



WHO GETS A SLICE OF THE IP PIE? POTENTIAL PITFALLS OF OWNING IP JOINTLY

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In an increasingly interconnected world where “collaboration” is a buzzword, jointly created intellectual property (IP) will become more commonplace. It may sound like a good idea at the time to say everyone involved in the collaborative process gets a piece of the pie, that is, owns the IP “jointly”. However this arrangement may cause headaches down the line if not thought through properly at the outset. Joint ownership of IP can be more complicated than it sounds, resulting in a range of issues around commercialisation and enforcement.

OWNERSHIP AND RIGHT TO USE

How a co-owner “owns” the IP right, and how it can be used, will depend on the type of IP concerned and the statutory regulation that governs it. The starting point generally is that if each co-owner contributed to the IP, the IP would be jointly owned regardless of each co-owner’s contribution, whether small or significant.

Here, we discuss the 3 main statutory forms of IP protection:

1. Copyright – This covers things like software, digital materials, written works, artwork, musical works and audio-visual materials. Joint owners of copyright are considered “**tenants in common**”, which means each person owns a separate and transferable interest, unless there is an agreement between the co-owners that regulates ownership otherwise.

Co-owners can agree to own the IP right in different shares and specify the percentage ownership of each co-owner depending on the contributions of each co-owner.

In the absence of consent from the other co-owners, a co-owner does **not** have the right to independently exploit the copyright, nor licence it to a third party.

2. Patents – Patents protect new discoveries and inventions. In the absence of any agreement to the contrary, co-owners of a patent are each treated as a “**joint tenant**”. This is different to being a “tenant-in-common”. Joint ownership means each co-owner owns an equal and indivisible share in the patent.

Each co-owner has the right to use the IP rights granted in the patent themselves without the consent of the other co-owners but they cannot licence or transfer their interest. As commercialising a patent invariably involves granting a licence to a third party (e.g. to develop, manufacture or sell the technology), the rights of a co-owner to act independently are in practice quite limited.

3. Trade marks – Brands and trading names are protected by trade mark registration. Strictly speaking, trade mark co-owners must both have a connection in trade to the trade mark being

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registered. A co-owner may only use a trade mark if they are using it on behalf of all owners, or in relation to goods and/or services with which they are all connected. Again, without the consent of the other co-owners, a co-owner cannot unilaterally licence or assign its interest in the trade mark.

Co-owners can agree to regulate their rights in a different way to what is set out above. For example, copyright owners may wish to have an agreement which restricts their ability to assign their interest in the copyright to ensure they don't end up with a co-owner who is a competitor or whom they otherwise can't deal with.

TRANSMISSION ON DEATH OF A NATURAL CO-OWNER

The issue obviously doesn't arise in the context of a corporate owner, but what happens to jointly owned IP right when an owner who is a natural person dies? Generally the co-owner's interest in the intellectual property passes to the beneficiaries of the deceased co-owner's estate. This too can have unintended consequences if it is not thought through at the outset. The surviving owner may in those circumstances wish to have the right to buy out the deceased owner's share. Again this requires advance planning, usually in the form of an option agreement, as well as consideration as to how such a purchase would be funded.

CONCLUSION

For collaboration to be effective and to facilitate a smooth path to commercialisation, IP owners should carefully consider how any co-owned IP will need to be used by each party and build in appropriate mechanisms to allow for that use.

When it comes to co-owned IP, it appears you can't have your cake and eat it too.

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