The Impact of Co-ownership of Intellectual Property Rights on their Exploitation

Discussion and Questions

1) Analysis of the current substantive law

1) The regulation of co-ownership may depend on the origin of co-ownership.

It may be considered that, in case the object of an intellectual right (esthetical, technical or commercial) is jointly created by two or more persons, the rules applicable to such a situation may be different from those applicable in the situation when the co-ownership results from the division of the same right among different persons as the consequence, for example, of heritage or a division of a company.

Also, there may be the situations where the co-ownership is imposed in fact by one party on the other in case of some technical creation (for example in case of the improvement or modification of the previous creations which not always may result in the independent right).

Therefore, the groups are invited to indicate if, in their national laws, the rules related to the co-ownership of IP Rights make any distinction in the applicable rules to the co-ownership of an IP Right in case the origin of the co-ownership rights is not voluntary but results from other situations, including the division of a right in case of a heritage.

In this context the Groups may also indicate if there are any legal definitions of co-ownership of the IP Rights adopted in their countries and what these definitions are.

There is no difference in the rules governing co-ownership due to the origin of co-ownership. The rules applicable to any co-ownership situation are, firstly, the will of the parties, and, subsidiarily, the law.

Obviously, when co-ownership derives from a contract, the issues are usually fully governed by that contract, whereas if it results from any other circumstances, the applicable rules are those provided by law, unless an agreement is reached at a later stage.

Article 392 of the Spanish Civil Code is clear:

“There is community of property when the ownership of a thing or right belongs to different persons undividedly. In the absence of contracts or specific provisions, communities shall be governed by the provisions of this Title”.

There are specific provisions in the Patent Act (Art. 72 Act 11/1986), the Trademark Act (Art. 46 Act 17/2001; Art. 16 of the Community Trademark Regulations refers to national laws), the Industrial Design Act (Art. 58 Act 20/2003), and Intellectual Property Act (Arts. 7 and 8 Legislative Royal Decree 1/1996).
2) A large debate, during the Singapore ExCo, took place with regard to the notion of the exploitation of an IP right.

More specifically, the groups were highly divided on the issue of outsourcing or subcontracting the exploitation of an IP right.

This question, particularly important in case of patents, relates particularly to the problem of subcontracting when a co-owner of the patent who, in principle, and at least according to the position expressed by AIPPI in its 2007 Singapore Resolution, has the personal right to exploit his own part of the patent, specifically by manufacturing and selling the goods or processes covered by the patent, needs to subcontract partially or totally the manufacturing of the product covered by the patent.

No common position could be achieved by the Singapore ExCo in 2007 on the question if the right to exploit the patent should also cover the right to subcontract, specifically the manufacturing of all or part of the invention being the subject matter of the patent.

Therefore, the groups are invited to present the solutions of their national laws on this specific point.

It is not possible, in Spanish Civil Law, to talk about “subcontracting” when it does not result from a contract (e.g. in an incidental community). The right of a co-owner of an IP right derives from co-ownership of that right, therefore the exercise of the right of exploitation by a patent co-owner is not properly subcontracting, but lease of services, work contract, etc.

Thus, the question is if the patent owner (in the absence of agreement) may, by virtue of the right of exploitation granted by the law (Article 72.2.b SPA), entrust third parties with carrying out any activities which are deemed to be exploitation or if the co-owner must carry out by himself/herself all the exploitation activities (preparation, fabrication, etc.).

The written law does not contain any specific provision on this point, but it seems that a systematic and logic interpretation must allow the patent co-owner to subcontract the exploitation. The requirement that all the manufacturing activities be carried out directly by the co-owner seems to be more typical of an autarchic regime.

The co-owner will have to control the tasks delegated to third parties. If the third party does not accomplish the obligations set forth in the contract, there will be patent infringement (subject to, as the case may be, “culpa in eligendo” of the co-owner).

