At BrownWinick we recognize that one of the keys to success for any business is having a clear vision of who you are, who you want to be and how you want to be seen as a company. Only with this clear vision can you then chart a course toward making that vision a reality through the adoption of an appropriate mission statement and strategic plan.

For this reason – and to better serve our clients – we periodically survey our attorneys and clients to confirm, refine and in some cases refocus our firm vision. The results of our most recent vision survey are reflected in the word cloud pictured below, with the most frequently given answers appearing in the largest font. We’re proud to see words such as effective, responsive, client-driven, strategic and integrity among the top responses. With these principles and qualities guiding our firm, we’re confident we’re on the right track.

The 85th Iowa General Assembly gaveled out on May 23, 2013, twenty days after the legislators’ per diem expired on May 3, 2013. And despite legislators’ per diem expiring, significant work continued under the golden dome - often well into the night and early morning hours. Moreover, in defiance of the winds of skepticism swirling around Capitol Hill and in the media that the 2013 legislative session would end without meaningful progress on education reform, Medicaid expansion, and property tax reform, the legislature worked overtime, reached resolutions, and ultimately voted and passed new laws on all three “big-ticket items”.

Property Tax Reform

With respect to property tax reform, the new law imposes several changes across various property classifications. In general, the 2013 property tax reform law will be phased in over several years and, among other things, provides for a 10 percent rollback on industrial and commercial property taxes. To alleviate concerns expressed by cities throughout the session, the law also provides local governments with a 100 percent “backfill” for losses in revenue stemming from the 10 percent rollback. Finally, the new law establishes a property tax credit that is scheduled to reach $125 million by fiscal year 2015 for commercial and industrial properties and places a 3 percent limit on property tax assessment growth for agriculture and residential properties.

Education Reform

Similar to property tax reform, education reform will also be phased in over the coming years. The education reform bill passed during the 2013 session increased funding to schools by 4 percent for fiscal years 2014 and 2015 and increased beginning teacher pay to $33,500. School districts will also have the option to adopt and incorporate new “career pathways” for their teachers. The career pathways are aimed at providing opportunities for teachers to take on additional roles and responsibilities at school, including mentoring other teachers in the classroom. Finally, the law will require a new student assessment mechanism to be identified and adopted by 2016 so as to more accurately assess student achievement and growth.

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Agriculture Budget

During its final days, the legislature also hammered out resolutions on several important budget matters, including the Agriculture and Natural Resources budget. Notably, after the House of Representatives and Senate initially passed their separate and conflicting Agriculture and Natural Resources budget bills (bills that contained different budget items and policy issues), a conference committee of legislators from both chambers was formed in an effort to resolve differences between the conflicting bills. Eventually, the conference committee found middle ground and the House of Representatives and Senate passed an Agriculture and Natural Resources budget that includes, among other items, new appropriations for water quality and watershed improvement, nutrient research and reduction, as well as soil conservation.

Beginning Farmers

While Iowa law previously required the Iowa Department of Natural Resources (“IDNR”) to administer an Agricultural Lease Program, a new law requires the IDNR to lease agricultural land that it holds or manages as wildlife habitat in each county to beginning farmers. As outlined in the new law, a beginning farmer is generally an individual, partnership, family farm corporation, or family limited liability company with a low or moderate net worth that is not engaged in farming. The law requires IDNR to execute a lease with qualifying beginning farmers that it selects to participate in the program after the beginning farmer has been certified as one that meets the requirements set forth in the new law.

Innovation Fund

Several changes were made to the Innovation Fund Tax Credit program. The new law increases the credit that one may receive from 20 percent to 25 percent of a taxpayer’s equity investment in an innovation fund. Additionally, the new law, which will be applied retroactively to January 1, 2013, eliminates a prior requirement that a taxpayer must wait three years to claim a tax credit through the program. Finally, the prior law was amended to allow a taxpayer to transfer a tax credit to another person, which was previously not permitted.

Business Corporations

Many technical as well as a few substantive changes were incorporated into what is known as Iowa’s Business Corporation Act, a model Act adopted by the American Bar Association. A few of the many amendments to existing law include changes to laws regulating conflict of interest transactions, advancing funds to a director for legal expenses to be incurred in the course of litigation, and a shareholder’s appraisal rights.

Manure Management Certification Requirements

The legislature also passed new laws related to the application of manure on land in Iowa. In general, the changes require IDNR to establish requirements for instructional course subjects, and the curriculum primarily emphasizes practical and cost-effective methods for preventing manure spills. Further, the new law requires courses be made available online.

