

Summary Report

Question Q194

The impact of co-ownership of intellectual property rights on their exploitation

Two years after the Executive Committee Meeting held in Singapore in October 2007, the AIPPI will again study the impact of IP rights co-ownership on their exploitation.

- It is helpful to remind of the context in which this issue was placed on the agenda of the Executive Committee Meeting to be held in Buenos Aires in October 2009.

The question was first considered at the AIPPI Executive Committee Meeting held in Singapore in 2007.

As underscored in the Working Guidelines, certain aspects of this question could not be studied in Singapore. For this reason, the AIPPI decided to continue its review of the issue.

Thus, the points on which the AIPPI was unable to achieve a resolution were first subject of further study.

Several additional questions were then added to these points, which emerged from discussions that took place during the Executive Committee Meeting in Singapore in October 2007.

- The AIPPI's continued study of an issue is always a complicated matter, as the Association - which is based on the principle of voluntary work - cannot always obtain reports and responses from all of its member Groups.

Accordingly, if one wishes to have comprehensive overview of the issues involved in IP rights co-ownership and the impact of such co-ownership on their exploitation, it is necessary to consult both the National Group reports prepared for the Executive Committee Meeting held in Singapore in October 2007 as well as those prepared for the Executive Committee Meeting to be held in Buenos Aires in October 2009.

Indeed, for the first Executive Committee Meeting in October 2007, 41 reports were prepared but some groups, in particular the Australian, Bulgarian, Chinese, Columbian, Georgian, Indian and Latvian Groups, did not submit a report for follow-up on this issue.

On the other hand, the Ecuadorian, Greek, Mexican and Romanian Groups, which did not submit reports when this issue was first studied, this time prepared reports for the Buenos Aires Executive Committee Meeting in response to the working guidelines.

In this way, anyone seeking a comprehensive overview of the impact that co-ownership of intellectual property rights has on their exploitation is invited first to review the National Group reports and this synthesis report prepared in anticipation of the Buenos Aires Executive Committee meeting, and then to become familiar with the National Group reports and the synthesis report which were submitted for the Singapore Executive Committee meeting in October 2007. These appear in the 2007 AIPPI yearbook and may be accessed through the AIPPI website.

In view of this, please note that some groups which responded to both the 2007 and 2009 working guidelines have, in the context of their report for EXCO 2009, submitted the responses they provided during the previous exercise.

This is specifically the case for the Italian Group, which expressly submitted its 2007 response, as well as for a portion of the Swedish Group's report.

Again, anyone interested in a comprehensive examination of this issue should refer to both reports of the National Groups.

- The Reporter General received 40 National Group reports for the Buenos Aires Executive Committee meeting scheduled for October 2009.

These reports were submitted by the Argentinean, Austrian, Belgian, Brazilian, Canadian, Chilean, Czech, Danish, Ecuadorian, Egyptian, Estonian, Finnish, French, German, Greek, Hungarian, Indonesian, Israeli, Italian, Japanese, Malaysian, Mexican, Dutch, New Zealand, Norwegian, Panamanian, Paraguayan, Peruvian, Filipino, Portuguese, South Korean, Romanian, Russian, Singaporean, Swedish, Swiss, Thai, Turkish, British and American Groups.

Even where these reports do not offer a comprehensive presentation of substantive law in their countries with respect to the issues presented, they provide at least a general outline of the applicable rules as well as the perception that those working in the field of intellectual property law have of these rules.

Thus, these reports are a valuable source of information regarding national laws in this field.

It is important to emphasise the exhaustive and in depth work that has been done, in particular by the German, Belgian, British, French, Japanese, Dutch, Portuguese, Swedish, Swiss and American Groups, which do not only set forth a statement of substantive law, but frequently explained the theoretical support for the rules which exist in their countries.

- During discussions which took place at the Executive Committee Meeting in Singapore, the main points of disagreement with regard to the issue of IP rights co-ownership related to the terms for granting a license to these rights, the terms for the transfer of all or part of the jointly-owned rights, and the question of applicable law.

Still, it seems that notwithstanding the additional study on the transfer of rights, the National Groups' positions remain as conflicted as they were before the Singapore Executive Committee Meeting.

Thus, on all of these issues, the Working Commission's job promises to be especially complex.

