IP bits

April 2015

Solving IP Ownership Controversies in Collaborations

In every collaborative relationship the parties will have to address the sometimes very controversial issue of how the IP that arises from their collaborative research will be owned.

1. What criteria for ownership should operate?
2. What if one party makes no inventive contributions at all, should it have a share of ownership?
3. What if one party creates IP that improves the other's existing IP?
4. Should the parties have a joint venture model? In that case, how will the joint venture be governed?

These questions confront every collaborative research relationship, whether the collaboration is between:

1. a university and another university
2. a company and another company, or
3. a university and a company.

Joint Ownership

A very simple model is that the collaborators should jointly own the New IP arising from their collaboration. Sometimes collaborators are drawn to his model mistakenly assuming that joint ownership confers on each collaborator equal and mutual benefits. But joint ownership can often operate to the disadvantage of one joint owner, or even all the joint owners. Click here for a previous edition of IP Bits that looked into the potential disadvantages of joint ownership.

Inventership Model

In this model, ownership of New IP arising from the collaborative research is allocated according to which party employs the inventors of the New IP. According to this model:

1. Collaborator A will own the IP invented by Collaborator A's employees and contractors
2. Collaborator B will own the IP invented by Collaborator B's employees and contractors
3. Collaborators A and B will jointly own the IP invented jointly by Collaborator A's and Collaborator B's employees and contractors.

This model for IP ownership is a common one. It reflects what the result would have been if the parties had not addressed the issue. That is, if the parties had not specifically agreed on how their New IP arising from the collaboration would have been owned, this is the result that would apply according to default legal principles. Because of this model's mutual operation, and because it reflects the ownership result according to law anyway, it appears fair.

But it can on occasion operate unfairly. Suppose:

1. Collaborator A owns Background IP
2. Collaborator B invents an improvement to Collaborator A's Background IP, with as a result Collaborator B owning that improvement
3. Collaborator A seeks a license to that improvement
4. Collaborator B either declines to grant a license, or is prepared to, but only on outrageous terms.

In this example, Collaborator A is now disadvantaged.

Another potential disadvantage is that the joint ownership of the New IP that is jointly invented by the employees of Collaborator A and Collaborator B can operate unfairly, disadvantaging one or all joint owners.

There are solutions.

The first solution is to negotiate the license up front. But that could be a time consuming solution that delays the collaboration. The second solution is to consider the Improvements Model instead of the Inventership Model

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Improvements Model

In this model:

1. Each collaborator will own the New IP that improves its own Background IP, regardless of whose employees invented the New IP
2. The collaborators will jointly own the New IP that improves the Background IP of Collaborator A as well as the Background IP of Collaborator B, regardless of whose employees invented the New IP
3. New IP that does not improve the Background IP of either collaborator is then owned in accordance with the Inventership Model.

This model now operates to prevent the potential unfairness of the Inventership model.

But it also now operates to potentially create a new unfairness: All the New IP that arises from the collaboration might be inventor by Collaborator A, and all of it could improve only Collaborator B's Background IP, so that it is solely owned by Collaborator B, with Collaborator A not receiving any economic benefits from the New IP that it solely created. As well, joint ownership arises, with the potential for it to operate unfairly.

Category Model

Another model to consider is the category model. In this model:

1. All New IP in Category A (for example drug discovery) is owned by Collaborator A, regardless of whose employees invented the New IP
2. All New IP in Category B (for example diagnostics) is owned by Collaborator B, regardless of whose employees invented the New IP
3. All New IP in both Category A as well as Category B is jointly owned by both collaborators, regardless of whose employees invented the New IP
4. All New IP outside Category A as well as outside Category B is treated in accordance with the Inventership Model.

This model will protect the commercial interests of both parties by ensuring that Collaborator A has unencumbered ownership of the Category A IP it requires, and that Collaborator B has unencumbered ownership of the Category B IP it requires.

But it similarly also operates to potentially create a new unfairness: The only New IP to arise from the collaboration may be Category A IP, which will be solely owned by Collaborator A, and all of it may be created by Collaborator B. But on this example, despite Collaborator B having created all the New IP, it receives no economic benefits from the IP it created. Another disadvantage of the Category Model is the risk of a prior art collision in patent applications by the collaborators.

Joint Venture model

In this model, all the New IP arising from the collaboration is owned by a joint venture company. This overcomes many issues, including the issues of joint ownership, as well as the risk of prior art collisions. All the New IP being owned by a joint venture company, each collaborator must rely on licensed rights. The use of this model also gives rise to additional issues to navigate, including the proportions in which the joint venture company should be owned, as well as decision making and governance in relation to the joint venture company.

Concluding comments

These examples highlight that there is no "perfect answer" to the question of how New IP arising from a collaboration should be owned. Each model has its merits, and each model has its potential disadvantages. No model stands out in front of any other. They each have their advantages and their risks.

For each collaboration, each model needs to be assessed and considered, having regard to what are the dominant considerations for that collaboration which suggest preferring one model instead of another.

These examples also illustrate that only agreeing upon the ownership of New IP in a Collaboration Agreement may not be enough. Rights to the New IP may also need to be addressed, as a way of compensating one collaborator for the side effects of the ownership model selected, or to balance the interests of the collaborators. This will mean either licensing rights, or granting rights of first refusal or options to negotiate a license. Click here for a recent IP Bits issue on the legal effect and operation of rights of first refusal and options to negotiate.