European
IP Helpdesk

FACT SHEET

Joint Ownership

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Summary

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Introduction

Joint ownership often occurs in connection with collaborative innovation and is of particular relevance to EU-funded programmes, joint ventures and, more generally, to any research project involving co-development of intellectual property (IP).

In these situations, collaborating partners often disregard to regulate the allocation

of ownership with regard to the intellectual property that has been co-developed, which can generate disputes and even lead to litigations, with all the inconveniences linked to legal proceedings.
This fact sheet aims to highlight the most essential IP issues to be addressed contractually, when handling jointly owned assets. By ensuring that ownership, protection and defence of the generated IP are correctly allocated, collaborative projects have a better chance to be efficiently implemented and possible lawsuits between partners can be avoided.
The examples provided in this fact sheet are merely indicative and should not be adopted verbatim within agreements. When drafting a joint ownership agreement or a collaborative agreement, it is crucial to seek legal advice, given the complexity and technicality of this issue.

1. IP joint ownership

Generally speaking, joint ownership, also called co-ownership, refers to a situation in which two or more persons have proprietary shares of an asset: they co-own a property. Joint ownership of Intellectual Property (IP) frequently arises in collaborative projects, when results (e.g., research results) are jointly generated by the partners, and the exact share of work cannot be determined easily, or the work is, by nature, indivisible[1].

In a co-ownership only the "active contribution" to the results should be considered. Mere efforts, such as ordinary assistance or sharing of ideas and information, will not be sufficient to create co-ownership[2]. In addition, each contribution should be an indivisible element to the final result or the result itself should be indivisible by nature.

Joint Inventor	Executor
Conceives the idea	Puts forward a hypothesis
Materially contributes to the development of the invention	Passively follows the instructions imparted
Provides solutions to problems	Performs routine tasks
Implements the innovation	Executes result testing

Joint ownership may arise with regard to all the forms of IP, such as patents, copyright, trademarks and even trade secrets.

With the rise of collaborative research projects, jointly created results have become more common, which means that collaborating partners should define the terms of the resulting joint ownership in a separate agreement, known as a joint ownership agreement. Alternatively, it is also possible to regulate the allocation of the co-developed assets through appropriate clauses within the more general *collaboration agreement*[3].

1 In situations where the aforementioned conditions of joint ownership are not met, the regime of ownership can be established by way of contractual arrangements. For example, a beneficiary of an EU funded project can share the property of its own results with other entities and/or persons – for instance its employees, using contractual mechanisms of a partial transfer of ownership.

2 See the table below to know how an "active contribution" can be discerned from a mere execution when devising an invention in an innovative process, and therefore create the conditions for a joint ownership.

3 Although a joint collaboration agreement is a one-size-fits-all instrument that partners can choose to deal with joint ownership inter alia, separate joint ownership agreements are in principle more appropriate to regulate each specific joint ownership situation.

In case no joint ownership is agreed upon, a default one, in line with the respective national law, will apply[4].

Moreover, exploitation rights on jointly owned assets may vary within the various jurisdictions. Hence, it will be determined on the national level who, among the joint owners, can grant licenses and/or sub-licenses. Likewise, the co-owner's right to be compensated, for not exploiting those assets, might be differently regulated or even absent altogether in some countries.

Co-owners can have different rights at their disposal, depending on the nature of the existing IP rights. Some national legislations give a copyright co-owner the right to sue for third party infringement, without the intervention of other co- owners (which may not be the case for patent- or trade mark infringement)[5].

In this context, the respective co-owners need to carefully address transnational research consortia of joint ownership in contractual arrangements. Although it is not always possible to predict all the results that will be developed in a collaborative project, the partners should at least define their expectations, especially regarding

jointly created results, before any research activity is carried out.
Once they have defined the expected co-created results, partners should deal with the co-ownership by considering the following main factors:

- The allocation of the shares between joint owners
- The conditions of use and exploitation of the joint results (IP)
- The management of the jointly owned results (IP)

The following paragraphs will outline how arrangements on allocation (shares) as well as protection, enforcement, use and exploitation of the relevant IP assets can be regulated within IP joint ownership- or collaboration agreements.

4 If collaboration partners do not intend to enter into joint ownerships, they should state this within the collaboration agreement by allocating the sole property to one of the co-developers through transfer of ownership of IP.

5 The UK IP legislation is an example.

2. Allocation of shares between joint owners in collaborative research projects

2.1. Background

When joining a collaborative research project, partners need to outline what each of them will bring to the project: the so-called background[6]. The parties can identify their respective background in a separate list, as part of their joint ownership- or consortium agreement. This is also essential with regard to modifications and derivative works as well as for the joint use and exploitation of the results.

Furthermore, it is important to define what will be considered modifications/improvements to the background. The distinction between derivative- and new work, created within a collaborative project is, in fact, not always obvious. Therefore, ownership of the background modifications needs to be defined contractually.

