



European IPR Helpdesk

Fact Sheet

Commercialising Intellectual Property: Assignment agreements

The European IPR Helpdesk is managed by the European Commission's Executive Agency for Competitiveness and Innovation (EACI), with policy guidance provided by the European Commission's Enterprise & Industry Directorate-General. The positions expressed are those of the authors and do not necessarily reflect the views of the European Commission.

September 2013

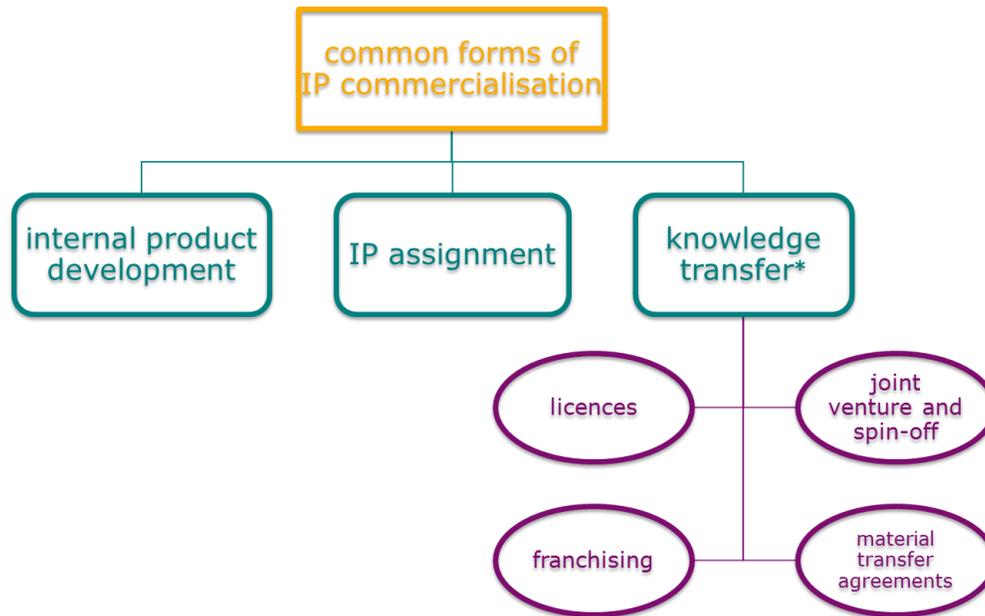
Introduction	1
1. What is an IP assignment?	3
2. What is not an assignment	4
3. Advantages and disadvantages	5
4. Steps to take before concluding an assignment agreement.....	6
5. How to establish an assignment	7
Useful Resources.....	10

Introduction

The process of bringing intellectual property (IP) to the market for it to be exploited is termed IP commercialisation. The **financial success** of any IP commercialisation is certainly dependent on the selection of the most appropriate commercial tool, which should be based on:

- **The organisation's business objectives**
- **The form of intellectual property**
- **The economic resources at disposal**

There are several ways for launching a protected IP on the market. The most common can be resumed in the following diagram:



* Assuming that knowledge transfer includes, and covers more than, technology transfer.

Risks should also be managed in any IP commercialisation. The true nature of risk depends on the type of commercialisation and on the underlying arrangement. The preventive identification, assessment and management would however result in lower risk exposures for organisations.

The **IP risks** specific to commercialisation activities are those related to:

- **The nature of the IP**
- **Confidentiality arrangements**
- **The nature of the product/service**
- **Financial matters**
- **Legal issues**
- **Business reputation**

A risk assessment can for instance be based on the likelihood of the event occurrence (e.g. ownership disputes, third party infringement, etc.) and the associated consequences (e.g. irrelevant, moderate or important). The outcome of such assessment enables organisations to make adequate decisions on the risk management actions to be adopted (e.g. subscription to an appropriate insurance, revision of relevant clauses within contracts, etc.).

“Commercialising IP” is a series of fact sheets published by the European IPR Helpdesk aiming at providing an introduction to various forms of commercialisation which can be useful for less experienced readers who may likely be involved in the exploitation of intangible assets. Content provided therein is not intended to be exhaustive, and seeking professional advice is strongly recommended when it comes to choosing the most suitable commercialisation practice for your organisation and dealing with the complex legal issues surrounding these agreements. Hence, with these guides we aim to provide you with an understanding of the basic principles, which can help you saving time and money.

This fact sheet deals with the assignment of intellectual property rights. An assignment can be beneficial in many business circumstances. Examples may be when your company does not have the means to undertake commercialisation or prefers to receive a once-off lump sum payment for the innovative technology. This implies no later concerns regarding the maintenance and enforcement of the intellectual property rights. Assignments can also be very beneficial within the context of collaborative research: for example in the case of a transfer of IP ownership from one of the collaborative research partners to another organisation. Therefore, it is important to understand “what is an IP assignment” as it can be an effective route for the exploitation of your intellectual property. In this fact sheet you can also find an outline of the main provisions of an assignment agreement as well as a checklist to remind you of the most important steps when negotiating an assignment.

