

Rights of a Co-Patentee to Assign or Licence Sections 33(5) and 53(1) of The Patent Act

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Commentary

Citation Information

Ord, Robert. "Rights of a Co-Patentee to Assign or Licence Sections 33(5) and 53(1) of The Patent Act." *Osgoode Hall Law Journal* 2.2 (1961) : 240-243.
<http://digitalcommons.osgoode.yorku.ca/ohlj/vol2/iss2/5>

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RIGHTS OF A CO-PATENTEE TO ASSIGN OR LICENCE — SECTIONS 33(5) AND 53(1) OF THE PATENT ACT. The *Patent Act* provides that where a patent application is made jointly by two or more inventors, "the patent shall be granted in the names of all the applicants".¹ It provides further that:

"Every patent issued for an invention is assignable at law, either as to the whole interest, or as to any part thereof, by an instrument in writing."²

What is the implication of these sections? First, there can be co-ownership of the patent; that is, two or more persons hold the patent rights as tenants in common. Secondly, a patentee may assign all of his interest or any part of it. Thus, it appears, on the basis of these provisions, where two or more persons hold a patent as co-owners, either co-owner may assign, without any restrictions, the whole or any part thereof, of his interest in the patent.

In fact, nowhere in the Act is it stipulated that the rights of co-owners are restricted *inter se*, either as to the assignment or the licencing of their respective interests. However, although the *Patent Act* leaves the way open for a co-patentee to deal with his rights as granted by the patent in his own discretion, this note will demonstrate that there are in fact restrictions on his ability to assign or license his interest. The nature of the restriction is that he may not partially assign his interest, or assign the whole of it to two or more persons, or license at his pleasure.

It should be pointed out that these restrictions apply only when a patent is granted originally to two or more persons. If the patent is granted originally to a sole individual, he has complete liberty to dispose of his interest in a number of ways. For example, a patentee may assign a partial share of all the subject matter. In *Dunnicliff & Bagley v. Mallet*,³ Byles J. said:

"There can be no doubt that an assignment of a patent to several persons in individual shares is good. My Brother Hayes says the assignees would in that case take as tenants in common. If so, there can be no reason why they should not take different portions, one, one tenth; another, nine-tenths."⁴

¹ The Patents Act, R.S.C. 1952, c. 203, s. 33(5).

² *Ibid.*, s. 53(1).

³ (1859), 7 C.B.N.S. 207, at p. 228.

⁴ The effect is that a patentee may assign one tenth of his interest to one person and nine-tenths to another, but a patent does not give a right to the patentee to use his invention or manufacture according to his invention. He would have that right apart from the patent. What the patent confers is a right to exclude others from manufacturing in a particular way and using a particular invention. Thus it follows that a patentee who holds as a co-owner could not be held accountable to the other co-owner for any profits derived from his utilization of the patent because the right conferred is a right to prevent the rest of the world from using the invention (per Romer J. in *Steers v. Rogers*, [1892] 2 Ch. 13 despite a dicta to the contrary in *Hancock v. Bewley* (1859), 1 Johns 601; 70 E.R. 559), but as between the co-patentees or co-assignees this right does not arise.

Thus a person who holds one-tenth of the whole subject matter would have equal rights to the use of the subject matter as would a person who holds nine-tenths of all the subject matter.

It is submitted that no greater rights would be obtained by receiving a greater portion of the whole subject matter and thus the statement of the learned judge, it is submitted, is irrelevant.

Sometimes a patent may include several things which are in their nature perfectly distinct and severable. For instance, in a particular patent, the process claims would be severable from the apparatus claims. In such case, the patentee might assign the process claims to one person and the apparatus claims to another. Or, again, although it is provided by section 38(1) of the *Patent Act* that, "a patent shall be granted for one invention only",⁵ if a patent containing more than one invention is allowed to proceed to issue, the section expressly says that it is not invalid for that reason. There would be no reason why the patentee in such a situation could not assign one invention to one person and the other invention to another.

Thus a sole patentee has an unfettered discretion to deal with his rights as granted by the letters patent. There are, however, suggestions that a co-owner of a patent does not have such wide rights of dealing with his interest in the patent. Does he, in fact, not have the same rights? And, if not, why not? That is, what is the basis for the restrictions, if any, that are imposed? Why then should not a co-owner have the same rights? That is, what is the basis for these restrictions that are imposed?

The first point to consider, then, is whether these restrictions may be inferred and justified by the case law.

