# The pitfalls of co-ownership of intellectual property

It is extremely rare to find nowadays a company that is still developing all of its technology "in-house". More and more technology and intellectual property are generated through collaborative efforts. Different models of collaboration are used such as participating in R&D consortia funded by governmental agencies (e.g. the Framework Programme of the European Union) and collaborations between company(ies), university(ies) and/or other research organization(s).

One of the most controversial issues when parties are negotiating a collaboration agreement concerns the ownership of the results of such collaboration. During the contract negotiations a solution that is frequently proposed as a "fair and reasonable" compromise is that the parties jointly own the results of the collaboration. But what does co-ownership mean and what are the parties' respective rights and obligations with respect to co-owned results?

Co- ownership may arise by operation of applicable legislation when more than one person is involved in creating the results. Co-ownership may also be created between the parties by agreement when the parties decide to share the ownership of the results.

*Legal regime*

Once co-ownership is created, the co-owners' rights in the results are determined by applicable legislation insofar as they are not modified by agreement. These rights vary depending on the type of intellectual property involved.
For example, under Belgian law, joint ownership of patents is very different than joint ownership of copyright:
- Joint ownership of a patent
Article 43 of the Belgian patent law addresses the rights of co-owners. It states that, subject to an agreement to the contrary, each co-owner is entitled personally to exploit the invention but it must obtain the other owner's consent (or failing agreement, the authorization of a court) to (i) burden a patent application or a patent with a right, (ii) grant a license to exploit or (iii) institute infringement proceedings.
- Joint ownership of copyright
When a copyright protected work is created by more than one author, but the part of the work that is created by each co-author cannot be individualized, the exercise of the copyright can be governed by an agreement between the co-authors. If there is no such agreement, all decisions regarding the work's exploitation should be made unanimously. In case of infringement, each co-author is entitled to bring an action by himself and in his own name to claim damages for his share (article 4 Belgian Copyright Act).

The issue of co-ownership becomes even more complicated because the rules of intellectual property ownership can vary from country to country and can only be determined on a country-by-country basis. For example, contrary to Belgian patent law, US patent law stipulates that in the absence of an agreement to the contrary, each co-owner of a patent may make, use, offer to sell, sell and import the patented invention without the consent of the other co-owners. Further, the exploiting co-owner has no responsibility to share revenues with the other co-owner(s). However, to enforce the patent, all co-owners must joint in the lawsuit.

*Contractual regime*

Because the rules governing intellectual property co-ownership can differ amongst countries, the parties should first carefully consider the status of the ownership of the results itself: are any of the results created when collaborating to be jointly owned or not?

If the parties so that decide that co-ownership of the results is the best solution, then the allocation of the rights and obligations of the co-owners of the results is to be agreed upon in an agreement. As with the status of ownership of the results itself, the co-owners are entitled to modify the default rules regarding intellectual property co-ownership by addressing this issue in an agreement. This agreement, which is to be concluded before the collaborative efforts are being performed, should set out in detail the worldwide rights and obligations of the co-owners in relation to the jointly owned results.

Key issues to be considered in the agreement include:
- Do the co-owners share the results equally or obtain a percentage of the result?
- What confidentiality obligations do the co-owners have with regard to the co-owned results?
- If the results can be protected by intellectual property rights: what rules apply regarding the application for, maintenance and enforcement of the jointly owned intellectual property rights?
What happens if only one co-owner wishes to apply for a patent in a jurisdiction where the other co-owner(s) does/do not see the value of obtaining patent protection?
What happens if a co-owner wants to sue a third party (who obtained a license from the other co-owner) for infringement?
Who will be responsible for the prosecution of or defense against infringement actions?
- Is each co-owner entitled to exploit the jointly owned results for its own benefit? If a co-owner does exploit the jointly owned results, does he have to account to the other co-owners?
- Is each co-owner entitled to grant licenses? Are there limitations for sublicensing? Is there an obligation to share license revenues?
- Is each co-owner entitled to assign its interests in the jointly owned results?

*Conclusion*
There is nothing wrong with parties agreeing to joint ownership of the results. However, when negotiating how the results of the collaboration are to be owned, co-ownership should never be seen as the easy option. In order to reduce unexpected surprises and improve the chances for a successful collaboration, the rights and obligations of the co-owners are to be defined carefully. Detailed provisions as to how the results of the collaboration are to be owned, protected, enforced, defended, managed and exploited (and if needed sharing of revenues) are to be introduced in an agreement, and this before the parties create the co-owned results.