EASTERN EUROPEAN JOURNAL OF TRANSNATIONAL RELATIONS

Joint Ownership of Industrial Property Rights in the Research and Industry Consortium Agreement

Marek Salamonowicz
Kazimierz Wielki University in Bydgoszcz,
Poland
m.salamonowicz@ukw.edu.pl
ORCID 0000-0001-6934-2154

Abstract. The main objective of the article is to determine the rights and obligations of the parties to a scientific and industrial consortium agreement in a situation of co-ownership of industrial property rights covering research results. In particular, the analysis covers the impact of the co-ownership of rights on the commercialization of research results and employee entitlements to share in the benefits of such commercialization. The subject of analysis was the European Union law and Polish law. The legal-dogmatic as well as comparative method was used. Normative acts were analyzed, as well as other official documents containing guidelines and instructions for the parties. Examples from practice were also used. In conclusion, the legality of an obligation on the part of the consortium members to subsequently transfer their shares in the joint right to one of them or a third party is pointed out. It has also been established that such an obligation may be preceded by granting a license in favor of a later purchaser of industrial property rights. Moreover, it was underlined that in the light of the regulations in force, employees of Polish higher education institutions who have made an invention within the framework of a project implemented by a scientific and industrial consortium are, as a rule, due remuneration for benefits obtained by the university from commercialization of such research results.

Keywords: consortium agreement, research results, industrial property, joint ownership.

JEL Classification: K150.

Citation: Salamonowicz, M. (2024). Joint Ownership of Industrial Property Rights in the Research and Industry Consortium Agreement. *Eastern European Journal of Transnational Relations*, *8*(1), 63-69. https://doi.org/10.15290/eejtr.2024.08.01.06.

Academic Editor: Magdalena Rutkowska-Sowa

Publisher's Note:

INTRODUCTION

The following issues are covered in the article. Nature of the acquisition of rights to the research results of the entity identified in the consortium agreement. The main focus of the discussion will be on industrial property rights. The conclusion of the contract and its content will be analyzed: the designation of one or several entrepreneurs, the co-ownership, the identification of a third party.

Further consideration will be used to assess the impact of a consortium agreement containing a joint rights clause on subsequent commercialization. In the context of the transfer of industrial property rights by the parties to the consortium agreement, the issue of employee entitlement to share in the benefits of commercialization needs to be considered. The discussion should also provide comments on the legal nature of the science and technology consortium agreement (Szczepaniak, 2023, p. 648).

The article analyses the provisions of Polish law, in particular the Industrial Property Law and European Union law, including the solutions relating to science and technology consortium agreements in the Horizon program. The method used was primarily dogmatic-legal and comparative.

THE HOLDER OF INDUSTRIAL PROPERTY RIGHTS AND FORM OF THE CONSORTIUM AGREEMENT

Acquisition of industrial property rights to research results is specified in art. 11 par. 3-4 of the Act on Industrial Property Rights (t.j. Dz.U. z 2023 r. poz. 1170). According to its contents, in the case of making an invention, utility model or industrial design as a result of the author's performance of his obligations under the employment relationship or any other contract, the right to obtain legal protection (patent, protection rights, rights in registration) shall vest in the employer or the ordering party, unless the parties have agreed otherwise. On the other hand, a contract between entrepreneurs may specify the entity to which the aforementioned rights referred shall be vested in the event of the creation of an invention, utility model or industrial design in connection with the performance of that contract (Guarda, 2015, p. 11; Niewęgłowski, 2010, p. 293).

Interpreting the provisions cited, it can be concluded that, when the entrepreneur becomes the right holder *ex lege* as the employer, the other entity designated contractually as the right holder acquires the right in the original manner. Thus, the parties to a consortium agreement who are originally entitled to industrial property rights as employers or ordering parties, by designating certain entities as entitled parties in the agreement, bring about the primary acquisition of such rights (Sieńczyło-Chlabicz, 2019, p. 164).

A consortium agreement is an unnamed agreement. There is no expressis verbis requirement in Polish civil law as to the form of a science and technology consortium agreement. However, Article 12(2) of the Polish Industrial Property Act indicates that an agreement on transfer of the right requires under pain of nullity to be in writing. Apart from the consortium agreement, provisions on the transfer of the industrial property right may also be included in a contract to perform a specific task, a contract of mandate, a contract for the implementation of a project or another contract for the provision of services.

