

Question Q194

National Group: Finland
Finlande
Finnland

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

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Datum: 28 February 2009

I) Analysis of the current substantive law

1) The groups are invited to indicate if, in their national laws, the rules related to the co-ownership of IP Rights make any distinction in the applicable rules to the co-ownership of an IP Right in case the origin of the co-ownership rights is not voluntary but results from other situations, including the division of a right in case of a heritage.

In this context the Groups may also indicate if there are any legal definitions of co-ownership of the IP Rights adopted in their countries and what these definitions are.

As stated in the previous report of the Finnish AIPPI Group presented in the EXCO 2007 in Singapore on question Q194, the possibility of co-ownership of IP Rights is recognized under the Finnish legal regime, but there are no specific rules governing this relationship, except for Section 6 of the Copyright Act (404/1961). However, the law governing certain relationships based on co-ownership (180/1958) may be analogically applied to co-owned IP Rights. However, the co-owners may always freely agree upon the co-ownership relationship as freedom of contract prevails.

The provisions concerning co-ownership do not make any distinction in the applicable provisions to the co-ownership in case the origin of the co-ownership rights is not voluntary but results from other situations, *e.g.*, heritage.

However, with respect to undistributed estate, the Finnish Inheritance Code (40/1965) governs the exploitation of the property of the estate. Under Chapter 18, Section 2 of the Finnish Inheritance Code, the shareholders of an estate administrate the property of the estate jointly. Consequently, the exploitation of an IP Right of an estate is subject to all shareholders' consent, unless otherwise agreed. In any event, a measure which cannot be delayed may be undertaken even if the consent of all of the shareholders cannot be obtained. Additionally, a shareholder may be entitled to bring an action to the benefit of the estate. Other shareholders shall, however, also be summoned to be heard in the matter.

There are no specific legal definitions of co-ownership.

2) No common position could be achieved by the Singapore EXCO in 2007 on the question if the right to exploit the patent should also cover the right to subcontract, specifically the manufacturing of all or part of the invention being the subject matter of the patent.

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

As stated in the previous report of the Finnish AIPPI Group in 2007, one co-owner may exploit the right to his or her share by himself or herself without any prior consent from the other co-owners provided that such exploitation is customary and does not impede the exploitation of the rights by the other co-owners.

Notwithstanding the above, according to legal literature, use of the co-owned IP Right in the co-owner's own business does not typically require any permission. However, the definition of the scope of one's own business raises difficulties. In practice, some of the co-owners use subcontractors to exploit the invention, but whether such subcontracting can be regarded as use within the co-owner's own business has not been tested before the Finnish courts.

3) *In order to improve the work of the EXCO, the groups are invited to specify how the differences in the nature of licenses (non-exclusive or exclusive) influence the solution of their national laws in respect of the right to grant the licence by a co-owner of an IP Right.*

Provisions concerning co-ownership do not make any difference between non-exclusive and exclusive licenses and, as stated in the previous report of the Finnish AIPPI Group in 2007, in situations in which one of the co-owners is willing to grant a license to the IP Right in question or his or her share of it, permission from the other co-owners must be obtained. This could be deemed to reflect the provisions according to which the patent licensee or copyright assignee or licensee may not assign or license his or her rights unless otherwise agreed (Section 43 of the Patents Act, Section 28 of the Copyright Act).

4) *The Groups are invited to precise their position on the question of the transfer or assignment of a share of the co-owned IP Right, taking into the consideration the different situations which may occur (the transfer of the whole share of a co-owned IP Right or the transfer only of the part of the share of the co-owned IP Right).*

In situations of transfer or assignment of a share of the co-owned IP Right, freedom of contract prevails. As stated in the previous report of the Finnish AIPPI Group in 2007, each co-owner is basically free to transfer or assign his or her own share of the IP unless doing so impedes the exploitation of the rights by the other co-owners.

As a general rule under Finnish law, the competence to transfer or assign an object in whole also comprises the competence to transfer or assign such object in part. In light of the above mentioned, it can be argued that a co-owner may transfer or assign a part of his or her own share unless doing so impedes the exploitation of the rights by the other co-owners. Said argumentation has not, however, been tested before the Finnish courts.

5) *The exercise of an IP right co-owned by two or more co-owners each of whom has in principle the right to exploit the co-owned right, may also raise difficulties from the point of view of competition rules.*

The co-owned IP Rights may give the co-owners the dominant position on the market and their agreement on the co-owned IP Rights (when for example it prohibits the licensing) may also be seen as eliminating the competitors from the market.

The groups are therefore invited to explain if their national laws had to treat such situations and what were the solutions adopted in those cases.

With respect to agreements between business undertakings, decisions by associations of business undertakings and concerted practices by business undertakings, Section 4 of the Act on Competition Restrictions (480/1992) provides that all agreements between business

undertakings, decisions by associations of business undertakings and concerted practices by business undertakings which have as their object the significant prevention, restriction or distortion of competition or which result in the prevention, restriction or distortion of competition shall be prohibited. In particular, agreements, decisions or practices which: 1) directly or indirectly fix purchase or selling prices or any other trading conditions; 2) limit or control production, markets, technical development, or investment; 3) share markets or sources of supply; 4) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; or 5) make the conclusion of agreements subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject matter of such agreements shall be prohibited.

Respectively, as regards abuse of dominant position, Section 6 of said Act provides that any abuse by one or more business undertakings or an association of business undertakings of a dominant position shall be prohibited. Abuse may, in particular, consist in: 1) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions; 2) limiting production, markets or technical development to the prejudice of consumers; 3) applying dissimilar conditions to equivalent transactions with other trading partners, thereby placing them at a competitive disadvantage; 4) making the conclusion of agreements subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject matter of such agreements.

