



The Default Law of Joint IP Ownership



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In 2013, according to World Intellectual Property Organization (WIPO), the top five patent offices accounted for 81% of the world's total 2.5M patent application filings. This "top five" consisted of China, Japan, Korea, the United States and the European Patent Office (EPO). Digging deeper, roughly 75% of the patent applications granted by the EPO are validated by applicants in the following "top three" jurisdictions: France, Germany and the United Kingdom.

Accepting, *arguendo*, that these top seven patent filing jurisdictions also represent the world's top global destinations or sources for collaboration (*i.e.*, R&D) activity, we now look at the default law (*i.e.*, in the absence of any agreement by the parties to the contrary) of joint IP ownership with respect to directly exploiting (*i.e.*, "working" or using it internally), indirectly exploiting (*i.e.*, non-exclusively licensing), enforcing and accounting of profits in these seven jurisdictions:

Jurisdiction	Patent	Copyright	Trade Secret

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USA	<p>Each co-owner may independently exploit, without consent of, and without accounting to, the other co-owners (see <u>35 U.S.C. Sec. 262</u>).</p> <p>Must join all co-owners in enforcement actions (see <u>Ethicon v. U.S. Surgical Corp.</u>, 135 F.3d 1456, 1468 (Fed. Cir. 1998)).</p>	<p>Each co-owner may independently exploit, but must account profits to other co-owners (see <u>Goodman v. Lee</u>, 78 F.3d 1007, 1012 (5th Cir. 1996)).</p> <p>Each co-owner may enforce without consent of the other co-owners.</p>	<p>May vary by state, but generally, each owner may independently exploit and enforce, without accounting profits to other co-owners.</p> <p>(See article summarizing law <u>here</u>).</p>
China	<p>Each co-owner may independently exploit without consent, but must account profits to other co-owners for indirect exploitation.</p> <p>While there is no statutory provision, the courts generally allow a co-owner to sue independently.</p> <p>(See <u>Art. 15</u> of the Patent Law (2008))</p>	<p>No co-owner may exploit without the consent of all other co-owners (and thus an accounting of profits per the consent) or, if without consent, must equally account profits to other co-owners.</p> <p>Each co-owner may independently enforce, and any compensation will be distributed reasonably among the co-owners.</p> <p>(Art. 13 and 47 of <u>Copyright Act</u> does not address)</p>	<p>There are no statutory provisions in Chinese trade secret laws, so the scheme set forth in <u>Art. 15</u> of the Patent Laws <i>may</i> likely apply.</p> <p>(See Art. 10 of <u>Anti Unfair Competition Law</u>)</p>

Jurisdiction	Patent	Copyright	Trade Secret
Japan	<p>Co-owners may not license without consent of the other co-owners, but may directly exploit and independently enforce without accounting to the other co-owners.</p> <p>(See <u>Art. 73</u> of the Patent Law)</p>	<p>No co-owner may exploit without the consent of all other co-owners (and thus an accounting of profits per the consent), which may not be unreasonably withheld.</p> <p>Each co-owner may independently enforce.</p> <p>(See Art. <u>65</u> and <u>117</u> of Copyright Act)</p>	<p>Each co-owner may independently use or enforce without consent or accounting profits to the other co-owners.</p> <p>However, it is case-by-case whether a co-owner may license it without consent or accounting profits to the other co-owners.</p> <p>(See <u>Unfair Competition Prevention Act</u>)</p>
Korea	<p>Co-owners may not license without consent of the other co-owners, but may directly exploit and independently enforce without accounting to the other co-owners.</p> <p>(See Art. 99 of <u>Patent Law</u>)</p>	<p>No co-owner may exploit without the consent of all other co-owners (and thus an accounting of profits per the consent or equally), which may not be unreasonably withheld.</p> <p>Each co-owner may independently enforce.</p> <p>(See Art. 48 NS 129 of the <u>Copyright Act</u>)</p>	<p>The Korean <u>Unfair Competition Prevention and Trade Secret Protection Act</u> does not address. Thus, like patents, would presumably be treated like Art. 99 of the Patent Law.</p>