Supplementary to the Horizon Europe Regulation and Model Grant Agreement there is document from 2024 "DESCA - Model Consortium Agreement for Horizon Europe" (hereafter abbreviated as: DESCA Model agreement). In addition, other research funding agencies also issue guidelines on the content of research consortium agreements. For example, the guidelines of the Polish National Centre for Research and Development - "Minimum scope of a consortium agreement for projects implemented under the GOSPOSTRATEG program". From the documents presented, it appears that written form or a form equivalent to it is generally required by research funding agencies for science and technology consortium agreements (Davydiuk et. al., 2023, p. 87).

The content of research and industry consortium agreement in the field of an industrial property rights may provide for the following typical options: 1) the designation of one or several consortium members as right holders; 2) joint ownership (determination of the size of the shareholding and its consequences), 3) identification of a third

party and its entitlement to research results, 4) an obligation to grant a license, an obligation to transfer rights to research results between consortium members or to a third party (Guarda, 2015, p. 12).

The Model Grant Agreement allows (in art. 16.4 and mainly Appendix 5) for the possibility for consortium members to resort to an arrangement other than co-participation in determining the entity entitled to the research results. But the basic principle related to ownership of results is that: results are owned by the beneficiaries that generate them. However, two or more beneficiaries own results jointly if: they have jointly generated them and it is not possible to: establish the respective contribution of each beneficiary, or separate them for the purpose of applying for, obtaining or maintaining their protection. In such case the joint owners have an obligation to agree in writing on the allocation and terms of exercise of their joint ownership. In example: the partners agree that the intellectual property rights obtained as a result of the project will accrue to the individual partners as follows: A - 60%, B - 20%, C- 20%. The proportions of the share of rights may correspond to the financial and substantive commitment of the individual partners. In the context of Horizon Europe, joint ownership arises only if contributions in generating particular results cannot be separated for protection purposes. On the basis of the guidelines for consortium agreements from the Polish National Centre for Research and Development, it should be noted that the scope for contractual freedom is broader than under the Horizon Europe regulations. According to Polish Agency Guidelines, the consortium agreement should contain: the principles for the division of property rights to the results of works being the result of the project, in accordance with the grant agreement; principles of transferring the rights to works being the result of the project between the consortium Leader and other consortium members; obligations of the consortium Leader and consortium members; definition of the ways of disseminating project results. So, there is no strict restriction of the manner in which industrial property rights are disposed of (Moskovko, 2020, p. 135).

It is strongly recommended by European Commission to create a written joint ownership agreement (DESCA - Model Consortium Agreement, p. 45). The main clauses in such agreements should address: decision process in choosing form and scope of legal protection, the division of protection related costs, territorial scope of protection, licensing and commercialization policy, sharing of benefits from exploitation of research results, fighting against infringements of co-owned rights. It is characteristic of DESCA's solutions to point out the problem of defining 'non-commercial research results' in a joint ownership agreement. The boundary of that term can be interpreted in different ways by particular stakeholders. It is worth noticing which aspects should be addressed as elements of this distinction. Firstly, defining contract research and stating whether use of the joint result for such purpose it is included in non-commercial research activities or not. Secondly, stating whether use of the joint result for royalty-bearing activities or other activities leading to monetary benefits is included or not. It can determine commercial characteristics. Thirdly, addressing whether use in further (funded or unfunded) cooperative research projects is included, and where the boundaries are in that case. The future use of funded research project can be treated as commercial usage. It makes the meaning of "non-commercial research" more narrow. Analyzed distinction can be used by the parties of joint ownership agreement for the clause recommended by DESCA: "each of the joint owners shall be entitled to use their jointly owned Results for non-commercial research and teaching activities on a royalty-free basis, and without requiring the prior consent of the other joint owner(s)". So, it resolves the problem of acquiring the consent from the side of other consortium participants (Salamonowicz, 2018, p. 283).

RIGHTS AND OBLIGATIONS OF CO-OWNERS

Joint ownership of a right means a situation where a right is vested indivisibly in more than one person. According to article 196 of the Polish Civil Code (t.j. Dz. U. z 2024 r. poz. 1061, 1237), unless a different rule follows from special provisions provide otherwise, there is joint ownership in fractional parts. The source of the co-ownership of a right (i.e. patent) may be the original creation of invention by more than one person (and thus as a

derivative of the common right to obtain a patent), but also a legal act like consortium agreement or joint ownership agreement or i.e. inheritance (Niewęgłowski, 2019, p. 15).

