**United States of America**
États–Unis d'Amerique
Vereinigte Staaten von Amerika

# Report Q194

in the name of the United States Group
by Margaret A. DOBROWITSKY, Ward Y. OLIVETE,
Joan M. MCGIVERN, Jennifer L. CO and Mary PARVANEH

# The Impact of Co–Ownership of Intellectual Property Rights on their Exploitation

## Questions

## 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.*

Generally – Each of the major IP rights (i.e., patent, copyright and trademark) under U.S. law is governed by its own statute and has its own case law interpreting the rights of co–owners, including the rules that govern their exploitation.

A) PATENT

Ownership of a patent initially vests in the inventor under the United States Patent Act. 35 U.S.C. §101 states that "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title" Under 35 U.S.C. §116, several inventors may jointly apply for a patent even though they did not physically work together at the same time, did not make the same kind or amount of contribution, and did not each make a contribution to the technology contained in every claim of the patent application. Under Rule 37 C.F.R. 1.45(a), joint inventors must apply for a patent jointly and each must make the required oath and declaration: neither of them alone, nor less than the entire number, can apply for a patent for an invention invented by them jointly. Under 35 U.S.C. §261, patents are given "the attributes of personal property". Section 261 states that applications for patent, patents, or any interest therein, are assignable in law by an instrument in writing, and that the applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his or her application for patent, or patents, to the whole or any specified part of the United States.

B) TRADEMARK

The law in the United States does not prohibit joint ownership of a trademark. Indeed, federal law expressly permits concurrent registrations of marks under certain, albeit limited, circumstances. See 15 U.S.C. § 1052(d). However, multiple ownership of legally–recognized rights in a trademark is contrary to the fundamental policy of a mark as identifying and distinguishing a single entity's goods and/or services. Accordingly, joint ownership of trademarks is viable only where the co–owners have in place a structure to ensure joint control over the nature and quality of goods and/or services under the mark. These rights are governed by state contract, not federal law, in the United States.

C) COPYRIGHT

The rules of co–ownership of copyright rights in the United States differ from the co–ownership rights respecting patents and trademarks. As an opening caveat, it is noted that as the apparent purpose of Q194 is to focus on exploitation of co–authored or jointly owned works, these responses do not detail the nuances in the United States case law governing co–authorship rights, that is, how evidence of co–authorship is proved or the different approaches taken by the federal circuit courts in the U.S. Accordingly, while an interesting area of study in itself, the focus of these responses is on the relationship of co–authors in respect of exploitation rights and remedies.

The U.S. Copyright Act defines a joint work as one "prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole." U.S. Copyright Act, 17 U.S.C. § 101, a*vailable at http://www.copyright.gov/title17/92chap1.html#101*. Where such an intention exists at the moment in time when the work is created, a joint authorship occurs, even if the joint authors are complete strangers. A person claiming to be a co–owner must show that he or she has made a *de minimis* authorship contribution. 1 *Nimmer on Copyright*, "Identification of Joint Authors," Vol. 1, § 6.07 [A] [1] (2006).

Notably for purposes of finding joint authorship, the courts have ruled that there is no requirement that the parties' mutual intent or respective rights of control be contained in any "collaboration agreement" or other writing; nor is there a requirement that the parties even have explicitly discussed the subject of co–authorship. *See Childress v. Taylor*, 945 F.2d 500, 508 (2d Cir. 1991)(the court noted that joint authorship does not require an understanding by the co–authors of the legal consequences of their relationship or any contractual agreement, and can exist even without any explicit discussion of these topics by the parties). Accordingly, a written agreement between the parties is the best "objective manifestation" of whether the parties intended to be co–authors of a joint work, and will probably be dispositive in most cases; unless such an agreement is carefully drafted, the agreement can be evidence of the lack of co–authorship. *See, e.g., Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1072 (7th Cir. 1994) (licensing agreement between parties was evidence of lack of co–authorship intent); *Thomson v. Larson*, 147 F.3d 195, 204 (2nd d Cir. 1998) (contemporaneous agreements by one of the alleged co–authors with third parties were found to be evidence of his lack of intent to be a co–author).

