

Joint Ownership: Its Problems and Ways to Avoid Them

How/when does joint ownership arise?

- Joint ownership is default when there are multiple inventors who contribute to the patent.
- Joint ownership can result from contractual agreement, e.g. strategic alliances, joint development agreements.
- Joint ownership can be avoided through contractual agreement, e.g., assignment to single inventor, employer, or third party.

Problems with joint ownership

- Even a minor contributor can be a joint owner, with full rights under the patent, e.g., ability to grant licenses to others
- Default allocation of rights is often undesirable. Who has duty:
 - to prosecute the patents?
 - to decide whether inventions are patented or maintained as trade secret?
 - to pay maintenance fees?
 - to enforce?
- Additional problems may arise under non-US patent law if parties file overseas.

Problems with joint ownership

- For example, by default under US patent law:
 - Each joint owner can exploit without permission of the others and without duty to share proceeds
 - Problem: Race to offer best deal to potential licensees and retain the benefits
 - All joint owners must join suit
 - Problem: Race to agree with the infringer not to sue (e.g. grant a license and retain the benefits)
- Analysis of best solution requires fact-specific approach.

Solutions to joint ownership

- Solution 1: Parties could create a separate joint venture entity to own the intellectual property that will be created.
 - JV would then enter into license agreements with third parties and with the JV parties as appropriate.
 - Ultimate control of the to-be-created IP would be subject to the ownership and management structure selected by the parties for the entity.
 - This approach can work well for complicated deals

Solutions to joint ownership

- Solution 2: Parties can allocate all ownership to one party, with the IP licensed to the other party.
 - While this may appear to be unfair, the license grant can be drafted very broadly so the licensee party often gets everything it needs and wants.
 - This approach also can work well for complicated deals

Solutions to joint ownership

- Solution 3: Parties can allocate ownership of certain IP to one party and certain other IP to the other party in accordance with criteria set forth in the parties' agreement.
 - Criteria could be related to what each party brings to the relationship, or based on a party's products or field of use, or any other criteria that the parties can articulate.
 - Success under this approach will turn on the parties' ability to draw the lines in a fair and unambiguous manner, and it is therefore best for deals where parties' roles are distinct and well-defined.

NDAAs in Patent Licensing



Patent License vs. Covenant Not to Sue?

