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IT BYTES

ANSWERING YOUR COMMON IT CONTRACT LAW QUESTIONS

JOINT OWNERSHIP OF IP – A SOLUTION OR COMPLICATION?

WHEN DOES THIS QUESTION TEND TO ARISE?

Questions of joint ownership often surface in collaborative endeavours such as joint ventures, research and development projects, and co-creation initiatives between businesses or research institutions. The parties commonly agree to co-develop a product or engage a third party to do so on their behalf and must decide how ownership of the resulting IP will be allocated. At first glance, joint ownership appears to be an appropriate way of recognising each party's contribution and ensuring they each have ongoing access to the IP. However, joint IP ownership can introduce significant complexity, particularly when it comes to the commercialisation and long-term control of the IP.

WHAT DOES THE LAW SAY?

In Australia, joint ownership can arise by application of common law or by operation of statute whenever more than one party contributes to the creation of IP and there is no contractual agreement to the contrary. In addition, joint ownership can arise even where the parties may have intended a different outcome, based on their respective contributions. Where parties have both contributed to the creation of intellectual property rights, the default position is one of joint ownership unless the parties have expressly agreed otherwise.

- For jointly owned copyright, the default position is that the relevant IP rights are held by the co-owners as tenants in common in equal shares. A joint owner of copyright material cannot copy or reproduce the material, assign an interest in it, or grant an exclusive license without the consent of all co-owners.
- For patents, each party has an 'equal undivided share' in the patent. Each joint owner may independently exploit the patent for its own benefit without accounting to the others, however, none may assign its interest or grant licences to third parties without unanimous consent.
- The rights granted in respect of co-owned trade marks are exercised by co-owners as if they were the rights of a single person. Typically, co-owners of trade marks are expected to exercise their rights on behalf of all co-owners in relation to goods or services with which all of them are connected to in the course of trade. Similar to co-owners of copyright, co-owners of trade marks cannot assign their interest or grant an exclusive licence without the consent of all co-owners.

Joint ownership can provide disproportionate commercial leverage to a party that has only made a marginal contribution to the joint creation. Unless the contract specifies otherwise, the law does not inquire into the contribution of each party - a party that contributed 99% and another that contributed 1% will have the same legal rights if they are joint owners. This may create frustration and a sense of unfairness. Even if one party was a dominant contributor to the creation process, they may still be limited in how they can exploit the output unless they have the permission of the minority contributor. The default regime can be limiting if the parties' commercial strategies diverge or their decision-making processes become dysfunctional.

The picture becomes more complicated where parties are located in different jurisdictions, as laws on joint ownership are not always consistent. Parties that neglect to consider jurisdictional differences and fail to deal explicitly with IP ownership in their contracts across key markets may find it difficult to develop a clear understanding of exactly what ownership rights they have.

WHAT ARE THE PRACTICAL IMPLICATIONS FOR YOUR CONTRACT?

If you are involved in any arrangement with another party that may result in the creation of IP, ensure that you provide for ownership of that IP with precision in your contract. Unless the commercial rationale positively demands joint ownership, it is usually cleaner for one party to take the legal title while the other receives appropriately scoped licences, payment rights or revenue-sharing entitlements. This approach avoids the need for ongoing consensus on day-to-day exploitation decisions, reduces registration complexity and simplifies enforcement.

Where joint ownership cannot be avoided, the agreement should stipulate each party's exact percentage share of ownership and address how each party may deal with the relevant IP rights. For instance, the contract should specify whether the other co-owners may: exploit the IP for their own benefit, grant licences to third parties (and on what terms), assign or charge their interest and take enforcement action unilaterally (and, if so, how costs and recovery of damages or an account of profit will be shared). A decision-making mechanism, ideally with deadlock-breaking provisions, should be established to ensure that certainty can be achieved, even if the parties are unable to reach consensus on how to exploit their jointly owned IP.

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