

Patents

Joint Patent Owner Not Required to Remunerate Co-Owners for Implementing Patent

By **Hsiu-Ru Chien** and **Shih-I Wu**, Lee and Li, Taipei;
e-mail: hrchien@leeandli.com; shihwu@leeandli.com

There are a number of situations in which several individuals may jointly own a patent, whether as a result of a contract or for other reasons. However, the Taiwan Patent Act is somewhat dated in regards to joint ownership of patents, and stipulates only the following provisions:

• **Application for a jointly owned patent.** Where a right to apply for a patent is jointly owned, the patent application must be filed by all the joint owners. Where two or more persons engage in any patent-related procedure other than filing a patent application, each of them may complete such procedure independently, except for making a withdrawal or an abandonment of a patent application, filing an application for division or conversion, or taking other actions for which the Act requires joint execution. However, if a representative is designated by a covenant, such covenant will prevail (Patent Act, Article 12, paras 1 and 2).

If a co-owner contravenes this provision for "joint application" by individually filing an application and obtains a patent as a result thereof, other co-owners may file a cancellation action with respect to such patent and seek revocation of the patent right (Article 71, para 1, item 3).

• **Disposal of a jointly owned right to apply for a patent.** Where the right to apply for a patent is jointly owned, the right to apply for the patent may not be assigned or abandoned without the consent of all joint owners. Where the right to apply for a patent is jointly owned by two or more persons, none of the joint owners may assign his/her own share therein to a third party without the consent of other joint owners. Where one of the owners of the right to apply for a patent abandons his/her own share, this share will be vested in other joint owner(s) (Patent Act, Article 13).

• **Implementation and disposal of a jointly owned patent right.** Where a patent right is jointly owned, except for exploitation by each of the joint owners, it may not be assigned, entrusted, licensed, pledged, or abandoned without the consent of all the joint owner(s) (Article 64). Where a patent right is jointly owned, no joint owner may assign, entrust or establish a pledge on his/her own share without the consent of all the other joint owner(s). Where a joint owner of a patent right has abandoned his/her own share, this share will be vested in other joint owner(s) (Article 65).

Limits of the Legislative Provisions

It can be seen from this that the Patent Act, with regard to the joint ownership of patents, merely provides for the application of patents, the disposal of rights for applying for a patent, and the disposal of patent rights, only to the extent that such action be jointly taken by all co-owners, or that their unanimous consent is acquired. In addition, although a co-owner is allowed to implement such patent without obtaining the consent of co-owners, there is no express provision on whether the profit obtained from such implementation is required to be distributed among all co-owners or whether remuneration is required to be paid to the other co-owners. This has led to significant legal problems in

actual practice. Such omissions in the Patent Act can therefore only be supplemented in specific instances through case law.

In a judgment by the Intellectual Property Court rendered on September 26, 2013 (Min-Zhuan-Shang-Zi-17), the court responded in the negative on the question of whether a joint owner of a patent is required to pay remuneration to other co-owners when implementing the patent on his own.

In this case, the plaintiff (an individual) was a director of the defendant (a company), both of which jointly owned a method and device patent. The plaintiff alleged that the defendant company had, without his consent, commissioned a third party to manufacture products from the patent in issue for sale by the defendant, thereby infringing the plaintiff's rights, and constituting unjust enrichment. The defendant submitted that its commissioning of the manufacturer was in fact an implementation of the patent on its own accord, and that such implementation of the jointly owned patent did not require the plaintiff's consent.

The defendant also claimed that the patent at issue contained defects, including a lack of full disclosure, novelty and inventive step, and thus should have been invalid.

After due consideration, the IP Court accepted the defendant's contention that implementation by the third party manufacturer was equivalent to implementation by the defendant on its own accord. Yet it also determined that the method and device used by the defendant and the manufacturer did not fall within the scope of the patent at issue, and thus the defendant had not committed an act that amounted to an implementation of the patent at issue. The court therefore determined that the plaintiff's claim of infringement and unjust enrichment was groundless. In its judgment, the court clarified its views on other issues relating to the joint ownership of patents as follows:

• **Patent co-owner not entitled to claim invalidity of jointly owned patent in litigation.**

Under Article 71, para 1 of the Act, " 'any person' may file a cancellation action with the patent authority in any of the following situations with respect to an invention patent". The petitioner for cancellation has been defined in the Taiwan Intellectual Property Office's ("TIPO") 2013 edition of the *Patent Examination Guidelines* under section 2.1 "Cancellation Petitioner", which states:

"A cancellation action filed by the patent owner himself should not be accepted. The execution of the cancellation procedure under this law is premised on joint participation by the two parties, and the patent owner's defense procedure should be complied with. Furthermore, the examination on cancellation cases is based on the petitioner's statement, reasons and evidence; if a cancellation petition is rejected, such decisions' binding effect extends to the third party and the third party cannot further dispute. On the above grounds, the said 'any person' provided in the above quoted Article 71, paragraph 1 of the Patent Act should not include the owner of the patent at issue. This is to prevent inconsistency with the public review system. Therefore any application by the patent owner with respect to cancellation should not be accepted."

On this basis, the court took the view that since the defendant company is one of the owners of the patent at issue, it cannot therefore claim that the patent at issue is invalid. In other words, the patent at issue is confirmed valid.

• **Implementation of patent by one owner does not require consent of other co-owners.**

The court took the view that the Patent Act has expressly given a joint owner the right to implement patents on his/her own without obtaining the consent of other co-owners. Thus, the plaintiff's claim could not be supported. Moreover, since the patent at issue was filed in 1988 and granted in 1990, the plaintiff also invoked Article 40 of the Enforcement Rules of the Patent Act promulgated in July 1987, which provided that where a patent right is subject to joint ownership and is not implemented by all the co-owners, the co-owners must enter into a contract to govern the rights and obligations among them and file such contract with the patent office for recording. In this respect, the court pointed out that the Enforcement Rules were revised and revoked in October 1994, and the commencement date for the compensation of damages, as claimed by the plaintiff as a result of the defendant's implementation of the patent at issue, was October 1996. Therefore the court rejected the plaintiff's submission on this point.

• **Joint owner not required to remunerate other co-owners for implementation of patent.**

The court took the view that self-implementation by a patent owner was not tantamount to using another person's invention. Thus, a royalty was not required since this would mean paying himself for exchanging his invention. Furthermore, since the law has provided that a patent owner does not require the consent of other co-owners with respect to implementation of the patent, he/she is therefore not required to pay remuneration to the other co-owners; otherwise, it would run counter to the regulatory intent of "not requiring the consent of other co-owners", rendering the provision superfluous.

• **Self-implementation by joint owner does not hinder exercise of patent right by other co-owners.** The plaintiff also claimed that according to the relevant provision of real rights in the Civil Code, the defendant's implementation action should be eliminated, and that the company should, in addition, bear liability for damage compensation or return of unjust enrichment. The court, however, took the view that the general law on real rights in the Civil Code differs in a substantive manner from that for intangible property rights. Given the lack of physical constraints, there would not be conflict with respect to the use of an intangible right and any number of persons can benefit from their own use. Since patent rights and tangible property rights are different in nature, the Civil Code cannot apply by analogy or inference to exclude the use of patents by other co-owners. Furthermore, the implementation by a joint patent owner does not hinder the use or exercise of patent right by other co-owners. Thus, pursuant to the legal principle of "no compensation if there are no damages", the joint owners cannot therefore be entitled to claim unjust enrichment and damages for infringement under the Civil Code.