A patent co-owner may, without the consent of the other patent co-owners, use the invention himself and claim infringement of the patent. Each co-owner may undertake all possible forms of exploitation of the joint invention. Self-use of the invention shall be understood to mean use within the framework of one's own enterprise, one's own professional or business activity. Each co-owner is entitled to use the joint patent for invention to the extent that is compatible with the co-possession and use of the invention by the other co-owners, given the nature of the invention as an intangible good, simultaneous use by the co-owners will in principle be possible.

The provision of Article 72 of the Polish Industrial Property Act indicates that each patent co-owner may pursue all claims related to patent infringement, and in the case of pursuing a claim for damages or a claim for return of unjustly obtained benefits, he should share the obtained benefits with the other co-owners, pursuant to Article 207 of the Polish Civil Code. It should be noticed, that Article 72(2) of the Polish Industrial Property Act will not be applicable in this case, as the obtained damages or returned unjustly obtained benefits do not constitute 'benefits from the invention', but benefits from the patent. What is more, each patent co-owner may perform any act and assert any claim that seeks to preserve the joint right (Sztoldman, 2014, p. 21).

Based on Polish Industrial Property Act and Polish Civil Code (t.j. Dz. U. z 2024 r. poz. 1061, 1237), there is distinction between sharing benefits from an invention and sharing benefits from a patent right. In the event that one of the co-owners obtains benefits from the invention, Article 72 of the Polish Industrial Property Law provides for specific rules for its distribution. Each of the other patent co-owners is entitled to an appropriate share of 1/4 of these benefits after deduction of outlays, according to its share in the patent. Thus, 25% of the net benefits will be divided. The distribution of this part of the benefits obtained between the joint holders will be made according to the size of their shares. The co-owners may contractually provide for a different way of dividing the benefits from the exploitation of invention (Szajkowski & Żakowska-Henzler, p. 721). The definition of benefits within the meaning of Article 72(2) of the Polish Industrial Property Act as 'benefits derived from the use of the invention in the course of one's own business activities', while stating that other 'benefits from the exercise of the right beyond ordinary management, such as its disposal or the granting of a license, would be accounted for [...] according to the shares'. Consequently, benefits from the invention should be understood as benefits from its use, while other benefits will generally be benefits from the patent right and should be qualified as benefits of the right or other income from the right within the meaning of Article 207 of the Polish Civil Code, thus applying the Code rules of apportionment. According to them, benefits and other income from a joint right accrue to the joint owners in proportion to the size of their shares. The co-owners of rights shall bear the expenses and burdens of the joint right, so in particular the one-off and periodic charges for protection in relation to the size of the shares. In practice there are some doubts as to the inclusion of a certain benefits as those stem from exploitation of an invention or the benefits and revenues of a right (patent) (Niewęgłowski, 2019, p. 19).

COMMERCIALIZATION OF RESEARCH RESULTS

In the light of the DESCA, unless otherwise agreed in the joint ownership agreement or consortium agreement, each joint owner may grant non-exclusive licences to third parties to exploit the jointly-owned results (without any right to sub-license), if the other joint owners are given: at least 45 days advance notice and fair and reasonable compensation (DESCA - Model Consortium Agreement, p. 45). It is significant norm, because otherwise the issue of granting the non-exclusive license without permission from the side of other co-owners is discursive on the ground of polish civil law (Sztoldman 2014, p. 78; Dumkiewicz, 2008, p. 38). Additionally, the joint owners may agree, to apply another regime than joint ownership. This norm makes possible not only the establishment of different procedure of managing of joint owned right i.e. entrusting the management of the right to the consortium leader, but also a departure from the co-ownership regime in the form of an obligation to grant a right to a third

party or, for example, to a consortium business partner (Kwiram et al., 1995, p. 47). There is no doubt that the grant of an exclusive licence to use a jointly owned solution, let alone the transfer of a joint right, requires the consent of all joint holders. Subsequent agreements on the transfer of rights between consortium members should be regarded as legally permissible. Each co-owner and consortium member can be entitled to a certain amount of shares in the rights to the research results generated i.e. in the course of research and development project. It is also admissible upon the conclusion of consortium agreement, to create an obligation for consortium members to transfer within some period, the share in the co-owned intellectual property, as well as in all other rights to intangible assets that have been generated in the course of particular project, including know-how. Such a transfer of rights may be preceded by a license, which may also be part of a consortium agreement. For example, for the period until the transfer of the intellectual property rights, each of the vendors grants the purchaser a license (even territorially unlimited and exclusive) to the rights to the research results. In such a situation, the granting of the license and the transfer of the rights may take place after the equalization of the Vendors' interests in the intellectual property rights (value agreed in the license and transfer of rights agreement) (Bogers et. al, 2012, p. 41).

