Die Seite der AIPPI / La page de l'AIPPI

Co-ownership for intellectual property rights (Q 194)

REPORT OF SWISS GROUP*

Under Swiss law each of patent, trademark, design and copyright law have their own regulations in respect of co-ownership, although they refer in analogy to the general principles set out in the Civil Code. Accordingly, co-ownership may be understood as joint ownership, where each co-owner owns a share of the right, or as ownership in common, where each owner has a right of ownership in the whole property.

Legal rules on co-ownership of intellectual property rights apply only in case of absence of contractual regulations or of specific legal rules, as e.g. in respect of employees' inventions and designs exist.

Regarding the use and exploitation of IP rights, Swiss law provides for specific rules in respect of patents and copyright.

As a general rule, co-inventors may exercise their rights only with the consent of all owners. As a result, licences may only be granted with the consent of all co-owners. Notwithstanding, the following exceptions apply:

– any co-owner may independently dispose of his part, i.e. he may pledge or sell it;

– any co-owner is permitted to take any action against the violation of the patent rights and for the maintenance of such rights, e.g. the payment of the renewal fees without limitation;

– any co-owner of an invention may file a patent application if the consent of the other co-owners is unreasonably withheld or where there is a risk that the invention becomes public or looses priority rights.

Unless agreed otherwise, co-authors may only use the work with the consent of all. However, such consent may only be withheld for good faith reasons. Moreover, each co-author may independently bring an action for infringement of the rights on the work, but only for the benefit of all the others. Where individual contributions can be separated, each co-author may use his contribution independently, provided such use does not impair the use of the joint work.

I. 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 absence of a contractual regulation of co-ownership between the parties?

Under Swiss law each of patent, trademark, design and copyright law have their own regulations in respect of co-ownership, although they refer in analogy to the general principles set out in the Civil Code. Accordingly, co-ownership may be understood as joint ownership (Miteigentum, art. 646 CC), where each co-owner owns a share of the right, or as ownership in common, where each co-owner has a right of ownership in the whole property (Gesamteigentum, art. 652 CC).

Legal rules on co-ownership of intellectual property rights apply only in case of absence of a contractual regulation or of specific legal rules, as e.g. in respect of employees' inventions and designs exist (art. 332 Code of Obligations, CO). Accordingly, inventions the employee has made and designs he

has created, or in the elaboration of which he has participated while performing his employment activity and contractual duties, belong to the employer, regardless of whether or not they may be protected.

a) Co-ownership of patents

As a principle, the inventor is entitled the right to obtain a patent (art. 3 para. 1 Patent Law, PL). Do several inventors make the invention jointly, they are joint owners of the right to obtain a patent (art. 3 para. 2 PL).

Co-inventors can only be persons who have actively contributed to the technical solution of the problem through independent intellectual work. Financial support of a project, execution of third parties' instructions or simple suggestions do not qualify as contributions to the technical solution of the problem. Co-inventors must contribute to the concept of the invention.

Some authors suggest that the co-ownership of patent rights is a joint ownership according to art. 646 CC. Other authors opine that the co-ownership of patent rights is most likely a joint ownership sui generis (Bruchteilsgemeinschaft sui generis), where co-ownership is a joint ownership with some elements of ownership in common, namely in respect of the exploitation of the patent rights. In that sense, any co-inventor owns a share of the patent itself, which he can freely pledge according to the rules of the joint ownership, but he cannot license this share to any third party without the prior consent of the other co-owners. He is therefore bound as an owner in common in the respect of exploitation of his patent share.

In most cases co-ownership is structured as an ownership in common, as the single contributions of each co-inventor can hardly be determined and separated from the others.

Regardless of the applicable co-ownership form, each co-owner may exercise his patent rights only with the consent of the other co-owners. However, each co-owner may independently dispose of his part and take action against violation of the patent at his discretion (art. 33 para. 2 PL).

Even so, the Federal Institute of Intellectual Property (IGE) requests the express consent of all co-inventors for the transfer of a share in a patent, insofar as the owner of this share cannot give evidence that all co-owners have the unrestricted right to transfer the rights on their shares (IGE-communication published in sic! 2000, 144 seq.).

Each co-inventor has personal rights in respect of the invention (Erfinderpersönlichkeitsrecht) and can in principle exercise them without obtaining the consent of the other co-owners. However, such personal rights are limited to the entitlement to be named as a co-inventor and do not have practical relevance.

Have co-inventors transferred their rights in the patent to their employers, a co-ownership is per se established between the employers. Such a co-ownership is governed by the rules of common ownership (general partnership, according to art. 552 CO).

