

## Summary Report

### Question Q194

#### **The Impact of Co-Ownership of Intellectual Property Rights on their Exploitation**

The AIPPI Executive Committee of Singapore, which will be held in October 2007, will analyze the results of a study of compared law regarding the co-ownership of intellectual property rights and its influence on the exploitation of these rights.

The Programme Committee propose this question on the agenda of the Executive Committee in the hopes of determining the principal problems raised by co-ownership in the context of the exploitation of intellectual property rights and the working guidelines tried to analyse the principals aspects of the problem.

Many National Groups answered the questions which were given to them in the working guidelines.

The General Reporter received 41 reports from the following countries:

Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Colombia, Denmark, Egypt, Spain, Finland, France, Georgia, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Korea, Latvia, Malaysia, Netherlands, New Zealand, Norway, Paraguay, Peru, Philippines, Russia, Singapore, South Africa, Sweden, Switzerland, Czech Republic, Thailand, the United Kingdom and the USA.

These reports generally describe in a very complete manner, the legal situation of the co-ownership of the intellectual property rights in each country.

Additionally, the Australian, Belgian, Chinese, Danish, Egyptian, Finnish, French, German, Israeli, Italian, Japanese, Dutch, Norwegian, Russian, Singaporean, Spanish, Swiss, British and American Group reports contain more useful reflections on the co-ownership in general, which could lead the national legislator to adopt a specific legal solution.

These Group reports thus constitute an excellent base of information for the Working Commission charged to prepare a resolution, which could be adopted during the meeting of the Executive Committee of Singapore.

However, it should be recognized that such a task for the Commission is likely to be difficult.

Indeed, the reports put forward by each Group present a variety of situations between the various countries, whose legal systems were presented at the AIPPI.

In addition, certain reports such as the one from the Swiss Group, recall the diversity and the complexity of the legal theories of co-ownership and their possible influence on this organization.

However, this variety of legal theories relating to co-ownership should not prevent the search for a consensus, since the reports show nevertheless that, in many fields, there are great similarities of the legal solutions adopted by the various countries.

#### **The state of the Substantive Law:**

- 1) Firstly, the Groups were invited to give highlights of the legal status of the co-ownership of the intellectual property rights and in particular to indicate if the co-ownership of the intellectual property rights is governed in a uniform way in their countries for all these rights.

- a) The results of the study signify that, in almost all countries, there is no uniform regulation of intellectual property rights from the point of view of co-ownership.

Only the Federation of Russia is at the point of ratifying, as from January 1 2008, a single rule for the co-ownership of the intellectual property rights.

In the other countries, the situations are varied.

- Secondly, in many countries, there are rules specific to certain intellectual property rights, generally speaking the patents and the copyright.

This regulation is often incomplete therefore it is necessary to refer to general rules found in civil law.

Such situations are found to occur in Austria, Belgium, Bulgaria, China, Denmark, Thailand, the United Kingdom and in France.

- Certain countries such as Sweden have organized co-ownership for only copyright
- However, other countries have adopted advanced regulations with regards to intellectual property rights which include rules relating to the co-ownership of these rights and also rules relating to the majority of other intellectual property rights.

These countries are Australia, of Italy, of Japan, of Korea, of Hungary or of Singapore.

The reports sent by these Groups stress that the solutions adopted for each one of these rights are often rather similar, while not excluding certain divergences in particular with regards to copyright.

- Finally in other countries such as Paraguay and Canada, the legislations relating to intellectual property do not contain any rule relating to the co-ownership of the intellectual property rights.

In these countries civil law is applied to settle the question of co-ownership of these rights.

- b) In addition, it is appropriate to note that the co-ownership of intellectual property rights is not prohibited within countries found to have no regulation of such rights.

Brazil is the only country which seems to exclude co-ownership from an intellectual property right. The Brazilian National Trademark office is found to refuse the registration for trade marks requested by several people in co-ownership.

