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## Joint Ownership in Intellectual Property Rights

www.ipr-helpdesk.org  
ipr-helpdesk@ua.es

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### 1. Introduction

For consortium agreements, the legal implications of "joint ownership" are significant. This guide is intended to provide contractors with a first idea of some of the underlying legal concepts.

#### 1.1 What is "joint ownership"?

The term joint ownership refers, in general, to a situation in which two or more persons share interests in property rights. Such rights include all types of rights in moveable and immovable property. In Intellectual property law, all types of protected subject matter can be owned jointly. There is no common European legal concept of joint ownership. Its scope is determined by national laws.

There are many ways in which partners sharing a right jointly can shape their legal relationship. If such agreement is absent, however, their relationship will be shaped by statutory provisions, and it should be mentioned that these rules normally do not reflect the true interests of the parties.

Joint ownership can also be the result of an assignment of IP rights to two or more persons. Here, the same rules apply.

Typically, joint ownership is created where an IP right comes into existence by the efforts of two or more persons, such as a collaborative invention or joint creation. In general, it refers to a right in undivided shares. Each joint owner is permitted to assign his share to a third party. However, any dealing in the right as a whole is subject to consent by all joint owners.

#### 1.2 What are the rules relating to joint ownership?

Once joint ownership has come into existence, the rules pertaining to the legal relationship between the parties are applicable only insofar as they are not modified by *agreement*. Such agreement - i.e. contractual provisions regulating the legal relationship between contractors - may be an express contract, yet courts will also look at the possible intention of the parties to

identify whether an underlying or implied agreement can be deduced from the circumstantial facts.

If, for example, the circumstances under which the work was created would reflect that rights are transferred to one party, such implied consent may be sufficient so as to avoid the statutory rules. Hence, it may be possible that an implied consent is found which will allow the construction of an agreement resulting in an implied assignment, or an exclusive right to exploit the protected product, to one party.

Major modifications can be observed in the case of works and inventions created by employees. Here, most jurisdictions provide for a mechanism which allows an assignment or the exclusive right to exploit the work to the employer.

The rules governing joint ownership are deeply rooted in national notions of property law in general. Guidance can be given only with respect to the core principles relating to joint ownership on a general comparative basis.

## **2. Joint ownership with regard to copyright**

The term copyright entails two rather distinct types of rights which will be dealt with separately. The concept under United Kingdom law protects the skill and labour that had been expounded to produce a work, and hence protects the investment. UK copyright therefore is based upon protecting a head start in business, i.e. safeguard the commercial exploitation of a work. Continental laws are different. Although often the term copyright is used, the proper term is authors right (droit d'auteur). Here, the law protects the personality of the creator and his or her intellectual relationship with his work. However, both systems roughly give similar exploitation rights, such as the rights to reproduce and distribute the work (physical rights) and rights concerned with a public communication.

### **2.1 When does joint ownership exist?**

#### **a) In continental legal systems**

In continental jurisdictions a work is only protected insofar as it reflects an own personal creation. Joint Ownership will exist if a protected work has been created by two or more persons. Joint ownership, in this sense, equates to joint authorship. Under continental authors rights, an assignment of copyright so as to create a new copyright is not permissible. Typically, the author will only be able to assign the economic rights, in whole or part. Moral rights will remain with the original authors.

The general requirement for joint ownership to subsist is that a work has been created by at least two persons. The term creation refers to a contribution displaying at least a level of originality in the sense of an "own personal creation". Mere laborious efforts do not suffice. The second requirement for true joint Ownership to subsist is that each contribution becomes an inseparable element of the work, i.e. the result of such contribution cannot be commercially exploited in its own right.

The first requirement would exclude not merely contributions not reaching the required of originality, but also the provision of mere mechanical assistance and the sheer provision of ideas and information. The second requirement for joint Ownership to subsist is that the contribution is indistinguishable from the other contributions; in short, if the individual contribution would commercially be exploitable, there would simply be separate work. For example, authors whose poems have been included in an anthology thereby do not become joint Owners as their works remain separable with respect to the anthology. In the same

way, works which are merely loosely connected cannot yield joint Ownership if they are types of different creations, such as the lyrics and the melody to a song. Here, both works are protected in their own right without melting into one overriding copyright. The effect is that each author will require a licence.