No jurisprudence of the Swiss Supreme Court exists on the legal issue of co-ownership in patent rights.

b) Co-ownership of copyright

Co-ownership of copyright is expressly ruled by Copyright Law (CL). Accordingly, several persons are considered co-authors of a work, if they all contribute as authors to the creation of such work (art. 7 para. 1 CL). Management, financial or technical contributions do not give rise to co-ownership.

Co-authorship essentially requests a common concept of the work and the intention of the involved authors to contribute – in timely action – to the creation of a common work.

Save otherwise agreed, common ownership of the work is presumed and co-authors may only use the work with the consent of all authors (art. 7 para. 2 CL). Despite this, consent may not be refused for reasons contrary to the rules of good faith (art. 7 para. 3 CL).

Where individual contributions may be separated and there is no agreement to the contrary, each joint author may use his own contribution independently provided that such use does not impair the exploitation of the joint work (art. 7 para. 4 CL).

Co-ownership rules apply in analogy to derived works (art. 4 CL) or collections (art. 4 CL), even if those works imply the cooperation of several authors. Further, if one or more authors take over the production of a work according to a plan submitted to them by a publisher, they may only claim the royalty agreed upon. The copyright on the work stays with the publisher (art. 393 para. 2 CO).

Where several persons have artistically participated in a performance, the right of protection shall belong to them jointly (art. 34 para. 1 CL). Notwithstanding, the producer of phonograms and videograms shall have the exclusive right to reproduce the recording and to offer for sale, sell or otherwise distribute such reproductions (art. 36 CL).

c) Co-ownership of designs

According to the Design Law, where several people have created a design together, they shall be authorised to file it jointly, unless agreed otherwise (art. 7 para. 2 Design Law, DL). Despite this specific rule, there is no clear indication on whether the co-ownership between designers is to be considered a common ownership (art. 646 CC) or a joint ownership (art. 652 CC).

Most authors agree that, in absence of any contrary provision, the presumption of ownership in common applies, at least during the development period until the filing of the design for registration.

After the registration of the design, co-designers have to decide whether they will continue to hold the rights in the design as owners in common or as joint owners. If no express decision is taken, co-designers continue to own the design as owners in common.

Regardless of the co-ownership form chosen, a co-designer may only exercise the design rights with regard to manufacture, sale and other exploitation activities (art. 9 DL) with the consent of all co-designers (art. 11 DL).

No jurisprudence of the Swiss Supreme Court exists on the co-ownership of designs.

d) Co-ownership of trademarks

In respect of trademarks, the law does not provide for any specific rules. The co-ownership rules essentially depend on the legal qualification of the partnership or relationship between the co-owners, i.e., whether they own the trademark right as partners of a general partnership (according to art. 552 CO) and therefore as co-owners in common, or as joint owners.

Collective marks (art. 22 Trademark Law, TL) and guarantee marks (art. 21 TL) are generally owned by one person (an association), but are used by all the members of such association. Co-ownership rules do not apply to these categories of trademarks.

Under art. 28 TL, any person may file a trademark. However, where several persons are owners of a trademark right, they may be requested to designate a joint representative (art. 4 Trademark Ordinance, TO).

No jurisprudence exists on co-ownership of trademark rights.

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?

Generally speaking, co-owners dispose of their IP rights according to the applicable co-ownership rules (see answer to question 1 above). Accordingly, joint owners have the rights and are under the obligations of an owner in respect of their own shares: They can freely alienate or pledge them. On the other side, owners in common can dispose of the rights of the owners, the right of alienation in particular, only with the consent of all the owners.

Insofar as exploitation by one co-owner is permitted by law, the other co-owners are entitled to participate in equal shares in any net income generated by such exploitation, unless otherwise contractually agreed. Expressly permitted are therefore all kind of urgent measures needed to keep in force the co-owned rights, such as renewals or the filing of opposition or nullity actions.

Regarding the use and exploitation of IP rights, Swiss law provides for specific rules in respect of patents and copyright.

a) Patents

As a general rule, co-inventors may exercise their rights only with the consent of all owners (art. 33 para. 2 part 1 PL). As a result, licences may only be granted with the consent of all co-owners (art. 34 para. 2 PL). Notwithstanding, the following exceptions apply:

– any co-owner may independently dispose of his part, i.e. he may pledge or sell it (art. 33 para. 2 part 2 PL);

– any co-owner is permitted to take any action against the violation of the patent rights and for the maintenance of such rights, e.g. the payment of the renewal fees (art. 33 para. 2 part 2 PL);

– any co-owner of an invention may file a patent application if the consent of the other co-owners is unreasonably withheld or if there is a risk that the invention becomes public or looses priority rights (T. Calame, SIWR IV, Basel 2005, 189).

b) Copyright

Unless agreed otherwise, co-authors may only use the work with the consent of all. However, such consent may only be withheld in good faith (art. 7 para. 2 CL). Moreover, each co-author may independently bring an action for infringement, but only for the benefit of all the others (art. 7 para. 3 CL).