Therefore the co-ownership of intellectual property rights seems to be generally allowed, even if it is not regulated everywhere.

- c) Moreover, it is generally allowed that all the rules governing the co-ownership of intellectual property rights are not imperative but apply on a purely subsidiary basis, in the absence of conventions between the joint owners.

Only two countries seem to have chosen an obligatory and regulated co-ownership model: the countries are China with regards to the creations carried out by the employees of public companies and Bulgaria with regards to the co-ownership of copyright.

- d) In conclusion, if a harmonization of co-ownership of intellectual property rights is required at the international level, it appears difficult to do so using a single rule.

On the other hand, it should be possible to create a common rule regarding intellectual property rights in "technical" matters, while envisaging specific rules of co-ownership for trademarks and creations concerned with copyright.

In any case, these harmonized rules must be envisaged on a purely subsidiary basis leaving the parties to freely organize their co-ownership arrangements.

- 2) The Groups were then asked to indicate how the rules relating to the co-ownership of an intellectual property right existing in their country can be organized for a joint owner to possibly exploit such a right personally.

It is worth noting that the working guidelines did not clearly define what was meant by "personal exploitation" which may have an impact on the answers from the Groups.

It is up to the Commission to try to define the notion of "*personal exploitation*" of an intellectual property right in the context of the possible harmonization of the co-ownership of these rights.

While taking this difficult task into account, it is advisable to note that the situations vary with regards to the diverse solutions that countries have adopted concerning intellectual property rights.

a) *Patents:*

The majority of countries admit that the joint owner of a patent can exploit it personally, i.e. to implement the invention.

Such is the case in the American, Canadian, British, Swedish, Spanish, French, Singaporean, Russian, Norwegian, Dutch, German, Georgian, Italian and Belgian systems.

Switzerland and Chile are the few countries whose legal rules of co-ownership impose the obligation to obtain an agreement between all the joint owners covering all forms of exploiting the right.

b) *Trademarks:*

With regards to trademarks, the situation is diverse. For example, if personal exploitation of a trademark without consent from others is possible in Italy, Korea or Singapore, then opposing countries will propose different legal solutions.

- In this respect, the Groups recall in their reports that stress that the exploitation of the same mark by various joint owners simultaneously can create a risk of cancellation of that mark which can be considered as deceptive since it will not exercise its function of identification of origin.

Such is the position expressed in the reports of the American and South African Groups.

- Certain Groups such as the Group of Israel, state that if it is possible (according to the general rules of co-ownership) for each joint owner to individually exploit his/her right without having an agreement amongst the other joint owners, then it is with the proviso of not harming the right of the others that he/she can do so.
- Other Groups state that the rules of their country regarding trade-mark law prohibit personal exploitation by each joint owner without obtaining the authorization of the others.

Such is the position of the Latvian, Malaysian, Irish and Spanish Groups.

- It is important to note that many Groups emphasize the lack of legal certainty in their country with regards to joint owners exploiting trademarks in the absence of jurisprudential solutions.

Such is the case of the Canadian, Swiss, German, Norwegian and Danish Groups.

- Therefore there is a vast array of situations regarding trademarks and it seems that if each joint owner of a mark can exploit it personally, it is with the provision of avoiding any risk of fraud stemming from the origin of the products or services (such

is the case of the Australian Group, having provisions of exploiting the mark as if it belonged to only one person).

In conclusion, which seems to be the position resulting from the majority of Group reports, even if it is not overly dominant, it seems that joint owners of a trademark who want to exploit it individually, should establish an agreement organizing such exploitation.

c) *Copyright:*

With regards to copyright, the majority of Groups recall that the rules concerning the co-ownership of copyright exclude the exploitation by each co-holder, except when they are composite works, in which creators can individualize their participation.

However, even on this assumption, complete work can be exploited only with the agreement of all joint owners.

Such positions are particularly expressed by the reports from the French, American, Belgian, Swiss, German and Australian Groups.

