

3 Procedures for the Establishment and Transfer of Industrial Property Rights and Requirements for Such Rights to Have Legal Effects against Third Parties in Major Countries and International Organizations

As economic activities become increasingly global and borderless, how to strengthen the international competitiveness of Japanese industry is being actively studied. Among others, speeding up the registration procedures for industrial property rights is an important task.

The existing Japanese patent and trademark systems seem to have problems such as requiring certificates that are stricter than those required in other countries. To clarify such problems, it is necessary to investigate the foreign procedures for the transfer of rights.

Furthermore, as the license registration system is rarely used in Japan, the transfer of a patent right due to bankruptcy affects the legal status of non-exclusive licensees whose license is not legally effective against third parties.

For the purpose of speeding up the procedures, the Japan Patent Office currently considers providing on line registration systems, but there is almost no reliable references regarding the legal requirements and effects under the patent and trademark systems in other countries.

The purpose of this study is harmonizing the Japanese registration systems with foreign ones, and investigating the intellectual property systems in major countries and international organizations (18 systems in total), from the perspective of the material fact theory, and also investigating information management systems in such countries and organizations.

Part 1

Introduction: Purpose and Outline of the Study

This study investigates the procedures for filing applications for patent rights and trademark rights, requirements for such rights to have legal effects against third parties, and information management systems in major countries and international organizations, with the aim of contributing to the discussion on how to develop desirable procedures for the establishment and transfer of industrial property rights and user-friendly registration systems for such rights in Japan, while taking international harmonization into account.

This study targets 18 systems in total; patent and trademark systems in the United States, United Kingdom, Canada, Germany, France, China, Republic of Korea, Taiwan, the European Patent Convention and the Regulation on the Community Trade Mark (CTM).

It examines the specific procedures with regard to the following matters as well as the requirements for rights to have effect against third parties, from the perspective of the material fact theory: (1) establishment of patent rights and trademark rights; (2) transfer of rights; (3) licensing rights of the patented invention or registered trademark; (4) security interest; (5) other changes in rights; (6) maintenance and enforcement of patent rights and trademark rights,

and restrictions on the disposal thereof.

It also examines information management systems covering the process from the filing of applications to the extinguishment of rights.

Characteristic features of each systems are outlined below.

I US Patent System

Under the U.S. patent system, the requirements for a licensing right to have legal effect against third parties are characterized as follows.

When a licensor (patentee) files for bankruptcy, the Trustee of the bankrupt debtor (the licensor) may reject the license if it is an "executory contract." When this happens, the licensee loses its license rights and any investment made in reliance on the patent rights may be lost.

Provisions were added to the U.S. Bankruptcy Code (BC) in 1988 to protect licensees confronted with these types of problems (BC §§ 101(35A), 365(n)). Special protection is now afforded to licensees of certain intellectual property (excluding trademark rights) in the event the Trustee elects to reject the license.

In other words, unless and until the licensor rejects the license, the licensor must, upon written request by the licensee: (1) perform the license agreement or (2) provide the licensee

with the intellectual property held by the Trustee (BC § 365(n)(4)(A)).

Prior to rejecting the license, the Trustee cannot interfere with the licensee's rights under the license, including the right to obtain the intellectual property from a third party. If the Trustee rejects the license as an executory contract, the licensee may elect either to treat the license agreement as terminated or to retain its rights to the licensed technology (BC § 365(n)(1)).

If the licensee elects to treat the license agreement as terminated, the licensee will forfeit any rights to the intellectual property, but the licensee will have a breach of contract claim for damages.

On the other hand, if the licensee elects to retain its rights to the licensed technology, the licensee preserves its ability to use the licensed invention according to the terms of the license as it existed before the bankruptcy filing.

The licensee retains the right to enforce any exclusivity provisions, but does not have the right to obtain any specific performance by the licensor. Also, the licensee must make all royalty payments required under the agreement and is deemed to have waived any rights to setoff of the royalty payments and any claim allowable under BC § 503(b) arising from the performance of the agreement (BC § 365(n)(2)-(n)(3)). Furthermore, the licensee's access to future developments in the technology is restricted as is the licensee's access to ancillary services such as maintenance and training.

To take advantage of this option, the licensee must make a written request to the licensor to allow the licensee to continue the use of the licensed technology.