It should be noted that a joint work or co–authored work is not the same as a derivative or collective work. A "derivative work" is a work based upon one or more preexisting copyrighted works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications, which, as a whole, represent an original work of authorship, is a "derivative work". U.S. Copyright Act, 17 U.S.C.§ 101, (*available at http://www.copyright.gov/title17/92chap1.html#101*). A "collective work" is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole. U.S. Copyright Act, 17 U.S.C. §101, (*available at http://www.copyright.gov/title17/92chap1.html#101*). In the case of derivative and collective works, an intention that contributions be merged occurs only after the work has been written. The contributing author owns only his or her own contribution, and not an undivided interest in the combination of contributions, unlike a joint work where there is such a merger of ownership in an undivided interest. *See, id.*

*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?*

A) PATENT

Under 35 U.S.C. §262, in the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other joint owners. Although the US patent statute may originally vest ownership of a patent in two or more parties as co–owners, each of the co–owners may freely assign its interest by contract to one or more parties, including one or more of the other co–owners of the patent.

B) TRADEMARK

There are no federal statutes dealing with co–ownership of trademarks. In fact, the joint ownership of a trademark can raise difficult problems when co–owners refuse to cooperate. Courts have been willing to support co–ownership so long as the ownership reflects a joint effort governing the use of the mark(s), including a viable effort to avoid confusion. Cases have shown that where alleged co–owners of a trademark have been unable to coordinate quality, trademarks have been found to have been abandoned. In other cases, courts have awarded exclusive rights to the party most responsible for the goodwill attaching to a mark.

C) COPYRIGHT

Assuming that co–ownership exists, the statutory rules of the U.S. Copyright Act will permit each co–owner to exploit freely the work without the consent of the other co– owner, including entering non–exclusive licenses, with only the duty to account to the other co–owner for their ratable share of profits (*discussed below in point 2*). These are sometimes referred to as the "default rules." The only means by which co–owners can regulate, modify or otherwise control their relationship in regards to the exploitation of the work is by a written agreement. *See Meredith v. Smith*, 145 F.2d 620 ($9^{th}$ Cir. 1944); *see also* Gary H. Moore, *Joint Ownership of Intellectual Property: Issues and Pitfalls*, Practising Law Institute, at 232 (July–August 1999) ("the co–owners of a copyright are free to agree to a different allocation of rights among themselves than the… default rules").

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?*

A) PATENT

Under 35 U.S.C. §262, absent an agreement to the contrary among the co–owners, each joint owner of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other joint owners. Although the patent statute may originally vest ownership of a patent in two or more parties as co–owners, each of the co–owners may freely assign its interest by contract to one or more parties, including one or more of the other co–owners of the patent.

B) TRADEMARK

At common law, joint owners of a trademark enjoy the right to ownership to the same extent as any other "person" who possesses a proprietary interest in the mark, and they can license others to use the mark under their control and supervision of the nature and quality of the goods to which the mark is applied. Cases suggest that joint control of a jointly–held mark is the only means of preventing injury to the immeasurable interests of one member in the goodwill of the joint ownership. Overriding concerns of trademark law for consumer protection require that courts enjoin independent use of the joint mark. However, a document signed by only one of the owners can be considered as properly signed by the "registrant" if the single signer's action is later ratified and approved by each of the other joint owners.

C) COPYRIGHT

The co–owners of a copyrighted work in the United States may license unilaterally only if the license is nonexclusive, and subject to a duty to account to their co–owners for a ratable share of the profits from the license. 1 Nimmer on Copyright §§ 6.10 & 6.11 (2006) ("one joint owner may grant a nonexclusive license in the entire work without consent of the other joint owners"); *Cmty. for Creative Non–Violence v. Reid*, 846 F.2d 1485, 1498 (D.C. Cir. 1988); *Strauss v. The Hearst Corp.*, No. 85 Civ. 10017 (CSH), 1988 WL 18932, at *5–*6 (S.D.N.Y. Feb. 19, 1988) ("unauthorized use by a joint owner gives rise to an obligation to account to the other co–owner for the profits obtained by the unauthorized user"). Similarly, "[i]n the absence of an agreement to the contrary, one joint owner may always transfer his interest in the joint work to a third party, subject only to the general requirements of a valid transfer of copyright. However, one joint owner does not have the power to transfer the interest of another joint owner without the latter's consent." 1 Nimmer on Copyright § 6.11 (2006). Any transfer of copyright ownership that transfers the interests of both joint owners must be unanimous among co–owners; an exclusive license is defined by the law as a variety of transfer of the joint interests in the copyright and therefore, must be jointly agreed. *Id.*

Under Section 203 of the U.S. Copyright Act, "[i]n the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under [certain] conditions, and "notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant" and such a termination will cause the terminated rights to revert to the author, authors, and other persons owning termination interests... including those owners who did not join in signing the notice of termination."