#### **b) In UK copyright Law**

The situation under UK copyright law (and also US law) is less clear as to the necessary contribution to yield joint ownership. Whereas it is undisputed that the rules relating to the separation of contributions will equally apply, the necessary level of contributory originality is less clear as UK copyright law protects skill and labour. It is therefore capable to render any, possibly even mechanical contributions into some protected augmentation. However, the sheer concoction of assistance or provision of ideas will likewise not create Joint Ownership. Initial ownership is partially regulated with respect to works uniting various copyrighted works underneath the level of direct fixation, such as in the case of films (attributed to either producer or director) or certain types of collective works (such as anthologies, recipe books, catalogues) in which the editor is granted first copyright in the selection and arrangement of materials, not in the individual works itself).

True Joint Ownership therefore only exists where, for example, two or more parties have contributed in such a way that no distinguishable contribution subsists. The effect is that any dealing remains subject to the other parties consent. However, various copyright statutes will provide that one joint owner may not exercise his right to not exploit the work without some essential justification.

A work of Joint Ownership will, by operation of the law, create an undivided share for each joint owner, i.e. the interest in the intellectual property will be shared equally. It is therefore not possible to make a distinction with relation to the possibly unequal quality of creative contribution.

## **2.2 The legal relationship between joint owners**

The legal relationship between the joint owners is typically governed by the general rules pertaining to shared property and legal majorities.

#### **a) In Continental laws**

Under German law, and possibly most continental laws, the effect of Joint Ownership is, in the absence of any agreement to the contrary, to create a legal entity sharing undivided interests in the intellectual property right - i.e. each party holds a nominal equal share, divided simply per head (*Bruchteilsgemeinschaft*). Such result is not desirable as it is fraught with difficulties.

The main principles are:

- Each joint owner can assign his interest to a third party, this party will then replace the former joint owner with respect to the interest.
- Any dealing in the work is subject to consent.
- In the case of one parties' death his interest will pass to the others.
- In the case of the insolvency of one joint owner, his interest can be transferred to creditors.

### b) In UK Copyright Law

Under UK copyright law, the situation is, again, dubious. Much depends on whether the situation is commercial in nature, i.e. if an underlying and initial will to commercially exploit the asset can be detected (see c) below).

In theory, English law draws a distinction as between joint tenancies and tenancies in common. Both are sub-divisions of the term joint ownership. The expressions stem from land law but are applied to Intellectual Property rights likewise. In practice, the distinction is that in the case of joint tenancy each tenant has a right of survivorship. If one owner dies (or, in the case of a body corporate, the body is dissolved) his share passes equally to the others, so that their share is equally increased. In the case of tenancy in common, the share passes with the estate, i.e. it can be inherited.

Both terms, however, refer to a right in undivided shares - each joint owner, irrespective of the quality of his particular contribution, holds a proportionate share.

### c) The intention of the parties

In both systems, the possible intention of the parties is important. If there is a will to commercially exploit the work, continental legal systems will then consider the relationship as one between directors of a company with unlimited liability by capital (under German law, for example, a *Gesellschaft bürgerlichen Rechts* or civil partnership). The implied intention here will create an assumption that all joint owners intended to form a company. They will, in that sense, become directors of a company in the form of a civil partnership under the Civil Code. Consequentially, the general rules pertaining to vote rights in civil partnerships are applicable, although courts have rejected claims for an increase in majority voting even though the contributions had been unequal. In effect, this denotes that shares may pass on with the estate only if agreements to the contrary - which can be implicit - are absent. Under UK copyright law, the intention to commercially exploit the work in general allows for an assumption as to a tenancy in common.

### d) The legal relationship between the joint owners in the case of employee's works

Important modifications are made in the case of employee works. In particular, the European software directive provided for the employers right to the commercial benefits. A similar provision allowing the transfer of a license to exploit to the employer can be found in most copyright statutes. This means that the employer does not automatically become owner. The employee is obliged, though, to transfer any rights. Such transfer is not to be understood too technically. For each work created, the employer will become an exclusive licensee even without any express transfer. The employer does not become owner of the copyrighted work but is merely permitted to exploit the work.

### e) The legal relationship between joint owners in the case of commissioned works

A similar situation to the employee works exists in the case of commissioned works. As copyright exists without registration, the right will vest in the author despite the fact that it was made for specific purposes or following the instructions of the commissioner. Here, UK copyright would give the commissioner an equitable title to use the work. In theory, the author remains owner. However, the commissioner may claim from the author to have the right transferred. Against third parties, the commissioner will then be treated like the legal owner.

Under continental laws, the result is largely similar, as an implied consent will exist which allows the commissioner to use the work in accordance with the parties' intention.

### **3. Joint ownership with regard to patents**

In Patent law, co-ownership of patents and/or the right in the patent application likewise create relationships as discussed above.

