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Who Owns the Software?

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[Rz 1] Mike and Georgia discuss the development of a software application over a crisp glass of Chardonnay. Mike has this great idea for a mobile app but does not know how to code. Georgia is a computer wiz and offers to write the app for Mike. No sooner said than done, Mike offers the app via the iTunes and Google Play stores for download. The app becomes a huge success and ranks within the top ten of the stores' charts. Sometime later, Mike and Georgia meet again to discuss ownership of the app. Of course Mike is of the opinion that he «ordered» the app and therefore is the owner. Georgia on the other hand claims ownership in the app as author and is of the opinion that Mike only has certain rights relating to the work copy in the app she gave him on a USB stick. Who owns the software?

[Rz 2] Computer programs are copyrighted (art. 2 para. 3 CopA[1]), provided they meet the general copyright threshold[2]. Copyright is assignable or may be inherited (art. 16 para. 1 CopA), except for moral rights[3]. The agreement between Mike and Georgia for the development of the app could qualify as mandate[4], work contract[5], or employment agreement[6], if Georgia received remuneration. If Georgia worked for free, it could only qualify as mandate. If Georgia agreed «to try to code the app», then the agreement would likely qualify as mandate. If Mike provided certain specifications without which he couldn't use the app and Georgia promised the app would fulfil Mike's criteria, then the agreement would tend to be a work agreement. If Mike and Georgia had, among others, a subordinating relationship and Mike had authority to give directives, then the app would likely be coded under an employment agreement.

[Rz 3] Here are 5 possible ownership&licensing scenarios: no written agreement, napkin agreement, oral agreement, employment agreement, and joint work.

1) Mike and Georgia did not exchange any thoughts or opinions on the ownership of the app, let alone any binding terms. Both of them were certain they would own the app. Due to lack of any contractual provisions the default legal regulation applies: Georgia remains the owner of the copyrights in the app (art. 6 CopA). Mike may use or transfer the app, i.e. *that* copy of the work (art. 12 para. 2 CopA). However, Mike may not copy – especially not for personal use (art. 19 para. 4 CopA) – the app or lease it.[7] Actually, Mike's rights are pretty limited. According to art. 16 para. 2 CopA, unless agreed otherwise, the assignment of a right subsisting in the copyright does *not* include the assignment of other partial rights. This notion relates to the theory of scope of assignment[8]. It means if Georgia (only) agreed to the assignment of the app for downloading in the app stores, Mike could not use it for any other purpose, e.g. for integrating the app in other software and licensing such software.

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1 Swiss Copyright Act (CopA; SR 231.1).

2 Among others an intellectual creation with an individual character (art. 2 para. 1 CopA).

3 E.g. recognition of authorship (art. 9 para. 1 CopA), publication right (art. 9 para. 2 CopA) and integrity of work (art. 11 CopA). See Judgement of the Swiss Federal Court 4A_423/2011 of 10 September 2012, Cons. 5.1. In detail also: Cyrill Rigamonti, Urheberpersönlichkeitsrechte – Globalisierung und Dogmatik einer Rechtsfigur zwischen Urheber- und Persönlichkeitsrecht, 2013, p. 217 et seq.

4 Art. 394 et seq. Swiss Code of Obligations (CO; SR 220). A mandate needs to be performed diligently and faithfully.

5 Art. 363 et seq. CO. A work agreement requires success.

6 Art. 319 et seq. CO. The employer does not promise success, but rather work as such. See also art. 398 para. 1 CO.

7 Denis Barrelet/Willi Egloff, Urheberrecht, 3. ed., Art. 12 N. 12.

8 So called «Zweckübertragungstheorie». Ibid. (Fn. 7), Art. 16 N. 20; Gianni Fröhlich-Bleuler, Softwareverträge, 2. ed., 2014, N. 92. Dissenting opinion: Reto M. Hilty, Urheberrecht, Bern 2011, N. 264 ff.

2) During their first aperitif Georgia had written the following sentence on a napkin: «Mike, you own the app!». Mike produces this napkin as evidence at their second meeting. This text on the napkin qualifies as an assignment of the app from Georgia to Mike. The question remains what rights actually transferred. Again, the theory of scope of assignment[9] applies. It is an important, but not the only rule of interpretation.[10] Consequently, Mike owns the app, he can use it in the app store, but he cannot use it for any other purpose. He cannot even amend it or make derivative works.
3) During their first aperitif Georgia had promised Mike that he would own the app. But this statement was only made orally. The same legal consequences apply as in scenario 1. However, the oral assignment is more difficult to prove. It is possible to prove if there were witnesses and practically impossible to prove if there were none. It's Mike's word against Georgia's. The theory of scope of assignment applies.
4) If Georgia is Mike's employee, Mike by legal default only, but at least, receives an *exclusive right to use*[11] (i.e. license) the app (art. 17 CopA). The scope of use is limited.[12] If Georgia (as employee) had written «Mike, I assign all copyrights in the app to you» on the napkin, Mike's rights would improve only insofar as he would have ownership over certain rights (as compared to the exclusive license). But despite the broad formulation on the napkin he would not own all the rights. All-inclusive assignment sweep clauses are interpreted *restrictively*:[13] the employer's scope of business and the employee's operational function within the entity are relevant for the interpretation of scope of assignment. A comprehensive assignment of copyrights requires an individual and precise enumeration of the partial rights to be assigned.[14]
5) The software coding was an iterative process between Georgia and Mike. Mike had some coding experience after all and provided valuable ideas and code to the app. Mike and Georgia have *joint ownership* in the app (art. 7 para 1. CopA). Generally, each party can only use the app with consent of the co-owner (art. 7 para. 2 CopA). Georgia knew from the first aperitif with Mike that the app was going to be published for download in the app stores. She silently agreed to such use. Hence, Mike has the right to upload the app to the app stores. However, any other use of the app, e.g. amendment, update, making of a derivative work, requires Georgia's consent (or Mike's, respectively).

[Rz 4] These 5 scenarios show that a well drafted software development or license agreement is key to creating clear legal conditions between Mike and Georgia.

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9 See Fn. 8.

10 Barrelet/Egloff (Fn. 7), Art. 16 N. 21.

11 Licenses bear the risk of missing succession rights. See TechLawNews 6 (ronzani-schlauri.com/#!techlawnews/cc51).

12 See Fn. 8.

13 Barrelet/Egloff (Fn. 7), Art. 16 N. 22–22a.

14 Fröhlich-Bleuler (Fn. 8), N. 94.