In practice, Sections 4 and 6 of the Act on Competition Restrictions correspond with the EC competition rules, *i.e.* Articles 81 and 82 of the EC Treaty. Thus, substantive Finnish national competition law rules are in line with the corresponding EU rules.

In connection with IP Rights, competition rules may be of relevance. Even though the mere possession of an IP Right is not in conflict with the competition law rules, the exercise of an IP Right, *e.g.* by means of an agreement on co-ownership of an IP Right, may in certain situations be problematic from a competition law perspective.

6) The groups are invited to investigate once more the question of the applicable law that could be used to govern the co-ownership of various rights coexisting in different countries.

This point was left for further study by the paragraph 9 of the resolution adopted in Singapore.

And more specifically the Groups are requested to indicate if their national laws accept that the co-ownership of an IP Right, even if there is no contractual agreement between the co-owners, may be ruled by the national law of the country which presents the closest connections with the IP Right.

If this is the case, what in the opinion of the Groups would then be the elements to take into the consideration to assess this connection?

The Groups of the EU Countries are in this context asked to indicate if they consider that Council Regulation of June 17, 2008 (No 593/2008), so called "Rome I" may be applicable to the Co-Ownership agreements.

With respect to the applicable law governing the co-ownership of an IP Right co-existing in different countries, a distinction should be made between the law governing the co-ownership between the co-owners and the law applicable to the relationship between the co-owners and third parties.

Provided that the parties have entered into an agreement on their co-ownership relationship, Rome I may become applicable. According to Rome I, the parties are free to choose the law applicable to their agreement. In the absence of such choice, Articles 4(2), 4(3) and 4(4) of Rome I provide the following: (i) the applicable law is the law of the country where the party required to effect the characteristic performance of the agreement has his habitual residence; (ii) where it is clear from all the circumstances of the case that the agreement is manifestly more closely connected with a country other than that indicated in section (i) above, the law of that other country shall apply; and (iii) where the law applicable cannot be determined pursuant to section (i) or (ii) above, the agreement shall be governed by the law of the country with which it is most closely connected.

In the absence of an agreement between the co-owners, the question on applicable law will be decided based on international private law. The law applicable to the relationship between the co-owners of an IP Right and third parties is generally subject to the law of the country for which protection is sought (*lex loci protectionis*), unless the co-owners have not agreed on their rights to use, defend and enforce the IP Right.

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.

No further issues.

II) Proposal for the future harmonisation

The groups are invited to present any recommendation that can be followed in the view of the further harmonisation of national laws in the context of co-ownership, specifically on the points raised by the working guidelines above in relation to the current state of their national laws.

The Finnish AIPPI Group believes that cautious harmonisation of the statutory rules of co-owned IP Rights would be desirable. However, legislation in this field should be non-mandatory and, consequently, the current level of freedom of contract should not be limited.

Summary

In Finland, the regulation and case law concerning the exploitation of co-owned IP Rights is limited. Considering the provisions related to co-ownership of tangible property under the Finnish legal regime, the following general principles are likely to be applied to the co-ownership of IP Rights: The origin of the co-owned IP Right does not affect the applicable provisions thereto. Customary use of the co-owned IP Right in the co-owner's own business may be allowed as well as the transfer and assignment of the co-owner's own share to the IP Right, provided that such use, transfer or assignment does not impede the exploitation of the rights by other co-owners.

The Finnish AIPPI Group is in favour of cautious statutory harmonisation in the area of co-ownership of IP Rights. The current level of freedom of contract should not, however, be limited.

Zusammenfassung

In Finnland ist die Regelung und die Rechtsprechung betreffend die Verwertung von gemeinsam besitzten IP-Rechten begrenzt. Beim Betrachten der Vorschriften des finnischen Rechtssystems angehend Miteigentümerschaft von materiellem Eigentum, werden für

Miteigentümerschaft von IP-Rechten die folgenden allgemeinen Grundsätze wahrscheinlich angewendet: Die dazu anwendbaren Vorschriften werden nicht von der Herkunft der gemeinsam geeigneten IP-Rechten beeinflusst. Die übliche Anwendung der gemeinsam geeigneten IP-Rechten in dem eigenen Betrieb des Miteigentümers, wie auch die Übertragung und Abtretung von eigenem Miteigentumsanteil an einem IP-Recht, kann erlaubt sein, vorausgesetzt, dass solche Anwendung, Übertragung oder Abtretung nicht die Verwertung der Rechte der anderen Miteigentümer verhindert.

Die finnische Landesgruppe der AIPPI unterstützt die vorsichtige gesetzliche Harmonisierung im Bereich von Miteigentümerschaft der IP-Rechte. Das gegenwärtige Niveau von Vertragsfreiheit dürfte jedoch dadurch nicht begrenzt werden.

Résumé

En Finlande, la législation et la jurisprudence concernant l'exploitation des droits de propriété intellectuelle détenus en copropriété sont limités. En considération des règles légales applicables à la copropriété des biens corporels faisant partie du système juridique finlandais, il est probable que les principes généraux suivants seront applicables à la copropriété des droits de PI : L'origine des droits de propriété intellectuelle détenus en copropriété n'affecte pas les règles qu'y sont applicables. L'utilisation habituelle des droits de PI détenus en copropriété dans les affaires propres du copropriétaire peut être permise aussi bien que le transfert et la cession de sa quote-part de PI détenus en copropriété, à condition qu'une telle utilisation, transfert ou cession n'empêche pas l'exploitation des droits par d'autres copropriétaires

Le groupe AIPPI finlandais est en faveur de l'harmonisation prudente de la réglementation dans le domaine de copropriété de la propriété intellectuelle. Le niveau actuel de liberté de contrat ne devrait pas, pourtant, être limité.