



INTELLECTUAL PROPERTY ASSIGNMENT & GUIDELINES

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1. Overview

A company's ability to buy and sell property is essential to its long-term life and vitality. Although it does not take up physical space, an excess of intellectual property can burden a company, directing limited funds towards maintaining registrations, defending against third-party claims, or creating and marketing a final product. Selling unused or surplus intellectual property can have an immediate positive effect on a company's finances, generating revenue and decreasing costs. When it does come time to grow a business, companies looking to purchase property (including trademarks, software, or other intangible items) to support their growth must be sure that the seller does, in fact, have title to the desired pieces. A properly-drafted intellectual property assignment can help in both circumstances.

An intellectual property assignment is the transfer of an owner's property rights in copyrights, trademarks, patents, trade secrets, or other intangible creations. Such transfers may occur on their own or as parts of larger asset sales or purchases. Intellectual property assignment agreements both provide records of ownership and transfer and protect the rights of all parties.

If you follow the enclosed model and guidelines, you will have a written acknowledgment of the rights and responsibilities being transferred as part of your sale. This will provide essential documentation of ownership and liability obligations and you will be well on your way to establishing a clear record of title for all of your intellectual property.

2. Dos & Don'ts Checklist

- Intellectual property is an umbrella term that encompasses a variety of intangible creations, including patents, trademarks, copyrights, and trade secrets. Because each type is subject to different registration requirements and transfer rules, additional steps may be needed to formalize the transfer of individual items. The parties should discuss what intellectual property registrations have been made and how those registrations will need to be transferred or renewed.
- The advantage of selling intellectual property outright (and not simply licensing or attempting to develop and market it yourself) is that you are guaranteed payment at the price you and the purchaser have negotiated. On the other hand, that one-time payment is all that you will ever receive for your property: you can retain the potential for unlimited future income only if you offer a temporary license. However, such income is by no means certain, and your opportunities are paralleled by risk. Before selling all of your rights in a piece of intellectual property, make sure that this is the best approach for you and your company: if you are willing to gamble for long-term profits, a licensing arrangement may be a better choice.
- Do not enter into an agreement without completing your due diligence. If you are the purchaser, conduct searches at all relevant registry offices to make sure the seller actually has complete and unique rights in the offered property. Although your findings will not guarantee title, you may have protection as an "innocent purchaser" if disputes arise. Consider hiring a professional to assist in your investigation: evaluating a patent registration, for example, will require a specialized understanding of patent office filings and applications.

- If you are selling intellectual property, make sure you own it. Although this may seem obvious, ownership of intellectual property is rarely clear cut. For example, you may have a name that you think of as your trademark, but unless you have used it in business, you do not have rights in that mark. Even if you have been using a mark in your business, another company may have started using it before you and have priority rights in that mark. A thorough search of the relevant marketplace and registry offices should be conducted before you attempt to sell your intellectual property.
- Both parties should review the assignment carefully to ensure that **all relevant deal points** have been included. It is better to be over-inclusive than under-inclusive. Do not assume that certain expectations or terms are agreed to if they are not stated expressly on the document.
- Sign two copies of the assignment, one for you and one for the other party.
- It's a good idea to have your assignment notarized. This will limit later challenges to the validity of a party's signature or of the transfer itself.
- If your agreement is complicated, do not use the enclosed form. Contact an attorney to help you draft a document that will meet your specific needs.

3. Intellectual Property Assignment Instructions

The following provision-by-provision instructions will help you understand the terms of your assignment.

The numbers and letters below (e.g., Section 1, Section 2, etc.) correspond to the provisions in the agreement. Please review the entire document before starting your step-by-step process.

- **Introduction of Parties.** Identifies the document as an intellectual property assignment. Write in the date on which the agreement is signed. Identify the parties and, if applicable, what type of organization(s) they are. Note that each party is given a name (e.g., "Assignor") that will be used throughout the agreement. The Assignor is the party that is giving ("assigning") its ownership interest and the Assignee is the party receiving it.
- **Recitals.** The "whereas" clauses, referred to as recitals, define the world of the assignment and offer key background information about the parties. In this agreement, the recitals include a simple statement of the intent to transfer rights in intellectual property.
- **Section 1: Assignment of Intellectual Property.** The assignment and acceptance of the assignment of the intellectual property. Note that the intellectual property being assigned is not described in the agreement itself. The assignment references "Exhibit A," and explains that the full description of the intellectual property is located on that exhibit. Be as complete and clear as possible in your description of the property being transferred.

Note too the emphasis placed on the goodwill being sold with the property. Goodwill can be defined as the intangible value of a piece of property (e.g., a brand's reputation and recognizability). Remember that this is an essential element of the transfer, particularly for trademarks: trademark assignments attempted without goodwill are considered invalid.

- **Section 2: Consideration.** In most agreements, each party is expected to do something. This obligation may be to perform a service, transfer ownership of property, or pay money. In this case, the Assignee is giving money (sometimes called “consideration”) to receive the Assignor’s property. Enter the amount to be paid, and indicate how long the Assignee has to make that payment after the agreement is signed.

- **Section 3: Assignor’s Representations and Warranties.** The Assignor’s promises about the property that is being sold. More specifically, the Assignor is swearing that:

3(a): it is the owner.