In this context certain reports underline the specificities that present themselves within copyright because of its duality and the importance moral rights have which justifies such particular treatment.

- There are some countries in which the general rules of co-ownership authorize nevertheless the individual exploitation by each joint owner, even for works profiting from the protection of the copyright.

Such is the case for Brazil and Italy.

However, these positions seem to be within the minority of the AIPPI.

d) Thus, if the Commission were to propose a rule for harmonizing principal intellectual property rights, it would seem that a harmonization could be considered on the following principles:

- for rights in industrial matters, such as patents, designs, models, and maybe even trademarks, the personal and individual exploitation by each joint owner of the right should be possible, without obtaining an agreement from the other joint owners. To do so, one must respect the right of the others and not put in danger the existence of that right (particularly with regards to trademarks).
- on the other hand, with regards to copyrights, their exploitation should be done only through a mutual agreement.

3) The Groups were also invited to indicate if, on the assumption that this personal exploitation is possible, the joint owner which exploits the right is obliged to compensate the other joint owners, who do not exploit it at the same time.

The answers still vary.

a) Generally speaking, within the countries that still authorize personal exploitation, it is not necessary to compensate the other joint owners who did not exploit.

Such is the case in the United States (for patents), Russia, Korea, Norway, the Netherlands, the Czech Republic, and Germany.

b) On the other hand, French law on the patent expresses that the owner who uses an invention must compensate the joint owners who do not exploit it.

c) Certain Groups consider that this principle of compensation can be found within the general rules of co-ownership existing in their civil laws.

The Israeli Group has expressed this position in particular.

A similar solution exists in the United States with regards to copyright, where each joint owner can personally exploit the right with the provision of dividing part of the benefit obtained amongst the other joint owners.

- d) One can thus note that if the Groups do not approve this principle of compensation, they believe that if provided its application should be limited to the cases where the exploitation of an intellectual property right by one of the joint owners prevents the other joint owners from exploiting that same right.
- 4) The Groups were asked to indicate whether it was possible for joint owners to freely concede the licenses of the right of which they have co-ownership, without the agreement of the other joint owners.

- a) Except for the American Group which recalls the principle of total freedom of exploitation of patents held (including the right to license), the majority of Groups indicate that their national systems exclude such an assumption.

- Therefore, whatever the intellectual property right is concerned with, it seems that a joint owner cannot, without the agreement of the others, freely license that right.

- This rule can be found within the reports of British, Spanish, Japanese, South African, Israeli and Czech Republic Groups.

- In the context of the patents, the British report recalls the possibility for the administration (represented by "Comptroller of the patent") to guarantee the licenses to third parties based on the request of only one of the joint owners.

- Finally the Japanese and British Groups stress that it is oftentimes difficult, particularly regarding patents and/or designs and models, to distinguish between subcontracting and licensing.

- Additionally, the Japanese and British Groups point out that, if licensing required the agreement of all the joint owners, then subcontracting should be possible without seeking the agreement of the other joint owners because it is associated with individual exploitation.

- This point does not appear to be raised by other Groups.

- This matter deserves the attention of the Commission because it has incontestable importance in practice.

- b) Thus, it should be possible to propose a rule of harmonization, in which the grant of a simple or exclusive license of an intellectual property right held in co-ownership could be made by each joint owner only with the agreement of the others.

Such a rule, as the Danish and German Groups point out it, presents certain disadvantages because it will most likely block the exploitation of a right by an unjustified refusal of a joint owner.

The German Group recalls that an agreement for the grant of a license cannot be refused by other joint owners insincerely.

In this respect, the Commission will have to propose one general rule, but also work on the consequences of the rule of unanimous agreement on the assumption of a refusal by one of the joint owners.

It may be desirable, under these conditions, to refer to an example taken from the report of the French Group, according to which a joint owner of a patent refusing to grant a license to a third party by another joint owner, must then acquire the unlucky joint owners share of co-ownership and have the possibility of giving the right in license.