See U.S. Copyright Act, 17 U.S.C. § 203, *available at http://www.copyright.gov/title17/92chap2.html#203*. It should be kept in mind that the giving of notice of termination is an area requiring procedural precision (e.g., it can be exercised only 35 years from publication of the work, or 40 years from the date of grant being terminated, whichever is earlier, and compliance with other conditions), and in short, requires careful study by itself even by U.S. practitioners otherwise well versed in copyright law. Nonetheless, the primary purpose for mentioning it here in that there are specific provisions that apply to the co–authors' exercise of termination rights in respect of grants, whether those grants are non–exclusive licenses or a transfer of a co–author's interest. In particular, Section 203(a)(1) provides that: in the case of two co–authors, only the co–author that executed the grant, may terminate that grant; and, in the case where two or more co–authors executed a grant, the majority of the co–authors who executed the grant are required to effect a termination of that grant.

*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.*

B) TRADEMARK

In addition to equitable relief, a court may award damages at law.

*Finally, in case compensation is required by the legal rule, how is the amount of compensation determined?*

A) PATENT

Absent an agreement to the contrary among the co–owners, each co–owner of a jointly–owned patent may exploit its undivided interest in such rights by contracting to assign or license its interest in the patent, in whole or in part. For example, each co–owner may grant exclusive or non–exclusive licenses under its interest in one or more fields, in a particular territory, technology, media, activity, time, or subdivided in any other way to which the co–owner and the other contacting party may agree.

Each co–owner may also decide to practice the patent rights himself.

Co–owners of patent rights have no duty to account to the other co–owner(s) for any economic benefit realized from exploitation of the jointly owned patent.

B) TRADEMARK

In determining damages, a court determines compensation by a review of the circumstances of the case, history of the parties' relations, and likely understandings of the parties with regard to the trademark.

C) COPYRIGHT

Under U.S. law, as noted above, there is a duty to account to co–owners for a ratable share of profits from the license. *Debitetto v. Alpha Books*, 7 F. Supp. 2d 330, 335 n.6 (S.D.N.Y. 1998) ("a joint owner must account to the other joint owner for a share of the profits realized from her sole use of the jointly owned work"); *Cmty. for Creative Non–Violence*, 846 F.2d at 1498; *Strauss*, 1988 WL 18932, at *6 ("unauthorized use by a joint owner gives rise to an obligation to account to the other co–owner for the profits obtained by the unauthorized user"). This principle can be problematic where one co–author grants a non–exclusive "free" license; in such a case, there may be no compensation and therefore, there are no profits for which to account to the other co–owner. For example, it remains unclear what recourse a co–author has when the other co–author permits a co–authored work to be licensed under a Creative Commons license, that is, for no compensation; such licenses also claim to be irrevocable, another problem under U.S. law as it conflicts with the ability to terminate grants of rights under 17 U.S.C. §203, See Creative Commons Website, *www.creativecommons.org*.

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?*

B) TRADEMARK

Unlike U.S. patent law, where each of the joint owners can fully exploit the patent without the permission of the other owners and without accounting to them for any of the profits earned from exploiting the patent, or U.S. copyright law, where the joint owner is permitted to exploit the copyright without permission of the other owners, but has a duty to share with the other owners any revenue it earns from such exploitation, U.S. trademark law is silent on the issue. Under the Lanham Act (national law), an owner does not infringe upon his co–owner's rights in a trademark by exercising his own right of use. Likewise, he does not dilute those rights by exercising his own right of use. Such legal claims are properly understood as an action for an accounting arising under state law, not federal law.

C) COPYRIGHT

See answer to point (2) above.