Even though the question refers to patents, there is no reason to give a different answer depending on the IP right at issue (except for the specificities derived from the common exploitation of the trademark and the need to prevent any of the co-owners from exploiting the trademark totally independently).

3) The working guidelines established for the Singapore ExCo contained also the question related to the possibility of the co-owner of an IP right to licence this right to third parties.

No distinction was, however, made in this context between a non-exclusive and an exclusive licence.

No differentiation was also made on the number of licences which could be given by one co-owner in case the non-exclusive licence would be permitted by the national law.

And if AIPPI adopted a resolution on the conditions of granting the licence, it also appeared during the discussion at the ExCo that some different or more precise solutions could have been obtained if the Working Committee had made a distinction between the nature of the licence.
Therefore, in order to improve the work of the ExCo, the groups are invited to specify how the differences in the nature of licenses (non-exclusive or exclusive) influence the solution of their national laws in respect of the right to grant the licence by a co-owner of an IP Right.

The Spanish Law does not contain any differentiation. Licences cannot be granted without agreement of the co-owners (we are of course excluding compulsory licences); thus, the applicable regulation is the general one on licences.

4) One of the most difficult questions which appeared during the discussion at the Singapore ExCo was the possibility to transfer or assign a co-owned share of an IP right.

And the problem seemed so complicated that finally the Working Committee decided to withdraw its proposal for a resolution on this point.

In fact, the discussion showed that the solutions concerning the right to transfer or assign may vary since there is a huge variety of situations related to the transfers of the co-owned share.

Notably, one could imagine that the transfer is operated on the whole share of the co-owned IP right, but it also could be simply an assignment of a part of the co-owned share, creating therefore an additional co-owner of an IP right.

And such transfer of a part of a share of an IP Right could be used to overcome the limitation which could exist on the granting of licences by the co-owners.

The Groups are therefore invited to precise their position on the question of the transfer or assignment of a share of the co-owned IP Right, taking into the consideration the different situations which may occur (the transfer of the whole share of a co-owned IP Right or the transfer only of the part of the share of the co-owned IP Right).

In Spain, it is possible to transfer a part of a share, unless otherwise agreed. However, the rights of pre-emption and redemption, which limit the admission of new co-owners, must be taken into account. Consequently, the possibility of transferring a partial share of the whole share can not be used to avoid the restrictions on the granting of licences.

5) The exercise of an IP right co-owned by two or more co-owners each of whom has in principle the right to exploit the co-owned right, may also raise difficulties from the point of view of competition rules.

The co-owned IP Rights may give the co-owners the dominant position on the market and their agreement on the co-owned IP Rights (when for example it prohibits the licensing) may also be seen as eliminating the competitors from the market.

The groups are therefore invited to explain if their national laws had to treat such situations and what were the solutions adopted in those cases.

In the first place, it is necessary to clarify that the fact of being an owner (in this case, co-owners) of an industrial or intellectual property right does not grant a dominant position. A dominant position exists, following the Spanish and Community case-law, when one owns, at least and depending on the structure of the market, between 50% and 60% of the market share. Furthermore, in order for this behaviour to be considered as an unlawful practice it is required that the party having a dominant position abuses it. Consequently, it will be necessary to test the effects that the behaviour at issue produces in the market in order to determine whether there is an infringement or not.

In the specific case of co-ownership of IP rights, a collective dominant position may take place. In this respect, the Judgment of the Court of First Instance [of the European Communities] (First Chamber) of 10 March 1992 Società Italiana Vetro SpA, Fabbrica Pisana SpA and PPG Vernante Pennitalia SpA v Commission of the European Communities (Joined cases T-68/89,
T-77/89 and T-78/89 [European Court reports 1992 Page II-01403 European Court reports 1992 Page II-01403]), stated in its paragraph 358 that “There is nothing, in principle, to prevent two or more independent economic entities from being, on a specific market, united by such economic links that, by virtue of that fact, together they hold a dominant position vis-à-vis the other operators on the same market. This could be the case, for example, where two or more independent undertakings jointly have, through agreements or licences, a technological lead affording them the power to behave to an appreciable extent independently of their competitors, their customers and ultimately of their consumers”.

