

Question Q194

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

Netherlands Group

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I) The Current substantive law

- 1) **Groups are invited to indicate if, in their national laws, the rules related to co-ownership of IP-rights make any distinction in the applicable rules to the co-ownership in case of the origin is not voluntarily 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 the Netherlands, there are no specific definitions applicable to the co-ownership of intellectual property rights.

In the Dutch Civil Code ("**DCC**") there is a specific section (Book 3, Title 7, section 1-3) which addresses the so-called "*community*", which exists where there is the co-ownership of certain physical goods and/or rights. These rules are not specific for intellectual property rights, but apply to all co-owned assets.

In intellectual property laws, a limited number of specific rules for co-owned intellectual property rights are provided. These address the exploitation of the right, including the right to grant licenses.

The general rules on co-ownership and the specific rules on co-owned intellectual property rights **do not** distinguish between situations of co-ownership which arise involuntarily (such as through heritage) or voluntary (by e.g. joint creation/inventorship, transfer of a share etc.)

However, a different distinction is made in the DCC between the community in general and certain specific types of community. These specific communities are the estate in case of heritage, a dissolved marital community, a partnership or shipping company. These communities are generally characterised by a large collection of co-owned goods.

In these specific communities the co-owners may not freely transfer their ownership share in an individual good belonging to the community, without the consent of the other co-owners. In the more "classic" community where one or more individual rights are co-owned, the main rule is that co-owners are free to transfer their share to a third party, unless agreed otherwise (article 3:175 DCC).

- 2) **No common position could be achieved by the Singapore EXCO 2007 on the question if the right to exploit the patent should also cover the right to subcontract, specifically the manufacturing of the product covered by the patent.**

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

In Dutch laws, there is no specific regulation of subcontracting or outsourcing by a co-owner in Dutch Law.

Article 66 of the Dutch Patent Act 1995 provides, insofar as relevant, that:

- a) when a patent is co-owned, the legal relationship of the co-owners is determined by their agreement;
- b) if there is no agreement or the agreement does not provide otherwise, each co-owner has the authority to perform the "reserved acts" in respect of the patent (which will be explained hereafter; generally speaking this concerns the manufacturing and exploitation of the invention); but
- c) the grant of 1) a license or 2) permission to supply essential parts of the invention to a third party shall be subject to the consent of all co-owners.

In the Netherlands, the exclusive right of the owner(s) of a patent is described as an exhaustive list of "reserved acts" in respect of the patented invention.

Article 53 of the DPA provides that, with certain exceptions (such as a granted license or a right of prior use), the patentee has the exclusive right:

- to manufacture, use, put into circulation or sell further, to rent out, to deliver or otherwise trade in the patented product, or
- to offer, import or keep the patented product in stock for such purposes

For method patents, a similar provision applies to the patented method and products directly derived from performing the patented method.

The patentee has the exclusive right to perform these so-called "reserved acts" *in or for his business*.

The question is whether the wording "*in or for his business*" implies that the right to sublicense or to outsource is a separate category of "reserved acts" which are within the scope of the rights of the owners, which can be utilised

without having to grant a separate license to a subcontractor or outsourcing partner.

Whilst the wording "*in or for his business*" could perhaps literally be stretched to include some forms of subcontracting or sublicensing, it nevertheless appears that this wording is merely intended to specify that a patentee cannot oppose reserved acts which are performed in a *non-commercial, private setting* (Gielen, T&C Intellectuele Eigendom, 2nd ed, ROW 1995 art 53, note 2.)

If that is indeed so, the system would be such that the performance of reserved acts by a third party (such as a subcontractor or outsourcing partner) would require a license or consent of the owner, since subcontracting or outsourcing will generally involve acts which require a license.

In case of co-ownership, the law specifically provides that each individual co-owner must consent to the grant of a license.

In the Netherlands subcontracting and/or outsourcing are likely to be outside the scope of the exploitation rights (the "reserved acts") of a (co-)owner. Subcontracting or outsourcing will under most circumstances require the third party to obtain a license. Licensing requires the consent of all co-owners, unless the co-owners have agreed otherwise.

3) Therefore, (...), 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 license by a co-owner of an IP Right.

In the Netherlands, as far as granting a license is concerned:

- a) copyrights and trademarks are governed solely by the generic laws on community/co-ownership, and pursuant to Article 3:170 (2) of the Dutch Civil Code ("**DCC**"), exploitation acts (such as granting licenses) shall require the consent of all co-owners; and
- b) Article 66(2) of the Dutch Patent Act 1995 ("**DPA**") provides specifically that a license can only be granted with the permission of all co-owners.

