

IP in business transactions: Switzerland overview

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A guide to intellectual property law in Switzerland. The IP in business transactions Q&A gives an overview of maintaining an IP portfolio, exploiting an IP portfolio through assignment and licensing, taking security over IPRs, IP and M&A transactions, and the impact of IP on key areas such as competition law, employees and tax.

Overview of main IPRs

1. Give a brief overview of the main IPRs in your jurisdiction and how they are protected.

Patents

Under the Federal Act on Patents for Inventions (Patents Act), patents for inventions are granted for new inventions applicable in the industry that must meet the following requirements:

- Novelty. An invention is considered new if it does not form part of the state of the art. The state of the art comprises everything made available to the public through a written or oral description, use, or any other way before the filing or priority date. The Patents Act provides for non-prejudicial disclosures in the six months before the application date or priority date.
- Non-obviousness. If the invention is obvious to a person skilled in the art and lacks an inventive step, it is not patentable.
- Applicable in industry (this is usually not disputed).

Inventions whose exploitation is contrary to human dignity, or that disregard the integrity of living organisms or are in any other way contrary to public policy or morality are not patentable. The Patents Act provides a list of inventions that are not patentable.

A patent is granted for products as well as for processes/methods (and for known substances or compositions not yet used for a specific purpose, or for existing processes applied in a new field). Protection requires registration in the Swiss Patent Register.

The maximum term of a patent is 20 years from the application filing date. For patents of pharmaceuticals and pesticides, it is possible to obtain a supplementary protection certificate (SPC) for an additional term of up to five years after the 20-year protection period.

As a member of the European Patent Organisation (EPO), Switzerland is also party to the European Patent Convention (EPC).

Utility models

Switzerland does not grant rights to utility models. Accordingly, it is not possible to register utility models in Switzerland.

There is currently a discussion about a revision of the Patents Act, which would introduce utility models to Swiss Law. At the moment it seems likely that the revision will pass but it is uncertain when the new law will be enacted.

Trade marks

Under the Federal Act on the Protection of Trade marks and Indications of Source (Trade mark Protection Act), a trade mark is a sign capable of distinguishing the goods or services of one undertaking from those of other undertakings. Trade marks can, in particular, be:

- Words/letters.
- Numerals.
- Figurative representations/graphic images.
- Three-dimensional forms/shapes. Shapes that constitute the nature of the goods themselves, or shapes of the goods or their packaging that are technically necessary, are excluded.
- Abstract colours.
- Sounds (a graphical representation of the mark must also be possible in this case).
- Position marks (graphical representation showing the exact position of special features attached to a certain product).
- Any combination of the above.

Trade mark protection requires registration of the sign with the [Swiss Federal Institute of Intellectual Property \(IPI\)](#).

Unregistered trade marks are not regulated under Swiss law. However, unregistered trade marks can enjoy some protection under copyright law and unfair competition law.

The term of trade mark protection is initially ten years and can be renewed an unlimited number of times. Therefore, the requirements for a trade mark to be valid are rather strict. The protection for a sign requires that it is:

- Distinctive. Signs that are in the public domain are excluded from protection, except where they have become established as a trade mark through use for the goods or services for which they are being claimed.
- Not misleading.
- Not contrary to public policy, morality or applicable law.

A trade mark right confers on the proprietor the exclusive right to use it to identify the goods or services for which it is claimed and to dispose of it.

Copyright

The Federal Act on Copyright and Neighbouring Rights (Copyright Act) provides protection for authors of literary and artistic works. Works are defined as “literary and artistic intellectual creations with individual character, irrespective of their value or purpose”, and include:

- Literary, scientific and other linguistic works.
- Musical works and other acoustic works.
- Works of art, in particular paintings, sculpture and graphic works.
- Works with scientific or technical content such as drawings, plans, maps or three-dimensional representations.
- Works of architecture.
- Works of applied art.
- Photographic, cinematographic and other visual or audio-visual works.
- Choreographic works and works of mime.
- Computer programs.

Since the latest revision of the Copyright Act (in force since 1 April 2020), photographic depictions and depictions of three-dimensional objects produced by a process similar to that of photography are considered works, even if they do not have individual character.

Protection is granted to performers, producers of phonograms and audiovisual fixations (CD, Blu-ray, and so on) and broadcasting organisations (radio and television).