Where individual contributions can be separated, each co-author may use his contribution independently, provided such use does not impair the use of the joint work (art. 7 para. 4 CL).

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 whenever the second exploits or not 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?

Benefits resulting from the exploitation of IP rights are shared between the co-owners, so far as they relate to the exercise of rights, which can be undertaken only with the consent of all co-owners.

As a consequence, exploitation of IP rights by one co-owner generally implies a share of benefits among all co-owners. In accordance with this legal rule, each co-author may independently bring an action for infringement, but only for the benefit of all (art. 7 para. 3 CL). Furthermore, the consent to any use of the work may not be withheld for reasons contrary to the principle of good faith (art. 7 para. 2 CL).

In respect of patent applications filed by one co-owner in his own name only, the other ones are entitled to be registered as co-owners. This may also qualify as a benefit for all co-owners.

Whether any co-inventor may independently use the patent for his own purposes is still a disputed question among Swiss authors. Most authors opine that in accordance with art. 33 para. 2 part 1 PL, unanimity is also requested for the exploitation of the patent by any co-owner, as patent exploitation cannot be split in shares. However, a diverging doctrine is in favour of a private use. Even so, the consent to the use of the patent by a co-owner should not be withheld for reasons contrary to the principle of good faith, in analogy to art. 7 para. 2 CL. In order to prevent abuse refusal consent by a single co-owner, a co-ownership agreement is the key.

No legal text indicates that the co-owner who independently exploits the patent for his own purposes is obliged to share the benefits with the other co-owners. However, a certain economic balance appears to be appropriate, at least in case of a commercial use of the IP rights (see answer to question 10 hereinafter).

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.

Because under Swiss law co-owners are presumed to exploit and dispose of the IP rights as owners in common, licences to third parties can not be granted without the express or implied consent of all co-owners (art. 652 CC).

Patent Law expressly sets out that, where a patent application or the patent itself is owned by several persons, a license may not be granted without the consent of all co-owners (art. 34 para. 2 PL).

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.

Co-owners may transfer their IP rights according to the applicable co-ownership rules (see answer to question 1] above). Hence, joint owners are legitimate to freely alienate or pledge their shares in IP rights, but owners in common can transfer them only with the consent of all co-owners and only in their entirety (art. 653 para. 2 CC). Moreover, no co-owner can demand partition or alienate his shares while the community of ownership continues (art. 653 para. 3 CC).

In absence of a specific agreement between the co-owners, legal provisions governing ownership in common apply to jointly owned IP rights. Some exceptions apply. Thus, each co-inventor can independently dispose of his part and transfer it to any third party without the consent of the other co-inventors (art. 33 para. 2 PL). Further, where individual contributions to joint works can be separated and there is no agreement to the contrary, each co-author may use his contribution independently and even transfer it to third parties, provided that such transfer does not impair the use of the joint work (art. 7 para. 4 CL).

Even so, the Federal Institute of Intellectual Property (IGE) generally requests the express consent of all the co-owners for the transfer of a share in a registered patent, insofar as there is no clear evidence of joint ownership (communication IGE, sic! 2000, 144 seq.).

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.

As already mentioned in respect of the transfer of IP rights, co-owners may pledge or use as security IP rights according to the applicable co-ownership rules (see answer to question 1] above). Therefore, joint owners are free to pledge or use their shares in IP rights as securities and owners in common can pledge the IP rights only with the consent of all co-owners (art. 653 para. 2 CC).

In absence of any agreement between the co-owners, rules for ownership in common are presumed to apply to joint IP rights. As a result, IP rights cannot be pledged or given as security without the consent of all co-owners.

In respect of shares in patent rights, each co-inventor may independently dispose of his share and transfer it to any third party without the consent of the other co-inventors (art. 33 para. 2 PL). The consent to pledge joint work may not be refused by co-authors for reasons contrary to the rules of good faith (art. 7 para. 3 CL).

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 penalize 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.