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.*

A) PATENT

Absent an agreement to the contrary among the co–owners, each co–owner of a jointly–owned patent may exploit its rights by contracting to assign or license its interest in the patent, in whole or in part (i.e., exclusively or non–exclusively, in one or more fields determined by territory, technology, media, activity, time or in any other way that the co–owner and the other contacting party may agree). A co–owner may face a practical problem in that other parties may not want to take an assignment or an exclusive license from only one of the co–owners of a jointly–owned patent since a single co–owner cannot effectively transfer exclusivity in the patent to another party because the other co–owner(s) may also freely exploit their rights in the patent.

B) TRADEMARK

Generally, trademarks may be licensed by their owners to third parties. The case law is unsettled whether a trademark co–owner may grant licenses without authorisation from other co–owners.

C) COPYRIGHT

See answer to point (2) above.

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.*

A) PATENT

Ownership rights in intellectual property are freely alienable by their owners. Although the patent statute may originally vest ownership of a patent in two or more parties as co–owners, each of the co–owners may freely assign its interest by contract to one or more parties, including to one or more of the other co–owners of the patent.

B) TRADEMARK

A joint owner may assign his or her interest in a mark. Also, a party who is the sole owner of a mark may transfer a portion of his or her interest (*e.g.*, 50%) in the mark to another party.

Moreover, a trademark owner may assign a separate portion of a business, together with the goodwill and trademarks associated with that portion of the business, but retain rights in the mark for uses pertaining to another part of the business. The case law is unsettled whether a trademark co–owner must first seek the approval of the other co–owners.

C) COPYRIGHT

In the absence of an agreement to the contrary among co–owners, each co–owner is free to transfer his or her share of the copyright without the consent of the other co–owners, and without offering the other co–owners a right of first refusal. *Geshwind v. Garrick*, 734 F. Supp. 644, 651 (S.D.N.Y. 1990) ("A joint owner of a work does not need the permission of his joint owner to use or license the work[.]").

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.*

C) COPYRIGHT

The ownership interest of a co–owner may be freely used as a guarantee by that co–owner. *See, e.g., Martin v. Cuny*, 887 F. Supp. 1390, 1394 (D. Colo. 1995) (holding joint owners "were free to exploit" their copyright without the consent of the other).

*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?*

C) COPYRIGHT

In the absence of an agreement to the contrary, no consent of the co–owners is necessary. See Oddo v. Ries, 743 F.2d 630, 633 (9th Cir. 1984) (*cited in* Gary H. Moore, *Joint Ownership of Intellectual Property: Issues and Pitfalls*, Practising Law Institute, at 231 (July–August 1999) ("In the absence of an agreement to the contrary, each co–owner of a copyright has an independent right, without obtaining the consent of the other co–owner(s), to exploit the copyright.")).

*The Groups are invited to describe their legal systems on this question.*

A) PATENT

Absent an agreement to the contrary among the co–owners, co–owned patent rights may be exploited by each co–owner with no duty to account to the other co–owner(s) for any economic benefit realized or the need to seek approval from the other co–owner(s) for its use. Therefore, each co–owner of a jointly owned patent may give a security interest in his or her undivided interest in the patent without having to obtain consent from the other co–owners.

Section 261 of the United States Patent Act provides that an interest in a patent is assignable, and that "an assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee" without notice of the assignment unless the assignment has been recorded in the USPTO. Courts have reasoned that whether or not the perfection of security interest in patents is within the scope of the United States Patent Act depends on whether the term "assignment" in that statute includes the grant of a security interest. Since the United States Patent Act contains no requirement governing the perfection of security interests, courts have concluded that these matters should be governed by Article 9 of the Uniform Commercial Code or "UCC" (adopted as law by most states) where they are fully addressed. (See Moldo v. Matsco, Inc., (In re Cybernetic Services, Inc.), 239 B. R. 917 (B.A.P. 9th Cir. 1999) the Bankruptcy Appellate Panel of the Ninth Circuit ("BAP") affirmed the bankruptcy court's holding.

Article 9 of the UCC "governs the method for perfecting a security interest in personal property." A creditor may perfect a security interest in a patent by making a filing through which the creditor achieves "priority" over other creditors, which is the ability of the creditor to assert its interest over those of other creditors with claims to the personal property. Perfection or priority defines the rights of a one creditor versus other creditors. A creditor, however, cannot achieve any rights greater than its borrower's interest in the personal property.