There is no copyright registration system in Switzerland. A work is protected by copyright as soon as it is created, irrespective of whether it has been fixed in a physical medium.

Copyright protection expires 70 years after the death of the author. For computer programs and photographic depictions and depictions of three-dimensional objects, it is 50 years after the author's death.

The Copyright Act provides for several moral rights, such as the right of authors to be recognised as such when they create a work, and also against the derogatory treatment of their works (the author also has the right to preserve the integrity of the work and protect it from destruction).

Even though the Copyright Act does not state this, practice allows the author of a work to waive its right to be named as the author. However, the author cannot fully waive its moral rights regarding the derogatory treatment of their works.

Design rights

The Federal Act on the Protection of Designs (Designs Act) protects the design of products or parts of products that are characterised, in particular, by the arrangement of lines, surfaces, contours or colours, or by the materials used.

A design must meet the following requirements:

- **Novelty.** A design is not new if an identical design which could be known to the circles specialised in the relevant sector in Switzerland is made available to the public before the filing date or the priority date. Unlike novelty in patent law, there is a limitation to the Swiss market, making foreign publication generally irrelevant.
- **Individual character.** A design does not have individual character if the overall impression it produces differs only in immaterial features from a design that could be known to the circles specialised in the relevant sector in Switzerland.

Design protection is excluded if:

- The features of the design are dictated solely by the technical function of the product.

- The design infringes federal law or international treaties.
- The design is contrary to public policy or morality.

In Switzerland, design protection requires registration of the design with the IPI. The term of design protection is initially five years from the filing date, and can be extended for four periods of five years each (up to a maximum term of 25 years).

Unregistered design rights are not regulated under Swiss law. However, unregistered designs can enjoy some protection under copyright law and unfair competition law.

Trade secrets and confidential information

Trade secrets and confidential information are not considered as IPRs with statutory protection in Switzerland. They should therefore be protected through individual secrecy measures or by agreement (as long as reverse engineering is not possible, a person/company can try to keep the information secret).

The Federal Act on Unfair Competition (UCA) provides that the unlawful procurement of trade secrets by the inducement of employees, and the exploitation of trade secrets obtained unlawfully, are acts of unfair competition.

Other

Other key IPRs are protected in Switzerland, such as the following.

Company names. The Swiss Code of Obligations provides for protection of a company name. The business name of a commercial enterprise or a co-operative must be clearly distinct from other names of businesses in any legal form already registered in Switzerland.

Domain names. There is no specific protection for domain names in Switzerland. However, there might be some form of protection arising from personality rights (the region of Berner Oberland successfully recovered the domain containing its name from a private party by claiming personality rights). Further, protection under trade mark laws or company name rules can be invoked.

Domain names are regulated by the Telecommunications Act and the Ordinance on Internet-Domains (IDO). The following are subject to regulation:

- The country code top-level domain (ccTLD) “.ch”.
- The generic top-level domain (gTLD) “.swiss”, which is administered by Swiss federal authorities and open for public registration.
- Any other gTLD obtained by a Swiss public body (for example, the “.zuerich” domain, assigned to the canton of Zurich).

The top-level domain “.ch” is managed by the official registry [Switch](#). “.ch” domains can be purchased and registered by resellers (registrars). Switch offers a free search of top-level domains.

Domain names can be assigned by agreement.

Databases. A database right is not recognised as an IP right itself under Swiss law. Databases are protected under copyright, if they fulfil the requirements for copyright protection under Swiss law.

The Copyright Act explicitly mentions the eligibility for copyright protection of compilations/collections, which includes databases (*Article 4, Copyright Act*).

Geographical indication. This is a name or sign used on products corresponding to a specific geographical location or origin (for example, a town, region, or country). The Federal Act on Agriculture provides protection for agricultural products and processed agricultural products.

Plant varieties and their names. The Federal Act on the Protection of Plant Varieties protects plant varieties that are new, distinct from existing varieties, homogenous and stable.

For further information about the main IPRs, see [Patents, trade marks, copyright and designs in Switzerland: overview](#).

