

Estate Planning: Intellectual Property Considerations

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When developing an estate plan, it is important to address intellectual property assets differently from other types of property, such as real estate, stocks or bonds. Here are some basic points to consider when the estate plan includes intellectual property assets.

1. Identify all of the Intellectual Property in the estate.

Intellectual Property (“IP”) refers to “creations of the mind” and primarily includes patents, trademarks and copyrights. Each type of IP protects different aspects of a creation and offers unique protection to the owner. Patent protection is available for novel, useful and non-obvious inventions. Copyright protection is available for works such as books, music, paintings, sculptures, motion pictures, choreography and architecture. Trademark law protects the names, slogans, logos, symbols and other identifying characteristics of a commercial good or service. Certain creations may not be eligible for formal IP protection. Nevertheless, these creations may add value to the estate and should be considered when developing an estate plan. Therefore, it is important to identify all of the IP, whether formally registered or not, that is authored, developed, invented or currently owned.

2. Take steps to register the IP.

If the IP is not already formally protected, steps should be taken to register the IP with the appropriate government office. While registration is not necessarily required for all types of IP, it offers many important advantages. Trademarks and patents can be registered with the United States Patent and Trademark Office (“USPTO”). Without a federal registration, trademarks will only have the benefit of state or common law protection, which is limited in strength and scope. Inventions that are not properly patented will essentially be in the public domain, for anyone else to use. The registration of trademarks and patents can be complex. It is advisable to seek specialized IP counsel.

The U.S. Copyright Office is responsible for copyright registration. U.S. Copyright Law does not require authors to register their works in order to receive copyright protection. However, taking the relatively easy step of registering works with the Copyright Office will be beneficial for two reasons. First, registration is

required if your client ever intends to initiate a lawsuit against a potential infringer. (If a work is registered within three months of its creation, the owner is entitled to collect more in damages and attorney fees in a copyright infringement lawsuit.) Second, the information pertaining to ownership will be catalogued with the U.S. Copyright Office. This makes it much easier to conduct searches on the works and keep track of the IP.

The USPTO and U.S. Copyright Office also maintain records of ownership of patents, trademarks and copyrights. As such, it is good practice to record any transfers of ownership with the respective office. Practitioners have the ability to search the databases to see if a client has acquired IP.

3. **Assign a value to IP.**

There are a number of methods for valuing and appraising individual works and collections of works. The value of IP is important because it is part of one's total estate and is subject to estate taxes. Valuations and appraisals may need to be done more than once, depending on popularity or future use of the work. For example, if a book is developed into a movie, the value of the book will likely increase.

The valuation methods are generally based on the market value or the income value. There are appraisers and valuation consultants who are qualified to assess these values. A number of factors influence the value of a piece of work. Valuation professionals will look at market conditions, licensing agreements, publishing agreements, royalty rates and popularity of the IP, just to name a few factors.

Depending on the owner's estate planning goals, it may be necessary to evaluate the market value of the IP separate from potential income to be generated from such IP. Some authors may elect to have one beneficiary own the rights to a piece of work, but another beneficiary to receive royalty proceeds and income.

4. **Consider whether restrictions or limitations should be placed on the rights.**

Estate plans can be very specific as to what IP rights may be transferred upon death. The IP owner has the ability to place certain restrictions and limitations on the transfer of IP. The owner has the ability to transfer one or all of the rights associated with a particular piece of IP to a particular beneficiary in the manner that he or she prefers. For example, an IP owner may elect a beneficiary to be responsible for certain creative decisions concerning a copyrighted work. Such decisions may include the right to create derivative works. The remaining rights associated with the copyright can be transferred to a second beneficiary.

We hope you find this information helpful. Once you have considered the above items, we would be pleased to discuss issues relating to estate planning for IP assets with you more specifically.