

Resolution

Question Q194BA

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

AIPPI

Reminding that:

The impact of co-ownership of intellectual property rights on their exploitation is the subject of the previous Resolution on Q194, adopted at the Singapore Executive Committee in 2007, in which harmonized recommendations were arrived at in respect of inter alia:

- 1) The freedom of the co-owners to organize co-ownership arrangements in respect of co-owned intellectual property rights.
- 2) The role of legal rules applicable to co-ownership should be a secondary legal authority, in the absence of an agreement or when the relevant agreement does not resolve particular questions.
- 3) The right to exercise the co-owned rights by co-owners individually or the right to grant licenses to exercise co-owned rights to third parties, whereby the differences among intellectual property rights were recognized.
- 4) The right of each co-owner to individually enforce the co-owned intellectual property rights, subject to a duty to inform the remaining co-owners.
- 5) The right of each co-owner to individually take action to renew or otherwise maintain the co-owned intellectual property rights.
- 6) The right of the co-owners to decide on the choice of law and jurisdiction in connection with the resolution of disputes among co-owners.

However, certain topics required further study by the national groups, which are addressed herein.

Observing that:

- 1) Co-ownership of intellectual property rights may result, on the one hand, from co-realization of intellectual creations (aesthetical, technical or commercial), in which the joint creators may provide for the rules to co-own and thus to exploit, transfer, enforce or maintain intellectual property rights, or on the other hand, from division of co-owned rights, like in inheritance, labor relations, joint ventures or others, in which the co-owners are usually not in the position to agree to such rules when becoming co-owners, but they are rather imposed by the law. The vast majority of the national

groups concluded that the circumstances under which the co-ownership is created does not as such affect the relationship of the co-owners, and therefore no further resolution is deemed necessary.

- 2) The Singapore resolution held that co-owners can individually exploit patented inventions or copyrighted works that can be separated from the overall composite work.
- 3) Outsourcing or subcontracting may be regarded as a form of individual patent exploitation, particularly when a co-owning patent holder and his subcontractor or his outsourcing partner have entered into an agreement providing that i) the co-owner controls and supervises the activity of the subcontractor or the outsourcing partner and ii) the subcontractor or outsourcing partner delivers all the products manufactured to the co-owner.
- 4) The Singapore resolution held that a patent license granted by an individual co-owner requires consent from the remaining co-owners, such consent not to be unreasonably withheld. For trade marks and copyrights the Singapore resolution held that licenses cannot be granted without consent. AIPPI has explored the question further, in order to analyze the situation when the co-owners license the intellectual property rights on an exclusive, sole or non-exclusive basis.
- 5) Assignment of co-owned intellectual property rights can sometimes affect the other co-owners and may produce a negative impact on the co-owned intellectual property right. It seems thus advisable that national laws provide for measures that are adequate to avoid that the interests of the remaining co-owners are adversely affected by virtue of the assignment of a property, which measures include first refusal rights.
- 6) National groups of AIPPI are in favor that the co-ownership relations are governed by a single law and whereas the Singapore resolution held that the co-owners should be allowed to decide on the choice of law in connection with resolution of disputes among co-owners, no position was adopted for the situation where such choice has not been made.

Resolves that:

- 1) The Singapore resolution held that co-owners can individually exploit patented inventions or copyrighted works that can be separated from the overall composite work.

When exercising the right of individual exploitation, the co-owners of these rights may be allowed to perform outsourcing or subcontracting, without the need to seek authorization from the other co-owners.

This outsourcing or subcontracting should be closely associated with the normal individual exploitation by the co-owner, in particular:

- a) The co-owner controls and supervises the relevant activity of the subcontractor or outsourcing partner.
- b) The subcontractor or outsourcing partner delivers all the products manufactured to the co-owner.

- 2) The Singapore resolution is confirmed, in particular where it holds that patent rights that are co-owned cannot be licensed individually without the consent of the other co-owners, such consent not to be unreasonably withheld. The fact that the intended license is exclusive, sole or non-exclusive should be a factor, among others, when determining the reasonableness of the withholding of the other co-owners' consent to license the patent.
- 3) Co-owners of intellectual property rights should be entitled to assign their ownership without the need to obtain consent from the other co-owners. However, national laws should ensure that if a co-owner assigns his or her ownership to a third party, the interests of the other co-owners are preserved. For that purpose national laws may provide for a right of first refusal or other appropriate solutions.
- 4) For the sake of the legal certainty and inasmuch as the national laws are not harmonized on the co-ownership of intellectual property rights, as was held in the Singapore resolution, co-owners of an intellectual property right should be allowed to decide on the choice of law and jurisdiction in connection with resolution of disputes among co-owners.

When the co-owners of an intellectual property right have not entered into an agreement or have not specified the applicable law in their agreement, that relationship between the co-owners (such as, regarding the right to license, exploit or assign etc.) should be governed by a single law.

In determining this single law, the principles of private international law should apply, preferably by using the principle of closest connection. To this end, it is recommended that among the possible factors for deciding such closest connection are the country where the co-owners are domiciled and the place where the relevant right was predominantly created, first used or first filed.

In view of the importance and complexity of the issue of the law applicable to the relationship between co-owners of intellectual property rights, AIPPI recommends that this issue should be addressed in the context of international regulations and/or treaties.

The non-contractual relations between co-owners and third parties shall be governed by the law of the country that confers protection or where the right may be enforced.