In the relevant laws, **no distinction** is made between exclusive and non-exclusive licenses.

However, co-owners are at liberty to provide for their own arrangement and may deviate from the "default" provisions of the DCC or the DPA.

- 4) **The groups are invited to precise their position on the questions of the transfer or assignment of a share of the co-owned IP Right, taking into 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).**

Article 64 (1) of the Dutch Patent Act 1995 ("**DPA**") provides that a share in a patent or a patent application can be transferred.

Art 3:175 of the Dutch Civil Code ("**DCC**") provides that a co-owner of may freely transfer or assign his share in a co-owned rights, unless this is inconsistent with the legal relationship between parties.

There is no case law indicating that *the mere* co-ownership of an IP right is such a legal relationship which would implicitly restrict the parties' rights to transfer their share. Obviously parties can restrict their right to transfer a share in a co-owned intellectual property right *by agreement*.

The law does not clearly prohibit the further subdivision of shares in a co-owned property right, but the dominant position among academics appears to be that only an entire share can be transferred by a co-owner, and this share cannot be subdivided further (See Vermogensrecht, Kluwer (Losbl) Art 175, note 3 (Lammers)). This could naturally be different if all the co-owners would agree to such further subdivisions.

In case of patent rights, this issue is highly relevant, since pursuant to Art 66(2) DPA each co-owner has an individual exploitation right, the other co-owners not being entitled to any compensation. Therefore, if a co-owner would be allowed to further subdivide his share and transfer parts of his share to third parties, he could in principle create numerous co-owners who would all be entitled to exploit the invention, without the consent of the original co-owner(s).

For trademarks and copyrights these issues are of less significance, since the exploitation of co-owned trademarks and copyrights is normally subject to the consent of all co-owners. Further subdivision of shares therefore will not create additional parties entitled to commercial use of the trademark or copyright.

The Dutch Group considers that a position where Dutch laws would allow the further subdivision of a share in a patent, which could then be transferred to one or more third parties in order to create additional exploitation rights without the consent of the original other co-owner(s) of a patent, would be both undesirable and inconsistent with the system of the DPA. Such an interpretation of the generic rules on co-ownership is not likely to be followed when tested in the Dutch Courts.

As explained above, a share in a co-owned property can be assigned to a third party without the consent of the other co-owner.

At least for co-owned patents, the Dutch group considers that this provision should be interpreted in a strict manner, i.e. only the transfer of the (i.e. entire) share in a patent is possible. Unless the other co-owners consent thereto, a co-owner should not be entitled to subdivide his share further, as this would create additional exploitation rights. Obviously this will adversely affect the value of the exclusive rights of the original co-owner, especially if the share in the patent is subdivided into ever smaller fractions, creating a virtually unlimited number of third parties entitled to practice the patented invention.

This is contrary to the system of the DPA, which provides for a strong monopoly right of the owner, which right is restricted by way of limited and narrowly construed exceptions. In this context the Dutch group considers it particularly relevant that whenever such an exception takes the form of a third party license, all the co-owners should consent thereto. It would be inconsistent to circumvent this strict exception with the right of a co-owner to subdivide his share in the patent and allow him to effectively grant a license to an unlimited number of third parties, without having to obtain consent of the other co-owners.

- 5) 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 invited to explain if their national laws had to treat such situations and what were the solutions adopted in those cases

In general, substantive Dutch competition law is similar, if not identical, to substantive European competition law. European block exemptions apply also under Dutch competition law in the absence of interstate effect.

In the context of co-owned intellectual property, Commission Regulation 2659/2000 on the application of article 81 (3) to categories of research and development agreements as well as Commission Regulation 772/2004 on the application of article 81 (3) to categories of technology transfer agreements may apply.

There is – to the best of our knowledge – no administrative practice and case law in the Netherlands or at European Union level, which specifically addressed the co-ownership of intellectual property rights.

However, it may not be excluded that under Dutch competition law, depending on the facts and circumstances of individual cases, either the Netherlands Competition Authority or the national judiciary would rule that co-ownership of IP rights might be anti-competitive. For example, under the R&D Block Exemption joint exploitation by granting an exclusive licence will not fall within its safe harbour, if and when this results in the creation of a dominant position in a particular technology market. Possibly, a parallel may be found between such joint exploitation and a situation of co-ownership, particularly if a share in essential intellectual property is acquired rather than the result of a joint development.

