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.
NDAs in Patent Licensing
Patent License vs. Covenant Not to Sue?