Maintaining IPRs

Search and information facilities

2. What facilities are available to conduct IP searches and obtain IP information on registered IP rights?

Patents

The IPI operates the digital register [Swissreg](#), which contains information on granted Swiss and European patents that are effective in Switzerland and Liechtenstein. It also provides information on published national Swiss patent applications. European patents are not published on Swissreg before they are granted effect in Switzerland.

Swissreg also provides information on whether an SPC has been granted for a Swiss or European patent.

Trade marks

Swissreg provides comprehensive information on all Swiss trade marks (whether in force or cancelled).

This national database does not contain any international trade marks (even if they enjoy protection in Switzerland) and is not linked with the [Madrid Monitor System](#). Therefore, searches for international trade marks must be conducted on the relevant [WIPO database](#). The same applies to searches for international trade mark applications for which protection has been requested in Switzerland.

Copyright

There is no copyright register in Switzerland.

Design rights

Swissreg contains comprehensive information on all registered Swiss rights (but not of any international rights).

International design rights with protection in Switzerland can be found on the [WIPO Hague Express database](#).

Maintenance of main IPRs

3. What steps must a business take to maintain the registration, if applicable, and legally protectable status of its main IPRs?

Patents

For every Swiss (and European) patent the holder must pay the applicable fees. The fees for the first five years are paid with the initial application. After that, the holder must pay the fees annually. Details of these fees are available on the [IPI's website](#).

If the holder fails to pay the patent fees on time, the patent will be cancelled by the IPI. The supplementary fee for late payment of the fee is CHF50.

A patent does not have to be used to maintain the validity of its registration.

Trade marks

Every Swiss trade mark is registered for a period of ten years and the fees for the whole period must be paid in advance.

If the holder wishes to renew the trade mark it must pay the fees for another period of ten years. Details of these fees are available on the [IPI's website](#).

If it does not pay the fees on time or does not apply for renewal, the trade mark will be cancelled by the IPI.

If the holder of a Swiss trade mark (or a third party such as a licensee) does not use the trade mark within a period of five years from registration, the trade mark will become unenforceable, unless they had good reasons for non-use.

Copyright

There are no requirements in Switzerland to register or use copyright.

Design rights

For every Swiss design the holder must pay the applicable fees. The fees for the first five years are paid with the initial application. After that, the holder must pay the fees again for each renewal. The holder can extend protection four times every five years, up to a total of 25 years of protection. Details of these fees are available on the [IPI's website](#).

If the holder fails to apply for a renewal or to pay the respective fee, the design will be cancelled by the IPI.

The supplementary fee for late payment of the fee is CHF50.

There are no use requirements for designs in Switzerland.

Monitoring infringement

4. What steps can a business take to avoid infringing another party's IPRs and to monitor whether another party is infringing its IPRs?

Patents

Swissreg is the most important database to find Swiss and European patents registered in Switzerland.

The IPI also offers different search services on potential prior art in specific fields of technology, freedom to operate searches and monitoring services.

In most cases, it is helpful to use firms with specialised trade mark and patent attorneys.

Trade marks

Swissreg and the international WIPO databases provide information on Swiss and international trade marks (*see [Question 2](#)*).

The IPI and specialised IP firms provide further assistance with searches and can help monitor the market.

Copyright

There is no register for copyright, so there is no database that can be used for a search.

Design rights

The Swissreg database contains all Swiss designs.

The official search tool of the [EU Intellectual Property Office](#) provides information on Community designs.

Exploiting IPRs

5. What are the main steps in conducting an IP audit in your jurisdiction to determine the content of an IP portfolio?

Beneficial ownership of IPRs

As IPRs can be transferred to a third party without the requirement to register the transfer or assignment (*see [Question 7](#)*), the register entry is no guarantee of the beneficial ownership of the respective right.

As there may be discrepancies between the beneficial ownership and registered ownership of a registered IPR, in a transaction the buyer usually asks the seller to warrant the beneficial ownership (*see [Question 15](#)*).

Patents, trade marks and designs

The content of patent, trade mark and design portfolios can be determined with the search tools indicated in [Question 2](#).

Copyright

As there is no copyright register there is no way to conduct a respective search. A transaction might therefore have agreements that specifically provide for copyrights and their allocation.

Assignment

Scope of assignment

6. On what basis can the main IPRs be assigned?

Patents

Under the Patents Act, the right to the grant of a patent and the right to a patent can be assigned to third parties in whole or in part.