Indeed, the virtue of a licence of an intellectual property right is paralyzed by the refusal of one of the joint owners.

- 5) The Groups were also asked to indicate whether or not it was possible in their country for a joint owner to yield to a third party his/her quota of the intellectual property right without the agreement of the other co-owners.

It is apparent that the national systems still diverge rather appreciably on this matter.

- a) Certain Groups indicate that the transfer of a quota requires the agreement of all the joint owners: it is the position expressed by the Australian, Brazilian, Bulgarian, Finnish (except the copyright), German, Italian and American Groups.

The Netherlands and Israel stress that the transfer of a quota is possible, but that it is subject to certain formalities, particularly the obligation to inform the other joint owners (however the joint owners do not necessarily profit from a right of pre-emption).

In other countries, the transfer of a quota creates a right of pre-emption allowing profit to be made by other joint owners: such is the case in Russia, Norway, France, the Czech Republic and China.

In Spain the joint owners profit as well from the right of "first refusal" as of the right of pre-emption and those rights must be exercised within the same time.

Lastly, there are countries, such as Japan, in which the transfer of a quota by a joint owner can be made only with the agreement all the other joint owners:

- b) It is thus noted that with regards to the transfer of a quota, similar to the grant of a license, there is a great diversity of situations complicating the adoption of a common rule.

However, one could consider the adoption of a rule according to which the joint owners profit from a right of pre-emption on the quota of which a joint owner wishes to enact, but provided that this is exerted within a specified period of time without penalty and with a control on the price suggested.

- 6) The Groups were also questioned whether they knew if the constitution of any guarantee on the quota of a right of co-ownership by a joint owner, must be subjected or not to the agreement of the other joint owners.

- a) As for the license or the transfer, the solutions adopted in the national laws diverge.

Many Groups stress that the constitution of the guarantees is free: such is the position of the Danish, Swiss, Dutch, Italian and American Groups.

Others, such as the Latvian and Singaporean Groups deem the constitution of guarantee requires the agreement of all joint owners.

- b) It seems however possible to adopt a rule according to which the constitution of a guarantee on a quota of an intellectual property right may be possible without necessarily obtaining an agreement from all the joint owners, except with regards to copyright.

Indeed, such a guarantee does not emerge from the expropriation of a joint owner.

- 7) The Groups were finally asked to indicate if a joint owner can freely, without the agreement of others, initiate a legal procedure in order to defend the intellectual property right held in co-ownership.

- a) The reports of the Groups indicate in a quasi unanimous way that their national laws authorize each joint owner to act individually in defence of the intellectual property rights.

This liberty of action underlined by the reports of the Norwegian, Russian, Colombian, Argentinean and Brazilian Groups, is sometimes moderated by certain formal requirements, in particular the obligation to inform the other joint owners.

The solution stems from the French, Israeli, Chinese and Spanish laws.

- b) In certain countries the situations deviate in relation to different intellectual property rights.

Thus, in Switzerland, it appears possible for a joint owner of a patent to act in justice for his/her own profit, on the other hand, in the case of copyright infringement, the action must be engaged to benefit all joint owners.

- c) This question also uncovers the types of problems related to damages and their relative or absolute effect on Judgments.

The German Group report points to the importance of the relative effect of a decision obtained by only one joint owner.

- d) It appears that the majority of Groups favour a system in which an action in defence of an intellectual property right, even if held in co-ownership, could be taken by a joint owner, however only under the condition that he/she informs the others of the existence of the action to allow them to discuss the litigation in progress.

Moreover, it should also be possible that the decision obtained by one of the joint owners has only one relative effect, in particular with regard to the validity or the nullity of the opposed right.

- 8) The Groups were asked to indicate the solutions envisaged in their national laws about maintaining intellectual property rights held in co-ownership.

- a) This question does not seem to raise major problems, the Dutch, Swiss Finnish and Israeli Groups note that the payment of the renewal fees by one of the joint owners is enough to maintain the right.

