, the CONTRACTOR shall, at MINNESOTA STATE'S discretion, either procure for MINNESOTA STATE the right or license to continue using the MATERIALS at issue or replace or modify the allegedly infringing MATERIALS. This remedy shall be in addition to and shall not be exclusive to other remedies provided by law.

# Option 3: Contractor Owns All IP

- This means that the Contractor owns whatever they create during the contract and Minnesota State does not have a right to use it in the future. This should be a rare selection, used only when the Contractor is providing a canned presentation to Minnesota State. If a Contractor is providing something unique or custom, you should select Option 1 or 2.

# Which Option Do I Choose?

- If in doubt, choose the standard option.
- There's never any harm in Minnesota State owning what we have paid someone to create.
- Note that all 3 options contain a warranty that the Contractor is providing original, non-infringing material. Do not delete section "b" of this clause, regardless of which option you select.

# What if the Contract involves Pre-Existing IP?

- Sometimes a Contractor is not making something brand new, but building on something she has already developed.
- She may wish to only assign the IP of the new material, and keep ownership of the older material.
- Contact OGC to carve out pre-existing IP

# Examples



# Example 1

Your University is commissioning someone to compose a new song for your graduation ceremony, which you plan to record and post online. Which IP clause should you select?

- 1) Institution will own the IP created by the Contractor (Standard)
- 2) Contractor owns all IP but grants a license to Minnesota State
- 3) Contractor owns all IP

# Example 1: Answer

- Ideally, you would select Option 1, the standard option, as we are commissioning the Contractor to make something new for Minnesota State. However, if the composer wants to be able to use the song elsewhere or record it for a later album, we could negotiate a custom, broad license with the Contractor. In that case, contact OGC for assistance.
- Option 2 is too narrow because we could not put the song on YouTube or our website with the graduation footage as that may not be considered “for internal non-profit, educational purposes.”



# Example 2

A nationally recognized speaker is coming to give a talk at your faculty in-service day. The speaker makes a living giving a similar talk all over the country. Which IP clause is right?

- 1) Institution will own the IP created by the Contractor (Standard)
- 2) Contractor owns all IP but grants a license to Minnesota State
- 3) Contractor owns all IP

# Example 2: Answer

- If this is not a training created for Minnesota State, and we do not plan to record it, Option 3 is acceptable here. We will not be able to use any handouts after the presentation. Option 2 and Option 1 are also acceptable here, if the presenter will agree to either.

# Example 3

Your college is hiring a company to do 3D videography of your campus for a web-based tour. Which IP clause should you pick in the PT contract?

- 1) Institution will own the IP created by the Contractor (Standard)
- 2) Contractor owns all IP but grants a license to Minnesota State
- 3) Contractor owns all IP

# Example 3: Answer

- Unlike Example 1, it's less likely the videographer would need or want to use this elsewhere because it is so custom; making Option 1 where Minnesota State owns everything created the best option.
- Option 2 will not work here because you plan to use the 3D tour for marketing purposes, not for 'internal educational purposes.' If the videographer needs to be able to use the materials for her portfolio, we can license back the photos/videos for her own use. Contact OGC in that case for drafting assistance.

# Example 4

Your campus is hiring a local company to do summer lawn mowing and winter snowplowing. They object to the IP clause because they are not creating any IP. What should you do?

- 1) Institution will own the IP created by the Contractor (Standard)
- 2) Contractor owns all IP but grants a license to Minnesota State
- 3) Contractor owns all IP

# Example 4: Answer

- Contact OGC – we can include language like:  
“Contractor and Minnesota State will continue to own all copyrights, patents, trademarks, service marks, trade secrets, and other proprietary rights that such party owned immediately prior to this Agreement. No intellectual property is intended to be created or transferred in connection with this Agreement, and all rights with respect to any intellectual property developed or conceived by a party will remain solely owned by the party that developed or conceived such intellectual property.”

# Example 5

Your University wants to hire a former faculty member to create curriculum that the University can modify over time to meet changing program needs. Which IP clause is suitable?

- 1) Institution will own the IP created by the Contractor (Standard)
- 2) Contractor owns all IP but grants a license to Minnesota State
- 3) Contractor owns all IP

# Example 5: Answer

- Option 1, the standard option. We are paying for the creation of the curriculum, so Minnesota State should own it entirely. Option 2 does not allow us to modify the materials (create derivative works), so do not select this option.



# Example 6

You are hiring a company for an all-day staff training. Some of your staff will not be able to attend, so you wish to provide a copy of the PowerPoint, handouts, and worksheets to the staff who cannot attend.

Which IP clause will allow you to do that?

- 1) Institution will own the IP created by the Contractor (Standard)
- 2) Contractor owns all IP but grants a license to Minnesota State
- 3) Contractor owns all IP

# Example 6: Answer

- Option 2 or Option 1. If the training is not created specifically for Minnesota State, the Contractor will likely not agree to Option 1. Option 2 allows Minnesota State to use the materials for non-profit, internal educational purposes. Depending on the nature of the staff training, this license would likely be broad enough to re-use the training materials internally.

# Contact Information

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