If the Trustee assumes the license, the Trustee must perform the license agreement according to its terms. The BC allows the Trustee to assign any contracts it assumes, notwithstanding any anti-assignment provision in the agreement (BC § 365 (f)(3)). If the Trustee assigns the agreement or sells the licensed technology, the assignee or purchaser is subject to the licensee's license and the licensee will then be making payments to, and receiving maintenance and support from, the assignee or purchaser.

II U.S. Trademark System

Under the U.S. Trademark Law, trademark rights are not established by registration but by use. A common-law trademark can be obtained based on the use of the mark for goods or services. In general, a common law trademark is only effective in the regions where the trademark is used, and the right to use the trademark

depends on the goods or services to which the trademark is applied.

The assignment of a U.S. trademark application or U.S. trademark registration must be in writing, duly executed, given for consideration, and clearly indicate that the goodwill is included (Lanham Act § 10, 15 U.S.C. § 1060). The sale of trademark rights apart from the goodwill symbolized by the trademark is known as an "assignment in gross" and it is invalid.

The general principle for the transfer of trademark rights also applies to the bankruptcy procedures or the procedures for the assignment of the property of the estate for the benefit of creditors. The Trustee cannot sell the bankrupt debtor's trademark right apart from the goodwill.

If the Trustee sells the bankrupt debtor's trademark right with the goodwill, the purchaser or the new owner of the trademark right shall prevail over the debtor (the former owner). Such assignment shall be effective to third parties at the time of the sale by the Trustee, if, prior to the sale, the interested parties are given notice and opportunity of a hearing (BC § 363 (b)(1)).

The provisions newly added to the BC to protect licensees (§§ 101(35A), 365(n)) shall apply to U.S. patent applications or US patent rights but they shall not apply to rights relating to U.S. trademarks.

III UK Patent System

Patent rights and trademark rights, being personal property, can be held in trust. A document which affects proprietorship of a patent, whether by creating trusts or otherwise, is not excluded from the Patent Office (PO) register. Consequently, a document on the creation of trust on patent can be registered, and failure to register will cause an adverse consequence to the trustee.

The reasons are as follows; where the patent is subsequently infringed, the trustee or exclusive licensee shall not be awarded damages in respect of such subsequent infringement in some cases (Section 68 of the UK Patents Act), and any person who claims to have subsequently acquired the patent bona fide shall be entitled to the patent (Section 33 of the UK Patents Act). Therefore, the person who has acquired a right to a patent can protect his right by registering the acquisition to prevent the patentee or former patentee from assigning any conflicting right to a third party.

IV UK Trademark System

Trademark rights owned by a bankrupt vest in the trustee immediately on his appointment taking effect or, in the case of the Official

Receiver, on his becoming trustee. Like other property, trademark rights vest in the trustee without any conveyance, assignment or transfer (Section 306 of the Insolvency Act of 1986).

The trustee may register title to the trademark. However, normally, the trustee or Official Receiver notifies the PO of the bankruptcy and of his appointment. The PO places a free text note on the register stating that bankruptcy proceedings have commenced and that the trustee or Official Receiver has been appointed. Normally, the trustee or Official Receiver will sell the trademark to satisfy the bankrupt's creditors. Trademarks may be assigned with or without an assignment of the goodwill of the business (Section 24 of the Trade Mark Act of 1994).

Corporate insolvency is dealt with in a similar manner. Depending on the type of insolvency proceedings, the insolvent company's assets will not automatically vest in the liquidator, administrator, administrative receiver or nominee. However, a liquidator is required to take all company property into his custody or control. Where the company is being wound up by the court, the court may order that all or any part of the property shall vest in the liquidator, and thereupon the property to which the order relates vests accordingly (Section 145 of the Insolvency Act of 1986).

V Canadian Patent System

As Canada is a confederation comprising Quebec where civil law applies and nine other provinces where common law applies, it should be noted that province-ordered issues such as a hypothec may be handled differently between Quebec and the other nine provinces.

Under Quebec civil law, a hypothec on a patent right shall be in the form of a security interest on movable property. The hypothec is valid and enforceable between the parties at the moment of its constitution, but publication is required in order for the hypothec to have effect against third parties and to establish where the hypothec ranks in respect to the rights of other creditors.

