

Working Guidelines

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Question Q194

The impact of co-ownership of Intellectual Property Rights on their exploitation

Introduction

The Executive Committee of AIPPI, which will take place in Singapore in October 2007, will deal with the issue of the co-ownership of intellectual property rights.

Previous work of AIPPI

The question is new for AIPPI, since no research or discussion has taken place over the history of the Association directly on the issue of the co-ownership of Intellectual Property rights.

However, some recent Working Committees were devoted to questions which are linked to the present study.

In particular, Question Q183 of the Geneva Congress relating to employer's rights to IP creations discussed the attribution of IP rights which could have been resolved by co-ownership between the employer and the employee who is the author of the creation.

No Resolution was adopted at the AIPPI Congress, and AIPPI did not take a definite stance on this issue, but rather underlined the fact that the principle of freedom of contracts should govern the ownership of IP rights in relation to creations made by employees.

One could consider that the same principle of the freedom of contracts should also be applied to the question of the co-ownership of IP rights.

Moreover, since AIPPI gives preference to contractual rules in determining the statute of ownership of the IP rights, the current question can also be linked to the study dealt with at the Gothenburg Congress in relation to contracts regarding Intellectual Property rights and third parties (Q190).

However, these two previous studies are only very indirectly linked to the current question.

Discussion

The legal theory of co-ownership exists in all legal systems.

However, it takes its source from the ownership of material goods, which are characterised by their uniqueness.

Therefore, the co-ownership of such goods means that, in general, the use of these goods needs to be approved by all co-owners and their agreement is necessary for all acts in relation to such goods.

However, the specific solutions found in national laws vary on this point.

Some laws make distinctions between acts of administration of a co-owned product which may be carried out by one of the co-owners, without the necessity of seeking the agreement of all co-owners and acts of disposal which do require the agreement of all co-owners.

Nevertheless, when it comes to immaterial goods, such as inventions, trademarks, artistic works and all intellectual creations, the situation may be not the same.

There is no material barrier for the co-use of such rights and only the exclusive character of those rights may apply to prohibit two or more co-owners from each independently using the same right.

The co-ownership of IP rights shows a remarkable importance when it comes specifically to their exploitation.

The exploitation of intellectual property rights involves various legal problems:

- the capacity of each co-owner of an IP right to individually exploit the right himself or by licensing a third person;
- a co-owner's capacity to use his co-ownership share in order to guarantee his investments;
- the question of the enforcement of the IP rights.

The answer to all these issues appears to be particularly complex, since co-ownership, which involves the possible ownership, and thus exploitation of an IP right by two or more persons, appears to contradict the exclusive character of an IP right.

- The question should also be analysed in the light of the different aspects of international private law.

The specific national regulations in relation to the co-ownership of intellectual property rights may lead to various conflicts of law and jurisdiction.

On the other hand, in the interest of the efficient exploitation of these rights, it may seem preferable to be able to take decisions on the statute of these rights in one forum and, preferably, by applying one law.

The question may be also raised of knowing whether or not, in case the parties decide to organise the co-ownership of the rights by means of a uniform legal solution, such a rule would contradict the national law provisions relating to co-ownership.

- The issue of co-ownership does not only exist in relation to national intellectual property rights.

Some regional IP rights, in particular, the European patent and the Community trademark, contain provisions allowing their co-ownership, but do not have a specific regulation, especially in relation to the exercising of such rights.

For these regional titles, the questions of conflicts of jurisdiction or the applicable law are even more serious than for nationally limited Intellectual Property rights.

It is in this context that the Executive Committee decided to devote the work of AIPPI to this problem.

The first part of the Working Guidelines will consist in studying the existing substantive law in the various countries of Groups belonging to AIPPI.

The second part will consist in studying the general recommendations that Groups may formulate for the possible international harmonisation of IP laws in relation to the impact of the co-ownership of these rights on their exploitation.

For the purpose of this question, the scope of the study will include all the industrial property rights (patents, trademarks, registered designs and models, copyrights...).

However, the present question will not treat about the origin of the co-ownership of the intellectual property rights.

The co-ownership of the intellectual property rights vary since such a statute of IP rights may result from the heritage, joint-ventures, employer's relations, co-realisation of an invention or other intellectual creations, etc. and is due to the multiplicity of the situations which may provoke a creation of a co-ownership statute.

Therefore this aspect shall not be studied by the Groups in their reports.

Questions

1) The current substantive law

- 1) Groups are invited to indicate whether, in their countries, the statute of co-ownership of IP rights is uniformly organised or if each IP right has its own regulation concerning co-ownership, particularly as far as their exploitation is concerned.