This interpretation was subsequently adopted in the Judgment of the Court of Justice of the European Communities of 16 March 2000, Compagnie Maritime Belge Transports SA c. Commission of the European Communities, (Joined Cases T-24/93 to T-26/93 and T-28/93 [European Court reports 2000 Page I-01365]) that states that a dominant position may be held by two or more economic entities legally independent of each other, provided that from an economic point of view they present themselves or act together on a particular market as a collective entity. Accordingly, it has to be checked whether there exist economic links between the undertakings concerned which enable them to act together independently from their competitors, customers and consumers.

The Court of Justice states that the existence of a collective dominant position may therefore flow from the nature and terms of an agreement, from the way in which it is implemented and, consequently, from the links or factors which give rise to a connection between undertakings which result from it.

In our case, it will be necessary to examine the agreement among the co-owners about the way in which the co-owned IP right is to be exploited. If it can be ascertained from the agreement that economic links between the co-owners -these being legally independent one from each other- do exist it will be necessary to test the market structure and if the co-owners may, collectively, have a dominant position. Eventually, it will be necessary to examine the effect that the agreement between the co-owners (for example, market-sharing, fixing abnormally high prices, limitation of offer or of production or creation of barriers of entry to the relevant market through the arbitrary refusal of granting licenses) may have on competition. If that was the case, the co-owners may be punished for abusing of their collective dominant position or even forced to grant licences or compulsory licences, mainly in the case of essentials facilities. Cfr. Judgements of Court of Justice of 14 September 1982, Keurkoop / Nancy Kean Gifts, aff 144-81, Rec.p.2853; 5 October 1988, Case 238/87 Volvo AB v. Erik Veng (UK) Ltd., [1988] ECR 6211, [1989] 4 CMLR 122; 6 April 1995, Joined cases C-241 & 242/91 Radio Telefis Eireann (RTE) and Independent Television Publications Ltd. (ITP) v. Commission, [1995] ECR I-743, [1995] 4 CMLR 718, [1995] All ER (EC) 416; 29 April 2004 IMS Health GmbH & Co. OHG v NDC, C-418/01, Rec. P. 5039.

6) The groups are invited to investigate once more the question of the applicable law that could be used to govern the co-ownership of various rights coexisting in different countries.

This point was left for further study by the paragraph 9 of the resolution adopted in Singapore.

And more specifically the Groups are requested to indicate if their national laws accept that the co-ownership of an IP Right, even if there is no contractual agreement between the co-owners, may be ruled by the national law of the country which presents the closest connections with the IP Right.

If this is the case, what in the opinion of the Groups would then be the elements to take into the consideration to assess this connection?
The Groups of the EU Countries are in this context asked to indicate if they consider that Council Regulation of June 17, 2008 (No 593/2008), so called “Rome I” may be applicable to the Co-Ownership agreements.

a) The Spanish law applies the principle of territoriality of IP rights, but not in absolute terms (it is subject to the international Covenants and Treaties ratified by Spain). That regime is applicable both to the substantive matters (Article 10.4 Spanish Civil Code, and the related Article 8 of Regulation CE 864/2007) and procedural ones (Article 3 of Civil Procedural Act).

This Working Group understands that co-ownership of rights co-existing in several countries is ruled in Spain by the aforesaid Regulation. That implies as follows:

– If an applicable International Agreement or Covenant exists, this one:
  • shall be applied and, extensively,
  • shall determine the connection elements with the national regulation;
– If no International Agreement or Covenant exists (general scenario), the principle of territoriality, as set forth in the Spanish laws shall apply (in this case, no connection elements with any other national laws are established).