A similar analogy may be found between the treatment of patent pools under the Technology Transfer Block Exemption and co-ownership. [DEZE ZIN MOET DENK IK OFWEL TOEGELICHT OFWEL GESCHRAPT WORDEN]

- 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.**

(...)

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 17 June 2008 (No 593/2008), so called "Rome I" may be applicable to the Co-Ownership agreements.

There is no Dutch case law on private international law rules on co-ownership of IP rights, so the rules must be derived from more general principles of Dutch private international law. However, for some rights there are statutory rules which provide more certainty.

The main Dutch rule of private international law with regard to property is the rule of *lex rei sitae*. Property rights are determined by the law of the country where the property is situated.

Intellectual property is a species of property, so this rule should also apply to IP, although the nature of the rights might require some peculiarities and some “translation” of the rule as it would work for ordinary property.¹

Thus ownership of an IP right that is created by registration is determined by the law of the country of registration.

The ownership of a Dutch national patent granted under the DPA is subject to Dutch law, regardless of the domicile or nationality of the co-owners.

A European patent that has been designated for and registered in different countries, is regarded as a bundle of national patents, ownership of which is subject to the laws of the various countries where it is registered. As a result of Article 74 of the European Patent Convention (“EPC”) but also in accordance with the rules of Dutch private international law, ownership of a European patent co-owned in different countries is not regulated by one law. Only the ownership of the Dutch patent from the European Patent bundle of rights is determined by Dutch law.

A different approach would be contrary to the EPC and other instruments, such as the European Union Brussels Regulation on jurisdiction,² which provides that only the courts of the country of registration have jurisdiction to decide validity issues. In case of a European patent, that rule indeed means that the action has to be dealt with by all the different courts of the countries where validity is an issue, as recently confirmed by the European Court of Justice.³ Although that case did not relate to co-ownership, it confirms that there is no basis for a one law statute for ownership of European patents.

Community trade marks and community design rights are not bundles of rights registered in designated countries, but a unitary right only registered in the EU Office for the Harmonization of the Internal Market (OHIM) in Alicante, Spain. Both the Community Trade Mark Regulation (CTMR)⁴ and the Community Design Regulation (CDR)⁵ contain specific provisions on co-ownership that supersede Dutch national law, including Dutch private international law. Under article 16 CTMR and article 27 CDR, the registered community right is regarded as a national right of the country of domicile of the first listed co-owner in the OHIM register with a domicile in the European Union. If none of the co-owners have a domicile in the EU, the decisive factor will be an establishment in the EU. If that does not solve the issue, the right is regarded as a Spanish national right. Under Dutch private international law, ownership will then be governed by the law of the country indicated by these rules.

For an unregistered community design right it is of course impossible to decide who the first listed co-owner is, as there is no registration. Article 27 section 3 (a) CDR provides that the right will be subject to the law of the country of domicile or establishment of the co-owner appointed for that purpose by all the co-owners by mutual agreement, again provided this is an EU member state. Although this may seem strange, it is not that much different from the rule for registered rights, because apparently the idea is that co-owners will also have agreed in which order they will be listed in case of a registered right. If no agreement can be reached, the right will again be regarded as a Spanish national right.

¹ Cf Van Engelen, *Intellectuele eigendom en internationaal privaatrecht*, 2007, p. 101 – 104.

² Regulation 44/2001 EC.

³ ECJ 13-7-2006, case C-4/03, *GAT v. Luk*.

⁴ Regulation 40/94 EC.

⁵ Regulation 6/2002 EC.

For these rights indeed the statute of ownership in different countries is regulated by one law.

There are no truly Dutch national trade marks or design rights, only regional rights for the whole of the Benelux (Belgium, The Netherlands and Luxemburg), subject to the BCIP. Unfortunately, this treaty does not contain any conflict rules. The Benelux Office for Intellectual Property, which registers these rights, is domiciled in The Hague, The Netherlands, so that would mean that under Dutch private international law co-ownership is governed by Dutch law regardless of the domicile or nationality of the co-owners. However, if there is no other connection with The Netherlands, for instance because a trade mark is at issue that is only used in Belgium by Belgian co-owners, that would be seen as unacceptable under Dutch private international law and in that case the law governing co-ownership would be Belgian law.