Landholder Liability

Starting out in the Government Oversight Committee, a new law was passed that relates to the public use of certain private lands and waters. What became known as the “Landholder Liability” bill, progressed through both chambers with the stated purpose of encouraging private landowners to open up their land and water areas to the public for recreational purposes and for urban deer control by limiting the landowners’ liability to persons who enter onto their land to pursue such activities. The new law was enacted as a result of a recent opinion published by the Iowa Supreme Court in Sallee v. Stewart (No. 11-0892) (Iowa 2013).

Unless a rare, special session is called, the Iowa Legislature will not convene in full again until 2014. If you have any questions on the foregoing summary, a specific bill or other legal issue, please contact Marc Beltrame or Matthew McKinney.

Marc T. Beltrame and Matthew H. McKinney are attorneys on BrownWinick’s Government Relations Team. They have a full-time presence at the Iowa Capitol during the legislative session, representing multiple businesses and interests. Marc can be reached at (515) 242-2449 or beltrame@brownwinick.com, and Matt can be reached at (515) 242-2468 or mckinney@brownwinick.com.

The DOMA Decision and Its Income Tax, Estate and Employee Benefits Implications

By Cynthia Boyle Lande

On July 29, the U.S. Supreme Court ruled in the case of U.S. v. Windsor that Section 3 of the Federal Defense of Marriage Act (“DOMA”) is unconstitutional on equal protection grounds. Section 3 of DOMA states that for purposes of federal law, “marriage” is defined as a legal union between one man and one woman as husband and wife, and “spouse” refers only to a person of the opposite sex who is a husband or a wife.

The facts of U.S. v. Windsor involved two women who were New York residents and had married in Canada. One of the women...
died in 2009 and left her entire estate to the other. The surviving spouse sought to take a marital deduction on the decedent’s Federal estate tax return but was barred from doing so under DOMA. She paid the estate tax owed and filed a claim for refund, which eventually made its way to the U.S. Supreme Court on appeal. In a 5-4 decision, the Supreme Court ruled that Section 3 of DOMA is unconstitutional as a violation of the Fifth Amendment to the U.S. Constitution.

The Supreme Court’s decision in Windsor has major implications for taxpayers and employers in the United States. This article outlines some of those implications relating to income taxes, estate planning and employee benefits.

**Income Tax Changes**

**Filing Status.** Same-sex spouses will now be considered married for purposes of determining the appropriate filing status. This means that same-sex spouses will be required to file their annual income tax returns using the married filing separately or married filing jointly filing status going forward. Additionally, surviving spouses of same-sex marriages may be able to file under the qualifying widow/widower status for the two years following their spouse’s death. Same-sex spouses should also consider whether to amend prior-year returns. Recent IRS guidance indicates that same-sex spouses will be allowed to amend prior-year returns for any open tax years (generally returns filed in the three prior years).

**Income Thresholds & Phase-Outs.** Many income tax deductions are subject to income thresholds, floors or phase-outs. Most thresholds, floors and phase-outs are determined on separate scales for single and married filing jointly taxpayers. Depending on the annual income levels of the spouses, the modified thresholds, floors and phase-outs for married filing jointly taxpayers may increase or decrease the availability of certain income tax deductions and credits.

**Tax Rules at Divorce.** Alimony is generally taxable to the recipient and deductible for the payer. These rules apply only to spouses and can be altered by a divorce decree. It may be appropriate to review prior divorce decrees to determine whether alimony payments are being treated appropriately for tax purposes in light of the Windsor decision.

**Estate Planning Changes**

**Marital Deduction.** The issue at the center of the Windsor decision was whether the marital deduction under Internal Revenue Code Section 2056 applied to assets left by one same-sex spouse to the other. The Supreme Court confirmed that same-sex spouses are entitled to the unlimited marital estate tax deduction.

**Portability.** Portability (a concept made permanent by the American Tax Relief Act of 2012) allows the estate of a surviving spouse to use the unused estate tax exclusion of the predeceased spouse. Following Windsor, the concept of portability applies to same-sex spouses, creating additional estate planning opportunities for same-sex spouses.

**Gifting.** Spouses are allowed a combined annual exclusion from gift taxes of $28,000 for 2013. If one spouse makes a gift to a third party, the gift can be treated as made one-half by the spouse making the gift and one-half by the other spouse. This is often referred to as “gift-splitting.” Following Windsor, same-sex spouses can also benefit from gift-splitting up to the annual exclusion amount.