As regards co-ownership, Article 10.1 Civil Code is considered to be applicable. This Article provides that property shall be governed by the laws of the country where the goods are found. In this case, this would be the country of registration.


Accepting that the agreements of ownership can have a contractual origin (contractual community) or a non-contractual origin (incidental communities without agreements between the co-owners), this Working Group thinks that “Rome I” shall be applicable to the agreements of co-ownership with a contractual origin, because the obligations derived from the intellectual property rights are not excluded (Article 1 of the aforementioned Regulation) from the scope of application of that Regulation.

Finally, the groups are also invited to present all other issues which appear to be relevant to the question and which were not discussed neither in these working guidelines, nor in the previous ones for the 2007 ExCo in Singapore.

There are not other questions to be emphasized.

II) Proposal for the future harmonisation

The groups are invited to present any recommendation that can be followed in the view of the further harmonisation of national laws in the context of co-ownership, specifically on the points raised by the working guidelines above in relation to the current state of their national laws.

An important question that, for this Group, should be harmonised, because of the doubts it raises, is the one regarding the first place for the filing of an IP right (in particular, patents), in the event that several applicants, with residence or domicile in different countries, jointly file a patent application.

The Spanish Patent Act (Act 11/1986, of 20 March) states in its Article 122 that “in the case of inventions made in Spain, patents may not be applied for in any foreign country
until two months have elapsed after the patent has been applied for at the Spanish Registry of Industrial Property (today, Spanish Office of Patents and Marks), unless the Registry specifically authorizes otherwise. Such authorization may not under any circumstances be given for inventions that are of interest for national defence, unless the Ministry of National Defence gives special authorization”.

On the other hand, the Royal Decree 2424/1986 of October 10, 1986, on the application of the Convention on the Grant of European Patents (Article 2) and the Royal Decree 1123/1995 of July 3, 1995, implementing the Patent Cooperation Treaty (article 3), state, respectively, that when the applicants of a European Patent or an PCT application have their domicile or headquarters in Spain, or their habitual residence or permanent establishment in Spain, and do not claim the priority of a previous application in Spain, they must compulsorily file the patent application at the Spanish Patent and Trademark Office.

This means that, if the invention is made by an applicant having his/her residence, domicile or headquarters in Spain, the patent application that does not claim the priority of a previous application in Spain, must be filed at the Spanish Patent and Trademark Office.

In the event that the invention had been made jointly by several inventors with establishment in Spain and abroad, it would be necessary to study the Law of that state and to determine what Law would be applicable under the International laws. It is very likely indeed that the national laws of Patents provide rules similar to those foreseen in the Spanish Law, according to which their residents or domiciled people must file the first patent application in their respective territories.

For this reason, it will be difficult to find a solution to the problem without infringing any law. Besides, if a patent application was filed in a different country from that of residence, in breach of the national rules, this might have criminal consequences if the invention being the subject matter of the patent application may be of interest for the national defence (Article 277 of the Spanish Criminal Code establishes punishments of prison from six months to two years, for the person who has disclosed the invention being the subject matter of a secret patent application, thus infringing the Patent , provided that this causes prejudice to national defence). So, a harmonization in order to prevent this lack of legal certainty is urgent.

The problem has not been solved by the Agreement on 21 September 1960, for the mutual safeguarding of secrecy of inventions relating to defence and for which applications for patents have been made (Agreement supplementing the NATO Agreement, signed at Paris, on 21 September 1960, for the mutual safeguarding of secrecy of inventions relating to defence and for which applications for patents have been made, ratified by Spain by Instrument of 17 July 1987), since its Article 1 foresees only the obligation of the Governments of safeguarding the secrecy of the inventions for which applications for patents have been received under agreed procedures whenever the secrecy has been imposed on such inventions in the interests of national defence by the Government, hereinafter referred to as the “originating Government”, which was the first to receive an application for a patent covering these inventions.. Nevertheless, this Agreement does not set the rules to determine the “originating Government”.