In *Noxon v. Noxon*,⁶ a licence agreement was entered into between the patentee of an invention and the defendants. Subsequently, the patentee assigned the patent to the plaintiff. By assignment, the plaintiff assigned an undivided one fourth part of all his rights, title and interest in the patent to X. By assignment, X then assigned to the defendants his one fourth interest. It was held "competent for them (the defendants) to put an end to the license and proceed to make the thing invented as part-owner of the letters patent".⁷

In *Re Harsley & Knighton's Patent*,⁸ a patent was granted to Harsley and Knighton. Knighton assigned all his interest in the patent to Oakes and he further purported to release and discharge Oakes from all "incumbrances, suits, causes of action, or suit claims, or demands whatever which they, the said George Knighton and Thomas Harsley, or either of them . . . had, or but for the indenture might have or have had, against Thomas Haden Oakes".⁹ Lord Romilly, M.R. held that the purported agreement entered into by Knighton and Oakes was invalid and said that because the patent was granted to two persons "either of them might use it, but neither can dispose of the right of the other".¹⁰

⁵ See footnote 1, s. 28(1).

⁶ (1894), 24 O.R. 401.

⁷ *Ibid.*, at p. 406.

⁸ (1869), L.R. 8 Eq. 475.

⁹ *Ibid.*, at p. 475.

¹⁰ *Ibid.*, at p. 477.

In *Powell v. Head*,¹¹ the plaintiffs were the co-owners of the copyright and right of representation and performance of a dramatic entertainment. The other co-owner was Mrs. L. who had granted a licence to the defendant without the authority of her co-owner. In his judgment, Jessel M.R. stated that:

"there is no possibility of arguing, in respect of these statutory provisions, that one of the two part-owners of the right or liberty of representing or causing to be represented could license a third person to represent without the consent of the other part owner or owners".¹²

The effect of these decisions has been commented upon by the two leading text writers on patents. Biggar¹³ uses *Noxon v. Noxon* to support his contention that each co-owner may assign his interest or any part of it. Fox, on the other hand, in his treatise¹⁴ adopts a contrary view. He is of the opinion that co-owners are subject to restriction in the assignability and licencing of their interests.

It is submitted that *Noxon v. Noxon* does not sustain the position taken by Biggar, namely that a co-owner may assign a portion of his interest. In the *Noxon* case, X assigned his entire interest and thus the question was not raised as to whether a partial share could be assigned.

The latter two cases were cited by Fox in support of his contention that one co-owner cannot grant licences without the consent of his co-owners. In the *Harsley* case, Knighton assigned the whole of his interest in the patent to Oakes and did not enter into a licencing agreement. In his judgment, Lord Romilly considered that one co-owner could not licence without accounting to the other. However, it is submitted that his remarks are *obiter*, as it was not a licencing transaction (on the facts). It is submitted that the *Powell* case may be distinguished on the grounds that the essential nature of a copyright and a patent are dissimilar, and also that this decision was decided on the particular wording of a statute.

Thus, although the cases do not support completely the view taken by Biggar, neither do they substantiate in toto the position taken by Fox.

It is submitted, therefore, that the cases do not offer any support for the proposition that a co-owner is limited with respect to the assignability or licencing of his interest. But by examining the fundamental nature of a patent, it is submitted that these restrictions should exist. In *Mathers v. Green*,¹⁵ Lord Cranworth L.C. in considering the nature of a patent right stated that:

"the right conferred is a right to exclude all the world other than the grantees from using the invention".¹⁶

¹¹ (1879), 12 Ch. D. 686.

¹² *Ibid.*, at p. 690.

¹³ O. M. Biggar, *Canadian Patent Law and Practice*, (Toronto, Burroughs & Company (Eastern) Limited, 1927), p. 65.

¹⁴ H. G. Fox, *Canadian Patent Law and Practice*, 3rd ed. (The Carswell Company, Limited), v. 1, pp. 607-610.

¹⁵ 35 L.J. Ch. 1; 13 L.T. 420; 55 E.R. 599.

¹⁶ *Ibid.*, at p. 3.

It follows that the original co-patentees have defined rights when the patent is granted. If the whole interest is assigned by one of them to one person only, then the share of the monopoly enjoyed by the original co-owner will be unaffected but if a part only of the subject matter is assigned, it follows that their rights as originally conferred will be diminished. Therefore, there is justification for allowing one co-owner to assign away his interest in the patent, but not a partial share. This equally applies to assigning the whole subject matter to more than one person.¹⁷ Take for example the case where one co-owner assigns his interest to two persons. No matter in what proportions each of them take, the original co-patentee's share in the monopoly will be reduced to one-third. The same argument is applicable to licencing.¹⁸ If one of the two co-owners were to grant a licence, the patent rights would be distributed among three persons.¹⁹

CONCLUSION

The *Patent Act* does not, in any of its terms, either expressly or by implication preclude one co-owner from assigning either a part of his share or his whole interest to more than one person or licencing at his pleasure. In addition, there are no cases which directly reject the possibility that this may be done.

However, the fundamental concept of a patent requires, in order that the patent should have its intended effect, that these above-mentioned restrictions should be imposed.