One of the purposes of the science and industry consortium agreement may be, respectively: to grant a license to the purchaser (i.e. consortium member or third party) after the expiry of the license period. It is also admissible to acquire, to the fullest extent possible, intellectual property rights and other rights to intangible assets which have been created as part of the particular project, enabling the purchaser to independently and freely use and dispose of intellectual property rights and other rights to intangible assets in order to commercialize them. The acquisition of the intellectual property rights may take place before the expiry of the licensing period, i.e. upon the purchaser's request to the vendors (consortium members) (Sztoldman, 2014, p. 75).

PERSPECTIVE OF EMPLOYEES' RIGHTS

Based on obligations of the parties in Horizon Europe Model Grant Agreement, if third parties (including employees and other personnel) may claim rights to the results, the beneficiary concerned must ensure that those rights can be exercised in a manner compatible with its obligations under the Agreement (Horizon Europe MGA, p. 87; Pilla, 2010, p. 602). As the consequence, the beneficiary should honor the rights of the employees/inventors in sharing benefits from commercialization of intellectual property rights. As to projects finances by Polish Nacional Centre for Research and Development (t.j. Dz. U. z 2024 r. poz. 1170), the art. 32 of the Act establishing mentioned organization stays, that: in the case of the results of scientific research which is an invention, other inventive project or a discovered and derived plant variety, or development works created within the framework of works or tasks financed by the Centre and the know-how related to these results, the right to obtain a patent for the invention shall be vested in the beneficiaries of the granted funds. It should be underlined that, the provisions of the Polish Higher Education and Science Act of 20 July 2018 (t.j. Dz. U. z 2024 r. poz. 1571) shall apply to i.a. inventions, utility models, obtained by an employee of a public higher education institution in the performance of his/her duties under the employment relationship with that institution. However, there are exemptions from the application of Polish Higher Education and Science Act, which include its Article 154(5) - enfranchisement procedure and Article 157 - possibility of different regulation of ownership of research results in the contract. These provisions do not apply to cases where the scientific activity was carried out, inter alia, on the basis of an agreement with a party financing or co-financing that activity, providing for an obligation to transfer the rights to the results of the scientific activity to that party or to an entity other than a party to the agreement. Likewise, where the scientific activity was carried out with funds whose allocation or use rules stipulate a different disposition of the results of the scientific activity and the know-how related to those results than in the Act. Thus, employees will not be able to claim the right to transfer the rights to the research results, while they will have the right to share in the benefits of commercialization as defined in Article 155 of Polish Higher Education and Science Act. According to this provision, In the case of commercialization, an employee is entitled from a public university to no less than: 50% of the value of the funds

obtained by the university from direct commercialization, reduced by no more than 25% of the costs directly related to such commercialization which were incurred by the university or the special purpose vehicle (Monotti, 2012, p. 112).

CONCLUSIONS

The article establishes that the parties to a scientific and industrial consortium agreement have, both under European Union law and Polish law, a wide range of contractual freedom to designate the entity entitled and to determine the forms of commercialisation of research results. In particular, they may stipulate within the concluded agreement whether they will be jointly entitled to the rights covering the results of joint works, or whether they will fall to the beneficiary whose employees have made a creative contribution to obtaining specific results. Finally, the parties may provide for an obligation to license or assign rights to the research results to one of the parties to the agreement or even to a third party.

As a result of these considerations, it must be concluded that an employee of a public university may be entitled to share in the benefits arising from an agreement on the transfer of rights to research results or a license granted also in respect of research results obtained as a result of an project financed by Polish National Centre for Research and Development as well as in the Horizon Europe. This remuneration is also due to the transfer of rights to an entity which was previously a consortium leader or a co-principal entity or a subsidiary of such an entity. This is an element of employee remuneration, there is no need to conclude additional civil law contracts.

In turn, abrash from the labor law thread, the subsequent agreement on the transfer of rights to research results between consortium members or consortium members and a third- party results in a derivative acquisition of rights to research results. It is important to note the significant similarity of a scientific and industrial consortium agreement to a civil partnership agreement. In particular, in terms of unanimity, unlimited liability for obligations, permanence of membership. It is usually concluded for a fixed period. On the other hand, with regard to the legal nature of the contract, it may be stated that a consortium is neither a commercial company nor a civil law partnership, it has no legal personality of its own, it is not a separate business entity, it is not subject to registration. As a rule, it does not have a separate name and registered office. It is an association of entities to pursue a common objective.

