

## A Guide to Selecting Intellectual Property (IP) Clauses in Marketplace

- When creating a contract, Marketplace asks a question about the Ownership of Intellectual Property. The question provides 3 choices for intellectual property (“IP”) language, and the answer drives which clause language will be inserted into the contract in the paragraph titled “OWNERSHIP OF MATERIALS AND INTELLECTUAL PROPERTY RIGHTS.”
- The person with the delegation of authority will need to determine what IP rights are desired and negotiate this with the Contractor before setting up the contract in order for the correct language to be inserted in the draft to reflect the college or university’s decision.
- The three options in Marketplace are:
  - 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

Is this contract with another state agency (inter-agency)? \* ⏪  Yes  No

Ownership of Intellectual Property \* ⏪ ⏩

Total Contract Value Range \* ⏪

Is this contract with a law firm/lawyer, public accountant/audit firm, or for banking services? \* ⏪

- 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
- Contractor will own the IP, Institution declines permission to use after expiration of the contract

- If you have already drafted the contract and need to change the IP language (before it is signed), you need to go back and change your answer to this question in Marketplace. The contract will re-generate with a new clause.

### WHY DOES THIS MATTER?

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, so it is important to make sure this question is answered correctly.**

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, if Minnesota State wants to own or use materials produced under a PT contract, we need clear contractual language that says that.

The IP Clause also contains a warranty by the Contractor that everything they produce is an original work and will not infringe on the work of others. This is important language to protect Minnesota State and it should not be deleted under any circumstance.

### **WHICH OPTION SHOULD I CHOOSE?**

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 least able to use the material going forward. 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.

The IP contract clause ensures that intellectual property resulting from the contract belongs to the proper party, based on what you have negotiated with the Contractor. **If in doubt when creating a contract, choose the standard IP option**, because ideally Minnesota State will own the intellectual property that we pay others to create.

The three options are as follows:

#### **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: Contractor owns all IP but grants a license to Minnesota State**

- 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. Please see the further explanation below in the “What Does a License Mean” section.
- If the Contractor wants to own whatever they create, but Minnesota State needs to be able to make new copies of the materials, needs to be able to edit the materials, or needs to be able to use the material for non-educational purposes (e.g., for marketing purposes), you’ll need different license language in the contract. Please contact legal counsel to assist with this.

#### **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.

## WHAT DOES A 'LICENSE' MEAN?

To use copyrighted materials of another, you must have permission. Formal permission is called a 'license' which is a type of legal agreement. Copyright licenses need to be in writing, oral permission is not enough, which is why we have included a written clause in our contract template.

A copyright license 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

For example, a common copyright license may allow a College to publicly perform a well-known musical, but it may not allow you to record the musical and sell copies of it. The license only grants some of the bundle of rights to the College.

In addition, a copyright license 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?

If you select Option 2 above, the Contractor grants Minnesota State the following license:

*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 transform or edit the materials to create something new. If you need that ability, please contact OGC.

## IP CLAUSE CHOICE 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?

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?

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?

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?

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?

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?

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.

## **QUESTIONS?**

Contact the Office of General Counsel

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