3(b): it has not sold or transferred the property to any third party.

3(c): has the authority to enter the agreement.

3(d): it does not believe that the property has been taken from any third party without authorization (e.g., plagiarized materials).

3(e): it does not know of any permissions that have to be obtained in order for the assignment to be completed. In other words, once the agreement is signed, the assignment will be effective without anyone else’s input.

3(f): if the intellectual property is (or includes) a patent, it doesn’t know about any existing challenges to the validity of that patent. If your intellectual property does not include a patent, patent application, or other patent-related materials, you can delete this provision from the representations and warranties.

3(g): the property wasn’t created while the creator was employed by a third party. In many cases, if an individual was employed by a company and came up with a product, the company will own that product. This section offers assurance to the Assignee that there are no companies that will make that claim about the property being sold.

If you and the other party want to include additional representations and warranties, you can do so here.

- **Section 4: Assignee’s Representations and Warranties.** The Assignee’s promises about the transaction. More specifically, the Assignee is swearing that it:

4(a): has the authority to enter the agreement.

4(b) has enough funds to pay for the assignment.

If you and the other party want to include additional representations and warranties, you can do so here.

- **Section 5: Documentation.** The Assignor’s promise to help with any paperwork needed to complete an assignment (e.g., filing information about the assignment with the registry office and transferring document titles). The bracketed phrases make the additional promise that the Assignor will help with transfer paperwork for filings outside of the country. If this is not relevant to your agreement, delete the bracketed phrases.

- **Section 6: Indemnification.** A description of each party’s future obligations, if the intellectual property is found to infringe on a third party’s rights. There are two options provided, and you should choose the one that best fits with your situation. In the first, the Assignor takes all responsibility

for infringement, promising to pay all expenses and costs relating to the claim. In the second, the Assignor makes its responsibilities conditional, greatly limiting its obligations if a claim is brought. Select only one of these options, and delete the other.

- **Section 7: Successors and Assigns.** States that the parties' rights and obligations will be passed on to successor organizations (if any), or organizations to which rights and obligations have been permissibly assigned.
- **Section 8: No Implied Waiver.** Explains that even if one party allows the other to ignore or break an obligation under the agreement, it does not mean that party waives any future rights to require the other to fulfill those (or any other) obligations.
- **Section 9: Notice.** Lists the addresses to which all official or legal correspondence should be delivered. Write in a mailing address for both the Assignor and the Assignee.
- **Section 10: Governing Law.** Allows the parties to choose the state laws that will be used to interpret the document. Note that this is not a venue provision. The included language will not impact where a potential claim can be brought. Write the applicable state law in the blank provided.
- **Section 11: Counterparts/Electronic Signatures.** The title of this provision sounds complicated, but it is simple to explain: it says that even if the parties sign the agreement in different locations, or use electronic devices to transmit signatures (e.g., fax machines or computers), all of the separate pieces will be considered part of the same agreement. In a modern world where signing parties are often not in the same city - much less the same room - this provision ensures that business can be transacted efficiently, without sacrificing the validity of the agreement as a whole.
- **Section 12: Severability.** Protects the terms of the agreement as a whole, even if one part is later invalidated. For example, if a state law is passed prohibiting choice-of-law clauses, it will not undo the entire agreement. Instead, only the section dealing with choice of law would be invalidated, leaving the remainder of the assignment enforceable.
- **Section 13: Entire Agreement.** The parties' agreement that the document they're signing is "the agreement" about the issues involved. Unfortunately, the inclusion of this provision will not prevent a party from arguing that other enforceable promises exist, but it will provide you some protection from these claims.
- **Section 14: Headings.** Notes that the headings at the beginning of each section are meant to organize the document, and should not be considered operational parts of the note.
- **Exhibit A: Description of Intellectual Property.** This exhibit is essential to the agreement, and should detail exactly what is being provided as part of this sale. If the language is too vague, the seller might end up selling more than it intended or (on the opposite extreme) the buyer might end up with nothing. Be as particular as possible. Don't worry about making this section sound "lawyerly": simple, concise, and complete language is what's important.

Attach any registrations or samples that you may have. If you do include samples, reference the inclusion of those samples in the schedule (e.g., "* See attached drawing").

DISCLAIMER

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INTELLECTUAL PROPERTY ASSIGNMENT

This Intellectual Property Assignment (the "Assignment") is made and effective as of _____, 20____ ("Effective Date") by and between _____, [an individual] [corporation] [etc.] (the "Assignor") and _____, a _____ [corporation][limited liability company] [etc.] (the "Assignee"). The Assignor and the Assignee may be referred to individually as a "Party" or collectively as the "Parties."

RECITALS

WHEREAS is the Assignor's intention to assign and transfer to the Assignee all of its right, title, and interest in and to the Intellectual Property (as defined below); and

WHEREAS, the Assignee desires to purchase or acquire all of the Assignor's right, title, and interest in and to the Intellectual Property; and

WHEREAS, each Party is duly authorized and capable of entering into this Assignment.

NOW, THEREFORE, in consideration of the covenants and premises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. ASSIGNMENT OF INTELLECTUAL PROPERTY

Effective as of the Effective Date, the Assignor hereby assigns, transfers, and delivers to the Assignee all of its right, title, and interest in and to the Intellectual Property (as defined below).