This problem has not been solved either by the Convention for Application regarding Article 43 of the Framework Agreement of 27 July 2000 between France, Germany, Italy, Spain, Sweden and United Kingdom concerning patent applications and alike of interest for defence (Framework Agreement between the French Republic, the Federal Republic of Germany, the Italian Republic, the Kingdom of Spain, the Kingdom of Sweden and the United Kingdom of Great Britain and Northern Ireland, concerning Measures to Facilitate the Restructuring and Operation of the European Defence Industry). This Agreement just defines “Participant of origin” as that participant in whose Intellectual Property Central Service a patent application is filed, such application being the first one filed in any state in connection with the subject matter of the application.
Résumé

La réglementation de la copropriété est unique, indépendamment que celle-ci ait son origine dans un acte volontaire ou involontaire, comme dans le cas d’un héritage.

En Espagne il n’existe pas de “sous-contratation” qui ne dérive pas d’un contrat. Il n’est pas expressément prévu que le copropriétaire puisse charger un tiers la réalisation des activités propres à l’exploitation de l’invention (sous-traitance), mais on peut interpréter que cela est en effet possible pourvu que le copropriétaire assume le contrôle des tâches confiées aux tiers. Cette possibilité est indépendante du fait que les licences soient exclusives ou non exclusives.

En Espagne il est possible de céder une quote-part pourvu que l’on respecte le droit de préférence (droit de préemption ou de subrogation après la vente), qui limite l’entrée de nouveaux indivisaires.

Quant à la capacité d’assumer une position dominante sur marché au moyen des accords d’exploitation de droits de propriété intellectuelle en régime de copropriété, cela pourrait en effet constituer un obstacle à la libre concurrence. Cependant, les lois applicables empêchent l’abus de position dominante indépendamment que celle-ci résulte d’une copropriété, d’une licence ou d’autres circonstances.

La réglementation espagnole qui régit la copropriété de droits est soumise au principe de territorialité (avec soumission à ce qui est établi par les conventions et traités internationaux auxquels l’Espagne est partie). La réglementation basique, d’application subsidiaire, est celle du Code Civil. Le Règlement “Rome I” serait applicable aux contrats qui règlent le régime de copropriété.

La proposition du Groupe Espagnol en vue d’une future harmonisation consisterait à éclaircir les incertitudes qui posent le dépôt d’une demande de brevet avec plusieurs inventeurs ou demandeurs dont le domicile ou résidence est à des États différents, par rapport à l’obligation de déposer à l’État de l’inventeur/demandeur.

Zusammenfassung

Die Regulierung der Mitinhaberschaft ist eine, und wird nicht gemäss ihrer Herkunft durch Willensakt oder unfreiwillig, wie im Falle einer Erbschaft, unterschieden.

In Spanien erfolgt keine Vergabe von Unteraufträgen, die sich nicht von einem Vertrag ableiten. Es ist nicht ausdrücklich geregelt, dass der Mitinhaber Dritten die Durchführung eigener Handlungen hinsichtlich der Nutzung der Erfindung übertragen kann, es kann aber systematisch ausgelegt werden, dass dies möglich ist, solange der Mitinhaber die Kontrolle über die an Dritte übertragenen Tätigkeiten ausübt. Die Möglichkeit dieser Beauftragungen ist unabhängig davon, ob die Lizenzexklusiv oder nicht exklusiv sind.

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Der Vorschlag der spanischen Gruppe mit Blick auf eine zukünftige Harmonisierung besteht in der Klärung der Ungewissheiten, die durch die Einreichung einer Patentanmeldung mit verschiedenen Erfindern oder Antragstellern mit Wohnsitz oder Aufenthalt in verschiedenen Staaten in Bezug auf die Verpflichtung, den Antrag in dem Staat des Erfinders/Antragstellers zu stellen, aufgeworfen wird.