Trade marks

Under the Trade mark Protection Act, the holder can assign their trade mark in whole or in part for some or all of the goods or services for which the trade mark is registered.

Copyright

Under the Copyright Act, copyright can be assigned in whole or part, or can be inherited.

Moral rights cannot be assigned or forfeited or waived under Swiss law.

The assignment of a right subsisting in the copyright does not include the assignment of other partial rights, unless this has been agreed.

The assignment of the ownership of a copy of a work does not include the right to exploit the copyright, even in the case of an original work.

Design rights

Under the Designs Act, the right holder can transfer the design right in whole or in part.

Trade secrets and confidential information

Trade secrets and confidential information can be assigned by agreement.

Formalities for assignment

7. What formalities are required to assign each of the main IPRs?

Patents

Under the Patents Act, the transfer of a patent application and of the patent by a legal act is only valid if evidenced in writing and signed by the assignor.

A patent can be transferred without the transfer being recorded in the Patent Register. However, an assignment must be registered to be effective against third parties acting in good faith. Further, until the transfer is recorded, any action provided for in the Patents Act can be taken against the former proprietor of the patent.

Trade marks

Under the Trade marks Protection Act, an assignment of trade marks is only valid if evidenced in writing and signed by the assignor.

It is only effective in relation to third parties who are acting in good faith once it has been entered in the Trade Mark Register.

Copyright

The Copyright Act does not require a specific form for the assignment of copyright. An oral agreement is sufficient to transfer copyright but it is advisable/usual for a copyright assignment to be in writing as this will be easier to prove.

There is no copyright registration in Switzerland and therefore copyright assignments cannot be registered.

Design rights

An assignment of a design is only valid under Swiss law if evidenced in writing and signed by the assignor.

The assignment is only effective in relation to third parties who are acting in good faith once it has been entered in the Designs Register.

Trade secrets and confidential information

There are no specific requirements for the assignment of trade secrets and confidential information. An oral agreement is sufficient. It is advisable/usual for an assignment of trade secrets and confidential information to be in writing, with confidentiality provisions to protect the confidential information/trade secrets.

Main terms for assignments

8. What main terms should be included in an assignment of IPRs?

For all IPRs (registered or unregistered) the parties should address the following main terms in an assignment:

- IPR: the most important term is a detailed description of the respective IPRs (ideally with the registration numbers and so on).
- Defining the exact scope of the assignment (for example, total or partial assignment, only for certain countries or goods/services, goodwill included, and so on).
- The parties must agree to potential compensation, which is considered an essential term (*essentialia negotii*). However consideration is not required under Swiss law.
- The assignor's duties relating to the transfer of the IPRs.
- Representations and warranties for the specific IPRs.
- Applicable law and jurisdiction.

Licensing

Scope of licensing

9. On what basis can the main IPRs be licensed?

Patents

Patents can be licensed on an exclusive, non-exclusive and sole basis.

Patents can be licensed in whole or part, with jurisdictional restrictions and time limits. Competition law requirements must be considered.

A licence can be granted for only one specific claim of a patent.

Trade marks

Trade marks can be licensed on an exclusive, non-exclusive and sole basis.

Trade marks can be licensed in whole or part (for specific goods/and or services), with jurisdictional restrictions and time limits.

Trade marks can thereby be licensed with or without goodwill.

Copyright

Copyright can be licensed on an exclusive, non-exclusive and sole basis.

Copyright can be licensed in whole or part, with jurisdictional restrictions or time limits. Copyright can be licensed for only one specific exploitation right of a work of art.

Design rights

Design rights can be licensed on an exclusive, non-exclusive and sole basis.

Design rights can be licensed in whole or part, with jurisdictional restrictions or time limits.

Formalities for licensing

10. What are the formalities to license each of the main IPRs?

Patents

A patent licence does not have to be in writing and signed by both parties but this is common and recommended.

A patent licence does not have to be registered in Switzerland but this is recommended. Registration enables the licence to be enforced against third parties acquiring the patent in good faith. Patent licences are registered in the Swiss patent register and no registration fee is charged. There is no time frame for the registration and the parties to the licence determine who registers the licence.

Trade marks

A trade mark licence does not have to be in writing, signed by both parties, but this is common and recommended.