What options are left for co-owners to regulate their co-ownership relationship: are the statutory rules mandatory, or do they apply only in case of the absence of a contractual regulation of co-ownership between the parties?

- 2) Groups are invited to explain who has the right to exploit an IP right which is co-owned by two or more persons: may each co-owner exploit the right freely and without any consent from the other co-owners or is this exploitation subject to conditions?

Even if this exploitation by only one co-owner is permitted by the national law, shall the co-owner who exploits a right pay any compensation to the other co-owners.

Finally, in case compensation is required by the legal rule, how is the amount of compensation determined?

- 3) The Groups are also invited to give an overview of their national Law in relation to the benefits which may result from the exploitation of an IP right which is co-owned.

In particular, the Groups are invited to indicate if their national Law provides any kind of obligation for a co-owner who exploits personally its share of an IP right to pay any benefits to the other co-owner wherever the second exploits or no the same IP right.

If there is such an obligation, how the amount of money that should be paid to another co-owner is determined?

- 4) The Groups are also invited to indicate if the co-owner may grant a licence to third parties without any authorisation from other co-owners, or if the granting of such a licence is subject to certain conditions?

If such conditions exist, the Groups will have to specify their content.

- 5) The question of the exploitation of an IP right interferes with the possibility of transferring such an IP right to third parties.

The Groups should indicate the solution in their countries relating to the possibility of transferring a share of co-ownership of an IP right to third parties: may such a transfer (by assignment) be carried out freely without any conditions or must it be offered firstly to the other co-owners or is it specifically subject to the agreement of the other co-owners?

The Groups are invited to indicate the conditions to which such a transfer is subject.

- 6) *IP rights may also serve as a guarantee for the investment which is necessary for their exploitation.*

The question then arises of whether a share in co-ownership of an IP right can be used as such a guarantee and under what conditions.

Is it necessary to obtain agreement from all the co-owners in order to secure an IP right or can each co-owner freely secure his own share of an IP right without seeking the consent of the other co-owners?

The Groups are invited to describe their legal systems on this question.

- 7) *The enforcement of IP rights plays an important role in their exploitation.*

Such enforcement is mainly achieved by means of legal proceedings that may be filed by the owner of an IP right in order to penalise the infringement of his right by third parties.

The question arises of whether such a legal action must be filed by all of the co-owners of an IP right or whether it can be filed by only one of the co-owners.

The Groups are therefore invited to specify the legal solutions and procedural exigences in their countries in relation to the possibility of one of the co-owners of an IP right filing an infringement action.

- 8) *The exploitation of the IP rights depends also upon the existence of these rights and, more specifically, upon the capacity of their owner to ensure the continuity of the existence of these rights.*

Now, the decision on maintaining patents or trademarks by the payment of the renewal fee, may vary according to the legal system of organization of co-ownership.

The Groups are therefore invited to tell how the question of the decision making process of the maintaining or renunciation of the patents or trademarks is organized in their national law.

- 9) *The Groups are also invited to describe their national rules of international private law in relation to conflicts of law relating to the co-ownership of the IP rights and conflicts of jurisdiction in order to enforce these rights.*

More specifically, the Groups are requested to indicate if their international private law rules accept that the statute of ownership of an IP right co-owned in different countries be regulated by one law.

In this case, what law is applicable for determining the statute of co-ownership?

What is the criteria for seeking the proper jurisdiction in cases of conflict between the co-owners concerning their rights?

- 10) *Finally, the Groups are invited to indicate what other specific solutions or problems relating to the question of the exploitation of IP rights co-owned by two or more persons are raised in their respective countries.*

II) Proposals for future harmonisation

The Groups are also invited to formulate their suggestions in the framework of an eventual international harmonisation of national/regional intellectual property rights or, at least, an improvement or completion of the existing solutions.

- 1) *In particular, the Groups are requested to indicate if they consider that the principle of freedom of contracts should apply to allow the co-owners to determine the statute of the rights and the conditions for their exercising or if the rules governing co-ownership of IP rights should be mandatory.*

- 2) *The Groups are also requested to indicate if a statutory rule should give equal rights to all co-owners to individually exploit the IP rights or, without the authorisation of others co-owners, to grant the IP rights to third parties or whether, due to the exclusive character of an IP right, such exploitation can only take place with the agreement of all co-owners.*
Should this requirement of the agreement of all co-owners apply to all acts of exploitation and acts in defence of IP rights, or only to the acts of disposal of IP rights for the benefit of third parties, such as licensing or transferring to a third party?

- 3) *The Groups are also invited to give their preference as to the possibility of an enforcement action for infringement being initiated by all co-owners or only by some of them.*

Note:

It will be helpful and appreciated if the Groups follow the order of the questions in their Reports and use the questions and numbers for each answer.