Question Q194

National Group: **Sweden**

Title: **The impact of co–ownership of Intellectual Property Rights on their exploitation**

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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?

The legal relationship between co-owners of IP rights is not uniformly organised in Sweden.

Some aspects of the statute of co-ownership of copyright are regulated in the Swedish Act on Copyright in Literary and Artistic Works (1960:729). According to Sec. 6 of the Act on Copyright each co-author or anyone to whom its rights have been transferred (hereinafter jointly referred to as "co-owner") may enforce the copyright against infringers without the consent of the other co-owners (compare Sec. 45 and 47-49 as regards neighbouring rights). Moreover, in the preparatory works of the act it is stated that co-owned copyright may only be disposed jointly.

As regards other IP rights such as designs, topographies of semiconductor products, patents, plant varieties and trademarks there are no explicit provisions in Swedish IP-laws on co-ownership (compare Art. 14(2) and 27 of the Regulation (EC) No 6/2002 on Community Designs, Art. 28 of the Regulation (EC) No 2100/94 on Community plant variety rights and Rule 15(1) in the Regulation (EC) No 1041/2005 amending Regulation (EC) No 2868/95 implementing Regulation (EC) No 40/94 on the Community trade mark).

It is worth noting that the drafting committee of the Swedish Patents Act (1967:837) refrained from taking a position on co-owned patents, "since they should be seen in connection with rights under joint ownership in general".

In the absence of explicit provisions, the general Partnership and Non-registered Partnership Act (1980:1102) may be applicable on the legal relationship between co-owners. If the parties have entered into an agreement on mutual work to exploit an IP right for a certain purpose most likely a partnership has been formed. According to the act, the rights and obligations under the partnership are solely governed by an agreement between the parties. However, the

act sets out certain principles applicable where the agreement is silent about certain issues, e.g. liquidation or the relationship to third parties.

Furthermore, the Swedish Act on Joint Ownership (1904:48 p. 1) regarding corporeal personal property may, in the absence of any expressed agreement to the contrary, be used analogously to solve IP co-ownership related questions.

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?

One should distinguish between copyright and other IP rights whether a co-owner may individually exploit the asset.

As regards copyright consensus is required. According to the preparatory works, no co-owner may exploit the right freely and without any prior consent of the other co-owners.

There is no clear guidance as regards other IP rights. However, a co-owner may probably individually exploit the co-owned property in its own business, but not to license it.

Furthermore, as to any duty of compensation for said use, there are no clear guidelines in Swedish legal doctrine or case law. It is argued by some, that the right above for a separate or a number of separate owners to exploit does not necessarily need to be free of charge. Consequently, there is no guidance on how any possible amount of compensation may be calculated.

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?

There are no provisions that provide a co–owner with a right to share the benefits if another co–owner exploits its share of an IP right, and there are no clear guidelines in the Swedish legal doctrine. However, as regards patent rights, the Swedish Supreme Court suggests that in certain cases a co-owner has a duty to share with the other co-owners, benefits from the exploitation of the patent (see NJA 1947 note A 26). In this case an inventor, who was the co-

owner of a patent and employed by another co-owner exploiting the patented invention, was awarded 25 per cent of the latter's profits from exploitation of the jointly owned invention.

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.

There are no explicit provisions as to co-owners right to grant licences to third parties. The legal relationship between co-owners is dependent upon contractual regulations.

However, since a license involves a disposal of an IP right, the opinion in Swedish legal doctrine as regards patent rights and copyright is that the acquisition of a license from a single joint proprietor is not sufficient legal ground for use of the right. Thus, a co-owner is normally not allowed to grant sub-licences without consent of the co-owners. The same reason is probably applicable to other IP rights.

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 theirs 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.

As mentioned there are no provisions and the group does not know of any case law regarding a co-owners right to transfer *its share* of the IP right. However, as regards copyright, it is evident, and stated in the preparatory works of the Act on Copyright, that copyright may be transferred without the consent of the other co-owners. For other IP rights the Swedish doctrine is divided. It may be argued that guidance should be sought in the preparatory work of the Act on Copyright and in principle each co-owner may independently transfer its abstract share in the IP right without the prior consent of the other joint owners. On the other hand, it may be argued that the prior consent of the other joint owners is required based on the principles laid down in Sec. 6 of the Act on Joint Ownership.