Statement of substantive law

1. The AIPPI examined whether the origin of co-ownership arising under the various intellectual property rights could affect the solutions which are adopted to address such co-ownership.

The 40 reports received from the National Groups show that, generally speaking, the origin of co-ownership has almost no influence on the way that such co-ownership is organised.

- Only the Greek Group's report appears to state that, with respect to trademarks, a co-ownership agreement must be filed at the time when the co-owned trademark is registered.

This involves a specific situation in the event such co-ownership is voluntary.

On another subject, the Brazilian Group indicates that some specific co-ownership rules have been created regarding employees' inventions.

However, those extraordinary solutions do not seem to have been adopted by other countries.

- It should also be noted that in the vast majority of countries across all continents, the rules set forth in the Civil Code or under general law typically apply, as there are no specific rules set forth in legislation relating to intellectual property rights.

Only countries such as Belgium, France, Netherlands and Malaysia for patents, or Italy for copyrights, have rules which govern certain aspects of co-ownership.

The Groups' reports emphasize, as seen in the German and Swiss Groups' reports, on the problems which arise from the absence of specific rules, since the general rules which apply in their place are typically written to apply to physical objects and not to intangible property.

- Note that, while the origin of co-ownership has no impact on the way such co-ownership is organised, its organisation must consider the type and nature of the intellectual property right which is the subject of such co-ownership

As agreed in Singapore in 2007, AIPPI is in favour of adopting rules related to IP rights co-ownership.

- In this context, it is appropriate to consider whether, for certain intellectual property rights, it would be useful if holders of these jointly owned rights were encouraged to file for their publication co-ownership agreements or contracts at the time they file their application for registration, or at least prior to their publication.

Such a rule would strengthen the subsidiary nature of the general system, would encourage co-owners to organize the future exercise of their rights and would thereby serve to promote legal certainty for third parties.

2. The second matter presented to the National Groups involved the issue of subcontracting the exploitation of intellectual property rights.

Recall that in Singapore, specifically with regard to patents, AIPPI declared itself in favour of a co-owner's right to individually exploit the invention which is subject to the patent without having to secure the consent of the other co-owners before engaging in such exploitation.

In this context, a specific question arose concerning a co-owner of a patent who does not have the means to personally exploit the invention, but who could do so by subcontracting at least a portion of the exploitation.

The discussions during the EXCO in Singapore revealed a serious division among the Groups on this issue.

For this reason, AIPPI decided to broaden its study of this specific aspect of co-ownership.

The Groups' answers can be divided into three groups:

- First, a significant majority of Group reports reasoned that, from the moment a co-owner has the right to personally exploit an intellectual property right - specifically a patent - it must also have the right to subcontract such exploitation, even though such subcontracting may be subject to certain conditions related to effective control over the marketing of the products or processes which implement the patent.

This is the position held by the Argentinean, Canadian, Chilean, Czech, Egyptian, German, Israeli, Norwegian, Panamanian, Portuguese, Romanian and Thai Groups.

In addition, citing the Japanese Group's report, it recalls a 1938 case that appears to state very specific terms for the authorisation of subcontracting, namely effective control over subcontracting activities and the sale of products on the market by the co-owner of the patent.

In this way, subcontracting is permitted only to the extent it provides a means for the co-owner to implement the right to exploit the invention.

On the other hand, it should not serve as a pretext for a disguised license.

- The second group of countries are those which do not appear to allow subcontracting, to the extent that either the co-owner does not have the right to individually exploit the right without the consent of the other co-owners or, if such right exists, it is subject to strict interpretation and requires wholly personal exploitation by the co-owner.

This appears to be the position of the Belgian, Estonian, Hungarian, Malaysian, Dutch, Swiss and Turkish Groups.

In this regard, the British Report points out that two arguments can be supported, one which affirms the legality of subcontracting and the other which emphasises the need to obtain the consent of the co-owners. The Singapore Group believes that the lawful nature of subcontracting without the consent of the other co-owners depends on its significance.

- Lastly, the third group of countries which responded to the working guidelines consists of those which do not appear to have rules on the issue, specifically Italy, Ecuador, Paraguay and Sweden.

