

Joint Ownership: Shortcut to Trouble?

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Life science companies are constantly entering into collaborations or other agreements with third parties in which new intellectual property may be created, whether it is a full-fledged partnership with a large pharmaceutical company, a sponsored research agreement with a university, a services agreement with a CRO or a clinical trial agreement with a trial site. Sometimes, particularly when the potential for creating new IP seems low, parties may want to avoid negotiating IP rights and default to joint ownership of such IP. This can be a mistake with potentially significant consequences. Securing an assignment or license from the other joint owner of its rights in a joint invention will help avoid these consequences. However, if parties choose to hold ownership jointly they will still need to address many of the same issues faced in a licensing context.

Joint Ownership – U.S. Law

Joint ownership flows from joint invention. A joint inventor of a patent is anyone who, in collaboration with another, contributes to the final conception of the subject matter of at least one claim of a patented invention. Under U.S. patent law,¹ in the absence of any agreement to the contrary, each of the joint owners of a patent has the right to make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other joint owner. This is true not only of the patent claims that were jointly invented, but for all claims in the patent. A joint inventor on one claim of a patent has full rights under all claims in the patent.² The one significant limitation on the ability of joint owners to act independently is that all joint owners must be parties to a suit to pursue an infringement claim.

Simply Stated: Ownership flows from invention. Joint ownership allows joint owners to exercise rights independently of each other, except in the case of an infringement suit.

Consequences of Joint Ownership

Because each joint owner can license a patent without the consent of the other joint owner, neither joint owner can grant an exclusive license to the patent without the other joint owner being a party to the license grant. Having another party that can license similar rights may reduce a joint owners negotiating power with an interested potential licensee. In addition, in the absence of an agreement to the contrary, a Joint Owner A is free to license the jointly-owned patent to a competitor of Joint Owner B preventing Joint Owner B, from pursuing an infringement suit against such competitor. Even without the grant of a license by Joint Owner A, Joint Owner B could be prevented from pursuing infringement if Joint Owner A refuses to be named as a party to the infringement suit.

An example of the perils of joint ownership is set forth in the case *Ethicon, Inc. v. U.S. Surgical*.³ In this case, Ethicon, as the exclusive licensee of a patent was suing U.S. Surgical for infringement. U.S. Surgical argued that Young Jae Choi had been an inventor of the invention at issue. The court found that Choi was an inventor on 2 of the 55 claims of the patent and corrected the patent by adding Choi as a co-inventor. Choi then licensed the patent to U.S. Surgical. The court ruled that Ethicon could not sue U.S.

¹ 35 U.S.C. §262

² *Ethicon, Inc. v. United States Surgical Corporation* 135 F.3d 1466 (1998)

³ *Ethicon, Inc. v. United States Surgical Corporation* 135 F.3d 1456 (1998)

Surgical for infringement occurring prior to its license from Choi because Choi, a joint owner on the patent, did not join Ethicon as a plaintiff in the infringement suit. In addition, the court ruled that Ethicon could not sue U.S. Surgical for infringement occurring after its license from Choi, *even though Choi was not an inventor on the claims Ethicon was claiming were infringed*, because U.S. Surgical had a valid license from a joint owner.

Simply Stated: The rights of the other joint owner may seriously harm your ability to fully benefit from your ownership rights by licensing to a potential licensee or competitor or by preventing you from pursuing an infringement suit.

Joint Ownership – Outside U.S.

Outside the U.S., joint ownership can convey different rights. For example, in the United Kingdom, subject to an agreement to the contrary, each joint owner has the right to make, use, offer to sell, or sell the patented invention within the United Kingdom, or import the patented invention into the United Kingdom, without the consent of the other joint owner, but must receive the other joint owner's consent to: (1) amend or revoke the patent, (2) grant a license under the patent or (3) assign or mortgage its share of the patent.⁴ Other countries have restrictions on joint owners similar or in addition to those of the United Kingdom.

Simply Stated: In addition to the issues presented under U.S. law, as a joint owner outside the U.S. you may be further restricted in exercising your rights under a patent if you don't have the consent of the other joint owner.

What to Do if You are a Joint Owner and There is no Written Agreement

If you are the joint owner of an invention developed with another party and there isn't an agreement governing the rights of the parties regarding the joint invention, consider filing multiple patent applications on the invention so that separate applications cover the sole inventions of each party and the joint inventions are covered in another application. This way, you may be able to avoid granting rights in your sole inventions to another party merely by reason that claims regarding the joint inventions are contained in the patent.

Issues to Consider with Joint Ownership

Ultimately, if you decide to jointly own inventions with another party whether by necessity or choice, you should modify the default rights of joint owners through an agreement. In negotiating such an agreement you should consider that following issues, among others:

- (1) Who is able to use the invention and for what purpose? For example, will there be any restrictions on fields of use?
- (2) Will either joint owner have royalty, milestone or other payment obligations to the other joint owner?
- (3) Under what terms will each joint owner be able to license the invention? Will consent or notification of the other joint owner be required? Are there certain parties a joint owner may not license to (i.e., competitors)?
- (4) Who is responsible for applying for, prosecuting and maintaining any patents relating to the

⁴ Section 36 of the Patents Act 1977.

invention? Will costs be shared? Will the party controlling prosecution of patents be required to consult with the other joint owner?

(5) Which party will be responsible for pursuing infringers? How will expenses and judgments be shared?

(6) How will deadlocks regarding matters that must be decided jointly by the parties be resolved?

(7) How will the joint owners share or apportion liability (e.g., product liability or intellectual property infringement) resulting from use of the invention?

(8) May the joint owners assign their interest in the invention? Are there certain parties a joint owner cannot assign to (i.e., competitors)?

Simply Stated: Many of the issues that are relevant to a license agreement are also relevant to an agreement that provides for joint ownership. Therefore, joint ownership should not be viewed as an easy way to avoid negotiating and drafting the issues required in a license agreement.

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