**Benefits Changes**

**Employer-Provided Health Benefits.** Employer provided health benefits are only excluded from an employee’s taxable income if the benefits cover the employee, the employee’s spouse or the employee’s dependents. Prior to Windsor, employer-provided health benefits covering a same-sex spouse could only be excluded from the employee’s taxable income if the spouse also qualified as a dependent of the employee for tax purposes. Following Windsor, employer-provided health benefits covering the same-sex spouse of an employee may be excluded from the employee’s taxable income. This change may be reason for both taxpayers and employers to amend prior-year returns. Recent IRS guidance indicates that special administrative procedures are available to employers seeking a refund of overpayments of FICA taxes and income tax withholding with respect to benefits and compensation provided to same-sex spouses.

**Cafeteria Plans, Health Savings Accounts, and Flexible Spending Accounts.** Following Windsor, same-sex spouses may benefit from an employer’s cafeteria plan, health savings account, or flexible spending account.

**Payment of Retirement Benefits.** Specific retirement benefit distribution methods apply to married individuals. A few examples are the default distribution method under qualified plans, rollover options, and hardship withdrawals. With same-sex spouses now treated as married for federal law purposes, the distribution methods available to same-sex spouses under a qualified plan may be significantly different than previously.

**Qualified Plan Spousal Protections.** A number of protections apply to the spouses of participants under qualified plans. For example, spouses must consent to the selection of non-standard payment forms and the selection on non-spouse beneficiaries. Following Windsor, these same protections apply to same-sex spouses.

**What To Do**

Following Windsor, there are steps that same-sex spouses and employers should be taking.
Same-Sex Spouses. Same-sex spouses should review their estate plans, prior-year tax returns and qualified benefits. It may be appropriate to amend the estate plan or prior year returns. It may also be appropriate to review elections under qualified retirement plans to ensure that the applicable distribution method under the plan has not changed.

Employers. Employers in states that recognize same-sex marriage (like Iowa) should review their benefits documents and procedures to make sure that they treat same-sex spouses the same as other spouses. Employers may also choose to distribute information to employees notifying them of the changes following the Windsor decision. Lastly, employers should consider whether it may be appropriate to amend prior year employment tax returns under certain IRS guidance.

Because not all agencies have released guidance on implementing the Windsor decision and uncertainty regarding implementation remains, both same-sex spouses and employers should continue to watch for guidance in areas that may impact them.

Cynthia B. Lande is an associate at BrownWinick and has a general practice including, but not limited to, general business transactions, taxation, employee benefits and estate planning. Cynthia can be reached at (515) 242-2476 or lande@brownwinick.com.

Are You Exporting Without An IC-DISC? If So, Why?
by Christopher L. Nuss

If you’re exporting goods without an IC-DISC (an “interest charge domestic international sales corporation”), you’re likely paying more income tax than necessary. By implementing a rather simple, low-risk tax planning strategy, you could realize significant tax savings on your foreign sales.

What are the potential benefits of an IC-DISC?

For individuals, directly or indirectly through pass-through entities such as limited liability companies or S corporations, an IC-DISC may reduce their tax rate on export profits from the ordinary income tax rate (maximum of 39.6% for 2013 plus the new extra Medicare tax for high-earners of 0.9%) to the dividend rate (maximum of 20% plus the new Medicare tax on investment income of 3.8%) — an approximate savings on tax rates of 16.7%, each year. Furthermore, this tax savings due to the gap between ordinary income and dividend tax rates is currently “permanent” (at least until Congress changes the law).

Similarly, closely held C corporations can also benefit from implementing an IC-DISC with what essentially becomes a tax deductible dividend, especially if they declare and pay dividends to shareholders anyway. IC-DISCs can also aid in wealth transfer or executive compensation arrangements for the exporting company.

In the end, the federal income tax savings is typically the difference in the applicable ordinary income and dividend tax rates multiplied by the greater of 50% of the taxable income from exports or 4% of gross export sales. As further discussed below, this is the maximum amount of “commission” that can be paid by the exporting company to an IC-DISC.

What is an IC-DISC?

An IC-DISC is a corporation formed under state law that:

• Has a single class of stock;
• Maintains a minimum capitalization of $2,500;
• Has qualified export receipts and a qualified exports assets (as discussed further below); and
• Elects to be taxed as an IC-DISC.

If all of these requirements are met, an IC-DISC is not subject to federal (and many states’) income tax on commission payments received from the exporting company. Instead, the shareholders of the IC-DISC are taxed on the distribution of those payments by the IC-DISC as dividends.

