

TAX & ESTATE PLANNING ALERT

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Intellectual property assets in estate planning

Estate planning involves the thoughtful process of anticipating and arranging assets as a means of transferring wealth from one generation to the next. A comprehensive estate plan typically transfers assets such as investments, cash, real estate and personal property upon death. That said, if you are an athlete, author, artist, inventor or owner of a closely-held business, you may own intellectual property (e.g., rights of publicity, copyrights, trademarks or patents). These intangible personal property rights should be given careful consideration and professional counsel as part of your estate plan, as elucidated below.

Right of publicity

The right of publicity protects an individual from misappropriation in commerce of the individual's name, likeness or other indicia of personal identity such as nickname, pseudonym, voice, signature, portrait or photograph. In other words, companies cannot use an individual's likeness or image to sell products or services without the individual's permission. The identity of more famous individuals may have more significant business and commercial value.

If a decedent has a right of publicity in the form of likeness, for example, and the decedent's likeness has a measurable value based on income to be generated before and after death, the decedent's estate should include this value in the gross estate. The right of publicity is an asset that requires proper valuation for federal estate tax purposes at its fair market value as of date of death. Estate planners must, therefore, consider the value of these assets to protect a decedent's estate from unexpected tax consequences. Additionally, estate planners should either structure an estate plan to

minimize federal or state estate taxes, or plan to fund the payment of federal or state estate taxes through the use of an irrevocable life insurance trust.

Copyrights

Copyrights are original works of authorship, including books, poems, music, films, paintings, photographs, sculptures, architecture, computer software and blog posts. Generally, copyright protection lasts for the author's life plus 70 years for works created on or after Jan. 1, 1978.

While copyrights may be transferred via an assignment to a trust or by will, in some instances transfer by these mechanisms may be detrimental to copyright termination rights. Often, an author may not realize the fair value of their copyright until a future point in time. Acknowledging this, copyright law grants authors a limited right to terminate existing copyright transfers or licenses executed by the author so that the author may sign new contracts and profit for full value. Upon an author's death, this termination right is passed only to statutory heirs, and only those heirs may authorize subsequent transfers or licenses if they exercise those termination rights. This default rule may frustrate the owner's estate planning intent, as copyright termination rights cannot be transferred to a trust or by a will. Thus, specific provisions regarding the disposition of copyrights should be included in a creator's will in order to maximize potential future value of the works by preserving copyright termination rights.

Additionally, estate planning documents should provide specific dispositions for both the physical work (e.g., an original painting) and the copyright in that work. If the copyright is not specifically mentioned, the copyright and any significant future revenue will pass with the residuary estate. Thus, dispositive provisions for both the physical work and the copyright should be included in an estate plan.

Trademarks

Trademarks are source identifiers, such as names, symbols, slogans and logos, used in connection with goods or services to help consumers identify products in commerce. While trademark protection does not require registration, federal trademark registration provides significant advantages. Trademark marks, whether registered or unregistered, require continued use of the trademark in commerce. Trademark rights can continue indefinitely so long as the trademark remains in use (federal trademark registrations also require periodic maintenance filings).

A trademark may be transferred via an assignment to a trust. While assigning trademarks to a trust can be more efficient in post-death administration proceedings because it will avoid the probate process, preserving the trademark rights will require vigilance on the part of the trustee. Because of its role as a source identifier, the owner of a trademark must control the nature and quality of the goods or services with which the mark is used. If the owner does not, the trademark rights may be lost.

Since it is unlikely that a trust would be the one using a trademark in commerce, assignment of trademarks to a trust will require that the trustee exercise quality control with respect to the use of the assigned trademarks. In general, a written trademark license agreement should be put in place between the trust (as the licensor/owner of the trademark(s)) and the person or entity using the assigned marks in commerce.

A document assigning federal trademark ownership to an owner's trust should be recorded with the United States Patent and Trademark Office. After the trademark is assigned to the trust and after the owner's death, the trustee should continue to use the trademark in connection with any ongoing business.

Patents

Federal patent protection is available to an inventor who creates "any new and useful process, machine, manufacture or composition of matter" or "any new, original and ornamental design for an article of manufacture." Patents are commonly either a utility or design patent. Utility patents pertain to newly-invented technology (i.e., how something works), while design patents protect the newly-invented ornamental nature of certain objects (i.e., how something looks). Issued utility patents generally receive protection for 20 years from their filing date, and design patents receive protection for 15 years from their date of issuance.

When ownership of a patent or patent application has been assigned by the inventor to another person or entity prior to the inventor's death, business continues as usual upon their death because the assignee is the owner rather than the inventor. This is one of the reasons it can be advantageous for an inventor to assign their rights to patents and patent applications to a holding company while they are still alive. If an inventor chooses not to make such a transfer, there are at least two ways an inventor can structure their estate to handle their patents and pending applications.

First, patents and patent applications may be transferred via an assignment to a trust. Assigning patents and patent applications to a trust often is most efficient because probate proceedings may be avoided. A document assigning patent ownership to an inventor's trust should be recorded with the USPTO.

Second, the inventor has a will that directs ownership of the patents and patent applications to another person or to pour over into a trust. This second option is less desirable because a probate proceeding is required. Once the patent or patent application is distributed pursuant to the will, a copy of the will and the death certificate must be filed and recorded with the USPTO. Unfortunately, the transfer of property is typically nearly the last step in the probate proceeding. If any action needs to be taken for a pending patent application prior to the distribution of property, the executor of the estate must intervene by filing with the USPTO a copy of the will and the death certificate of the inventor. The executor then becomes the applicant and can take all necessary actions for the

patent application at the USPTO. However, if the patent application is not distributed and recorded before the patent issues, the patent issues in the name of the executor.

Conclusion

An owner of intellectual property rights should have an estate plan carefully crafted to contain certain provisions regarding assignments, will clauses, estate taxes or transfers to beneficiaries and then file all ancillary documents with appropriate agencies. Proper counsel will secure the owner's intent and legacy after death.

For more information, please contact [Raquel Sportel](#) or any member of Porter Wright's [Tax, Estate Planning and Personal Wealth Practice Group](#).