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Addressing Intellectual Property Ownership When Drafting Joint Development Agreements

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Parties entering into joint development and other collaborative agreements often are most concerned about what services each of them will perform as part of the collaborative effort. As a result, they often neglect to address the one issue they are quickest to litigate: who owns the intellectual property rights created as a result of the collaboration. The parties' attorneys can help them to avoid litigation related to this issue by making sure that the collaboration agreement competently allocates intellectual property ownership and responsibility for its protection and defense.

Apportioning Ownership

To avoid potential disputes among the parties, collaborative agreements should outline three major areas of intellectual property: (1) that which each party brings to the transaction (i.e., that which each party has developed prior to and/or outside the scope of the collaborative agreement—contributed IP); (2) that which the parties create as a result of the collaborative

effort (joint IP); and (3) that which consists of modifications to or derivatives of a party's contributed IP.

Of these three categories, the easiest to define clearly is each party's contributed IP. The parties to the agreement can identify their respective contributed IP, either in the body of the agreement or in schedules. The list would include not only patents, trademarks and copyrighted materials, but also any trade secrets or other intellectual property that will be disclosed and used as part of the collaborative effort.

With regard to the joint IP, the parties first should define clearly what they expect to come of the collaborative effort: research reports, patentable technology or an actual product. Once the parties have defined the expected joint IP, they can decide how to apportion its ownership. When doing so, it is important to carefully consider the purposes of the collaborative relationship, as well as each party's respective needs.

There are many means by which joint IP can be apportioned so as to ensure that both parties' goals are accomplished. The most straightforward method is for the parties to agree that any joint IP created as a result of the collaboration shall be truly jointly owned by the parties. This would be an appropriate structure if all parties to the agreement are willing to allow the

unrestricted use of the joint IP by one another. In the case of a two-party agreement, each party would have an undivided one-half interest in the whole of the joint IP and the agreement should specify whether the parties are obligated to account to each other for profits resulting from the use of the joint IP.

If, however, due to the parties' business or technical concerns, there need to be restrictions on one or both party's use of the joint IP, this can be accomplished in a number of ways. One option would be for all the intellectual property rights to be assigned to one of the parties, which then would grant a license, limited as dictated by the business concerns, to the other party.

Alternatively, both parties can be considered joint owners of all the joint IP, with each party agreeing to certain restrictive conditions on their use or disclosure of it. This situation often arises when a party wants to prohibit the disclosure of the joint IP to one or more competitors.

An additional concern arises when one of the parties—often an educational institution—receives government funding. In such a case, the government may have rights to use intellectual property (and possibly any underlying contributed IP) created as a result of the government funding. The parties must ensure that intellectual prop-

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erty created with government funding will be available without overly burdensome restrictions, taking into account any requirements that apply to particular intellectual property because of government funding.

Because the joint IP often will contain some of the parties' contributed IP, each party needs to be cognizant of the potential downstream exposure of its contributed IP—regardless of how the rights to the joint IP are apportioned. For example, even if the contract provides for true joint ownership of the joint IP, it may be appropriate to include (1) a limitation in the contract providing that neither party may sever the other party's underlying intellectual property in a manner that permits use of that property independently of the joint development; and (2) a corresponding requirement that any downstream contracts obligate any potential sublicensees or other third parties that may come in contact with the joint IP to abide by such limitations.

The third and final category of intellectual property rights—modifications or derivatives of either party's contributed IP—often can be the most difficult to address. First, there is often a fine line between a modification or derivative of a party's previously existing intellectual property and the joint development effort that is the fundamental purpose of the collaborative relationship. This distinction can be made clearer by including in the contract a careful and specific description of the joint IP expected to be created as a result of the effort. This consideration is important because each party to a collaborative effort typically wants to retain the unfettered right to continue to use its individual contributed IP, including any modifications or derivatives, without restriction.

This situation often arises in the

computer software arena. While a party that has developed a complex computer program may be willing to allow a "plug in" module to be jointly owned, the party is likely to want to own any modifications to the original program that may be made to accommodate the plug-in module. If the parties agree that modifications to each party's contributed IP are not intended to fall within the definition of the joint IP but shall be owned by the "contributing" party, it will be important to include express assignments from each party to the other of any modifications to or derivative versions of a party's contributed IP. To ensure that such express assignments are effective, it is important that only employees and consultants of each party who have signed appropriate assignment of invention and assignment of copyright agreements perform work under the collaborative agreement.

Handling Patent Prosecution And Infringement Claims

Related to the determination of ownership of intellectual property rights is the manner in which any patent prosecution and third-party infringement claims will be handled with respect to the joint IP. It is helpful to address in the collaborative agreement which party or parties will (1) decide whether to protect joint IP through patent or to maintain it through trade secret, (2) be responsible for filing and prosecuting patent applications and maintaining the resulting patents, and (3) pay for patent prosecution and maintenance expenses.

This type of provision also should clearly provide that, if the party charged with filing the patent application and prosecuting and maintaining the patent either expressly elects not to make the filing or is not handling

its responsibilities in a timely manner, the other party is entitled to file the application or take whatever steps are necessary to protect the patent rights. It is particularly helpful to include an express power-of-attorney provision to enable the other party to take the necessary actions more easily when deadlines are looming. In addition, it is worthwhile considering whether the party who takes over the patent prosecution should be entitled to become the sole owner of the patent application and the underlying intellectual property rights regardless of how the parties had previously agreed to apportion the joint IP. Although it isn't common, this provision is more or less desirable depending on which party you are representing.

In addition, the collaborative agreement should specify which party or parties are responsible for defending, and paying any expenses and damages in connection with, claims that the joint IP infringes third parties' intellectual property rights. It is common to include language stating that if the real cause of the infringement claim is one party's underlying contributed IP, the party who contributed such infringing intellectual property will bear the burden of the infringement claim.

Finally, the agreement should address the converse situation: a third party's infringement of the joint IP. Once again, the collaborative agreement should specify which party or parties have the responsibility for prosecuting the third-party infringer. It also should require the parties' cooperation in any prosecution and establish how any awards would be split.

An agreement that includes the foregoing provisions will avoid many disputes that might otherwise arise between the parties.