What are “qualified export receipts” and “qualified export assets”?

To qualify as an IC-DISC, at least 95% of its receipts must be from the sale or lease of “export property” — that is property: (1) manufactured, produced, grown or extracted in the U.S. by a person other than an IC-DISC; (2) held primarily for sale in the ordinary course of business for use outside of the U.S.; and (3) not more than 50% of its value is comprised of imported materials. This is not a difficult requirement to meet for companies that are exporting and does not mean that 95% of the exporting company’s receipts must be from exports. It simply requires that the IC-DISC be paid by the exporting company based on export sales. Through agreements between the exporter and the IC-DISC, we can ensure that the IC-DISC is paid based only on qualified export receipts.

Note that there are certain types of property that simply do not meet the definition of “export property” such as most intellectual property (patents, inventions, designs and the like) and products that deplete like oil, gas and coal.

Export property is considered “manufactured” if there is a “substantial transformation” before sale (e.g., irreversibly change the character or use of the original materials and add
How does an IC-DISC typically work?

Assuming the exporting company is an S corporation or other pass-through entity that wholly owns the IC-DISC as set forth in the diagram below, the S corporation exports the goods and pays the IC-DISC a commission based on those export sales that is deductible for income tax purposes and not taxed to the IC-DISC. Then, the IC-DISC typically distributes back to the S corporation that same amount, which passes through to the S corporation’s shareholders and is taxed to them at the dividend rate, not the ordinary income tax rate that it otherwise would have been without the IC-DISC.

Thus, the S corporation shareholders have paid less tax on these commissions equal to the difference in the applicable ordinary income tax and dividend tax rates. And this is a permanent savings unless/until Congress changes the applicable rates.

A similar, but alternative, structure could include the following.

The amount of the “commission” cannot exceed the greater of 50% of the export taxable income or 4% of export gross receipts. In determining export taxable income, certain directly and indirectly related expenses can be allocated and apportioned between export and non-export activities to maximize tax savings. If one of these two formulas is followed, you can generally avoid the risk and uncertainty of the IRS transfer pricing rules. Further, to determine your export taxable income, there is flexibility in how you categorize sales – for example, by product line or even by transaction – to optimize your commission calculation and thus optimize your tax savings.

Unlike other tax planning strategies, the IRS recognizes that IC-DISCs are not required to have economic substance (e.g., have its own employees and operations) generally because of the desire to incentivize the export of U.S.-manufactured goods. Given that, however, you must be very careful to ensure that all legal and technical requirements are met so to qualify as an IC-DISC. The IRS will certainly ensure that occurs. An IC-DISC is not difficult to form with the help of experienced legal counsel, and it is not overly burdensome, especially given the immediate tax savings that can be realized in the right cases.

The following is an overview of the possible tax savings for an S corporation (or similar pass-through entity), with some basic assumptions.

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Telephone: (515) 242-2400  •  Facsimile: (515) 283-0231  •  www.brownwinick.com
To further discuss whether an IC-DISC is right for you, please contact Christopher L. Nuss at (515) 242-2432 or nuss@brownwinick.com or Christopher R. Sackett at (515) 242-2470 or sackett@brownwinick.com.

Note:
This article is intended to be a general overview and not a comprehensive analysis of IC-DISC law. Moreover, it does not constitute legal advice. The examples are provided for illustrative purposes of potential permanent tax savings only. There is no guarantee that this would be the tax savings for your unique facts and circumstances. Competent legal counsel should be consulted to apply the relevant legal requirements to your specific fact pattern.

### Our Firm Continues To Grow To Serve Your Needs

In our continuing efforts to provide clients with the best possible legal services, BrownWinick continues to grow by hiring outstanding attorneys. Our most recent hires are no exception.

**Adam Van Dike** joined BrownWinick as a member in May 2013. Adam received his B.A. from University of Iowa in 1998 and his J.D. fromCreighton University School of Law in 2001. Adam practices primarily in the areas of real estate law and creditors rights.

**Ann Holden Kendell** returned to BrownWinick as a member in May 2013. Ann received her B.S. from Iowa State University in 1995 and her J.D. from Drake University Law School in 1998. Ann practices primarily in the area of employment law and commercial litigation.

**Megan Erickson Moritz** joined BrownWinick as a member in May 2013. Megan received her B.S. from Iowa State University, with distinction, in 2004 and her J.D. from Drake University Law School, with high honors, in 2007. Megan practices primarily in employment law and commercial litigation and also maintains a general practice including appellate work, business law and representative actions (such as class actions and collective actions).

