



European IPR Helpdesk

Case Study

Allocation of shares of jointly developed results

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Funding details

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Programme: Cooperation



1. Background

In the framework of an FP7 *Cooperation* project, a consortium composed of a university, an SME and a large company developed an invention likely to be patented. In order to report the invention as a result obtained in the framework of the project, the coordinator requested the partners to define in detail the ownership regime over the results.

In the consortium agreement concluded by the partners before the beginning of the project, different Intellectual Property (IP) issues were tackled and regulated. However, the provisions governing foreground jointly developed were very vague and did not provide for any further guidance on this matter.

2. Problem faced

Ownership over the IP arising as a result of the innovation is one of the most critical issues to resolve in the framework of collaborative projects, especially in cases where two or more partners generate results jointly.

Since in the case at hand the participants had not clarified in detail a suitable arrangement to govern this situation, the default regime provided by the Grant

Agreement (GA) would be applicable. This states the following: “*in case several beneficiaries jointly carry out the work generating foreground, and where their respective share cannot be ascertained, such foreground will be held by these beneficiaries under a regime of joint ownership*”. However, not all the partners had participated or invested resources, time and efforts in an equal manner: the university had brought the necessary prior know-how, the SME developed most of the work, and the large company had contributed through a large amount of economic resources. As a consequence, after several weeks of negotiation, and due to their different approaches, the partners could not reach an agreement on how to proportionally allocate their respective shares of ownership over the results.

3. Possible actions to be undertaken in this situation

There are many ways to apportion jointly owned IP, since the way in which the shares are assigned and how they are apportioned between partners is entirely addressed in their agreement (unless the GA states otherwise).

Usually, because of the aim of the collaborative research projects, meaning the achievement of results through the partners’ collaborative efforts, one of the most commonly used structures is holding the ownership of the foreground in equal shares among the partners which generated that foreground. This solution might seem the “easiest” one to implement, as a split in equal shares allows for an easy assessment of all partners’ rights and obligations deriving from the joint ownership. There are however other options available.

Another possibility is to allocate the shares of the ownership in proportion to each joint owner’s contribution to the result, i.e., their R&D efforts, the time spent, the relevance of the findings in the development of the result, *etc...* However, this requires the partners to invest time and resources to make this complicated and sometimes controversial assessment.

A different option would be the allocation of the shares in proportion to the weight of each of the partners’ budget in the total project’s budget. This would require the partners to analyse the budget, which would often be less demanding than the previous option.

Any solution can work as long as it reflects the best intentions of the parties and meets as far as possible all partners’ expectations regarding their foreground. It will just have to be achieved according to what all partners consider to be best in view of their respective interests and of the purpose of the project.

Unfortunately, sometimes joint ownership of IP might be problematic because it may cause conflicts between co-owners, which usually take place when they fail to define in detail the rules with respect to their co-owned IP. Whatever the final solution that the partners achieve, it is strongly recommended that the joint

owners conclude a joint ownership agreement, whereby they can agree on the terms of exercise of this joint ownership¹, as to how the joint IP is to be owned, protected, enforced, defended, managed, and commercialised, and how revenues from the commercialisation are to be allocated.

4. Outcome

As the partners of the case at hand could not finally reach an agreement on how to better define their joint ownership, the Coordinator ended up offering an equal allocation of shares which was finally accepted, and then the ownership was divided in equal portions among all the participants who developed the results.

After the project's end, however, it was obvious that not all the partners had the same capacity to exploit the patent and both the University and the large company decided to transfer their share to the SME which was willing to hold the exploitation rights, giving as an exchange a percentage of the revenues acquired through the exploitation, and in addition free use of the patent in further research activities to the University.

The outcome in this case was therefore a success and the consortium finally achieved a satisfactory agreement for everybody, although the participants in this project had failed to further agree and better define how common results would be divided at an earlier stage.

5. Lessons learned and suggestions

- The manner in which the ownership of results is going to be governed should ideally be decided at very early stage, even before the project starts.
- The conditions on which partners apportion the shares of ownership are entirely addressed in their agreement (contractual freedom).
- Co-ownership of IP should be avoided as a "default solution" or the "easy option". It should be considered with care, given the disagreements that it can lead to.
- There are a wide variety of creative approaches to joint IP ownership, and it is useful to take the time to explore these before entering into a partnership. The terms of exercise, the exploitation rights and obligations, and in any case the definition of the ownership shares, should be concluded and specified in a joint ownership agreement.

¹ Please see the European IPR Helpdesk factsheet on "IP joint ownership" available in the [library](#).

GET IN TOUCH

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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 and 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@iprhelpdesk.eu.

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