Without a clearly designated central jurisdiction in which to file a security interest in a patent under the Article 9 of the UCC, a lender would potentially need to undertake a time–consuming state–by–state search to uncover any prior perfected security interests in a patent. Because UCC 9–301 provides that the law of the jurisdiction where the debtor is located governs perfection, a creditor may decide to concentrate its searching activities in the state where the debtor is located. Thus, a lender may elect to start his or her searching in the state of the debtor's current location and then look at the debtor's address on the patent and search that state as well, if it is different. The foregoing process would then need to be repeated for each co–owner of the patent. However, this process would certainly not guarantee that the lender has done a complete search for prior perfected security interests in the patent.

Since the United States Patent Act is controlling as to title, perfection under Article 9 of the UCC will not protect the secured creditor against a bona fide purchaser who records with the USPTO. Although the USPTO records lien–type security interests on a discretionary basis, such a recording at the USPTO does not provide constructive notice making it apparently impossible to perfect a lien–type security interest in a manner that would be effective against a subsequent bona fide purchaser. See "R. Scott Griffin, *A Malpractice Suit Waiting to Happen: The Conflict Between Perfecting Security Interests in Patents and Copyrights (A Note on Peregrine, Cybernetic, and Their Progeny)*" 20 Ga. St. U. L. Rev. *765* (2003–2004.)

B) TRADEMARK

Trademarks may serve as collateral in a secured transaction under Article 9 of the Uniform Commercial Code, notwithstanding the fact that the trademark statute does not contain an express provision on security interests. In recognition of the value that intellectual property may possess, creditors routinely have been taking security interests in intellectual property, in addition to tangible property, in financing and other transactions. However, the case law is unsettled whether a trademark co–owner must first seek the approval of the other co–owners.

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 exigences in their countries in relation to the possibility of one of the co–owners of an IP right filing an infringement action.*

A) PATENT

Joint ownership of patents complicates the ability to bring enforcement proceedings in the United States, so potential enforcement issues should be carefully considered before agreeing to joint ownership of a patent. Absent an agreement to the contrary among the co–owners, each co–owner of a patent could effectively defeat another co–owner or co–owners' ability to bring an infringement suit by granting the defendant a license.

In addition, all of the co–owners of a patent must join as plaintiffs in order to bring an infringement suit against an allegedly infringing party. An absent co–owner is regarded as an indispensable party to an infringement suit due to the fact that each of the co–owners has the unilateral right to sue. If each co–owner is not joined in a single suit, the defendants would face the risk of the multiple suits. Although Rule 19(a) of the Federal Rules of Civil Procedure expressly permits the court to join "involuntary plaintiffs", this procedural rule has been found insufficient to override substantive patent law that gives each co–owner the right to license (and therefore not to sue) third parties. In addition, a co–owner may not be subject to the personal jurisdiction of the court and may therefore be impossible to join.

However, co–owners of a patent may agree by contract that one or each co–owner will have the unilateral right to sue infringers in its sole discretion, and obligate the other co–owners to join in the suit, or consent to being named as a party, in a suit brought by the other co–owner(s).

Courts have found that an infringement suit could proceed without the necessity of joining a co–owner as a party in the case where the co–owner filed a stipulation in the action specifically acknowledging that it would be bound by the outcome of the litigation and had no right independently to litigate any rights under the patents. See "Gary Moore, *Joint Ownership of Intellectual Property – Issues and Approaches in Strategic Alliances*" (Jan 1, 2001), available at www.cooley.com.

B) TRADEMARK

These legal claims are properly understood as an action arising under state law, not federal law. The case law is unsettled whether only one trademark co–owner may file a legal action by itself.

C) COPYRIGHT

The Copyright Act provides that, "[t]he legal or beneficial owner of an exclusive right under a copyright is entitled... to institute an action for any infringement of that particular right committed while he or she is the owner of it." U.S. Copyright Act, 17 U.S.C. § 501 (b), (*available at http://www.copyright.gov/title17/92chap5.html#*) 501. Unlike co–owners of patents, one co–owner of a copyright cannot block the other co–owner from suing for infringement by simply refusing to join in the suit.

