

DESIGN SKILLS ALLIANCE

A free training guide for design professionals

Legal issues – Intellectual Property

The design industry is built around the creation of intellectual property, yet IP rights and ownership are seen as an opaque and confusing area for many people.

In this guide we will cover:

- Different IP rights
- Design work and IP – FAQs
- Contracts
- Valuing your ideas

This guide examines how IP rights and their consideration in project contracts can apply in the day to day running of a commercial design consultancy.

For more information about the precise definitions of the different types of IP rights listed below, as well as the ways that businesses in general can protect their IP, see the fuller [guide to Intellectual Property](#) elsewhere on our website and the links at the end of this section. And for more ideas on how design consultancies in particular can better exploit the IP they generate, see the section on [‘Royalties, equity stakes and shared risk’](#).

DIFFERENT IP RIGHTS

Intellectual property law is made up of many elements of legal protection and a business might be concerned with any number of them. In some cases, IP ownership and its associated protection is inherent in the creation of the work and does not necessarily require further registration. Copyright is one example, which typically applies to ‘artistic’ works, such as books, music, software code and graphics. In other types, such as patents, registration is required. The tricky aspect is that any given design may qualify for one or more of the different intellectual property rights. Graphic design for a book, for example, would qualify for copyright, whilst the graphic elements of product packaging – such as the colours, lines or contours – might qualify for a ‘registered design right’, which is a different thing.

The main types of intellectual property rights are:

- – the protection of ‘inventions’, including mechanical processes, devices, parts and components for 20 years from the filing of the application. The patent holder has the sole right to produce, use or sell the patented product and to prevent anyone else from doing so
- – the right of an individual to copy and otherwise exploit, among others, ‘literary works’ and ‘artistic works’, including graphics, computer code, software, architectural plans, surface decoration applied to manufactured articles, text, manuals, drawings and other documentation, as well as the artistic aspects of product packaging. Copyright automatically resides with the creator unless assigned to someone else

- **Unregistered design right** – the protection of aspects of the shape and configuration of an article (usually a ‘product’), for a maximum of 15 years (ten years from when they are first marketed). Design rights can apply to both the 2D and 3D aspects of a product article, such as patterns on clothing or crockery
- **Registered design right** – further protection for the appearance of the whole or part of an article (product) arising from, for example, the lines, contours, colours, shape, texture or material of the product or its ornamentation, again both 2D or 3D. It can also protect desktop icons and graphical user interfaces (GUIs). Registered design rights do not protect the functionality of a design. The rights must be applied for and registrations can extend for up to 25 years – significantly longer than the unregistered design right
- **Trademarks** – registered words, logos, devices or other distinctive features which can be represented graphically and can distinguish the goods or services of one business from those of another.

DESIGN WORK AND IP - FAQs

The list above shows the main types of IP rights that can be held, but it doesn’t explain the particular situation faced by a designer or design group completing commercial work for clients. Most design projects will create some kind of IP, but exactly who owns that IP and how it should be valued and assigned are not necessarily clear. And with all the different rights, grey areas and overlap, it’s easy to see why some people are confused.

Here are some answers to a few typical questions that designers ask about IP ownership:

What is the general situation regarding IP ownership on a ‘normal’, client-commissioned project?

The standard situation for a piece of design work is that a client asks a design consultancy or designer to respond to a particular brief – that is, they commission the designer to come up with some ideas and then to develop one or more of those ideas into a final solution. That solution might be a visual identity, a product, a user interface, a piece of packaging, a process and so on. It could also be a concept, rather than a finished article.

In the majority of cases, the contract between client and design company will state that all IP generated is assigned to the client in return for design fees. This is typical, but certainly not the only option open to designers and their clients.

If the contract doesn’t mention what happens to the IP generated, there are some ‘default’ or ‘implied’ ownerships, but for clarity’s sake it is always better to state up front and in writing how IP will be assigned.

Should I try to hang on to my IP?

More often than not there will be no great benefit to the design group in hanging on to the IP rights in a commission design – especially for copyright, trademarks or logos – but the consultancy should try and agree good terms for the assignment of those rights to the client. For example, the designers of an innovative, first-to-market product might want to negotiate royalties on the unit sales of the product in exchange for assigning the IP rights to the client. Such royalties could generate revenue for the design group for years to come and help fund other ‘risk and reward’ type ventures.

However, most clients will want all IP rights assigned to them in return for the design fees they are paying, so it is a case of negotiating a mutually acceptable contract. One option is to reduce these design fees in return for a ‘reward’ later on. In fact, there are a number of different ways of structuring project contracts with clients and these are covered in more detail in ‘Partnerships between design groups and clients’. For designers working in product development and innovation, alternative models such as royalties, licenses and joint ventures are certainly worth considering. It is under the terms of these types of arrangements that the assignment of IP would be decided.