**Katheryn J. Thorson** joined BrownWinick in September 2013 as an associate after completing her studies at Drake University Law School. Katheryn clerked at BrownWinick during the summer of 2012. Katheryn will practice primarily in the general transactional area.

**Michael E. Jenkins** joined BrownWinick in September 2013 as an associate after completing his studies at the University of Iowa College of Law. Michael clerked at BrownWinick during the summer of 2012. Michael will practice primarily in the general transactional area.

**Jonathan A. Napier** joined BrownWinick as a member in October 2013. Jonathan received both his B.A., with honors (1995) and J.D., with high distinction (1998) from the University of Iowa. Jonathan joins the firm after many years as a senior executive and general counsel in a series of private equity owned healthcare businesses in Dallas, Texas. He practices primarily in healthcare law, as well as general commercial and contract law.

We are extremely pleased that these highly qualified and talented individuals have joined BrownWinick.

### Outstanding Achievements

**Amy A. Johnson** was named a member at BrownWinick as of May 14, 2013. Amy joined BrownWinick on September 4, 2007. She practices in the areas of corporate transactions and agribusiness.

**Brian Rickert** has been selected for Fellowship in the Litigation Counsel of America (“LCA”). The LCA is a trial lawyer honorary society whose membership is limited to less than one-half of one percent of American lawyers. Fellowship in the LCA is highly selective and by invitation only. Fellows are selected based upon effectiveness and accomplishment in litigation, both at the trial and appellate levels, along with ethical reputation.

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BrownWinick Attorneys Recognized in The Best Lawyers in America® 2014

BrownWinick is proud to announce that 18 attorneys were recently selected by their peers for inclusion in The Best Lawyers in America® 2014 (copyright 2012 by Woodward/White, Inc., of Aiken, SC), the oldest and most respected peer-review publication in the legal profession.

The lawyers included are:

- **Ronni F. Begleiter**
  Employee Benefits (ERISA) Law
  Trusts and Estates

- **Michael R. Blaser**
  Business Organizations, including LLCs and Partnerships

- **William C. Brown**
  Litigation and Controversy-Tax
  Tax Law

- **Paul E. Carey**
  Tax Law

- **Elizabeth A. Coonan**
  Workers’ Compensation Law-Employers

- **Douglas E. Gross**
  Government Relations Practice

- **Kelly D. Hamborg**
  Health Care Law

- **Alice E. Helle**
  Employee Benefits (ERISA) Law

- **Thomas D. Johnson**
  Mergers & Acquisitions Law

- **Ann Holden Kendell**
  Employment Law-Management
  Labor Law-Management
  Litigation-Labor & Employment

- **Megan Erickson Moritz**
  Litigation-Labor & Employment

- **G. Brian Pingel**
  Litigation-Intellectual Property
  Litigation-Patent
  Patent Law
  Trademark Law

- **James L. Pray**
  Environmental Law

- **Brian P. Rickert**
  Construction Law

- **Steven C. Schoenebaum**
  Government Relations Practice

- **Brenton D. Soderstrum**
  Construction Law

- **Philip E. Stoffregen**
  Communications Law
  Energy Law

- **Camille L. Urban**
  Copyright Law
  Patent Law
  Trademark Law

Since it was first published in 1983, Best Lawyers® has become universally regarded as the definitive guide to legal excellence. Because Best Lawyers® is based on an exhaustive peer-review survey in which more than 36,000 leading attorneys cast almost 4.4 million votes on the legal abilities of other lawyers in their practice areas, and because lawyers are not required or allowed to pay a fee to be listed, inclusion in Best Lawyers® is considered a singular honor. Corporate Counsel magazine has called Best Lawyers® “the most respected referral list of attorneys in practice.”

BrownWinick Attorneys Named in The Best Lawyers in America® “Lawyers of the Year” 2014

Best Lawyers®, also named four BrownWinick attorneys as Best Lawyers “Lawyers of the Year” for 2014.

- **Ronni F. Begleiter** has been named Best Lawyers’ 2014 Des Moines Trusts and Estates “Lawyer of the Year.”

- **G. Brian Pingel** has been named Best Lawyers’ 2014 Des Moines Litigation – Patent “Lawyer of the Year.”

- **Brenton D. Soderstrum** has been named Best Lawyers’ 2014 Des Moines Construction Law “Lawyer of the Year.”

