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Collaborations: Joint Ownership of Intellectual Property

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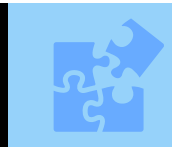
Joint Ownership of Intellectual Property – Background

1. 
   Issues relating to joint ownership of IP come up with surprising frequency in pharmaceutical and life sciences collaborations.

2. 
   Joint ownership of new project-specific IP arising out of the collaboration ("Project IP") is often viewed as commercially "fair" and simple.

3. 
   In reality, joint ownership scenarios are highly complex and contain pitfalls, potentially rendering Project IP unusable, unenforceable or valueless.

4. 
   For many collaborations, instead of imposing joint ownership, it is preferable to allocate unitary ownership to one party or the other based on their respective contributions, strategic priorities or background IP, with appropriate cross-licences to enable reciprocal use within agreed fields.

5. 
   If joint ownership of Project IP is the most appropriate or only viable commercial solution, sophisticated IP drafting is essential for protecting collaborators' IP assets and enabling future commercialisation.

Common Pitfalls (1)

Where joint ownership of Project IP is the chosen way forward, collaborators should navigate the following issues:

1 ***Overlooking deal- and territory-specific differences***. Default rules under national laws on the use, licensing and transfer of joint IP vary significantly by type of IP right and by country. For example:

A PATENTS

US law permits a joint owner to grant non-exclusive licences without a joint owner's consent – but English law prohibits any licensing (even non-exclusive) without consent.

B COPYRIGHT

English law prohibits a joint owner of copyright from exploiting the relevant materials without a joint owner's consent – but US law permits this (though the exploiting joint owner has a duty to account for profits to the other joint owner).

— Omitting joint ownership provisions from the collaboration agreement is likely to result in inconsistent outcomes for each party in key markets.

— The table in the **Annex** compares English and US law default positions on certain types of IP* most likely to be material for pharma collaborations.

**The default position on trade marks is not summarised as joint trade mark ownership is particularly problematic and not advisable.*

Common Pitfalls (2)

2 ***Not tailoring joint Project IP prosecution, maintenance and enforcement mechanics to collaborators' respective fields, regions and commercial strategies***

a) Uncoordinated prosecution, maintenance and enforcement provisions may lead to business misalignment and loss of rights.

b) If not adequately dealt with in the collaboration agreement, default rules under national laws can make it difficult to enforce joint IP – e.g., where applicable law requires a joint patent owner to be joined in enforcement proceedings.

c) The other joint owner of Project IP owner may be able to license the defendant in proceedings brought by the first joint owner, undermining the suit and the commercial strategy of the first joint owner.

d) The mechanics that apply during the collaboration term might not be appropriate after the collaboration has been terminated.

Common Pitfalls (3)

3 ***Overlooking risks of joint IP ownership that the parties may not be able to mitigate by contract.***

a) Ability to contract around default rules may be limited in some circumstances – e.g., a contractual restriction on the transfer of a co-ownership interest might not invalidate such transfer to a third party buyer who is unaware of the restriction.

b) Insolvency or bankruptcy of co-owner may lead to rejection of co-ownership agreement or sale of the IP. (*Consider also that under English law, co-owners of IP may be either joint tenants or tenants-in-common which leads to different outcomes on insolvency of a co-owner*.)

c) Joint ownership of new project- or collaboration-related trade marks is best avoided in almost all cases – it may significantly complicate enforcement and jeopardises validity of the marks.

Practical Solutions

1 

Test with business stakeholders whether joint ownership is truly the preferred result.

2 

If joint ownership of Project IP is the chosen way forward, discuss interplay between commercial and IP strategy with business stakeholders at an early stage.

3 

Prepare detailed, bespoke joint ownership mechanics for the collaboration agreement, which contemplate collaborators' main objectives and respective priorities:

- Whether and in which countries to register registrable IP.
- Which party leads on prosecution, maintenance, defence and enforcement; sharing of costs of (and amounts recovered from) litigation; and where necessary, step-in rights if lead party does not take action.
- When and subject to what conditions can joint ownership interests be transferred to a third party.
- What governance of the joint Project IP remains in place after termination of the collaboration.

4 

Structure prosecution, maintenance and enforcement rights that align with each party's territorial and operational strengths. Consider the interplay between (and synergies/risks with) prosecution, maintenance and enforcement of joint Project IP and each party's pre-existing IP that is contributed to the collaboration.

Annex

Comparison of English and US law default positions on certain types of IP

Joint Ownership Default Rules: English and US law

IP	INDEPENDENT USE BY CO-OWNER	GRANT OF LICENCE	ASSIGNMENT	ENFORCEMENT
Patents	— **Permitted**	— No consent required for licences under one's own interest — Requires consent even for non-exclusive licences under one's own interest	— No consent required to transfer one's own interest — Requires consent	— Can only sue if all co-owners are joined (and cannot sue if co-owner refuses to join) — May sue without consent of co-owners but Patents Act requires co-owners to be joined as parties (only nominally and with no liability for costs if not willing to sue as co-claimant)
Copyright	— No consent required (but duty to account for profits to other co-owners) — Requires consent	— No consent required for licences under one's own interest (but duty to account for profits to other co-owners) — Requires consent even for non-exclusive licences under one's own interest	— No consent required to transfer one's own interest — Not specifically addressed in UK legislation – case law suggests a tenant-in-common may assign its own interest but unclear whether co-owner consent still required	— **Can sue without consent of co-owners,** but UK Civil Procedure Rules may require co-owners to be joined as parties (only nominally and with no liability for costs if not willing to sue as co-claimant) unless the court orders otherwise
Confidential Information / Trade Secrets	— **Permitted**	— **May not be permitted assuming all the co-owners are under an express or implied duty not to disclose the confidential information**		— **Generally** (subject to some US state law variation)**, can sue without consent of co-owners**

 US = **RED**

 UK = **BLUE**

 BOTH = **PURPLE**