In other nine Canadian provinces, a security interest may be granted over intellectual property in accordance with their particular personal property security acts (PPSA).

In order to have a valid and enforceable security interest in the nine provinces, the security interest must be attached and be perfected. The concept of attachment under the PPSA is similar to the concept of publication under the Quebec civil law.

VI Canadian Trademark System

Trademark rights may exist at common law (Section 7 of the Trademarks Act) on the basis of use and distinctiveness even in the absence of registration. The unregistered trademark owner may seek relief before the courts if another person adopts a similarly confusing mark in a competitive business.

However, it may be difficult in certain circumstances for an unregistered trademark owner to make out the elements necessary to obtain relief against a third party infringer. The owner of an unregistered trademark must establish that the unregistered trademark has attained the distinctiveness and establish a sufficient goodwill or reputation in respect of those goods and services each time it wishes to enforce those unregistered rights.

These unregistered rights are also limited to a geographical area covered by the exposure of the unregistered trademark. The unregistered trademark owner must also establish that the infringing mark is confusing with the unregistered mark, and that the infringer has passed off its goods or services for those of the unregistered trademark owner.

Enforcement of common law rights is usually taken before the provincial courts whereas relief in respect of registered intellectual property rights can be taken before the Federal Courts. Thus, if unregistered rights are being affected in more than one province, a separate action will need to be taken in each province. Furthermore, should the owner wish to expand the use of its trademark beyond the initial provincial boundaries, it may be precluded from doing so by another party who had already adopted a similar mark in that jurisdiction.

A trademark is transferable, and deemed always to have been transferable, either in connection with or separately from the goodwill of the business and in respect of either all or some of the goods or services in association with which it has been used (Section 48(1) of the Trademarks Act).

VII German Patent System

The German patent system and the Japanese patent system have many features in common such as the substantive examination principle, the first-to-file principle, the publication system, and the request for examination system. However, they also have differences in respect of the following points.

In case of national German patent application, the minimum formal requirement to bring a lawsuit is the publication of the patent application. In case of an EPC application, the minimum

formal requirement to bring a lawsuit is not only the publication of the EPC application, but also the publication of the German translation of the claims of the EPC application at the German Patent and Trademark Office (GPTO) if the EPC application is not described in German. Consequently, a lawsuit may be brought even during the pendency of the patent application.

Under the German Patent Act, the assignment of rights of a license, even in the case of assignment arising from the bankruptcy of the patentee, shall not affect licenses previously granted to other persons (Section 15(3)). Consequently, where a patent right is transferred, the owner's title as patentee is separated from his title as licensor, and he shall lose the patent right due to the transfer whereas he continues to be the party to the license. Therefore, the licensee may claim his beneficial excuse for the use of the patented invention against the new owner of the patent right to the extent of the license.

In the German practices, the legal relationships between the assignor and the assignee are set by a contract beforehand, and therefore no legal problems have been posed in respect of the protection of licensees in the event of the bankruptcy of the patentee.

VIII German Trademark System

A license agreement for a German trademark shall, immediately upon its conclusion, become legally effective between the parties concerned and against third parties.

Unlike under Section 30 of the German Patent Law as well as Section 23 of the Community Trade Mark Regulation (European Council Regulation 40/94 of 20 December 1993), a license concerning a German trademark cannot be recorded in the Register of the GPTO.

As a consequence, a third party cannot obtain any information regarding licenses from the German Trademark Register. In the case that a mark is assigned, the assignee may not be aware of the existing licenses with other parties. Section 30(5) of the German Trademark Act stipulates in this respect that the transfer of a trademark shall not affect licenses previously granted to third parties.

Thus, the granted licenses remain in force even if the assignee did not have any knowledge of the license.

IX French Patent System

The characteristic feature of the French patent system is that the patent applicant has the right to sue for infringement (Article 613-1 of the French Intellectual Property Code).

Nevertheless, an action based on a French

patent application may be taken only after publication of the patent application or notification to the third party of a certified copy of the application (Article 615-4 of the French Intellectual Property Code). In case of European patent application, such an action may be taken only after publication, and if the application is not in French, after publication by the French patent office of the French translation of the claims of the application (Article 614-9 of the French Intellectual Property Code).