- **Philip E. Stoffregen** has been named Best Lawyers’ 2014 Des Moines Communications Law “Lawyer of the Year.”

After more than a quarter of a century in publication, Best Lawyers® began designating “Lawyers of the Year” in high-profile legal specialties in large legal communities. Only a single lawyer in each specialty in each community is being honored as the “Lawyer of the Year.”

Best Lawyers® compiles its lists of outstanding attorneys by conducting exhaustive peer-review surveys in which thousands of leading lawyers confidentially evaluate their professional peers. The lawyers being honored as “Lawyers of the Year” have received particularly high ratings by earning a high level of respect among their peers for their abilities, professionalism and integrity.

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NOTE: This newsletter is intended solely for general informational purposes and should not be construed as, or used as a substitute for, legal advice with respect to specific transactions. Such advice requires a detailed analysis of applicable requirements and an evaluation of precise factual information. We do not undertake to keep recipients advised as to all relevant legal developments.

**BrownWinick Attorneys Featured in 2013 Great Plains Super Lawyers and Rising Stars**

Eight BrownWinick attorneys were selected for inclusion in the 2013 Great Plains Super Lawyers online listing:

- **Ronni F. Begleiter**
  Employee Benefits/ERISA

- **Alice Helle**
  Employee Benefits/ERISA

- **William C. Brown**
  Tax

- **Ann Holden Kendell**
  Employment & Labor

- **Michael A. Dee**
  Business Litigation

- **Brian Pingel**
  Intellectual Property

- **Bruce Graves**
  Tax

- **Brian P. Rickert**
  Construction Litigation

Super Lawyers, a Thomson Reuters Business, is a rating service of outstanding lawyers from more than 70 practice areas who have attained a high degree of peer recognition and professional achievement. The annual selections are made using a patented multiphase process that includes a statewide survey of lawyers, an independent research evaluation of candidates and peer reviews by practice areas. The result is a credible, comprehensive and diverse listing of exceptional attorneys. Each year, no more than five percent of the lawyers in the state are selected by the research team at Super Lawyers to receive this honor.

Four BrownWinick attorneys were selected for inclusion in the 2013 Great Plains Rising Stars online listing.

- **Rebecca A. Brommel**
  Business Litigation

- **Alexander M. Johnson**
  Business/Corporate

- **Elizabeth A. Coonan**
  Employment & Labor

- **Brian S. McCormac**
  Antitrust Litigation

The selection process for the Rising Stars list is the same as the Super Lawyers selection process, with a few exceptions. To be eligible for inclusion in Rising Stars, a candidate must be either 40 years old or younger or in practice for 10 years or less and no more than 2.5 percent of the qualified lawyers in the state are selected to the Rising Stars list.

The Great Plains Super Lawyers and Rising Stars includes the states of North Dakota, South Dakota, Iowa and Nebraska.

**Software Development Contracts and Independent Contractors**

*By David M. Breiner*

In today’s world, contractors are often hired to develop software. Common sense would dictate that if a hiring party paid a contractor to develop software, all rights in the software, including copyrights, should reside with the hiring party. Unfortunately, this is not always the case.

Under U.S. copyright laws, independent contractors retain the copyrights in the software they develop. This means, absent a clear agreement otherwise, the exclusive right to make and sell copies of the software lie with the contractor, not the hiring party. Accordingly, a contractor may sell, if they so choose, copies of the developed software to a hiring party’s competitors. So how does a hiring party prevent the above situation from happening? By using written contracts.

When preparing a contract for an independent contractor, the hiring party should consider exactly what he/she wants to own as well as the nature of the work being prepared by the contractor. If the work qualifies as a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a test, answer material for a test, or an atlas, and the hiring party wishes to own the copyrights in such a work, then the contract may include language indicating the work is a “work for hire” and that all copyrights in the work will be owned by the hiring party. In the event the nature of the work does not fall within any of the aforementioned categories, then the contract should include an assignment clause which states the copyrights in any copyrightable works produced under the contract are assigned to the hiring party.

With the above in mind, it is important for hiring parties to have written contracts in place before engaging independent contractors. Such contracts, at a minimum, should clearly define what copyrights the hiring party wishes to retain and include the proper “work for hire” and/or assignment language to ensure those rights will belong to the hiring party. In the event a contractor is engaged before a written contract is signed, ownership may still be transferred to the hiring party via an assignment.

David M. Breiner is an associate at BrownWinick and his practice includes patent application preparation and prosecution. David can be reached at (515) 242-2411 or breiner@brownwinick.com.