

IP Co-Creation: Joint Development of Intellectual Property with Suppliers

IP co-creation refers to the joint development of protectable results – such as patents, know-how, software or designs – between a company and external partners such as suppliers or development service providers. For technical procurement, this term is increasingly coming into focus because innovations frequently emerge at the interface between customer and supplier. Without clearly regulated ownership and usage rights, later blockages in series production, licensing or supplier changes loom. This article explains the definition, approach, KPIs and risks of IP co-creation from a procurement perspective.

Key facts

- IP co-creation is the contractually governed joint development of intellectual property with suppliers or development partners.
- Key contractual issues are the allocation of rights, usage freedoms (background IP, foreground IP) and exit scenarios.
- In practice, the customer often has the right to acquire or exclusively use the contract IP, but this is negotiable and depends on the value added.
- Procurement influences IP co-creation through supplier selection, the requirements specification, contract annexes and ongoing project governance.
- Typical KPIs are the number of joint patent applications, time-to-market and the share of co-developed components in procurement volume.
- Without documented agreements, supplier changes risk double licensing, dependencies and blocked series production.

Definition: IP co-creation

IP co-creation (intellectual property co-creation) describes the purposeful collaboration of several companies in developing intellectual property, in which all parties contribute expertise and the rights to the results are governed contractually. It goes beyond classic contract development (work for hire) because both parties actively contribute knowledge and ideas.

Distinction from contract development and licence acquisition

In pure contract development, the customer pays for a defined result and generally acquires all rights to it. In licence acquisition, procurement merely buys usage rights to existing third-party property. IP co-creation lies in between: both parties contribute industrial property rights or know-how (background IP) and jointly create new rights (foreground IP). The allocation of this foreground IP is the core of any co-creation agreement.

Relevance for technical procurement

In IP co-creation, procurement is more than a price negotiator: it selects suitable development partners,

embeds IP rules in the requirements specification and contract annexes, and secures later freedoms such as second sources. Especially in ramp-up projects for new products, early IP clarification determines whether the company can later produce independently or change suppliers.

Methods and approach in the procurement process

IP co-creation typically follows a multi-stage process from partner selection to series implementation. Procurement orchestrates the interfaces between engineering, the legal department and the supplier.

Partner selection and requirements specification

IP-relevant requirements should already be formulated in the tender, for example via a request for quote (RFQ): who receives rights to development results, which background IP does the supplier contribute, and what remuneration is envisaged? A precise requirements specification prevents IP questions from only surfacing in a late clarification round and jeopardising the schedule. In practice, a checklist reviewed with the legal department before bid submission has proven effective.

Contractual anchoring

The core instruments are development contracts, framework agreement annexes with IP clauses and non-disclosure agreements. Typically regulated are: allocation of foreground IP, simple or exclusive usage rights, licence freedoms for existing supplier know-how and notification obligations for property right applications. For suppliers with preferred supplier status, standardised framework conditions are advisable so that not every project has to be renegotiated.

Project support through to ramp-up

During development, joint governance based on milestones, reviews and documented decisions controls the flow of knowledge. Clean documentation of every contribution is essential: who contributed which idea and when? This traceability facilitates the later assessment of rights and is a prerequisite for patent searches and inventor designations. At the ramp-up to series production, results, drawings and test specifications are handed over in final form.

Key KPIs for IP co-creation

The success of joint IP development can only be measured directly to a limited extent, but a combination of innovation, procurement and risk indicators provides orientation.

Innovation and industrial property metrics

Typical figures are the number of joint patent applications per year, the ratio of property right applications to completed projects and the share of co-developed products in the new product portfolio. These values show whether the partnership generates genuine innovative power or merely marginal improvements. Benchmark values depend heavily on the industry and technology level.

Procurement and risk metrics

From a procurement perspective, relevant metrics are the share of procurement volumes with a clarified IP situation, the number of open IP disputes, the duration of contract negotiations and the time-to-market of co-creation projects compared with classic development. The availability of second sources for co-developed components is also a measurable degree of freedom. These indicators work well as a topic for the quarterly business review (QBR) with strategic suppliers.

Risks and controls

IP co-creation carries considerable risks if agreements are missing or vaguely worded. Controls must therefore apply across the entire life cycle.

Contractual and legal risks

Common mistakes are the absence of provisions on improvements, unclear licence chains with subcontractors and no exit arrangement for contract termination. Risk: on a change of supplier, the company remains licence-dependent or cannot continue using drawings and tooling. Legal statements on property right infringements, competition law or cross-border issues should always be reviewed on a case-by-case basis with the legal department or external lawyers.