A trade mark licence can be registered in the trade mark register on application by the licensor or licensee and there is no specific time frame for registration. On registration, the licence becomes binding on an acquirer of the trade mark.

To be valid, the licensing of a collective mark must be registered in the trade mark register.

Copyright

A copyright licence does not have to be in writing and signed by both parties, but this is common and recommended.

There is no copyright registration in Switzerland and the Copyright Law does not provide for a copyright licence to be registered.

Design rights

A design rights licence does not have to be in writing and signed by both parties, but this is common and recommended.

A design rights licence can be registered on request by the licensor or licensee and there is no specific time frame for registration. On registration, a licence becomes enforceable against a third party who acquires rights to the licensed design right.

Trade secrets and confidential information

There are no formalities for the licensing of trade secrets and confidential information. However, it is highly recommended to conclude a written agreement, as trade secrets are not recognised as an IP right in Switzerland. However, various provisions in Swiss law prohibit specific conduct in relation to trade secrets (such as the UCA, Labour Law, Criminal Law and Corporate Law).

Main terms for licences

11. What main terms should be included in an IP licence?

Generally, the main terms of an IP licence include the following:

- The only essential term (*essentialium negotii*) is a description of the subject matter of the contract which is to be made available to the licensee for use.
- A detailed description of the IPRs to be licensed (in particular, registration numbers).
- A description of the scope of the licensed IPRs (for example, total or partial licence, territory and allowed use of the IPRs).
- The nature of the licence (exclusive, non-exclusive or sole licence).
- Right to grant sub-licences.
- Term of the licence.
- Licence fee (if any) and fee calculation method. For example, fixed percentage of the net sales of products produced or distributed using the licensed IPRs, upfront licence fees, and minimum annual royalties.
- Payment terms.
- Representations and warranties relating to the licensed IPRs (validity, third party infringement, and so on).
- Registration of the licence (if applicable).
- Description of the licensor's duties relating to the licensed IPRs (for example, duty to sign all necessary documents to register the licence).
- Defence/defence procedures in case of challenges to the licensed IPRs. Enforcement rights/procedures in case of

infringements of the licensed IPRs.

- Accounting mechanism and auditing rights of the licensor.
- Applicable law and jurisdiction.

Patents

Specifically in relation to patents, the main terms of an IP licence also include the following:

- Definition of patent rights (including pending patent claims).
- Royalty and royalty term.
- Assignment (change of control clause).
- Non-challenge clause.
- Post-patent expiry clauses.
- Liability clauses (including product liability).

Trade marks

Specifically in relation to trade marks, the main terms of an IP licence also include the following:

- Quality control.
- Field of use.
- Channels of distribution.
- Marketing obligations.

Copyright

Specifically in relation to copyright, the main terms of an IP licence also include the following:

- Waiver of right to assert personal rights against the licensee.
- Term of support/maintenance (for software).
- Restrictions for software licences: de-compilation, access to source code, specified user group, number of users, location, purpose, specified machines or servers.

Design rights

Specifically in relation to design rights, the main terms of an IP licence also include the following:

- Field of use.
- Channels of distribution.
- Marketing obligations.

Trade secrets and confidential information

Specifically in relation to trade secrets and confidential information, the main terms of a licence also include the following:

- Non-disclosure and confidentiality clauses (to remain in place after termination).
- Restriction on use and disclosure (with exceptions, for example for employees, advisers or lawyers).
- Return, destruction, and erasure of information.
- Termination rights or contractual penalties.

Taking security

12. Can security be taken over IPRs?

Security can be taken over IPRs (and also over unregistered IPRs) (*see Question 13*). IPRs can have a material economic value, and can therefore be used as collateral by a company for financing purposes. This is usually done in the form of a security package linked to other assets of the company (such as bank accounts, receivables or real estate). Patents, trade marks and copyrights to software are commonly used as collateral.

Valuing IPRs is difficult. Valuation can lead to problems if the pledge agreement (*see Question 13*) provides for a right of appropriation (self-assertion) of the pledged IPR on the pledgor/debtor's default. Swiss law requires the pledgee to properly account for the value of the pledged IPR, deduct that value from the secured claim and return any excess to the pledgor.