In respect of registered IP rights, such as trademarks and patents, only registered co-owners may file a legal action for the enforcement of IP rights. If several persons own IP rights, they all need to agree to take action for their enforcement as such action represents an expression of the exercise of the co-owned legal rights.

Notwithstanding, in respect of patent rights any co-owner is permitted to take any action against the violation of jointly owned patent rights and for the maintenance of such rights, e.g. the payment of the renewal fees (art. 33 para. 2 part 2 PL). Also each co-author may independently bring an action for infringement, but only for the benefit of all co-owners (art. 7 para. 3 CL).

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.

In respect of patent rights, any co-owner is permitted to take any action for the maintenance of such rights, in particular to pay any renewal fees and this without the consent of the other co-owners (art. 33 para. 2 part 2 PL).

This principle should also apply in respect of the trademark registrations, as the non payment of the renewal fee would impair the rights of all co-owners, in particular of the co-owner willing to maintain the registrations.

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?

As part of the intellectual property statute (Immaterialgüterrechtsstatut), ownership and title aspects of IP rights registered in Swiss registers – or created according to Swiss law – are exclusively ruled by Swiss law (art. 110 para. 1 International Private Law, IPL). As a consequence, exploitation rights of co-owners in respect of the jointly owned IP rights registered in Switzerland are governed by Swiss law, regardless of the nationality or residence of the co-owners.

On the other side, contracts concerning intellectual property rights such as co-ownership agreements, are subject to the law chosen by the parties (art. 122 para. 2 and 116 para. 1 IPL). In absence of a choice of law, contracts shall be subject to the law of the state in which the party transferring the intellectual property right or granting the use thereof has its ordinary residence (art. 122 para. 1 IPL). This principle also applies if the co-owners are bound in a partnership (art. 150 para. 2 IPL).

If the parties have not agreed on jurisdiction – e.g. in the co-ownership agreement –, Swiss courts at the defendant's domicile shall have jurisdiction over actions concerning intellectual property – including ownership-related disputes (art. 109 para. 1 IPL). If the defendant has no domicile in Switzerland, the Swiss courts at the business seat of the representative recorded in the Swiss register or, in the absence of such representative, those at the seat of the Swiss registration authorities – in Berne – shall have jurisdiction over actions concerning the validity or registration of intellectual property rights (art. 109 para. 3 IPL). However, if the parties have residence in a contracting party of the Lugano Agreement (EU-countries), the jurisdiction rules of the Lugano Agreement apply.

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.

Under Swiss law, the following issues related to the exploitation of IP rights are not or not satisfactorily ruled:

a) Bankruptcy of a co-owner

Swiss law does not provide for specific rules in respect of co-owned and exploited IP rights in case of bankruptcy of a co-owner. However, legal provisions exist stating that trademark rights (art. 19 para. 1 TL), design rights (art. 17 DL) and copyright (art. 18 CL) may be subject to compulsory execution measures by creditors.

b) Allocation of benefits

There are no specific provisions in respect to the allocation of benefits among co-owners.

A solution as provided for by the German copyright law would be acceptable also under Swiss law. § 8 (3) German Copyright Act of 1965 has the following wording: "Die Erträgnisse aus der Nutzung des Werkes gebühren den Miturhebern nach dem Umfang ihrer Mitwirkung an der Schöpfung des Werkes, wenn nichts anderes zwischen den Miturhebern vereinbart ist." ("Earnings from the exploitation of a work belong to the co-authors according to the extent of their participation in the creation of the work, unless otherwise agreed between the co-authors)".

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.

As a general rule, the principle of freedom of contracts should apply. Only in absence of a specific agreement between the co-owners legal provisions for both the qualification of the ownership statute and the exercise of the co-owned IP rights should come to application. Mandatory provisions, in particular with respect to the recognition of the co-ownership, should be provided for the IP-rights originated by employees.

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 other 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.

In respect to the exploitation of IP rights no mandatory rule should apply.

As a principle, the exploitation of an IP right should be possible only with the express or implied consent of all co-owners.

Notwithstanding, good faith rules should be developed in order to avoid the misuse of power by single co-owners, in particular with regard to the maintenance and the enforcement of the co-owned IP rights.

a) Should this requirement of the agreement of all co-owners apply to all acts of exploitation and acts in defense 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?

Express or implied consent of all co-owners should be necessary for all acts of exploitation, enforcement, transfer, licence or disposal of IP rights.

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.

In our opinion, each co-owner should be permitted to initiate any legal action against the infringement of the co-owned IP rights, as such measures are necessary to maintain such IP rights in the interest of all co-owners.

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