Jurisdiction	Patent	Copyright	Trade Secret
<p>Germany</p>	<p>Co-owners may independently and directly exploit, but may not license without consent of the other co-owners, which may not be unreasonably withheld, and an accounting to other, non-using co-owners may be due.</p> <p>Each co-owner may independently enforce.</p> <p>(Not addressed in Patent Act; <i>but see</i> Section 741 <i>et seq.</i> of the <u>German Civil Code</u>)</p>	<p>No co-owner may exploit without the consent of all other co-owners), which may not be unreasonably withheld, and with an accounting due to all co-owners.</p> <p>Each co-owner may independently enforce, but any compensation will be distributed reasonably among the co-owners.</p> <p>(See Art. 8 of <u>German Copyright Act</u>)</p>	<p>Not addressed in <u>Unfair Competition Act</u>, so like patents, would presumably be governed by Section 741 <i>et seq.</i> of the <u>German Civil Code</u>.</p>

Jurisdiction	Patent	Copyright	Trade Secret
<p>France</p>	<p>Co-owners may not license without consent of the other co-owners, but may independently use the invention, each with equitable compensation to the other co-owners who have not (directly or indirectly) exploited the invention themselves.</p> <p>Each co-owner may enforce independently with prior notice to other co-owners.</p> <p>(See Art. L613-29 of the <u>Intellectual Property Code</u>)</p>	<p>No co-owner may exploit without the consent of all other co-owners (and thus an accounting of profits per the consent).</p> <p>Must obtain consent of all co-owners before a co-owner may file an enforcement action.</p> <p>(See Art. L113-3 of the <u>Intellectual Property Code</u>)</p>	<p>The French <u>Intellectual Property Code</u> does not explicitly include trade secret provisions – thus, we resort to tort or unfair competition law.</p> <p>That said, the case law does not seem to reveal any clear answers with respect to directly exploiting, licensing, enforcing and accounting of profits for joint trade secret/know-how ownership.</p>

Jurisdiction	Patent	Copyright	Trade Secret
United Kingdom	<p>Each co-owner may directly exploit, without consent of, and without accounting to, the other co-owners</p> <p>Each co-owner may indirectly exploit only with the consent of the other co-owners, but without any accounting.</p> <p>Must join all co-owners in enforcement actions.</p> <p>(See Section 36 of <u>Patents Act of 1977</u>)</p>	<p>No co-owner may exploit without the consent of all other co-owners (and thus an accounting of profits per the consent), which may not be unreasonably withheld.</p> <p>Each co-owner may independently enforce.</p> <p>(See Art. 10 of <u>Copyright Act</u>)</p>	<p>No trade secret legislation; thus breach of contract action (where an NDA is in place) or common law breach of confidence action is available.</p> <p>In the absence of any contractual relationship, a co-owner of confidential information cannot prevent the other co-owner from using or exploiting the confidential information (see <u>Murray v Yorkshire Fund Managers Ltd</u> (Court of Appeal) [1998] 1 WLR 951).</p>

As one can see, the laws are varied. There is not even harmonization of joint IP ownership among the individual countries within the European Union! So, what law governs a particular collaboration agreement which includes a joint IP ownership clause? The law specified in the relevant agreement's "choice of law" clause in the ever-present "Miscellaneous" section of the agreement? The law of the jurisdiction where the joint IP under consideration was created? The law of the jurisdiction where IP rights for the joint IP under consideration are actually applied for or registered? And, to further complicate matters, when patent applications are filed in multiple jurisdictions for a single joint IP asset, will not each joint owner's rights be subject to such multiple jurisdictions' laws? The answers are not always clear and can certainly be expensive to figure out after-the-fact! And, this is even before you get to the issues of forum and dispute resolution mechanisms.

Some Sample Joint IP Ownership Clauses

Here are [sample joint IP clauses](#) for giving effect to a collaboration agreement's joint IP ownership scheme. While not perfect, the provided language at least forces IP practitioners to begin to address the all too often forgotten consequences and mechanics of joint IP ownership identified above.

Conclusion

The popular media's reports of the demise of IP rights (especially patents) are premature and greatly exaggerated. IP remains valuable to enterprises of all sizes and types. Further, the notion of open innovation, which reflects not only the social nature of man but today's technological reality, is here to stay. As a result, IP law practitioners will continue to be called draft, review and negotiate collaboration-type agreements where business, engineering and other legal personnel will continue to insist on the "fairness" of joint IP ownership. Such insistence should always be met with skepticism for its need. And, when such joint IP ownership is unavoidable, its consequences and mechanics must be addressed. In sum: If you must do it, don't half-a\$\$ it!

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