Patent infringement action is under the exclusive jurisdiction of the first instance Courts, as well as the courts of appeal to which these courts are attached (Article 615-17 of the French Intellectual Property Code and Rule 631(1) of the Regulations for the French Intellectual Property Code).

The exclusive licensee recorded in the patent register may independently initiate the proceedings to sue for infringement if the patentee fails to initiate the proceedings even after the licensee makes a request for the patentee to sue for infringement, unless otherwise provided in the license agreement (Article 615-2 of the French Intellectual Property Code).

X French Trademark System

As in the case of patent, the trademark applicant has also the right to sue for infringement, and an action may also be taken only after publication of the application or notification to the alleged infringer of a copy of the trademark application (Article 716-2 of the French Intellectual Property Code). The Court will stay the proceedings till publication of the trademark registration.

In the case of a trademark owned by two or more persons, each co-owner may independently sue for infringement in order to protect his exclusive interest in the trademark, but shall send a bill of complaint to other co-owners.

XI Chinese Patent System

The Chinese Patent System has the following characteristic features.

- (1) The scope of protection under the Chinese Patent Law includes utility model and design in addition to patent (Rule 2 of the Implementing Regulations of the Chinese Patent Law).
- (2) The intellectual property authorities in China are specialized in different fields.
- (3) Substantive examination shall be conducted for patent applications (Article 35 of the Chinese Patent Law) whereas it shall not be conducted for utility model or design applications.
- (4) The patent right shall take effect as of the date of announcement (Articles 39 and 40 of the

Chinese Patent Law) whereas any assignment of the right to apply for a patent or the patent right shall take effect as of the date of registration (Article 10 of the Chinese Patent Law). Where the right to apply for a patent or the patent right is assigned to a foreigner, the parties shall conclude a written contract and register it with the patent administration department under the State Council (Article 10 of the Chinese Patent Law). A patent license shall be registered as required. Where a pledge is created on the patent right, the pledge contract shall take effect as of the date of registration.

(5) In the event of infringement, the patentee may seek relief before the court as well as seek protection before the authorities concerned.

The assignment of the patent right shall not influence the effect of any license that has already taken effect, unless otherwise provided under the license agreement.

As for a patent license, the parties shall conclude a written contract and register it within three months from the date on which the contract takes effect. Unless it is clearly agreed that the registration is required for the license to take effect, any license shall take effect on the date designated under the agreement between the parties and whether or not the license is registered shall not influence the effect of the license between the parties. Unregistered license shall not have effect against bona fide third parties.

XII Chinese Trademark System

The Chinese Trademark System has the following characteristic features.

(1) Protection under the Chinese Trademark Law is afforded for a wide range of trademarks, including trademarks for goods, service marks, collective marks and certification marks (Articles 3 and 4 of the Chinese Trademark Law).

(2) The intellectual property authorities in China are specialized in different fields.

(3) The first-to-file principle (Article 29 of the Chinese Trademark Law) and the principle of one application for one trademark (Article 13 of the Chinese Trademark Law) shall apply.

(4) A trademark right shall take effect as of the date of registration at the Trademark Office (Article 37 of the Chinese Trademark Law). Where a trademark right is assigned, the assignment shall take effect upon registration, and the assignee shall enjoy the trademark right from the date of publication (Article 39 of the Chinese Trademark Law). As for a trademark license, a duplicate copy of the license contract shall be registered at the Trademark Office within three months from the date of conclusion of the contract (Article 4 of the Law concerning

Registration of Trademark License Contracts), and unregistered license shall not have effect against third parties. Where a pledge is created on the trademark right, the pledge contract shall take effect as of the date of registration.

(5) In the event of infringement, the trademark owner may seek relief before the court as well as seek protection before the authorities concerned.

The assignment of the trademark right shall not influence the effect of any license that has already taken effect, unless otherwise provided under the license. Registered trademark license shall have effect against any person who subsequently obtains the trademark right.

As for a trademark license, the parties shall conclude a written contract and register it within three months from the date on which the contract takes effect. Unless it is clearly agreed that the registration is required for the license to take effect, any license shall take effect on the date designated under the agreement between the parties. Unregistered license shall not have any effect against bona fide third parties.