- We can therefore find that, if national legislation permits individual exploitation of an intellectual property right by one co-owner without the need to seek the consent of the others, this exploitation right must include the right to subcontract where such subcontracting is necessary to give meaning to the individual right to exploitation.

However, the ability to subcontract must not serve as a pretext to grant licenses.

3. The Groups were also asked whether, with regard to licenses of intellectual property rights, their national lawmaking body or case law recognizes distinctions between simple and exclusive licenses of intellectual property rights, in relation to the conditions of their authorisation by co-owners of an intellectual property right.

In this regard, it should be recalled that under the resolution adopted by the Executive Committee in Singapore in 2007, the AIPPI stated in general that in order to grant licenses of various intellectual property rights, it is necessary to obtain the consent of the other co-owners.

- The Groups' responses apparently show that only some countries recognise different solutions based on the nature of the license. This is the case for France and Romania with regard to patents.

Likewise, the German report states that it is necessary to obtain the consent of all co-owners in order to grant an exclusive license.

But it also appears, at least in the case of France, that this difference is more theoretical than practical.

One interesting solution seems to have been adopted under Italian law with regard to licenses, since it is not the nature of the license but rather its term which changes the conditions for co-owner consent. Thus, for a license with a term lower than 9 years for a patent, the consent of a qualified majority of co-owners is sufficient, while for a license whose term exceeds 9 years, the unanimous consent of all co-owners is required.

- On the other hand, almost all Groups which responded to the working guidelines stated that their national legislation and case law does not distinguish between the types of licenses involved.

Again, the Groups affirm the position adopted by the Singapore Executive Committee Meeting, emphasising that it is necessary to obtain the consent of the other co-owners to grant a license on an intellectual property right.

Thus, it appears that on this issue, a resolution adopted by AIPPI should unconditionally affirm the position adopted in Singapore.

4. One of the main reasons for the AIPPI's continued study of the impact of IP rights on their exploitation arose from the Association's failure to take a position on the issue of co-owned IP rights' transfer.

On this issue, the Groups appear to be as divided as they were at the Singapore Executive Committee Meeting.

- The first group of countries, which permits the free transfer one's share of intellectual property rights (except for certain rights, as it is sometimes the case for trademarks or copyrights) appears to be a majority.

Based on the various Group reports, this is the solution in Argentina, Chile, Denmark, Egypt, Estonia, Finland, Germany, Israel, Netherlands, Romania, Switzerland, United Kingdom and Turkey, along with the United States, where this right to transfer seems to be a question of principle.

- The second group of countries is made up of those which seem to accept the principle of free transfer but subjecting it to certain conditions, and specifically provide for a pre-emptive right to benefit the other co-owners.

This is the case in France, Hungary, Mexico, Norway, Peru and Portugal.

A special situation is mentioned out in the Swedish report, which states that if no solution has been adopted under legislation or in case law, the preparatory work on the patent act seems to indicate that such transfer is possible without the approval of the other co-owners.

- Finally, a significant group of countries apparently oppose free transfer, even with conditions.

The reports from these countries explain that, as with licenses, the very nature of intellectual property rights is in conflict with the ability to freely transfer a share held by one of the co-owners or a fraction of such share, since there is a risk of completely changing the initial position of the co-owners.

The strongest position on this issue is expressed by the Japanese Group, but the Czech, Mexican, New Zealand, Filipino, South Korean, Russian and Singaporean Groups state that it is impossible to transfer a share of an intellectual property right without the consent of the other co-owners.

- Thus, there appears to be a true difference in principle on this issue.

Perhaps the solution may be found by permitting such a transfer as long as it does not substantially modify the position of the other co-owners and, possibly, by granting pre-emptive rights.

However, there is concern that discussions on this issue will be particularly complex.

5. The working guidelines also addressed an issue which was not previously discussed by AIPPI in the context of co-ownership of intellectual property rights, specifically the relationship that may exist between co-ownership agreements and rules related to compliance with the principle of free competition.

The Groups' responses were nearly unanimous, stating that whether or not rules related to competition may apply, their countries offered no examples of case law or specific rules governing the issue of co-ownership from a competition point of view.

- Thus, it seems unlikely that the Working Commission can take a position on this issue, other than setting forth a position in principle which complies with other resolutions taken by AIPPI

on the issue of competition rules such as, for example, the 2005 resolution on question Q187 relating to limitations on intellectual property rights by competition law.

