
BLACKTECHSTARTUP EDUCATION

Own the Code You Paid For: Fix Contractor IP Before It Becomes a Deal Problem

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Paying the invoice is not the same as owning the copyright

This is one of the most expensive assumptions in small technology companies. The U.S. Copyright Office explains that independent contractors generally own the copyright in the material they create unless ownership is transferred under a valid written agreement or the work fits the limited work-made-for-hire rules. A founder can pay an agency \$80,000 for software, a website, illustrations or documentation and still have an ownership problem if the contract never transferred the relevant rights. That problem often stays hidden until diligence, a financing round, a sale, or a dispute asks a simple question: prove the company owns its core assets.

Build a chain-of-title ledger

List every contributor who created material that matters to the product: founders, employees, contractors, agencies, designers, data vendors and open-source projects. For each one, identify what they created, the governing agreement, whether the agreement contains an assignment, whether the assignment is signed, whether pre-existing materials were excluded, and whether any continuing license rights remain. The ledger should connect the asset to the document that establishes ownership

or permission. If you cannot point to the document, mark the asset unresolved. This is boring until a buyer discounts the company because the core code was written by a contractor under a two-page invoice.

Use assignment language, not wishful language

Terms like “client owns the deliverables” can be too vague if the agreement does not clearly address copyright and other intellectual-property rights. The Copyright Act generally requires a transfer of copyright ownership to be in writing and signed by the owner of the rights conveyed. Have qualified counsel use language appropriate to your facts, including assignment of rights, treatment of inventions, pre-existing materials, moral-rights waivers where applicable, confidentiality, and assistance with future registrations or filings. The goal is not to bully contractors. It is to make the economic deal explicit: what are you buying, what stays theirs, and what can each side reuse?

Separate background IP from project IP

Good contractors often bring reusable libraries, frameworks, templates or know-how they should not have to give away. Solve that with a schedule of background IP. The contractor keeps ownership of clearly identified pre-existing assets while granting the company the license it actually needs to operate, modify, distribute and commercialize the deliverable. New project-specific code or content can then be assigned as agreed. This creates a cleaner deal than pretending every line touched during the project should belong to one party. It also makes diligence easier because reuse rights are documented rather than implied.

Do the cleanup before fundraising

If old agreements are missing or defective, fix them while relationships are healthy. Ask prior contractors to sign confirmatory assignments that identify the work and rights being transferred. Store the signed document beside the repository or asset record. If someone refuses, identify whether the disputed material can be replaced. Do not wait for a term sheet. Investors and acquirers routinely care about whether a technology company can show clean ownership of what it sells. A missing signature becomes more expensive once the other party knows a transaction depends on it.

The 30-day move

Week 1: export a list of contributors from payroll, accounts payable, Git repositories and design tools. Week 2: match each contributor to a signed agreement and classify ownership status. Week 3: send unresolved items to counsel for confirmatory assignments or replacement strategies. Week 4: update

the standard contractor agreement and onboarding checklist so no new work starts without the ownership terms signed. The durable asset is not just code. It is provable title to the code.

Run an IP chain-of-title audit before diligence forces one

Create a spreadsheet of every person and entity that has contributed material code, design, datasets, models, documentation, branding or inventions to the product. For each contributor, record employment or contractor status, dates, agreement signed, assignment language, open-source contributions, pre-existing IP exceptions and whether any work was performed through another company. Then inspect the actual signed documents. Do not assume an invoice marked 'paid' transfers copyright, and do not assume a contractor agreement for marketing covers software created under a later statement of work. For missing assignments, cure them while the relationship is healthy. If a contributor used prior employer code, university resources or personally owned libraries, document what is incorporated and under what license. Next, map critical repositories and cloud accounts to company-controlled identities so ownership is operational as well as legal. This audit matters when raising capital, selling the company or licensing technology because a buyer will ask whether the company owns what it is selling. Black founders should treat chain of title as a wealth-protection system: the enterprise value sits in assets that must belong to the entity, not in handshake understandings with the developer who built version one. Use qualified IP counsel for material gaps, especially around patents, inventions and disputed contributions.

SOURCE DESK

Research behind this guide

Use the primary sources below to verify current rules, eligibility and program details before acting. Program terms can change.

U.S. Copyright Office — Works Made for Hire



U.S. Copyright Office — Copyright ownership and transfer



U.S. Copyright Office — Assignment/transfer FAQ



U.S. Copyright Office — Registration of websites and website content



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