OWNERSHIP OF INTELLECTUAL PROPERTY RIGHTS

1. Each party retains exclusive property of its background.
2. Modifications to or derivative works of the parties' background shall be the sole property of the contributing party.
3. Foreground developed in connection with the collaboration project shall be jointly owned in equal shares by parties.

2.2. IP joint ownership

There are several ways to allocate the respective shares of each joint owner, regarding the jointly generated IP results. One of the most common options is to equally share the results among the partners. Of course, the partners can also split the shares according to their involvement in the development of the results.

6 Further details on "background" in the context of EU-funded projects can be found in the European IP Helpdesk Guide "Your Guide to IP in Horizon 2020".

3. Conditions of use and exploitation of the jointly owned IP

3.1. Rights of use

Co-ownership arrangements usually grant each party an unrestricted use of the jointly owned IP. Should, however, restrictions on one party's use be necessary, due to the interests of other partners or its use in further research activities, two options can be envisaged:

Either: the joint ownership will be maintained with the provision of mutual restrictive conditions on the joint results' use

RIGHT OF USE

1. A party shall be entitled to use the results only as strictly necessary to [field of use];

Or: one party will be assigned the property of the entire asset – hence supporting all the related costs – and will grant licenses to other partners on an "as-needed" basis, according to the interests in the balance.

OWNERSHIP OF INTELLECTUAL PROPERTY RIGHTS

1. Results developed in connection with the collaboration project shall be solely owned by party [...], who shall bear all the costs related

RIGHT OF USE

1. Party […] shall grant – through a separate agreement – to the other party a non-exclusive, royalty-free, non-transferable right to use the results where necessary and to enable the other party to dispose the results within the scope of its business activity;

Regulations regarding the use of the background, brought to the project as part of the collaborative effort, should also be part of the contractual arrangements. Each party should grant access rights to the respective other parties, allowing them to use the background in accordance with the project's scope (usually royalty-free), and within their business activities (usually royalties-bearing).

Furthermore, since most of the joint results will contain partner-contributed IP, the background constitutes the object of future contracts and regulates the use of the produced results. In this context, it is also advisable to provide contractual clauses, regarding the use of the IP, which belongs to each partner individually, aside from the use of the joint IP.

RIGHT OF USE – background

1. Each party hereby grants to the other party the non-exclusive right to use its background free of charge, but only as strictly necessary to perform the collaboration project hereof;
2. Each party hereby grants to the other party a non-exclusive, royalty-bearing, non- transferable right to use its background, but only as strictly necessary to enable the other party to make, sell or otherwise dispose of the product within the scope of its business activity;
3. No right to use any background is granted by one party to other parties, independently of the results. Any other sub-license or third parties' agreement will oblige the parties concerned to abide by such a limitation.

3.2. Rights of exploitation

Joint ownership arrangements should also define the conditions under which each co-owner can assign, license and exploit jointly owned results. Such activities can be done with, or without, the consent of the other parties, depending on the partners' interests.
Another important issue that partners should agree upon from the outset, is the compensation, the other partners will receive, with regard to the exploitation of the joint results.

RIGHT OF EXPLOITATION – first option [consent required]

1. A party shall not pledge, assign, sell or otherwise dispose of its interest in the results to third parties without the other party's prior written consent;
2. Licensing the results to third parties shall require written agreement between all parties, setting out their respective rights and obligations, including but not limited to, the distribution of licensing costs and income.

3.3. Dissemination and confidentiality

With regard to disseminating the project's results, parties can agree on limits and means to disclose data and research materials, bearing in mind that disclosures can be an impediment to future IP rights registration (i.e., patents, utility models and industrial designs).

When dissemination activities take place, careful attention should be paid to confidential information that are used to carry out the research[7]. Partners might want to maintain secrecy on the knowledge, related to the collaboration project. Based on the contractual clauses, parties should therefore comply with the confidentiality rules.

DISSEMINATION

1. If a party intends to publish information and other research materials, related to the collaboration project, it should, prior to publication, provide […] days as an examination period for the other party to verify whether the contents of such dissemination should be kept confidential. The other party may request in writing to extend the examination period, due to the importance of the information disclosed.

CONFIDENTIALITY

2. Confidential Information shall not be disclosed, copied, reproduced, or otherwise made available to any other third party, without the consent of the other parties. Each party agrees to use its best efforts to maintain the confidentiality and to keep data and research materials confidential until published or until corresponding patent applications are filed;
3. Confidentiality obligation shall expire as soon as the information is publicly known or […] years after the expiration or termination date of this agreement. Each party may request an extension to this term, when it is considered necessary to protect confidential information, relating to foreground, not yet commercialised.

7 All the issues related to confidentiality, can be explored through two fact sheets developed by the European IP Helpdesk: "Trade Secrets: Managing Confidential Business Information" and "Non-Disclosure Agreement: a Business Tool".