XIII Korean Patent System

The Korean patent system and the Japanese patent system have many features in common.

An exclusive patent license shall not have effect unless the parties agree and register the grant of the license (Article 101(1)(ii) of the Korean Patent Act). Even if the written license contract is notarised to secure the authenticity of the license, the notarisation only proves that the parties are obliged to establish the license under the contract, and such license shall not take effect even between the parties.

On the other hand, a non-exclusive license shall take effect between the parties if they agree to the grant of the license.

A non-exclusive license shall not take effect against any person who subsequently acquires the patent right or an exclusive license unless it is registered (Article 118(1) of the Korean Patent Law).

Under the Korean Patent Law, the effect of a license may be claimed against third parties only through registration, and notarization or deposit of license contracts is not accepted.

XIV Korean Trademark System

The Korean trademark system and the Japanese trademark system have many features in common.

The requirements applicable to patent rights shall also be applicable to trademark rights in order for an exclusive license to take effect and for a non-exclusive license to take effect between the parties and have effect against third parties

(Articles 55, 56, and 58 of the Korean Trademark Law).

XV Taiwan Patent System

There are three types of license in Taiwan, monopolistic exclusive license, monopolistic non-exclusive license (exclusive license under the agreement in which the patentee shall not grant the licensee the right to preclude others from using the patented invention) and non-exclusive license.

The exclusive licensee shall have a monopolistic, and in principle, exclusive right (the licensee may not be granted the right to preclude others by agreement) whereas the non-exclusive licensee shall have a non-monopolistic and non-exclusive right.

A patent license need not be registered to take effect (interpretation of the provision of Article 59 of the Taiwan Patent Act). It shall take effect under substantive law immediately when the parties reach an agreement. The licensor cannot deny that the licensee has effectively acquired the patent license on the ground that the license is not registered. This applies both to exclusive license and non-exclusive license.

After a non-exclusive license is registered, any person who has acquired the patent right or exclusive license cannot refuse the claim made by the licensee for the registered non-exclusive license.

Under the Taiwan Patent Act, trust can be created on patent rights (Article 59 of the Taiwan Patent Act).

XVI Taiwan Trademark System

Similar to Taiwan patent rights, there are two types of license concerning Taiwan trademark rights: exclusive license and non-exclusive license. In terms of significance, exclusive trademark license and non-exclusive trademark license are almost the same as exclusive patent license and non-exclusive patent license respectively.

However, unlike patent, the exclusive trademark licensee shall have a monopolistic and exclusive right whereas the non-exclusive trademark licensee shall have a non-monopolistic but exclusive right.

In other words, since the Taiwan Trademark Act does not have any provisions corresponding to Article 84(1) and (2) of the Taiwan Patent Act, either the licensor, the exclusive licensee, or the non-exclusive licensee can claim his or her rights against infringing third parties under his or her own name to the extent of the license under the agreement.

Under the Taiwan Trademark Act, trust shall

not be created on trademark rights.

XVII Patent System under the European Patent Convention (EPC)

Under Article 73 of the EPC, a European Patent application can be licensed in whole or in part for the whole or part of the territories of the designated contracting states. If the parties desire, the licence can be registered with the EPO; the interested party must produce documents to satisfy the EPO that the licence has been granted and pay the administrative fee. It is not possible to initiate proceedings until the application has proceeded to grant.

Registration of license has no effect with the EPO. Some national courts require registration of a licence if it is to be relied upon. As there are no national files for EP applications, the only possible way is registering with the EPO.

XVIII Trademark System under the Regulation on the Community Trade Mark (CTM)

Whilst the CTM Regulation sets out certain rules regarding CTMs being objects of property, Article 16 of the CTM Regulation sets out the principle of dealing with CTMs as national trademarks. Thus, when answering a question as to transfer or assignment of CTMs, one must look to the relevant national law of the member state where the trademark proprietor has his habitual residence or place of business.

The same applies to enforcement. Under Article 91 of the CTM Regulation, each member state must designate its own "Community Trade Mark court". As for infringement litigation, there is no central community first instance court. Thus, any claim will be brought to a "Community Trade Mark court" in one of the member states which will apply its own property and procedural law.

Part 2

This part presents comparative tables on industrial property systems in the countries and international organizations based on the results of the research shown in Part 1.

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