However, the co-owner cannot grant the right of use and enjoyment of the *entire* IP right. In the absence of any expressed agreement to the contrary, a disposal over the entire IP right, either through a transfer or a limited disposal, presuppose an active participation of all co-owners of the disposal. The disposition of the IP right therefore requires that all of the co-owners agree in all essential respects on how to use the right. Naturally, the management of the IP right can be entrusted to one or several co-owners or even to an outsider

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.

A co-owner may use its share of an IP right as a guarantee.

There are no statutory provisions governing pledges of copyright. Pledging of copyright is deemed perfected when the pledge agreement is entered into. It is not certain whether a joint owner may pledge its share of a copyright without the consent of the co-owners. Moreover, since copyright is closely linked to the author personally, and to the author's moral rights, Sec. 42 of the Act on Copyright does not allow the copyright to be subject to legal seizure when the property is held by the author or any other person who has acquired the copyright by virtue of division of property between spouses, inheritance or will. However, if any other party has acquired the copyright, it may be seized.

Pledge of patents/patent applications and also trademarks/trademark applications are covered by the Patents Act and the Trade Marks Act (1960:644). However, the law doesn't regulate whether the possibility to pledge a patent or trademark as a whole also includes pledging a share of a patent. The preparatory works of the Patents Act have nevertheless concluded that it is possible for each co-owner to pledge their share of the property. Whether this includes pledging a share of a patent application is however uncertain.

The preparatory works to the Design Protection Act (1970:485) have concluded that since the act at presently does not contain any rules on the possibility to pledge a design, no such right exists. The preparatory works therefore suggests that such rules are adopted. No rules have up until today been adopted. Compare Art. 29 of the Regulation on Community designs, which states that a registered Community design may be given as security or be the subject of rights in rem. The regulation does not mention whether the possibility to pledge a Community design as a whole also includes pledging a share of the design.

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 exigencies in their countries in relation to the possibility of one of the co-owners of an IP right filing an infringement action.

Sec. 6 of the Act on Copyright states that a co-owner may act independently against an infringer and initiate an infringement action without the consent of the other co-owners.

Regarding other IP rights the question is not regulated in any statute but it is established by the Swedish doctrine that each joint owner of an IP right has the right to act independently against an infringer and initiate an infringement action without the consent of the others. As regards patents, it has in the legal doctrine been proposed that any damages awarded in the infringement action, should be shared by all co-owners after the expenses due to the proceedings have been paid.

A single co-owner is also entitled to defend the patent in nullification action, without the approval of the other co-owners. For other IP rights this is uncertain.

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.

There are no provisions on co-owners renewal or renunciation provided in the Patents Act, the Trade Marks Act or any other IP regulation. However, the Partnership and Non-registered Partnership Act and the Act on Joint Ownership may be used to regulate this matter. Based on the principle of these acts, applicable payment of renewal fees for registered IP rights should be made by the co-owners jointly. However, in urgent measures can be taken by one co-owner, provided that the payment was useful and the other co-owners could not be contacted in time. This is the fact when a registered IP right (patent/deigns/trademark) is at risk one co-owner may pay the renewal fee and it is then entitled to compensation from the other co-owners (compare Ch. 4 Sec. 3 of the Partnership and Non-registered Partnership and Sec. 2 of the Act on Joint Ownership).

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?

There are no explicit provisions relating to co-ownership and private international law. As to the question of co-ownership of Community trade marks, Community designs and

Community plant variety rights nothing is stated in the regulations. Like all other member states of the European Union (except Denmark) the rules of Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters apply. The Bern Convention or the Lugano Convention on jurisdiction and the enforcement of judgments in civil and commercial matters, as well as national jurisdiction rules might apply depending on the domicile of the defendant.

The general jurisdiction rule is that persons domiciled in a member state shall be sued in the courts of that member state (see Art. 2(1) of the Regulation on jurisdiction). Special jurisdiction rules are set out in Art. 5, in matters relating to a contract, in the courts for the place of performance of the obligation in question; in matters relating to tort, *delict* or *quasi delict*, in the courts for the place where the harmful event occur or may occur, in Art. 6, where he is one of a number of defendants, in the courts for the place where any one of them domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgements resulting from separate proceedings.