There is some debate among legal scholars on whether an appropriation right is allowed if there is no determinable market price for a pledged asset. In addition, a simple default clause providing that the pledged property right becomes the property of the pledgee on default is considered invalid under Swiss law. Under Swiss legal doctrine, the same principles generally apply to transfers of ownership by way of security or other full security interests.

Consequently, appropriation of the IPRs by the pledgee/assignee requires a precise determination of the pledged property right, and valuation principles that take into account the pledgee/assignee's interests.

The pledgee of a registered IPR bears the risk that renewal fees for the pledged IPRs (for example, a patent) will not be paid, so that the IPR expires and the pledgee loses its security.

13. What are the main security interests taken over IPRs and how are they created and perfected?

The most important security interest over IPRs is a pledge. Assignments of security interests are possible under Swiss law.

A pledge agreement must be concluded in writing (*Article 900, Civil Code*). The formal requirements for an assignment of security are the same as for an assignment of IPRs (see [Question 7](#)).

Registration is not a condition for the validity of a pledge over patents, trade marks and designs. However, only registered pledges can be enforced against a bona fide purchaser of the patent, trade mark or design who is not otherwise aware of the pledge. Pledges over patents, trade marks and designs are registered in the respective registers and can be accessed on the IPI's website.

Copyright is not registrable, so a pledge on a copyrighted work cannot be registered. Therefore, it is advantageous for the copyright to be assigned as security.

M&A

Due diligence

14. What IP-related due diligence is commonly carried out in both a share sale and an asset sale?

The scope and depth of IP due diligence depends on the importance of the IP to the target company's business and therefore its impact on the value of the transaction.

Typical areas of IP due diligence in Switzerland include identifying business-related IP of the target company and whether the IP used in its business is owned by the target.

If the IP is owned by third parties or shareholders, due diligence includes whether the target company has entered into sufficient licences to continue using the IP. It can include the requirements to transfer the IP to the target company, if such a transfer is required or contemplated.

Due diligence on ownership includes assessing whether:

- IP registrations are up to date.
- There is a clear and complete chain of title, and whether there are security interests or liens over the IP.

The main focus of IP due diligence is to ensure the IP's ownership and scope of protection. The buyer must analyse whether the IPRs are owned by the target company and are validly registered in the countries where the company operates.

Other areas of due diligence include reviewing all IP-related litigation by and against the target company, to check whether third parties are infringing or suspected of infringing the target company's IPRs.

Share sale or merger

In a share sale, the company is transferred as a whole with all assets and liabilities, so IPRs do not have to be transferred individually.

Any liabilities of the company must be disclosed and valued because they have a negative impact on the target, and therefore on the value of the technology. Accordingly, in a share deal, comprehensive due diligence must be carried out on all of the company's IP.

Asset sale

In an asset deal, the buyer acquires certain assets (and, if agreed, liabilities) from the target company, often in a series of separate, albeit simultaneous and related, transactions.

IP due diligence in an asset deal is therefore limited to the IP asset or assets that the buyer intends to acquire.

Warranties/indemnities

15. What IPR-related warranties are commonly given by the seller to the buyer in both a share sale or merger and an asset sale?

Share sale or merger

The buyer is granted different types of warranties on a case-by-case basis, which is a matter of negotiation. Generally, the seller may give the following warranties:

- All IPRs needed to carry out the target's business are owned or legally used by the seller or target company.
- The seller or target company does not infringe any IPRs of third parties.
- All IPRs are valid, in full force and effect and not subject to any encumbrances.
- All required renewal applications have been made and the appropriate fees have been paid.
- No pending claims by third parties relating to the target's IPRs.
- All IPRs created by employees or third parties have been acquired by the seller or the target company.
- All necessary measures have been taken to keep the know-how of the seller or the target company secret.

Asset sale

The warranties generally applicable in an asset deal do not differ significantly from those in a share deal.

Transfer of IPRs

16. How are the main IPRs transferred in both a share sale and an asset sale?

Share sale or merger

In a share sale, control of the IPRs is transferred with the target's shares and there is no transfer of IPRs.

In a merger, it is recommended that the new owner be registered in the relevant IP register.

Asset sale

IPRs are transferred by assignment (*see Question 7*). It is not compulsory to register the change of ownership of the transferred IPRs, but registration is recommended.