Any co–owner may vindicate the rights under the copyright against infringement without the involvement of the other co–owners. *Mister B Textiles, Inc. v. Woodcrest Fabrics, Inc.*, 523 F. Supp. 21, 25 (S.D.N.Y. 1981); *Calloway v. Marvel Entm't Group*, 1984 Copyright L. Dec. (CCH) 25,622, 1983 WL 1152, at *4 (S.D.N.Y. Dec. 23, 1983). Accordingly, a co–owner of a copyright has standing to bring a suit for infringement in its own name without the consent of the other co–owner. *See Edward B. Marks Corp v. Jerry Vogel Music Co.*, 140 F.2d 268 (2nd Cir. 1944). The co–owners are not indispensable, because their rights "can be reserved in the judgment." Id. at 269. If the absent co–owner cannot be served, the action can nevertheless be decided as to the plaintiff co–owner. The plaintiff co–owner cannot, however, recover all the statutory damages or all of the defendant's profits. Rather its recovery is limited to recovering "plaintiff's own part; that is to say, to its own actual damages, to its proper share of any statutory damages, and to its proper share of the profits." *Id.* at 270. Notwithstanding the foregoing, the court retains the discretion to require the joinder or allow the intervention of another person claiming to be a co–owner. *See* 17 U.S.C. §501(b) (stating that the court "may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright").

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.*

A) PATENT

Failure to timely pay the maintenance fees for an issued patent will result in the abandonment of the patent. Anyone, including any one of the co–owners, may pay the fees to maintain an issued patent.

Patent applications may be abandoned through:

a) formal abandonment by the applicant (acquiesced in by the assignee if there is one), or

b) the failure of the applicant to take appropriate action within a specified time at some stage in the prosecution of the application. Where an applicant, himself or herself, formally abandons an application and there is a corporate assignee, the acquiescence must be made through an officer whose official position is indicated and is authorized to sign on behalf of the corporate assignee. The word "applicant" refers to the inventor or joint inventors who are applying for a patent. Thus, all of the joint inventors must file to formally abandon a patent application.

B) TRADEMARK

According to the Trademark Manual of Examining Procedure § 803.03(d), joint applicants are individual parties and not a single legal entity. It follows that all co–owners must join in the decision to ensure continuity of the existence of the IP rights. However, there is no guidance in the case law regarding the maintenance or renunciation of trademarks.

C) COPYRIGHT

This question is not applicable to copyrights.

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?*

A) PATENT

Ownership of a patent, solely or jointly owned, is determined in the first instance by the laws of the country granting the patent right.

The criteria in the United States for seeking the proper jurisdiction in cases of conflict between the co–owners concerning their rights would initially be whether the long arm statute of the defendant's state would permit the exercise of personal jurisdiction, and secondly whether the defendant had sufficient minimum contacts with the United States relative to the co–owned patent such that he or she could reasonably expect to be haled into a U.S. court.

In the United States, whether a court has personal jurisdiction over a defendant in a patent case is a question that has been found to be "intimately involved with the substance of the patent laws" and therefore determined by the Federal Circuit. Rule 5(k) of the Federal Rules of Civil Procedure provides that event when the claim asserted is a federal one, a federal court will look first to the relevant state statute to determine personal jurisdiction and make two inquires:

a) whether the long–arm statute of the state permits exercise of personal jurisdiction, and

b) whether the assertion of personal jurisdiction violates due process principles found in the U.S. Constitution.

Assuming that the long arm statute of the defendant's state would permit the exercise of personal jurisdiction, the test to determine whether the exercise of personal jurisdiction by the Federal Circuit would violate due process and thus whether it would be appropriate to assert personal jurisdiction over the defendant would be the "minimum contacts" test. The "minimum contacts" test is based on the notion that it is unfair for a court to assert personal jurisdiction over a party unless the party's contacts with the state in which the court sits are such that the party "could reasonable expect to be haled into court in that that state." This test was adopted by the U.S. Supreme Court based on the idea that such jurisdiction would not offend "tradition notions of fair play and substantial justice". Int'l Shoe Co. v. Washington, 326 U.S. 310 (1945).

B) TRADEMARK

There are no special rules regarding jurisdiction in cases of conflict between co–owners. Jurisdiction in this context is defined as the capacity of the state to impose its authority on a transaction because of its intimate connection with the litigants and/or the subject of litigation. The U.S. Constitution allows federal district courts to hear cases involving any rights or obligations that arise from the Constitution or other federal law. This is called federal question jurisdiction. Alternatively, federal courts also have diversity jurisdiction, which gives the courts authority to hear cases involving disputes among citizens of different states, or a citizen of a U.S. state and a citizen of a foreign country, if the amount in controversy exceeds US$75,000.