1. What is an IP assignment?

An IP assignment is a permanent transfer of ownership of an intellectual property right, such as a patent, trade mark or copyright, from one party (the assignor) to another party (the assignee). Consequently, the assignee becomes the new owner of the intellectual property right. IP assignments transfer the title of intellectual property rights and therefore assignments reflect an equivalent process for intangible assets as selling agreements do for tangible assets.

2. What is not an assignment

IP assignments should not be confused with other legal instruments, such as licence agreements and assignments of contractual rights and obligations.

2.1 Licence agreement

A licence agreement is a contract under which the holder of intellectual property (licensor) grants permission to another person (licensee) for the use of its intellectual property, within the limits set by the provisions of the contract. Without such an agreement the use of the intellectual property rights would be an infringement. Examples of licence agreements are the software licences concluded if you buy software or a trade mark licence permitting a manufacturer to print the logo of your company on merchandise. Hence, there is no transfer of ownerships in licence agreements. The IP ownership is retained by the licensor. On the contrary, in assignments there is a transfer of title.

2.2 Assignment of contractual rights and obligations

In contracts such as consortium agreements and licence agreements, you can commonly find a clause concerning the assignment of rights and obligations.

"No rights or obligations of the Parties arising from this Consortium Agreement may be assigned or transferred, in whole or in part, to any third party without the other Parties' prior formal approval."

Desca Model

Within this context, assignment should be understood as referring to the transfer of rights and obligations under a contract¹ (in the case of the Desca Model example, the consortium agreement) and not of the ownership of a given IP asset.

2.3 Invention disclosure

For many researchers and other employees it is mandatory to disclose inventions created while performing their work responsibilities. This obligation may be included in an employment contract or other agreement concluded between a researcher or employee and their employer. Some employers such as universities even provide templates to their researchers to assist them disclosing the inventions.² The obligation to disclose inventions is not an IP assignment and merely aims at

¹ *General legal issues, Unico Practical Guides: Commercialising Agreements*, available at <http://www.praxisunico.org.uk/resources/practical-guides.asp>.

² For an example, please see the University of Oxford invention disclosure template questions, which are available at <http://www.isis-innovation.com/researchers/patents-9.html>. The Max-Planck Innovation also makes available a form for invention disclosure, which you can check in the following website: <http://www.max-planck-innovation.de>.

helping employers and their IP attorneys protecting inventions, even though in practice this obligation often comes together with an assignment of rights.³

3. Advantages and disadvantages

When taking decisions concerning the commercialisation path of intellectual property rights, it is often the case that the decision is made between licensing and assignment, since it is not always possible, nor the best option, for an organisation owning the IP to commercialise it using its own resources.

Therefore, in this situation companies are confronted with the challenge to compare the advantages and disadvantages of each route. In the following table you can find an overview of the main advantages and disadvantages:⁴

	Assignment	Licensing
Advantages	<ul style="list-style-type: none"> ✓ Immediate cash flow return: payments for assignments usually take the form of a once-off lump sum payment, contrary to a licence agreement. ✓ No further responsibility for the management of the IP title, including the payment of fees or the monitoring of infringements. 	<ul style="list-style-type: none"> ✓ The exploitation under licensing agreements can enable the owner of the intellectual property to continue using its property (e.g. in the case of sole or non-exclusive licences). ✓ The licensor can regain full control over its property. ✓ The licensor can get access to new markets where it has no experience or means to enter.
Disadvantages	<ul style="list-style-type: none"> ✓ Loss of control over the intellectual property right. A use by the assignor will be an infringement once the assignment is in force, except if certain uses are provided for in the agreement. ✓ Can be unattractive without having the skilled employees or the established business network of the assignor. 	<ul style="list-style-type: none"> ✓ License agreements often establish long term business relations, which may put the owner at risk of lower royalties in the case of a new technology entering the market, for instance. ✓ The licensee can turn into a competitor. ✓ In licence agreements, royalties are commonly the preferred form of payment, which adds a layer of uncertainty to future revenues.

³ McGee DR. 2007. *Invention Disclosures and the Role of Inventors*. In *Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices* (eds. A Krattiger, RT Mahoney, L Nelsen, et al.). MIHR: Oxford, U.K., and PIPRA: Davis, U.S.A. Available online at www.ipHandbook.org.

⁴ For further details, please consult *To License a Patent or, to Assign it: Factors Influencing the Choice*, Philip Mendes, available at http://www.wipo.int/sme/en/documents/license_assign_patent.htm.

