Studios and designers: Are you sure that you own the intellectual property rights to your video games?

January 15, 2021

Authors

Isabelle Jomphe

Partner, Lawyer Partner, and Trademark Agent

Gonzalo Lavin

Partner, Patent Agent

The year 2020 will have been difficult for the vast majority of industries, and in particular for the arts, entertainment and recreation industry. The video game industry, however, is growing in leaps and bounds.

For example, Nintendo and PlayStation have each set record sales for their games released in 2020, including Animal Crossing:New Horizons and The Last of UsPart II.

Over the past few decades, the number of video game players has never stopped increasing. The year 2020 will surely be no exception, especially considering the COVID-19 pandemic. Playing a video game is not only a way to have fun: it is also a way to stay connected with a community that shares the same interests.

The world of video games is so popular that the Government of Canada teamed up with the Entertainment Software Association of Canada ("**ESAC**") to launch the #CrushCOVID campaign, using ESAC's and its members' social media platforms to share mobilization and awareness messages about public health measures.

The video game industry is an economic powerhouse in Canada. According to the latest ESAC report, the industry contributed an estimated $4.5 billion to Canada's GDP in 2019 — up 20% from 2017[1] — and these figures will likely continue to rise.

This video game boom has a decisive impact on the value of companies innovating in this field. A number of recent transactions illustrate this.

Copyright (c) Lavery, de Billy, S.E.N.C.R.L. - L.L.P.

For instance, last September, Microsoft acquired Bethesda Softworks, one of the largest video game publishers, for US$7.5 billion. Microsoft also bought the Swedish company Mojang Studios, which designed the legendary game Minecraft, for US$2.5 billion in 2014. Closer to home in Montreal, Beat Games was bought by Facebook following the launch of its virtual reality game, Beat Saber, while Typhoon Studios was bought by Google.

A successful video game may be lucrative in various ways, between the sale of video games themselves and merchandising goods, such as clothing and accessories, figurines, as well as game-inspired TV series with giants such as Netflix, Amazon Prime, HBO and Hulu, which are always on the lookout for hit TV series.

Protecting its intellectual property ("**IP"**) on a video game is key to monetize all investment put into the development of a game.

Doing so is even more crucial in the context where video game commercialization knows no borders, and a game can become an international success overnight.

In short, any company should ask itself the following questions before launching its video game, to better position itself in relation to potential investors, licensees or partners, as well as competitors and counterfeiters:

1. Does my company own all of the IP rights on the video game?
2. What kind of IP protection applies and where should IP be protected?

Let's look at the first question.

Does my company own all of the IP rights on the video game?

Designing a video game usually involves a team of creators, including ideators, programmers, writers, visual and sound effects designers. All these people contribute to the creation of the work that is the video game and the underlying IP.

For instance, Ubisoft worked with muralists and graphic designers for its recent game, Watch Dogs: Legion. They designed nearly 300 works to create a post-Brexit urban London. The initiative earned Ubisoft praise even before the game's release last October.[2]

Depending on their contribution to the game's design and their status as employees or consultants, these creators may qualify as authors. As such, they may be considered **co-owners** of the copyright on the video game.

Generally, the copyrights developed by employees in the course of their employment belong to the employer,[3] while a consultant remains the owner of the copyrights, unless otherwise agreed upon in writing.

Thus, a company behind a video game must make sure that its consultants assigns their IP rights to ensure that it retains full ownership of the copyright.

What happens if a consultant has not assigned the copyrights to the company?

Can the consultant claim co-ownership of the entire game, or are the consultant's rights limited to the part he created, such as specific drawings, or music for a particular scene? This is an important

Copyright (c) Lavery, de Billy, S.E.N.C.R.L. - L.L.P.

question which may have an impact on profit sharing.

In *Seggie c. Roofdog Games Inc.*,[4] the Superior Court held that a person (non-employee) whose contribution to a game is minimal cannot be considered as a co-author of the entire **video game**, insofar as:

> The contribution is limited to a few images;
> These images are distinguishable from the rest of the work; and
> The parties had no common intention of creating a collaborative work.

Seggie was therefore denied the compensation of 25% of the profits generated by the game that he had claimed.

However, the court recognized that Seggie held a copyright on the works he specifically created and which were incorporated into the game, and granted him a compensation of $10,000. Incidentally, this compensation is in our opinion arguable, given that Seggie had agreed to work *pro bono* for his friend.

This decision shows how important it is to have a copyright assignment signed by any person contributing to the conception of a work, regardless of the extent of their involvement.

Waiver of moral rights

In addition to the assignment of copyrights, the company owning a video game should also ensure that the authors sign a waiver of their moral rights, so as not to limit the potential to modify the game or to associate it with another product or a cause.

Indeed, the authors of a work have moral rights that enable them to oppose the use of their work in connection with another product or a cause, service or institution to the prejudice of their honour or reputation.

An example would be the use of music or a character from a video game to promote a cause or product, or a television series derived from the game whose script could potentially harm the author's reputation.

To make sure you have plenty of leeway to exploit the commercial potential of the game, a waiver of moral rights should be signed by any employee and consultant involved in the creation of the video game.

Conclusion

Launching a video game requires a huge investment in terms of resources, time and creativity. In order to develop an effective protection strategy, the first step is to make sure that you own all rights. Then, you are in a position to fully protect and enjoy your IP rights.

The next article in this series will discuss the significance and application of these IP rights—i.e., trademarks, copyrights and patents—to the video game industry.

---

1. "The Canadian Video Game Industry 2019," Entertainment Software Association of Canada, November 2019, [online].
2. CLÉMENT, Éric, "Le talent montréalais en vedette dans un nouveau jeu d'Ubisoft," published in La Presse+, October 21, 2020, edition.
3. *Copyright Act*, subsection 13(3).
4. *Seggie* c. *Roofdog Games Inc.*, 2015 QCCS 6462.

Copyright (c) Lavery, de Billy, S.E.N.C.R.L. - L.L.P.