Often the consortium members represent different capacities and operate in different spheres of activity, but through a consortium they can work together to achieve a common goal, achieving a larger scale effect. Thanks to the possibility of combining research potential with industrial potential, a consortium is a convenient form of cooperation between its members, increasing the chances of obtaining grants for research and development and implementation activities (Carayol, 2003, p. 887).

REFERENCES

Bogers, M., Bekkers, R., & Granstrand, O. (2012). Intellectual property and licensing strategies in open collaborative innovation. In C. de Pablos Heredero & D. López (Eds.), *Open innovation in firms and public administrations: Technologies for value creation* (pp. 37-58). IGI global.

Carayol, N. (2003). Objectives, agreements and matching in science–industry collaborations: reassembling the pieces of the puzzle. *Research policy, 32*(6), 887-908.

Davydiuk, O., Duiunova, T., Shovkoplias, H., Sivash, O., Hlushchenko, S., Lisohorova, K., & Maryniv, I. (2023). Directions for improving the international legal regulation of the support program for the transfer of innovations and technologies "Horizon Europe". *Eastern-European Journal of Enterprise Technologies, 122*(13), 85-91.

DESCA - Model Consortium Agreement for Horizon Europe" , www.desca-agreement.eu, Version 2.0, February 2024.

Dumkiewicz, M. (2008), Wykonywanie uprawnień z udziałów wspólnych. *Przegląd Prawa Handlowego*, 9, 38-43.

Guarda, P. (2015). Consortium Agreement and Intellectual Property Rights within the European Union Research and Innovation Programme. *European Intellectual Property Review, 37*(3), 161-171.

Horizon Europe Model Grant Agreement. Unit Grants Version 1.2, 1.04.2024, https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/horizon/agr-contr/unit-mga_he_en.pdf.

Horizon Europe Regulation - Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013, OJ L 170, 12.5.2021, p. 1–68.

Kwiram, A. L., Koch, M., Paden, J. E., & Halldorson, B. M. (1995). University-industry consortium agreements Center for Process Analytical Chemistry: A case study. *The Journal of Technology Transfer, 20*(3), 45-55.

Monotti, A.L. (2012). Is it Time to Codify Principles for Ownership of Academic Employee Inventions? The Disconnect Between Policy and the Law. *Monash University Law Review, 38*(1), 102-118.

Moskovko, M. (2020). Intensified role of the European Union? European Research Infrastructure Consortium as a legal framework for contemporary multinational research collaboration. In K.C. Cramer & O.Hallonsten (Eds.), *Big science and research infrastructures in Europe* (pp. 128-156). Edward Elgar Publishing.

Niewęgłowski A, (2010). *Wyniki prac badawczych w obrocie cywilnoprawnym*. Wolters Kluwer.

Niewęgłowski, A. (2019). Current Problems Being Faced by the Consortia with Respect to Industrial Property in the Light of Empirical Research. *Eastern European Journal of Transnational Relations, 3*(1), 11-24.

Pilla, J. (2010). Who Owns the Intellectual Property Rights in Academic Work?. *European Intellectual Property Review*, 49, 609-613.

Salamonowicz M. (2018). *Treść i charakter prawny umowy o prace badawczo-rozwojowe*. Wolters Kluwer.

Salamonowicz, M. (2016). *Prawna regulacja komercjalizacji własności intelektualnej publicznych szkół wyższych*. Wolters Kluwer.

Sieńczyło-Chlabicz, J. (2019). *Komercjalizacja i transfer wyników badań naukowych i prac rozwojowych z uczelni do gospodarki. Komentarz – nowe regulacje*. C.H. Beck.

Szajkowski, A., & Żakowska-Henzler, H. (2017). In R. Skubisz (ed.), *System Prawa Prywatnego: Prawo własności przemysłowej*. (vol. 14A). C.H. Beck.

Szczepaniak, W. (2023). Barriers to the Implementation of Projects within Scientific and Industrial Consortia – Analysis from the Point of View of Enterprise. *Scientific Papers of Silesian University of Technology – Organization & Management*, 176, 645-659.

Sztoldman A, (2014). Wykonywanie patentu przez współuprawnionych. *Przegląd Prawa Handlowego*, 3, 21-27.

Sztoldman A. (2014). Wspólność patentowa a udzielenie licencji. *Zeszyty Naukowe Uniwersytetu Jagiellońskiego. Prace z Prawa Własności Intelektualnej,* 1, 71-87.