Typically, co-ownership accrues with co-inventorship. Each patentee is entitled to do, by himself or his agents, acts which would otherwise infringe the patent.

The question which level a qualifying contribution needs to reach depends on whether two or more persons have devised the invention. The mere provision of assistance or advice does not suffice. Likewise, a mere suggestion as to what is included in the patented subject matter is insufficient. It appears - in contrast to copyright law - that the person providing the idea will normally be considered inventor or co-inventor.

If the patent is jointly owned, each joint owner may use the invention. Here, consent by the co-owner is not necessary. However, any dealing in the patent or patent application - by way of assignment or mortgage - is subject to consent by all co-owners.

### **4. Typical contractual provisions**

As Joint Ownership is modifiable by contractual agreements, the following list is intended to give guidance on typical clauses by which the rather rigid and complex consequences of statutory Joint Ownership may be overcome. As to whether the clauses mentioned are valid, however, depends on national jurisdiction. Collaboration in research and development may be initiated by the participation in EU funded RTD projects. These projects aim to establishing cooperation in the field of research between different types of entities, companies, SME's, universities, research centres, etc.

#### **a) If joint ownership is agreed**

- Typically, in collaborations relating to joint research or development, each party will eventually have created one more forms of IP rights. In such cases, it may make sense to agree that each party will retain its IP rights.
- Apart from IP issues, there may be secret know how one partner may wish to keep secret. As such know how is protectable only by mechanisms such as trade secrets, and it is advisable to introduce a clause by virtue of which other participants will be obliged as to keep the knowledge secret, and probably to agree on contractual damages in case of violation of such clause.
- Particularly with view to commissioned works, it is sensible to introduce a clause by virtue of which the commissioner will acquire the exclusive rights. Such result is sensible as the commissioned person will be compensated.
- If Joint Ownership is desired, parties may wish to agree that each share will, following the death of one owner or dissolution of a legal company, be transferred in equal parts to the Joint Ownership rather than to go with the estate.
- Parties may retain the rights to agree different exclusive areas for exploitation. This is subject to the rules applicable by virtue of regulation 2659/00 (Block Exemption for Research and Development Agreements. However, Reg. 240/96 - Regulation on the Transfer of Technology - only covers rights in patents and know how, not copyright as such).

- Any agreement should specify as to whether one or more joint owner is permitted to assign or license the right.
- In case of registered rights such as patents or trade marks, it is advisable to agree on an application in the name of all co-owners. It is also advisable to limit the possibilities of one co-owner to solely vary the registered right.
- Planning ahead for cost sharing;
- Obtaining and maintaining patents and other intellectual property rights in effect. Payment of fees for registration, maintaining and procedures -in which country and from whose account.
- Agreements relating to *locus standi* on behalf of other participants, i.e. the right to claim infringement of any joint ownership on behalf of other partners.

#### b) to agree an alternative ownership structure

In this case, the following possibilities should be considered:

- Introduction of provisions vesting intellectual property rights in one party whilst granting exclusive licences non limited licenses to the other.
- If neither party is willing to be a licensee, the parties may - and indeed must - provide for the creation of a separate entity to own and administer the intellectual property. Here, legal expert advice as to choosing the proper form of company is required, in particular with a view to taxation issues.

#### c) Common Provisions for both

- It is of utmost importance to introduce a choice of law (applicable law) clause. Such clause will determine the law governing the entire agreement. However, it also seems sensible to expressly agree on which law will govern any dealings in Intellectual Property rights. Contractual agreements in relation to joint ownership (such as agreeing on majority voting rights, on clauses regulating financial input etc.) can freely be concluded under national private international law rules. It is, however, not possible to agree on clauses attempting to regulate the substance of rights. Such clauses do not fall within the realm of choice of law clauses as they relate to property. Typically, the subsistence of a property right depends on the place where the thing in question is located. For copyright, the subsistence will usually be determined by either the place of the forum (i.e. the law of the country for which protection is sought) or, according to an alternative view, by the law of the country in which the work has been created or published for the first time. It may therefore well be the case that copyright would subsist under the UK skill and labour approach yet is not recognised under French law. A minimum requirement for protection of certain categories of work is granted by the Berne Convention. It is undecided, however, as to whether this convention says anything about the applicable law.
- Likewise, the parties should introduce a choice of forum. For the sake of ease, the forum (the place where any dispute will be heard) should be in the country the law of which was chosen.
- The parties should also consider to agree on arbitration proceedings. It remains necessary to agree on a choice of law for both procedure and material law.