C) COPYRIGHT

Under the principle of national treatment, applied through the Berne Convention and other relevant trade treaties, the general rights and obligations accorded to nationals under U.S. law (i.e., its statutory copyright law) will be extended on the same basis to foreign nationals. Moreover, generally speaking, the U.S. Supreme Court has stated that it is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States. *See*, U.S. v. Martinelli, 62 M.J. 52 (2005). Thus, in accordance with this principle, U.S. copyright laws generally have no application to extraterritorial infringement, but U.S. courts will entertain complaints for acts of infringement alleged to be occurring in the United States by owners of foreign copyrights. Keeping in mind these general principles, where conflicts arise between the nationality of the owner and the national law applicable to the copyrighted work at issue, under US law, the ownership will be determined by the national law of the owner and the copyrighted work. *Itar–Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 90 (2d Cir. 1998) ("Copyright is a form of property, and the usual rule is that the interests of the parties in property are determined by the law of the state with 'the most significant relationship' to the property and the parties."). Accordingly, the resolution of a specific conflict of laws issue when different national laws govern the co–owned property will remain a fact specific inquiry. In any case, where there is a potential for such a conflict to arise, for instance, where the co–owners intend to simultaneously release or publisher the work in different countries – the co–owners would be well advised to agree upon the national law to be applied to the ownership of the work, as well as the national law and jurisdiction for, the resolution of their disputes.

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.*

A) PATENT

Because each co–owner of a patent may freely exploit its rights, a co–owner of a patent faces the practical problem that potential assignees or licensees may not be satisfied with an assignment or an exclusive license under the co–owner's interest in the patent since a single co–owner cannot effectively transfer exclusivity in the patent to another party.

B) TRADEMARK

Co–ownership of trademarks is discouraged because such a policy inherently conflicts with the fundamentals of trademark policy, most importantly, a single origin of goods and services.

C) COPYRIGHT

As in the case of patents, because each co–owner of a copyright may freely exploit its rights, subject only to an accounting of profits to the other co–owner(s), a co–owner of a copyright may come across third parties interested in purchasing the copyright and who may not be satisfied with just a non–exclusive license from only one co–owner of the jointly owned copyright since that individual co–owner cannot effectively transfer exclusivity in the copyright to a third party. However, this situation is simply the nature of the law of joint ownership in copyright, and is neither a problem nor a reason to change the copyright law in the United States.

## II) 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.*

A) PATENT

Freedom of contract should apply to allow co–owners of patents to determine on a case by case basis the rights of each co–owner relative to the other co–owners. The allocation of rights preferred by co–owners may vary from case to case depending on the facts. Some issues to consider are: whether other co–owners should be allowed to license a third party who is a defendant in a pending infringement suit brought by a co–owner while the suit is still pending, whether a co–owner should be allowed unilaterally to bring suit against a defendant, whether a co–owner should be required to give advance notice to the other co–owner(s) prior to bringing suit, and if so, how should such notice affect the right of the other co–owners to license the defendant, and how should the proceeds from a judgment or settlement of the suit be allocated. One or both parties may be unwilling to give the other co–owner the right to name it as a party in a suit, particularly since the unilateral right to sue will most likely be invoked in cases where the parties have disagreed on whether to bring suit. See "Gary Moore, *Joint Ownership of Intellectual Property – Issues and Approaches in Strategic Alliances*" (Jan 1, 2001), available at *www.cooley.com*.

B) TRADEMARK

Contractual rights, and not trademark laws, form the basis for rights and obligations regarding the joint ownership of trademarks in the United States. Accordingly, freedom of contract should apply to allow co–owners themselves to determine the scope of their rights.

C) COPYRIGHT

The U.S. "default rules" foster freedom of contract, that is, for co–owners to exploit a co–owned work independently as well as to protect that work in a court of law, without being stymied or hindered by a co–owner. While at the same time, because of the great freedom given to each co–owner under the default rules, co–owners have a great incentive to contract with each other in order to agree upon the exploitation of their work.