4. Steps to take before concluding an assignment agreement

4.1 Considering non-disclosure agreements

Non-disclosure agreements are legally binding contracts establishing the conditions under which one party (the disclosing party) discloses information in confidence to another party (the receiving party).⁵

Often when negotiating an assignment agreement the parties start by concluding a non-disclosure agreement, which guarantees that any confidential information shared will not be disclosed or used for purposes other than the negotiation. Moreover, such an agreement can establish that the intended assignment will be kept secret, should you want to avoid any leaking of information about the negotiation of such agreement to competitors. A non-disclosure agreement is very relevant for the assignor in particular, as the assignee most probably needs access to confidential information during due diligence activities and negotiation, even though the assignment may not be reached in the end.

4.2 Performing an IP due diligence

IP due diligence, intended as the exercise to gather as much information as possible on the IP being assigned, is essential in analysing the risks potentially involved in the transaction. It also helps you deciding whether or not to go forward with the assignment agreement.⁶ Due diligence audits are commonly performed by multidisciplinary teams of IP experts, including legal, financial and technology experts.

Here are examples of some of the most important matters that are considered in IP due diligence processes:

- a) An essential step to take is to verify the ownership of the respective IPR to be assigned. In today's economy which is characterised by collaborative research, use of outsourcing and constant movement of collaborators, the ownership of intellectual property rights can be put at risk and must not be overlooked. Therefore, you should verify prior assignment agreements, employment contracts, consultancy and outsourcing agreements.
- b) The validity of the IP is another matter which should be thoroughly analysed. When assigning registered IPR, it is essential to know the status of the registration, the file history and coverage. This can be performed by using

⁵ For an overview of non-disclosure agreements, you can consult the fact sheet *Non-disclosure agreement: a business tool*, which is available in our online [library](#).

⁶ For details on when, why and how to conduct IP due diligence mainly from an SME perspective, consult the fact sheet *IP due diligence: assessing value and risks of intangibles*, which is available in our online [library](#).

the free IP databases available, such as Espacenet for patents or TMview for trade marks.⁷

- c) It is also important to evaluate the risks associated with the use of the assigned IP, that is, the so-called freedom to operate. The fact that the assignee is granted the ownership of a given IP does not mean that the IP assigned can be used without infringing the rights of others in business. Such an analysis should therefore be performed to guarantee that the assignee is not put out of business at a later stage.
- d) As with any other transaction, when entering into an assignment negotiation, a price for the IP at issue must be defined. Although the value of an intangible asset is not as easy to determine as for tangible assets, several methods exist to facilitate this task.⁸
- e) The legal requirements concerning the assignment of the particular IP asset should also be verified to make sure that no important step is missed.

5. How to establish an assignment

5.1 Writing form

In many countries, assignments must be made in a written form and signed by all the parties (that is, the assignor and assignee) otherwise the agreement is invalid and non-binding. These legal requirements must be checked for each type of intellectual property right concerned. In some countries for example, the law may require a written form for an assignment of trade marks, however, not for an assignment of copyright. In any case, it is best practice to always draw up the assignment in written form for the sake of legal certainty.⁹

The Assignor hereby assigns to the Assignee the Trade Mark, including the right to sue for infringement and take all necessary proceedings for the recovery of damages or other remedies in respect of such action.

Sample Clause

5.2 Payment

Generally, assignments are made by paying a lump sum, which represents a one-off transfer of money. However, it is possible to agree upon a payment under the format of royalties.

⁷ To help you perform patents and trade marks searches, the European IPR Helpdesk has published fact sheets on these topics. You can find them in our online [library](#).

⁸ For an overview of the main methods of IP valuation, consult the European IPR Helpdesk fact sheet *Intellectual Property Valuation*, which is available in our online [library](#).

⁹ To see an example of an assignment of a patent and have an idea of provisions commonly seen in these agreements, you can consult the Assignment included in the Lambert Toolkit, available in the United Kingdom Intellectual Property Office website.

5.3 Identification of the intellectual property

An essential provision in an assignment refers to the clear identification of the intellectual property right(s) being transferred. The application number ¹⁰ or registration number should be clearly indicated in the agreement.

*The Trade Mark in this agreement means:
[Trade Mark], [number], [class], [goods].*

Sample Clause

5.4 Warranties and representation

Irrespective of how sound the parties' due diligence activities are, most assignees request warranties from the assignor, which represent contractual assurances concerning specific facts. A breach of a warranty generally leads to an award of damages. Therefore assignees feel more confident using warranties clearly established in the agreement. The warranties, however, should not substitute a due diligence prior to the assignment. Examples of warranties that can be included in assignment agreements are as follows:

- a) the assignor's warranty that it is the owner of the intellectual property being transferred;
- b) the licensor warranty on the lack of knowledge concerning third parties infringement.