Does the design group assign everything to the client? What about abandoned ideas – does their IP remain with the consultancy or are they also assigned to the client?

In a typical design process, it is likely that many initial ideas will be generated, each of which may go through a number of iterations before a final route is chosen and developed. Some of these 'discarded' ideas – as well as the final, selected one – may well have a lot of commercial potential, particularly in the area of product design and innovation, and whoever owns the IP rights to these ideas can try to exploit that commercial value.

Although a 'normal' contract (as described above) would assign all IP rights to the client, you can negotiate at the outset with the client over what will be assigned – and under what payment terms – and then write this agreement into your contract. One option, for example, is to agree to assign the IP rights to only the final, selected idea, retaining rights to the other ideas at the consultancy.

Does it make any difference what kind of design it is – graphic or product, for example?

Different kinds of design are, or can be, protected by different kinds of intellectual property right, as described at the start of this section. A finished product – a piece of packaging or an electronic device, for example – may contain elements covered by different types of IP right, some relating to function, others to form and decoration.

Practically speaking, there is unlikely to be any benefit in retaining the copyright of graphic design work as it is of no value to the design consultancy. But designers might want to negotiate the terms under which they assign to clients the IP rights to things like concepts, mechanical innovations, software code and product designs which could have a commercial value in the marketplace.

Should the consultancy's contract state that IP resides with the company until client fees are paid?

Yes, this is a sensible precaution to take. It might be that different pieces of design work are signed off in different stages, according to a pre-agreed plan.

In a creative pitch, who owns the IP presented to the client?

Check the pitch contract as it may state who will own the IP that is presented. If you are not happy with these conditions, try to negotiate different terms.

Is IP developed by a designer, as part of their employment, owned by the consultancy?

A standard employment contract will state that all design work created through employment at a design group is owned by the employer, although exceptions can be negotiated.

CONTRACTS

In short, everything depends on the wording of contracts. This is good news, because consultancies do have some control over how contracts might be worded – or at least which contracts they are willing to sign.

In theory, IP rights can be assigned to anyone – even a third party – using a written contractual agreement between all the parties involved. But don't forget that some levels of protection, such as patents and registered design rights, still require registration by the owner to ensure legal protection from copying. This registration can be expensive, especially if a right is enforced across multiple territories.

There are a few basic 'insurance' clauses that should be included in your contracts. Here are a few things to consider when drawing up a contract for a project:

- Remember that full IP assignment to the client for straight design fees, although typical, is not the only option. Consider how other models might help recover some value from your ideas, even if it means discounting design fees upfront (see ['Royalties, equity stakes and shared risk'](#))

- Include a clause that says IP will only be transferred – in whatever manner – on receipt of payment
- Include a clause ensuring the design group retains any IP conceived during the development process, but which falls outside the project's original brief or scope; a new agreement can then be drawn up for the assignment of this IP, if required
- Write agreements and contracts yourself if you want, but have them checked by a lawyer
- Keep it simple so everyone can understand and comply – hardly anyone can afford litigation.

VALUING YOUR IDEAS

Overall, it is important to decide your consultancy's position on the value of the ideas – or the IP – it creates and then reflect that in the contracts you negotiate with clients at the outset. Patrick Hunt, creative director at product design consultancy Therefore, explains: 'Most clients would give us a standard legal contract which says that everything we do, they own, in exchange for straight design fees. It's hard to negotiate away from this, but we try to balance straight fee work, which has its cash flow advantages, with the "slower return" royalty model.'

Clients may be willing to negotiate different terms depending on the situation, the nature of the project and the budgets available for design work, so it's definitely worth considering your position before signing a contract which hands over IP for nothing more than time-based fees.

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To find out more visit www.britishdesigninnovation.org

USEFUL RESOURCES

[Own-It](#) – IP information and resources

[Intellectual Property Office](#) – formerly the Patent Office

[ACID](#) – IP protection advice and support

SERVICES FROM DESIGN ASSOCIATIONS

[British Design Innovation](#) – standard agreement contracts available to members

[Design Business Association](#) – legal guides and standard contracts for members

[Chartered Society of Designers](#) – IP legal advice and training for members

OTHER USEFUL LINKS

[British Copyright Council](#) – has information sheets on design protection

[Ideas21](#) – offers free 40 minute advice sessions to help inventors turn their ideas into a business

[Creative Choices](#) – IP guides and information