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?*

A) PATENT

No comment.

B) TRADEMARK

Instead of statutory rights for co–owners of trademarks, collaboration agreements and contracts should address these issues. If necessary, the agreements can include appropriate licenses to allow the parties to exercise their rights within the scope of their intended agreements. Alternatively, a new entity can be formed to hold the trademarks (as well as other IP) – the new entity can then license the trademark(s) appropriately.

C) COPYRIGHT

Nonexclusive licensing should be permitted unilaterally; exclusive licensing and complete transfer of ownership of the copyright should be unanimous.

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.*

A) PATENT

No comment.

B) TRADEMARK

Any action that is inconsistent with the fundamental policies of trademark law – i.e., avoiding confusion among consumers, indicating origin of the goods and services, indicating the quality and nature of the goods and services, etc. – should not be allowed. If enforcement of an infringement action initiated by less than all co–owners can support these principles, then it should be allowed.

C) COPYRIGHT

Enforcement by any co–owner should be permitted, particularly where as the case of infringement of a copyright, immediate action may need to be taken and the other co–owner may not be able to be quickly or easily located. Permitting enforcement actions by one co–owner in the United States is balanced by permitting courts to allow a co–owner to be joined or otherwise intervene in the action, as well as permitting the court to preserve in the judgment the interests of any co–owner.

## Summary

The United States National Group analysis of the issue of exploitation of co–owned intellectual property rights shows that:

1) Joint ownership of patent rights and copyrights is contemplated by the U.S. federal statutes governing these rights. There is no U.S. federal statute dealing with joint ownership of trademarks. Regulation by co–owners of their rights in the each of the three fundamental IP rights in the United States (patent, copyright and trademark) can be accomplished by contract.

2) Absent an agreement to the contrary among the co–owners, each co–owner of a jointly–owned patent may exploit its rights by contracting to assign or license its interest in the patent, in whole or in part, without the permission of the other co–owners and without accounting to them for any of the profits earned from exploiting the patent. Other parties may not be satisfied to take an assignment or exclusive license under a co–owner's interest in a jointly–owned patent because a single co–owner cannot effectively transfer exclusivity in the patent to the other party. Absent an agreement to the contrary among co–owners, all of the co–owners of a patent must join as plaintiffs in order to bring an infringement suit against an allegedly infringing party (although a co–owner may not be subject to the personal jurisdiction of a court, and therefore in practice, may be impossible to join). Any one of the co–owners of a patent may pay the fees to maintain an issued patent. All of the joint applicants must file to formally abandon a patent application.

3) Joint ownership of a trademark is contrary to its fundamental purpose of identifying a single entity's goods or services in commerce, and is viable only where the co–owners have a structure in place to ensure joint control over the use of the trademark. A joint owner of a trademark enjoys the same rights of ownership as other joint owners and can license others to use the mark, but cases suggest that joint control of a jointly–held mark is the only means of preventing injury to the immeasurable interests of one member in the goodwill of the jointly–owned trademark. Also, overriding concerns of consumer protection may require that courts enjoin independent use of the joint mark. Under U.S. Trademark Law, an owner does not infringe upon his co–owner's rights in a trademark by exercising its own right of use. Likewise, co–owner does not dilute those rights by exercising its own right of use. Actions for an accounting with respect to a trademark may be brought under state law, not federal law. Case law is unsettled as to whether a trademark co–owner may grant licenses without authorisation from other co–owners and whether only one trademark co–owner by itself may file a legal action for infringement. Case law provides no guidance regarding the maintenance or renunciation of trademarks by co–owners.

4) The co–owners of a copyright in the United States may unilaterally grant non–exclusive licenses to third parties, subject to a duty to account to their co–owners for a ratable share of the profits from that license, and may otherwise exercise their rights under the copyright as a sole copyright owner would, including bringing suit for infringement. On the other hand, exclusive licensing and complete assignment of the copyright requires unanimous consent between each and all of the co–owners.

5) Absent an agreement to the contrary among co–owners, the ownership interest of a co–owner in a patent or copyright may be freely used as a guarantee by that co–owner without the consent of the other co–owners. Trademarks may also serve as collateral in a secured transaction, although case law is unsettled as to whether a trademark co–owner must first seek the approval of the other co–owners.