Nevertheless, it would be advisable to consider the issue of cooperative arrangements leading to IP rights co-ownership because frequently, and especially with regard to patents, the co-ownership of a patent for invention results from research jointly carried out by various companies.

6. The final specific question under the working guidelines concerned the application of international private law to the issue of co-ownership of intellectual property rights.

In this context, recall that whether AIPPI emphasized in its October 2007 resolution that co-owners of an intellectual property right should be allowed to choose the applicable law in the event of disputes between co-owners, it recommended further study on the criteria for determining applicable law and competent jurisdiction in the absence of agreement between the co-owners.

Indeed, the study conducted by AIPPI in 2009 shows that there are major differences with regard to the legal co-ownership structures which apply in various countries in the absence of a specific agreement by co-owners of various intellectual property rights.

These differences, which concern all aspects of co-ownership, are a source of uncertainty and pointless complications.

Yet these differences could be overcome if it were possible to apply a single law to co-ownership.

This was the meaning of the question that AIPPI posed to the National Groups.

Again, the Groups provided a wide variety of responses on this issue.

- First, most Groups seem to hold the view that co-ownership – that is to say, the proprietary relations which exist among the various holders of an intellectual property right – must be governed by the law of the country where protection for this right is sought.

This is the position of the Estonian, Finnish, German, Hungarian, Israeli, Dutch, Portuguese and Swiss Groups.

- But we wonder whether these responses take into account the complexity of situations arising from co-ownership since, as specifically emphasized in the Swedish report, it is probably helpful to distinguish between internal relations among the co-owners and the co-owners' relations with third parties.

The Swedish Group believes that with regard to internal relations, the EU Regulation dated 17 July 2008 (known as Rome I) could apply.

On the other hand, relations with third parties, especially the issue of enforceability of rights, should be governed in the country where protection is sought.

- A relatively significant number of Groups also believes it should be possible to choose the applicable law by determining which law has the closest link to co-ownership.

This seems to be the position taken by the Japanese, South Korean, Turkish and Romanian Groups, as well as the American Group which nonetheless specifies that this rule cannot apply with regard to co-ownership of trademarks.

If the Working Commission pursues this path and examines the choice of applicable law, it should specify criteria for making this choice, which could be the original country of the right, the nationality of the co-owners and perhaps the country where the original distribution of the creation, which is the subject of the intellectual property right, took place.

7. It is also important to note that a certain number of issues were already considered at the Singapore Executive Committee Meeting in 2007 where, for example, the conditions for bringing litigation and the conditions for maintaining and renewing intellectual property rights were discussed.

The Groups do not appear to have highlighted more specific issues which would deserve treatment even though, in their reports, they recognized that international harmonization of rules is desirable, particularly on the issues of licensing and transferring intellectual property rights.

Thus, it appears that these are the issues addressed by the working guidelines which evoked the Groups' interest.

8. Finally, we note that the Groups did not propose any specific solutions for such harmonization, even where they expressed a desire to see such harmonization take place.

Therefore, the Working Commission must propose a resolution based on the results of the evaluation of current substantive law.

Recommendations for the Working Commission

It goes without saying that the Working Commission can broaden the discussion which has been ongoing since 2007 to include any other issue not explicitly addressed by the working guidelines and this synthesis report.

But the Working Commission will give priority to the issues of:

- Subcontracting in the context of recognising the right - particularly for patents – for a co-owner of a patent to individually exploit an invention covered by such patent.

In addition, the Commission may propose criteria to address such subcontracting, which appears to be accepted by a majority of the national AIPPI Groups.

- The transfer of a share of an intellectual property right and its potential limitations , keeping in mind the rules which have emerged during EXCO 2007, on the subject of licenses of various intellectual property rights, which appeared to be approved by AIPPI;
- Finally, the issue of international private law and the possibility of establishing a common rule related to the choice of applicable law in the absence of a co-ownership agreement.

The Commission may also consider whether it is desirable to state that, as long as the issue of the choice of applicable law is not harmonized, it recommends that IP rights holders file a co-ownership agreement no later than the time the rights are published.

However, given the variety of situations which give rise to co-ownership, such a rule should not be mandatory in nature.