Consequently, the legal relationship which exists between the parties to a joint owned IP right is as a rule subject to the general jurisdiction rules of the Regulation on jurisdiction, i.e. Art. 2.

In Art. 23 it is stated that if the parties, one or more of whom is domiciled in a member state, have agreed that a court or the courts of a member state are to have jurisdiction to settle any disputes which have arisen or which may arise in connection with a particular legal relationship, that court or those courts shall have jurisdiction.

As previously stated the legal relationship between the co-owners is dependent upon contractual regulations. There is nothing that would prohibit the co-owner to agree that IP rights co-owned in different countries are regulated by one law. The agreement is governed by the law chosen by the parties.

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.*

Proposals for future harmonisation

The Groups are also invited to formulate theirs 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.*

The Swedish group believes that all co-owners of IP rights should, potentially be treated in the same way and there should be both international harmonisation and harmonisation within countries. However, with respect of moral rights, a distinction between copyright and other IP rights may be justified.

Legislation in this field should be non-mandatory and consequently the co-owners should be free to decide when, how and in which circumstances the jointly owned IP right should be used.

Finally the Swedish Group believes that a significant number of questions have to be considered before it is possible to harmonise the status of co-owned IP rights.

Summary

The Swedish Group believes that harmonisation of the statutory rules of co-owned intellectual property rights would be desirable. Divergent rules, national and international, create uncertainty when intellectual property holders act across borders. On the other hand, with respect of moral rights, a distinction between copyright and other intellectual property rights may be justified. Furthermore, it must be taken into consideration that such a harmonisation may be quite difficult to achieve, since it would affect fundamental principles of ownership of property in general. A significant number of questions have to be considered before it would be possible to harmonise the legal relationship between joint owners. However, legislation in this field should be non-mandatory and consequently the co-owners should be free to decide the scope of use. The Swedish Group recommends that the work on Q 194 be continued.

Zusammenfassung

Die schwedische Gruppe glaubt, daß eine Harmonisierung der vorgeschriebenen Regeln der Miteigentümer des Immaterialgüterrechts wünschenswert ist. Abweichende Regeln, national oder international, verursachen Unsicherheit, wenn geistige Eigentümer über die Grenzen von Staaten arbeiten. Andererseits, mit Respekt für Moralrecht, ein Unterschied zwischen Copyright and anderen Immaterialgüterrechts ist vielleicht berechtigt. Außerdem muß man damit rechnen, daß so eine Harmonisierung vielleicht schwer zu erreichen ist, weil es fundamentale Prinzipen von Besitztum im allgemein beeinflussen würde.

Eine große Anzahl von Fragen muß in Betracht gestellt werden, bevor es möglich wird, der rechtlichen Relation zwischen Miteigentümer zu harmonisieren. Jedoch, die Gesetzgebung in diesem Fall sollte nicht-obligatorisch sein und somit sollte der Miteigentümer frei sein um

einem freien Spielraum zu gewähren. Die schwedische Gruppe empfiehlt, Q 194 fortzusetzen/beizubehalten.

Sommaire

Le group suédois considère qu'une harmonisation du régime de la co-propriété des droits de propriété intellectuelle sera désirable. Des régimes divergents, nationaux ou internationaux, créent de l'incertitude quand les titulaires des PI agissent en franchissant les frontières. Pourtant, en considerant les droits moraux, il pourrait être justifié de distinguer entre le droit d'auteur et les autre droits de PI. Encore, il faut considerer q'une telle harmonisation pourrait devenir assez difficile à achever, comme elle affectera des principes fondamentaux de droits de propriété en général. De questions nombreuse devrait être considerés avant qu'il sera possible d'harmoniser le régime juridique entre co-proprietaires. Quoi qu'il en soit, une réglemenation sur cette domaine ne devrait pas être légale et d'ordre public. En consequence, les co-propriétaires devrait être libre à decider eux-mêmes l'application d'une telle réglementation. Le groupe suédois recommande la continuation de la Q 194.