

Question Q194

National Group: Sweden

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

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Datum: February 23, 2009

I) 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.

In Sweden only co-ownership of copyright is explicitly regulated by statute. According to Sec. 6 of the Act (1960:729) on Copyright each co-author or anyone to whom its rights have been transferred may enforce the copyright against infringers without the consent of the other co-owners. This rule does not make any distinction based on the origin of the co-ownership of the copyright.

As regards other IP rights such as designs, patents and trademarks there are no explicit provisions in Swedish IP-laws on co-ownership. 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".

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.

Alternatively, 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, administration of the partnership's business.

The Swedish group is of the opinion that the legal rules applicable to co-ownership should not distinguish between different cases of origin, aside from the applicable law as discussed in question 6.

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.

This question is not dealt with in the Swedish Patent Act and there is no publicly available case law. The group has however noted an unpublished arbitration case where these questions were adjudicated in the context of a sole license expressly limiting the licensor's ability to create arrangements which were tantamount to a further license. The Tribunal identified i.a. the following aspects of a distributorship arrangement in deciding on whether it could be said to involve licensing:

- The term of the distributorship agreement in relation to the term of the IP right and specifically the possibility for the licensor to terminate;
- The degree of exclusivity for the distributor;
- The distributor's influence on the specification of the products;
- Any transfer of IP rights or regulatory product registrations/permits to the distributor;
- Volume limitations or rather absence thereof.

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 the 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.

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, design 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 licences without consent of the co-owners. There is no difference between a non-exclusive and an exclusive licence. The same reason is probably applicable to trademarks.

4) One of the most difficult question 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).

As mentioned there are no explicit 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 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 the preparatory work of the Act on Patents in respect of the pledging of shares in a patent, where it is stated that 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 and also in the Partnership and Non-registered Partnership Act.

However, in the case of trademarks, it is more likely that there exist an understanding between the parties to use the trademark for some kind of (business) activity which means that the rules on non-registered partnerships apply. In such case may neither of the partners dispose of any share of the trademark without the consent of the other partner.

The situation of a transfer of a part of a share of an IP right to a third party is even more uncertain. However, as such a disposal would create an additional co-owner to the IP share there is much to suggest, based on the principles of the Act on Joint Ownership and the Partnership and Non-registered Partnership Act, that consensus is required for such a disposition. Further on, as regards trademarks, taking into consideration the risk for degeneration and other potential damages on the trademark, it is the Swedish group assumption that it is not possible, even in the case of a joint ownership.

Having said that, it shall be noted that a similar situation might arise in case of inheritance of a co-owner's IP share. Patents, trademarks, copyright and design rights are treated as any other kind of property in terms of inheritance and if there is more than one heir to the co-owner's estate the division of property between them follows the general laws on inheritance, which in turn may create several more co-owners to a share in an IP right.

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.

This issue has not been dealt with by the Swedish legislator or Swedish courts or competition authorities. In principle though, there is nothing excluding such acts or agreements from the application of the Swedish competition rules.

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.

When determining the choice of law rule governing the co-ownership of IP rights co-existing in different countries, it is important to distinguish between the law applicable to the internal

relationship between the co-owners, and the law applicable to the external relationship between one or more co-owners and third parties. In Sweden, the law applicable to the co-owners external relationship with third parties is generally determined by the *lex rei sitae*, which coincides with *lex loci protectionis*. In contrast, there is no specific choice of law rule under Swedish international private law that applies to the internal relationship between the co-owners, and the issue has not been addressed by the Swedish courts. Thus, it is believed that the choice of the applicable law will most likely depend upon how the internal relationship between the co-owners is characterized by the Swedish courts.

Assuming the co-owners have an agreement governing their internal relationship, the Rome I Regulation on the law applicable to contractual obligations will be applicable (Rome I applies to contracts entered into after December 17, 2009). Pursuant to Rome I, the parties are free to choose the law applicable to their agreement. As national rules governing the relationship between co-owners are not mandatory but apply only in default of an agreement between the co-owners, the co-owners are free to regulate their co-ownership relationship in accordance with a law other than that of the country of protection. In the absence of a choice, the applicable law is the law of country where the party effecting the characteristic performance has its habitual residence. If that can not be determined, the contract is governed by the law of the country with which it is most closely connected. Also, the characteristic performance rule can be displaced if it is clear from all the circumstances that the contract is manifestly more closely connected with another country.