The same problem existed under the predecessors of the Benelux Treaty on Intellectual Property, the Benelux Uniform Trade Mark Law and the Benelux Uniform Design Law. Authors have argued in general that the rules of the draft Community patent agreement⁶ or the CTR⁷ should be applied by way of analogy on private international law issues regarding Benelux trade marks. However, as the rules on co-ownership in the CTR are quite peculiar, it would be quite unexpected for registrants to apply them in full. On the other hand, we can agree with Gielen's suggestion to use the domicile of the trade mark office (now the Benelux Office for Intellectual Property) as decisive factor, provided a correction is applied if the issue has insufficient connections with Dutch law, which Gielen also suggests.

Within the Benelux this indeed results in a statute of ownership regulated by one law, but that is limited to the Benelux.

Copyright is not a registered right, it ensues from the act of creation. The Dutch Copyright Act ("DCA") provides in article 47 that it applies to works that were first published in The Netherlands or that were published in The Netherlands within 30 days of their first publication abroad. In addition, the DCA applies to published and unpublished works created by Dutch nationals. This is in conformity with article 5 of the Berne Convention, which further provides the *telle quelle* rule, which awards protection to foreign works under national copyright law. Although these rules were not created to answer questions of co-ownership, they point in the same direction as described before, namely the *lex rei sitae*. In case of registered rights, this principle points in the direction of the place of registration, in the case of copyright it points in the direction of the place of creation. This in fact also seems to be the opinion of Verkade *et al.*, as they say that in the case of multiple co-authors, the applicable law according to Dutch private international law is the law of the country that is most closely connected to the creation of the work.⁸ This means that for copyrights there is a statute of ownership regulated by one law.

The question of co-ownership (in which context e.g. transfer and registration formalities must be considered) may be distinguished from the contracts between co-owners which regulate their rights and obligations in respect of the co-owned intellectual property.

⁶ Van Nispen, BIE 1990, 355.

⁷ Gielen, Merkenrecht, 1992, p. 301 – 302.

⁸ Spoor/Verkade/Visser, Auteursrecht, 2005, p. 709.

The Dutch group is of the opinion that parties to such co-ownership agreements are free to choose a single applicable law that governs the interpretation and the rights and obligations of the parties thereto.

In the context of such contracts, Council Regulation of 17 June 2008 (No 593/2008), so called "Rome I" is applicable to the Co-Ownership agreements, since this contract is not outside the material scope of this Regulation.

Absent a choice of law in such Co-Ownership agreements, the Dutch group considers that in order to determine the applicable law is the law of the country with which this legal relationship is most closely connected, i.e. (in descending order of importance):

- 1) the law of the country where all the co-owners had their place of business when the intellectual property right was created; or
- 2) in case the co-ownership results from the sale of a share in the intellectual property right, the law of the country where the seller had his place of business at the time of the sale; or;

If the application of 1) or 2) does not point to a specific law of a country, it appears to the Dutch Group that the applicable law to the contract may vary and should follow, as the case may be, the laws of the country where the right is registered (*lex rei sitae*) or where the intellectual property is enforced (*lex loci protectionis*).

- 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.**

The Dutch Group does not consider that there are other relevant issues which should be discussed at present.

II. PROPOSAL FOR 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.

In the context of co-owned intellectual property rights, the Dutch Group considers that, taking into account the recommendations made in the context inter alia the following principles should be observed in future harmonisation of national laws:

1. Co-owners of intellectual property laws should be free to choose the law of a single country, that shall govern their co-ownership contract;
2. The licensing of the co-owned intellectual property rights, irrespective of the exclusive or non-exclusive nature of such licensing, shall require the consent of the other co-owners;
3. In case of trademarks, design rights and copyrights, co-owned intellectual property rights may, absent an agreement which provides otherwise, only be commercially exploited by individual co-owners if all co-owners agree thereto.
4. In case of patents, each individual co-owner has an individual commercial exploitation right, which individual exploitation is personal and cannot be exercised by way of subcontracting or outsourcing (except with the consent of the other co-owners). There should be no obligation to compensate any non-practising co-owners, except where the co-owners have agreed to such compensation;
4. Absent an agreement to the contrary, shares in co-owned intellectual property right may be freely assigned to third parties, but cannot be subdivided into smaller portions except with the consent of the other co-owners;
5. Decisions on maintaining or enforcing the relevant intellectual property right should be possible for each individual co-owner.