

Ownership of Arising Inventions in Joint Development Agreements

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Collaboration remains a valuable means of fostering innovation and of advancing scientific, clinical and commercial objectives. Towards that end, two or more parties contemplating such a collaboration often consider entering into a Joint Development Agreement, where they define, among other things, their respective contributions and responsibilities towards their common objectives. These types of collaborations require a careful and thorough consideration of the disposition of intellectual property rights that may arise as a result of each party's performance of their responsibilities under such collaborations.

Under U.S. Patent Laws, each inventor is the owner of his or her patented inventions, absent a written agreement to the contrary. Similarly, when there are multiple owners of a patented invention, each co-owner has the right to make, use, and sell the patented invention in the U.S. without the consent of and without accounting to the other owners, again, absent a written agreement to the contrary.^[1]

These "default" ownership provisions are typically inconsistent with the objectives of the parties to a Joint Development Agreement. As a result, a key term of these Joint Development Agreements concerns defining each party's interests in any inventions arising as a result of their efforts thereunder. This frequently involves the parties pre-negotiating their respective rights in any such arising inventions, often leading to disagreements between the parties as to who will own and control the rights to such arising inventions. Seeking a fair, equitable solution to a stalemate regarding the ownership of any arising inventions, the parties may consider their joint ownership of these arising inventions, which is an outcome that the parties should fully appreciate, since each joint owner will have the right to make, use, and sell the patented invention in the U.S. without the consent of and without accounting to the other owners. This outcome may also lead to problems, for example, stemming from the parties' potentially divergent plans for the subject inventions. These problems may be further compounded by the fact that, in order to enforce a jointly owned U.S. patent against third party infringers, each of the joint owners must agree to participate in the third party infringement suit. Further complications may arise outside the U.S., where the laws of some jurisdictions vary significantly and, for example, may prevent the parties from licensing or enforcing their respective interests in the arising inventions without the consent of the other owner, absent their agreement to the contrary.

Alternative structures that can be considered in lieu of joint ownership may include, for example, allowing one party to own all rights to the arising inventions, coupled with granting the other party a license to such inventions, or an option to negotiate such a license in the future. Another alternative may be for all joint owners to form a separate corporate entity for the purposes of holding, licensing, commercializing and/or enforcing the arising inventions, the new corporate entity to be owned and controlled by the parties.

If the parties nonetheless agree to jointly own any arising inventions, the Joint Development

Agreement should clearly define each owner's respective rights in the arising inventions. For example, the parties can agree that neither one can exploit, out-license or enforce such arising inventions without the other party, effectively forcing them to act in concert. Alternatively, the parties can agree to divide the interest to any arising inventions into discreet fields of use (e.g., therapeutic uses vs. diagnostic uses), and each party would retain rights within its pre-defined field, allowing each party to maintain some exclusivity to the arising inventions, albeit narrower than the full rights. The parties can also agree in advance to share in any proceeds or royalties that they each receive as a result of their exploitation of such jointly owned arising inventions, and/or define their respective rights to enforce such inventions against third parties.

Parties to a Joint Development Agreement should carefully consider how the ownership of arising inventions will be addressed and, if they elect to jointly own those arising inventions, they should do so with a clear understanding of the implications associated with such a structure, both in the U.S. and abroad. Since the applicable domestic and foreign laws governing the rights of joint owners will invariably be inconsistent with the parties' intentions, the parties should clearly pre-define their rights and expectations in writing and give careful consideration to whether alternative ownership structures may be used to satisfy each party's objectives.

For more information or to discuss the implications of joint ownership of arising inventions or patent licensing, contact [Stan Chavire](#).

[1] Note that patents actually confer the right to exclude others from the making, selling, or using of the claimed inventions.