The scope of the applicable law referenced under Rome I is limited to questions concerning the contractual relationship between the parties, such as the contract's interpretation (including gap filling), performance, consequences of breach, the various ways of extinguishing obligations, prescription and limitation of actions, and the consequences of nullity of the contract. Questions that relate to the IP right as such (i.e. the IPR regime itself) are outside the scope of the Regulation. Such questions encompass the creation, existence, and scope of the right as well as its transferability through assignment, license, or succession. In Sweden, these questions are subject to the *lex protectionis*.

The application of Rome I seems less clear where a co-ownership situation has arisen as a result of an agreement between two or more persons but where the agreement does not contain any explicit provisions dealing the co-owners internal relationship with respect to the IPR. For example, a co-ownership situation may arise as a result of an assignment of a share of an IP right to another person where the holder of right retains a share herself. It may also arise as a result of an agreement between two or more parties to collaborate to create a work or make an invention (e.g. a joint research agreement). In such situations, a contractual relationship exists between the parties with regard to the creation of the co-ownership situation but not necessarily with regard to how the internal relationship with respect to the co-owned IPR should be regulated. If the law applicable to the contract creating the joint ownership situation allows the contract to be interpreted in accordance with the intention of the parties and the contract's purpose, there may be some possibility to apply the substantive IP law of the law applicable to the contract to fill in the gaps regarding the joint owners' internal relationship.

Also, if the co-owners entered into an agreement to create or use the jointly owned patents for a common purpose, a simple partnership may be found to have arisen under the Swedish Partnership and Non-registered Partnership Act. Under Swedish conflict of law rules, the law of the country where the simple partnership conducts its primary business activities determines whether a simple partnership has been created. The parties may not agree on whether a simple partnership is formed or choose the governing law. Article 1(2)(f) Rome I excludes from its scope of application questions governed by company law such as the creation, internal organization, legal capacity, and winding up of the company or other body. If a simple partnership has arisen under the Swedish Partnership and Non-registered

Partnership Act, a partner may not exploit jointly owned property used in the partnership for a partner's own benefit unless the other partners agree.

If a contractual characterization is not possible, it would seem likely that the exploitation, license or assignment of a patent by one co-owner without the consent of the other co-owner would be characterized as a type of non-contractual obligation. In Sweden, the Rome II Regulation governs the applicable law for non-contractual obligations. The choice of applicable law would most likely depend upon whether the court characterizes an alleged breach of an obligation imposed on a co-owner in relation to the other co-owner as a general tort or an infringement.

To the extent that the non-authorized exploitation, licensing or assignment is characterized as a tort, the applicable law under article 4 Rome II is the law of the country where the damage occurred, which should coincide with *lex protectionis*. Under a tort characterization, the law of the country where the damage occurred may be ousted by the law of the country of the co-owners' habitual residence or by the law of another country which is manifestly more closely connected due to a pre-existing relationship between the parties such as a contract that is more closely connected with the tort. Also, the choice of law may be derogated from by agreement.

To the extent the non-authorized exploitation, licensing or assignment is characterized as an infringement, the applicable law under article 8 of Rome II is *lex protectionis*. The application of this country's law is mandatory and may not be displaced by other connecting factors or be derogated from by agreement.

Consequently, a tort characterization would provide greater flexibility for a court to apply a single country's law where the joint patent ownership arose by contract but the contract did not contain any express or implied obligations regarding the joint owners' internal obligations to each other. It could also provide greater flexibility where the joint ownership arose as result of a common factual situation such as when two persons or more persons jointly inherit a patent. In the latter case, the co-owners relationship arguably may be said to be manifestly more closely connected to the country whose law is applicable to the decedent's estate.

A co-ownership situation may arise between two or more persons where there is no common factual situation such as where two or more persons acquire shares in the same bundle of IP rights through separate and independent successions. In this case, the co-owners relationship is most closely connected to the each country in which the patent is registered, and Rome II would refer to the *lex protectionis* regardless of whether the alleged breach of the obligation was characterized as a general tort or an infringement.

Finally, the question whether a person is an initial co-owner of an IPR is believed to be governed in Sweden by *lex protectionis*. This follows from the fact that authorship and inventorship status is closely linked to the grant or the creation of the right itself which is based on a territorial approach. Pursuant to the Swedish Law on Judicial Jurisdiction Concerning Certain Patent Cases (1978:152), which transforms the Enforcement Protocol of the European Patent Convention, the (initial) ownership of a right to a European patent is governed by the law of the state in which the employee is mainly employed. The application of the employee's law is mandatory, and the parties are not allowed to choose another applicable law. With regard to non-European patents, the Rome I Regulation allows the parties to an employment agreement to choose the applicable law governing initial ownership, but this choice may not deprive the employee of the protection the mandatory provisions of law in the state where the employee habitually carries out her work.

