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10 KEY TAKEAWAYS

Identifying IP Issues and Mitigating Risks in Joint Development Agreements

In today's technology driven world, collaboration between companies is commonplace and virtually inevitable. Joint development projects, however, present unique risks with respect to the ownership and exploitation of intellectual property ("**IP**"). Understanding the risks is critical to a successful collaboration and framing the parties' IP rights and responsibilities.

The following are key steps to mitigating risks in joint development and collaboration agreements:

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Avoid "mission creep" by specifically and narrowly defining the purpose, each parties' contribution and scope of the collaboration. It is also equally important to understand and define what is not being contributed.

Distinguish between technology and intellectual property rights ("**IPR**"). Failure to do so leads to ambiguity in the meaning of the contractual provisions and the parties' rights. The definition of technology or inventions should be limited to tangible and intangible things – e.g., process, techniques, know-how, algorithms, software, data, databases, protocols. Separately define IPR to include only legal rights, *i.e.*, patents, copyrights, trade secret rights and trademark rights, and the registrations of, applications to apply for and priority rights based thereupon.

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In addition to separately defining technology and IPR, also, separately grant rights to the technology and the IPR.

To avoid ambiguity and potential disputes, outline and identify three categories of technology/IPR:

- "Background IP": The technology/IPR that each party contributes to the development.
- "Developed IP": The technology/IPR created as a result of the collaborative effort.
- "Derivative IP": Modifications to or derivatives of Background and Developed IP created by the parties either solely or jointly.

With respect to each category, allocate each party's ownership, rights, and responsibility for the use, exploitation, protection and defense of such IPR.

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Joint development usually requires sharing technical information, which increases the risk that a party's trade secrets will be made public or its trade secret protection lost. Thus, a disclosing party must take precautions to protect their trade secrets and other know-how.

The most common form of IP allocation for Developed IP is joint ownership. Although there is a perception that this is a fair solution, in practice, joint ownership is fraught with pitfalls. Therefore, consider alternatives to joint ownership because the parties have great latitude in how to allocate ownership in a joint development agreement.

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Such pitfalls include conflicting rights under default laws. For example, the rights of joint owners of a patent to exploit and enforce such rights differ from those of joint copyright owners and also vary by jurisdiction. Ignorance of these laws may create unwanted consequences and lead to disputes among the parties.

When contributing IP to a collaboration, consider including a "no guarantee of success" clause to project the contributing parties from claims that the contributed IP did not fulfill the intended purpose.

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Every collaboration is different, be wary of using form agreements. Carefully consider and address how to allocate the parties' rights with respect to the ownership, enforcement, exploitation, and prosecution of the Developed IP.

Always consider and plan an exit strategy that details the parties' rights and obligations post-termination, particularly in the event that the joint development fails or strains the relationship of the parties.

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