These and other warranties depend on the negotiation between the parties. However, it is important to remember that the party entering into such agreements should be aware of the risks and must assess whether they can bear these risks.

5.5 Governing law

In order to address and clarify situations of potential conflict between the parties, it is important to establish the law governing the interpretation of the contract (for instance the law of Spain), as well as to establish the forum competent to deal with disputes (for instance the Spanish courts). Alternatives to court should be foreseen, such as mediation and arbitration.¹¹

¹⁰ In some countries it is possible to assign pending applications (for example of trade marks and patents) and not only registration.

¹¹ For information on alternative dispute mechanisms such as mediation and arbitration, you can consult the European IPR Helpdesk fact sheet published in collaboration with the World Intellectual Property Organization on this topic and which is available in our online [library](#).

5.6 Registration of the assignment in the competent Intellectual Property office

Many Intellectual Property offices require the recording of the assignments in their register. Failing to do so may have very negative consequences for the assignee. In some countries, the first assignee loses the rights on the intellectual property right transferred if the assignee does not register the new ownership and the assignor concludes a subsequent assignment with a third party. The assignment of a Community Trade Mark, for example, is only effective against third parties after it has been entered in the register (or, in cases of community trade mark applications, recorded in the files of the publication). Thus, it is essential that you verify whether there is a recording requirement and if so, it is imperative to record the change in the ownership in a timely fashion.

As documents have to be lodged with the national authorities and some administrative steps may be required, in assignment agreements it is common to see the assignor promise to execute such documents and/or agree to take the necessary actions so as to allow the assignee to take advantage of the assignment agreement.

CHECKLIST

- Consider signing a non-disclosure agreement.
- If you are the assignee, perform a thorough due diligence. You can use IP databases to conduct searches in order to verify whether the assignor has the rights on the patent, trade mark or registered design that is being assigned. However, it is best practice to rely on the expertise of an IP professional.
- Assignors must also perform an analysis prior to the intellectual property right being assigned. Particularly, the ownership must be checked.
- Perform a check on the national law in relation to the intellectual property right you are assigning in order to become familiar with the necessary requirements you have to meet.
- Perform a valuation of the intellectual property right at stake to agree on a fair payment for the assignment.
- Clearly identify the intellectual property right being transferred in the agreement.
- Do not take unnecessary risks: draw up your agreement in a written form and ask a legal expert for a review.
- Register the assignment with the competent Intellectual Property office, if required.

Useful Resources

For further information on the topic please see:

- *To License a Patent – or, to Assign it: Factors Influencing the Choice*, by Philip Mendes, Partner, Innovation Law, Brisbane, available at the World Intellectual Property Organization:
http://www.wipo.int/sme/en/documents/license_assign_patent.htm

GET IN TOUCH

For comments, suggestions or further information, please contact

European IPR Helpdesk
c/o infeurope S.A.
62, rue Charles Martel
L-2134, Luxembourg

Email: service@iprhelphdesk.eu

Phone: +352 25 22 33 - 333

Fax: +352 25 22 33 - 334



©istockphoto.com/Dave White

ABOUT THE EUROPEAN IPR HELPDESK

The European IPR Helpdesk aims at raising awareness of Intellectual Property (IP) and Intellectual Property Rights (IPR) by providing information, direct advice and training on IP and IPR matters to current and potential participants of EU funded projects focusing on RTD and CIP. In addition, the European IPR Helpdesk provides IP support to EU SMEs negotiating or concluding transnational partnership agreements, especially through the Enterprise Europe Network. All services provided are free of charge.

Helpline: The Helpline service answers your IP queries within three working days. Please contact us via registration on our website (www.iprhelphdesk.eu), phone or fax.

Website: On our website you can find extensive information and helpful documents on different aspects of IPR and IP management, especially with regard to specific IP questions in the context of EU funded programmes.

Newsletter & Bulletin: Keep track of the latest news on IP and read expert articles and case studies by subscribing to our email newsletter and Bulletin.

Training: We have designed a training catalogue consisting of nine different modules. If you are interested in planning a session with us, simply send us an email at training@iprhelphdesk.eu

DISCLAIMER

The content of this fact sheet cannot be considered as the European Commission's official position and neither the European Commission nor any person acting on behalf of the European Commission is responsible for the use which might be made of it. Although the European IPR Helpdesk endeavors to deliver a high level service, no guarantee can be given on the correctness or completeness of the content of this fact sheet and neither the European Commission nor the European IPR Helpdesk consortium members are responsible or may be held accountable for any loss suffered as a result of reliance upon the content of this fact sheet. Our complete disclaimer is available at www.iprhelphdesk.eu.

© European IPR Helpdesk 2013