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## **Patents**

### **Compulsory Execution of a Co-Owned Patent Right in Taiwan**

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Although a patent is a type of intangible property right, compulsory execution of patent rights remains subject to the rules of the Taiwan Compulsory Execution Act.

As provided under Article 117 of the Act concerning the execution of "special property rights", the procedure for such "execution of other property rights" will apply, *mutatis mutandis*, to that of a patent right. In other words, the execution court may, where conditions are satisfied, issue a seizure order to prohibit the debtor from transferring, licensing, pledging, or undertaking all other disposal of the patent subject to compulsory execution. Where, due to an additional condition, term, reciprocal payment against delivery or other reason, it is impossible to recover the amount owed to the creditor in the manner provided above, the execution court may, pursuant to an application, invoke the regulations for execution of movable property by auctioning off or selling the patent right (see Article 115, paras 1 and 3 of the Act). The execution court may, at its discretion, order the administration of such patent right on a case-by-case basis and thereafter repay the creditor using the profit obtained from such administration (see Article 117 of the Act).

Where the patent right, subject to execution, is jointly owned by several parties, and only a portion attributable to one of them is being seized and auctioned by the execution court, how should the court conduct the execution procedure? The question arises as a result of the following provision in Article 65, para 1 of the Patent Act, which reads:

"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)."

There is considerable doubt over this issue.

According to a civil ruling of the Taiwan High Court dated July 4, 2013 (Ruling No. 2013-Kang-661), the court held that the portion attributable to a joint patentee may be seized without the consent of the other joint patentees based on the reason that Article 65, para 1 of the Patent Act only regulates the assigning, entrusting or establishing of a pledge attributable to a joint patentee and therefore does not apply to an execution order related to "a prohibition of disposal" of such portion as a part of a seizure procedure.

With regard to the issue of whether an auction may be carried out for that portion attributable to a joint patentee without requiring the consent of the other co-owners, the Taiwan Hsinchu District Court adopted a positive position in Ruling No. 2010-Si-Zhi-32540, dated November 15, 2013, which invoked the following two supportive opinions:

- In its Review Opinion No. 54 for civil execution cases, the Taiwan High Court and all of its subordinate courts during a 2010 judicial seminar concluded that “[t]he Taiwan Patent Act does not explicitly prohibit auction of joint patent rights. If the consent of all the joint patentees was to be required in order to carry out the conversion proceeding, it might lead to a likelihood in which the execution court’s enforcement becomes hindered by having to receive the consent of all co-owners. This in turn would give rise to a possible loophole for the debtor to evade enforcement. Therefore, in order to ensure that the creditor’s right of repayment is met through the execution of enforcement proceedings, the consent of all co-owners need not be obtained.”
- In response to the Taiwan Hsinchu District Court’s enquiry, the Taiwan Intellectual Property Office (TIPO) issued a letter on October 28, 2013, under 2013-Zhi-Zhuan-1-(1)15189 Letter No. 10221464000, stating that the “[a]uction of attributable portion of a patent is governed by the relevant provisions in the Compulsory Execution Act; there are no special provisions in the Taiwan Patent Act in this regard. Therefore, Article 65 of the Taiwan Patent Act cannot be said to apply.”

The Hsinchu District Court had therefore relied on the conclusion of the judicial seminar and the competent authority’s reply, and as such ruled that Article 65 of the Patent Act was not applicable to an auction by the execution court of that portion attributable to a joint patentee. This means that the execution court does not need to obtain the consent of the other joint patentees before auctioning off the portion attributable to the debtor who is also a joint patentee.

The court further stated in its ruling that “if the shares to which each co-owner is entitled are unknown, they are presumed to be equal pursuant to Article 817, para 2 of the Civil Code” so as to resolve the situation where the percentage of the joint patent held by the debtor subject to execution is unclear.