4. Management of the jointly owned IP

Managing jointly owned IP refers to the protection, maintenance and defence of the results, generated in a collaborative project. Hence, the contractual rules should clarify how confidential information as well as Intellectual Property rights (IPR) maintenance and infringement should be dealt with by the co-owners.

4.1. IPR protection

In case the IPR protection and maintenance costs can be equally shared between the joint owners, the parties still have to agree on:

- How the generated IP will be protected
- When the protection will be obtained through registration
- Which party will file the application and then follow the procedure (i.a., if the designated party does not file an application to grand IP rights, contractual provision should allow other parties to take steps in place of the unfulfilling party
- Which party will bear the costs of the IP protection and -maintenance

IP APPLICATIONS FILING, PROSECUTION and COSTS – first option [shared management]

1. The parties shall decide, by mutual agreement, whether to file, prosecute and maintain IP protection of the results. The parties shall equally bear all costs resulting from these acts.The parties shall decide which party will be conducting these activities on behalf of all the parties. The elected party shall provide a copy of the relevant documents and make it available for the other party to review.
2. If a party declines to bear its share of the costs, associated with the activities thereof, the other parties may conduct such activities in their own name and at their own expense. The declining party shall retain its rights of use, but shall lose its rights of ownership and exploitation in respect of results.

IP APPLICATIONS FILING, PROSECUTION and COSTS – second option [single management]

1. party [...] hereto agrees to file, prosecute and maintain IP rights applications of the results in a timely manner and at its own expense and after consultation with the other parties.
2. Within [...] days of receipt of filing, party [...] shall provide the other parties with copies of the IP rights applications and all documents received from or filed with the relevant IP office, in connection with the prosecution of such applications, for the other parties' examination.
3. If party [...] decides against filing the IP rights applications, it must inform the other parties [...] days prior to the expiration of any applicable filing deadline, priority period or other statutory date, so the other parties have the opportunity to file and prosecute IP rights applications at their own expense. The declining party shall retain its rights of use, but shall lose its rights of ownership and exploitation in respect of results.

4.2. IPR infringement and enforcement issues

Joint owners should decide, which party will be responsible for monitoring and policing the joint IP as well as assume the expenses for any infringement in connection with it. The latter can arise either, because the jointly owned IP infringes a third parties' IPR or, because it is a third party, who infringes the co-owned IP.

INFRINGEMENT CLAIMS

1. Each party shall be responsible for monitoring and defending the joint IP. Each party will, however, notify the other parties promptly if it has a reasonable basis for believing that the joint IP has been infringed by a third party or if the joint IP would infringe any intellectual property right of a third party.
2. The parties shall equally bear any costs in connection with the prosecution of third parties' infringement of the joint IP. Any accorded awards will be shared in equal parts.
3. The parties shall equally bear any costs in connection with claims that the joint IP infringes third parties' intellectual property rights.

5. Governing law and jurisdiction

The reason behind choosing the applicable law and jurisdiction, is to allow partners to uniformly interpret their joint ownership agreement and to set common rules in case disputes among them emerge. It is advisable to select a law that is applicable to the parties' respective national systems or the core of the agreement.

Although it is preferable to choose a jurisdiction that offers the highest degree of impartiality as well as a high standard of protection and efficiency, any national law can be selected.

Finally, alternative dispute resolution (ADR) mechanisms are also important. Indeed, ADR mechanisms are a rapid and cost-effective way of solving disputes in contractual relationships.

GOVERNING LAW

1. This agreement shall be governed by the law of [...].

ALTERNATIVE DISPUTES RESOLUTION

1. In the event of any dispute in connection with this agreement, the parties shall negotiate and resolve such dispute amicably under principles of good faith and honesty. Where amicable settlements cannot be reached, the dispute shall be referred to arbitration in accordance with the […] rules.

JURISDICTION

1. The parties agree that, in the event of any dispute, in connection with this agreement, which cannot be resolved by negotiation or arbitration, the legal proceeding shall be submitted to the jurisdiction of [...].

To sum up, the following non-exhaustive check list identifies the essential IP issues to be addressed when handling jointly owned assets in contractual arrangements.

- Allocation of sharesWhen the protection will be obtained through registration
- Conditions of use of jointly owned IP
- Conditions of exploitation of jointly owned IP
- IP protection and maintenance
- IP monitoring and enforcement
- Governing law and jurisdiction

Useful Resources

For further information, please also see:

- Fact sheet "Trade Secrets: Managing Confidential Business Information"
- Fact sheet "Non-Disclosure Agreement: a Business Tool"
- Guide "Your Guide to IP in Horizon 2020"

Our main goal is to support cross-border SME and research activities to manage, disseminate and valorise technologies and other IP rights and assets at an EU level. The European IP Helpdesk enables IP capacity building along the full scale of IP practices: from awareness to strategic use and successful exploitation.

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