- b) However, certain Groups such as the American, French and Japanese consider that for the valid renewal of the marks one must have the unanimous agreement of all the joint owners.

In France, it is the same for designs.

- 9) The exercise of judicial action has a direct link with the conflicts between jurisdiction and the provisions of international private law.

The Groups were therefore invited to indicate if there are any specific rules in their country, regarding the abovementioned statement.

- a) The majority of reports indicate that such is not the case and that there are general rules of private international law and of the jurisdiction as established in the national legislations which apply.

Such is for example the position of the Swiss, Dutch and Australian Groups.

In addition, certain Groups, such as the Singaporean and South African, recall that the intellectual property rights must be subjected to the law of the country in which they are localized.

- b) However, it appears premature to take into account the position expressed by these Groups to seek a rule of substance, and the Commission will have to be satisfied with a recall according to which these conflicts must concern the general rules of the private international law and jurisdiction.

Indeed, the problems of co-ownership can oftentimes lead to debates on the validity of intellectual property rights.

As for intellectual property rights and their registration, the countries of registration of such a right grant themselves exclusive competence regarding the examination of their validity, recalls the Dutch Group report.

Therefore, it may seem difficult for the Commission to propose a rule of harmonization from this point of view.

However it would be desirable for practical reasons that joint ownership be subject to only one applicable law regarding the agreement of co-ownership, even if parallel rights exist in different countries.

### **Proposal for the future:**

The Groups were invited to suggest proposals for the future regarding the harmonization of rules of co-ownership of intellectual property rights.

- a) In a quasi unanimous way, if the Groups recognized the utility of such rules, they stressed that these rules must be subsidiary and that the principle of contractual freedom must dominate in the establishment of a regulation of co-ownership of intellectual property rights.

Only the Thailand Group suggested that taking into account the importance of harmonization, it would be appropriate that the rules of co-ownership are mandatory.

However Thailand's position does not appear to be shared by other Groups of the AIPPI.

- b) In addition, it is worthy to note that the Groups are generally satisfied with their national systems, and they formulate very few innovative proposals for a possible harmonization.

This could be done on the basis of principle which has been exposed while examining the framework of national legislations. The South African Group suggests this as well. It is worth noting that the South African Group has been the frontrunner in stressing joint owners to work together in exploiting their rights.

### **Conclusion:**

The Group reports constitute a solid base of work making it possible for the AIPPI to adopt a resolution pertaining to the co-ownership of intellectual property rights.

However due to the complexity of the subject, it appears that the work of the Commission will have to primarily relate to the following principles worked out from the AIPPI Group reports:

- Firstly, it seems desirable to reaffirm that it is useful to envisage a rule governing the co-ownership of the intellectual property rights for each one of these rights, but this rule should be subsidiary and not obligatory.

Within the framework of this subsidiary rule, each joint owner should be able to freely exploit his/her right while taking into account the necessity and importance of keeping that right valid and ongoing.

In this respect, the Commission will have to propose criteria defining a more thorough meaning of personal exploitation.

- With regards to the acts of disposing these rights such as licensing and the transfer or the constitution of guarantee, it should be possible to arrive to at a solution wherein each joint owner would be able to do so freely. However, under certain conditions the other joint owners would have the right to prevent a third party from seizing the right depending on whether or not they give their consent.
- Exercising litigation shall be possible by each of joint owners however it must be noted that any decisions rendered in such a case shall only have a relative effect.



- The maintenance and renewal of a right held in co-ownership shall be possible on the request of only one joint owner.
- Finally it should be possible for joint owners to submit their co-ownership of the intellectual property rights which are held in various countries to a national law of their choice provided that the selected law has a real link to their rights.

The Commission will be also able to use the Group reports as a supplement in discussing certain issues such as the dissolution of co-ownership or the bankruptcy of a joint owner when submitting a resolution on this matter to the Executive Committee of the AIPPI of Singapore.