Leaving initial ownership aside, co-ownership to IPR will generally arise through a subsequent transfer of a right. The parties are free to choose the law applicable to the to

assignment agreement under Rome I. As noted above, however, lex protectionis determines whether rights are in fact transferable.

7) 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.

To the extent possible, the members of AIPPI should work toward harmonized standards for when co-inventorship or co-authorship arises, or that failing, a harmonized choice of law rule that leads to the application of one country's law.

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.

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. It is therefore of great importance to have legal rules as regards co-ownership. The Swedish group proposes the following.

When an invention, design, trademark or copyrighted work is owned jointly, a natural starting point, considering the basic principle of exclusivity on which all IP rights are founded, is that all co-owners must agree on how the IP right should be used. For registered property, as trademarks, patents and design rights, the starting point should be that the application must be made jointly.

However, the Swedish Group is of the view that not every measure should require all members' consent. A partner should be able to transfer or assign its entire share of the IP right. Furthermore, each shareholder should be able to exploit the co-owned property in its own business. On the other hand, this should not apply to trademarks, since the shareholders uncontrolled use may lead to dilution of the mark and the registration may be repealed.

Further on, in situations where the co-owners are in disagreement, there should be a regulation on the dissolution of co-ownership. Finally, when it comes to the law applicable to the co-ownership relationship, the Swedish group is in favour of a choice of law rule distinguishing between different cases of origin, i.e. whether there is a contractual relationship or common factual situation between the co-owners.

Summary

There is no express regulation of co-ownership in the various IP acts, apart from the Act on Copyright which states that each co-owner may enforce the copyright independently. Instead one is referred to seek guidance from comments made in the legislative history of the IP acts and an analogous application of the rules of the Act on Joint Ownership. In case the co-ownership is based on or regulated by contract it can also be subject to the rules of the Partnership and Non-registered Partnership Act. The Swedish group is in favour of a harmonisation, which provides clearer, consensus oriented rules for the exploitation of co-owned IP rights and also ways of dissolving such co-ownership in case the owners can not agree.

Zusammenfassung

Es gibt keine ausdrücklichen Bestimmungen zur Regelung der Miteigentümerschaft in den verschiedenen Gesetzen auf dem Gebiet des gewerblichen Schutz- und Urheberrechts, abgesehen von dem Urheberrechtsgesetz, das festsetzt, dass jeder Miturheber/Mitinhhaber dazu berechtigt ist, das Urheberrecht selbstständig geltend zu machen. Anstatt dessen ist man dazu nachgewiesen, in den Kommentaren der Gesetzesmaterialien zu verschiedenen Immaterialgüterrechtsgesetzen und auf Grund einer analogen Anwendung der Bestimmungen des Gesetzes über die Miteigentümerschaft -Wegleitung zu suchen. Im Falle die Miteigentümerschaft sich auf einen Vertrag stützt oder durch einen Vertrag geregelt wird, kann sie auch den Bestimmungen des Gesetzes über Handelsgesellschaften und Einfache Gesellschaften unterworfen werden. Die schwedische Gruppe ist für eine Harmonisierung, die mehr deutliche, übereinstimmende Regeln über die Verwertung der mitbesessene Immaterialgüterrechte als auch über die Auflösung einer solchen Miteigentümerschaft, falls die Mitinhhaber sich nicht einigen können, ermöglichen wird.

Sommaire

Il n'y a pas de réglementation expresse de la co-propriété dans les différents actes de propriété intellectuelle, à l'exception de la Loi sur le droit d'auteur, qui stipule que chaque co-propriétaire peut appliquer le droit d'auteur en façon indépendante. Au lieu, il est donc nécessaire de consulter des observations faites dans l'histoire législative de l'acte de propriété intellectuelle, ainsi qu'une application par analogie des règles de la Loi sur la copropriété. Dans le cas de la co-propriété est fondée sur ou réglementées par contrat, il peut également être soumis aux règles de la Loi sur le partenariat et du partenariat non-enregistré. Le groupe suédois est en faveur d'une harmonisation, qui fournit des règles plus claire et orientée vers consensus pour l'exploitation de la co-propriété des droits de propriété intellectuelle, et aussi des moyens de dissolution de cette co-propriété dans le cas où les propriétaires ne peuvent pas s'accorder.