Knowledge outflow and dependency

Co-creation also means that own know-how flows to the partner. Without confidentiality discipline and the need-to-know principle, there is a risk that competitively sensitive information indirectly reaches third parties. Conversely, one-sided dependency on supplier know-how creates a monopoly position for the partner. Controls include defined data rooms, access lists, regular IP inventories and a deliberate decision on which core competencies remain exclusively in-house.

Current developments

Several trends are increasing the importance of IP co-creation in industrial supply chains.

Software, electrification and data ownership

The value share of software and data in physical products is rising. This shifts the IP question from drawings and patents towards source code rights, interface openness and data ownership. Buyers increasingly have to assess clauses on source code escrow, update rights and data sovereignty.

Sustainability and regulation

Sustainability requirements are also co-developed: material innovations, recyclable designs or product life cycle assessments according to life cycle assessment (LCA) methodology frequently emerge jointly with suppliers. Frameworks such as the Corporate Sustainability Due Diligence Directive (CSDDD) increase the documentation burden along the supply chain and make clear agreements on usable data and methods more important.

Typical metrics

Joint patent applications: typically 1–5 per year per strategic partnership

strongly industry-dependent; trend matters more than the absolute value

Procurement volume with clarified IP situation: > 95%

share of volume with strategic partners where the IP arrangement is documented

Time-to-market of co-creation projects: often 10–20% shorter than classic development

compared with internal reference projects

Open IP disputes: 0

target value; every case is an indicator of contractual gaps

Practical example

A medium-sized mechanical engineering company develops an energy-efficient drive unit with a drive component supplier. Initially, the two parties argue over who owns the patentable cooling architecture – the project stalls. After a realignment, a workable solution emerges.

- Procurement embeds IP rules as a framework agreement annex: foreground IP transfers to the customer, while the supplier receives simple licence freedoms for its background know-how.
- A requirements specification with an IP checklist is made binding for future RFQs.
- Contributions are recorded on an ongoing basis in a joint invention documentation system.
- In the quarterly business review (QBR), IP progress and second-source capability are treated as standing agenda items.

Conclusion

For industrial buyers, IP co-creation is not a purely legal topic but a strategic design field with direct effects on supplier dependency, time-to-market and competitiveness. What matters are early clarification of the rights question, clean documentation of contributions and standardised contract annexes for recurring partners. Procurement acts here as a mediator between engineering, the legal department and the supplier. Those who consistently integrate IP rules into selection processes, framework agreements and ongoing supplier management avoid later blockages and turn co-creation into a genuine competitive advantage. Nevertheless, a legal review in each individual case remains indispensable.

Frequently asked questions

What does IP co-creation mean?

IP co-creation refers to the joint development of intellectual property – such as patents, know-how or software – between a company and external partners such as suppliers. Unlike pure contract development, both parties actively contribute knowledge. The rights to the results are governed contractually.

Who owns an invention developed in co-creation with a supplier?

This is primarily a matter of contract, not an automatic consequence of law. In practice, the supplier often assigns the rights to contract developments to the customer but receives usage rights over its own background know-how in return. The specific arrangements should be recorded in development contracts and framework agreement annexes and reviewed legally on a case-by-case basis.

Which contracts do you need for IP co-creation?

Typically required are a non-disclosure agreement, a development contract with IP clauses, a framework agreement annex and, where applicable, licence and subcontractor clauses. They govern the allocation of results, usage rights, improvements and the procedure upon contract termination. The legal department or external lawyers should review the wording.

What role does procurement play in IP co-creation?

Procurement selects suitable development partners, embeds IP requirements in the requirements specification and in tenders, negotiates rights clauses and monitors compliance during ongoing collaboration. Securing second sources and governance within the quarterly business review also fall

within its remit.

How do you avoid supplier dependency through joint development?

Key elements are contractual usage rights that survive a change of supplier, the deposit of documentation and, where applicable, source code, defined notification obligations and a deliberate decision on which core competencies remain in-house. An early assessment of second-source capability prevents co-creation from creating a de facto monopoly.

Which KPIs are suitable for IP co-creation?

Common indicators are the number of joint patent applications, the share of co-developed products in the portfolio, the time-to-market of co-creation projects and the share of procurement volume with a clarified IP situation. In addition, the number of open IP disputes indicates contract quality.