Joint ownership of IP

17. How does joint ownership of IP arise?

Joint ownership of IP frequently arises by law in collaborative projects, when the results have been jointly generated by the partners and the share of work is not easily ascertainable.

Joint ownership can arise in relation to all forms of IP. In the case of trade secrets, the term joint holders is used and not joint owners.

18. What key issues arise in terms of the parties' rights to exploit and enforce jointly owned IP? How should these issues be dealt with in the agreement between the parties?

In principle, the parties decide jointly on the licensing of their IP rights (for example, under Article 3 of the Patents Act).

Generally, consent from all co-owners is required for the use or assignment of the IPRs. In Swiss IP law, there are some specific regulations on the transfer or use of jointly owned IP (*Articles 3 and 33, Patent Act; Article 7, Design Act; Article 7, Copyright Act*). For trade mark law, there are no specific regulations and the general regulations on co-ownership apply (Code of Obligations). The contractual provisions must always be observed.

In principle, the consent of all co-owners is required to enforce the IPRs. This arises from the IP rights (*see legislation cited above*), but a power of attorney can always be obtained.

For IP generated in a collaborative project, there are several ways to allocate ownership. One of the most common options is to allocate an equal share between the partners.

Key issues include the following:

- Co-ownership arrangements usually grant each party an unrestricted use of the jointly owned IP.
- Joint ownership arrangements should define the conditions under which each co-owner can assign, license and in general exploit jointly owned results.
- Joint ownership arrangements should define which, if any, background IP remains the sole property of the parties.
- In relation to disseminating the project research results, parties can agree on limits and the means of disclosing data and research materials, since disclosure can impede future IPR registration.

Competition law

Main provisions and common issues

19. What are the most common national competition law issues that arise in the exploitation of the main IPRs?

The most common competition law issues relating to the exploitation of the main IPRs arise in contractual arrangements (for example, distribution, licence, and R&D agreements).

Article 5 of the Federal Act on Cartels and other Restraints of Competition (Cartel Act) regulates binding and non-binding agreements and concerted practices that have the effect of restricting competition in Switzerland. Such agreements are prohibited if they eliminate competition or significantly restrict competition in a market without being justified on grounds of economic efficiency.

Agreements on fixed or minimum prices and the allocation of territories are presumed to eliminate effective competition if sales by other distributors into these territories are not permitted (in particular, forbidding passive sales to distributors or final customers in a given territory) (*Article 5(4), Cartels Act*). Passive sales include sales over the internet, except where efforts are made to specifically target customers in a particular territory (these are deemed to be active sales).

A significant restriction of competition is assumed for hardcore agreements by their nature, without the need to examine quantitative effects such as market share. Under the Vertical Agreements Guidelines adopted by the Swiss Competition Commission (and the related Explanatory Note), the following are in particular considered hardcore restrictions:

- Restrictions on the buyer freely setting its prices.
- Territory and customer restrictions (except in cases explicitly allowed under the Vertical Agreements Guidelines).
- Restrictions on sales to the final customer in a selective distribution system.

- Restrictions on cross-sales among members of the same selective distribution system.
- Restrictions preventing suppliers from selling components or spare parts to customers other than the distributors designated in the agreement.

In the context of internet sales, the following can, depending on the circumstances, be considered as hardcore restrictions on prices or territories:

- Direct or indirect influence of the supplier on reseller prices (for example, through threats, warnings or delays in delivery).
- Agreements providing that:
 - resellers will prevent Swiss customers from accessing their website;
 - resellers redirect customers automatically to the website of the supplier or a different reseller in Switzerland; or
 - online transactions from other territories are prevented as soon as the credit card allows identification of an address outside the allocated territory.

The restriction of parallel imports (as a hardcore vertical restriction) has been the topic of cases, including the landmark Gaba/Gebro case (*2C_180/2014*, 28 June 2016) decided by the Federal Supreme Court on the manufacturing and distribution of Elmex products.

In this case, the Federal Supreme Court decided that agreements under Article 5(3) and (4) of the Cartels Act, including in particular those that allocate markets geographically have, in principle, due to their object, the effect of significantly restricting competition under Article 5(1) of the Cartels Act. They therefore constitute unlawful restrictive agreements if they cannot be justified on grounds of economic efficiency.

In relation to non-compete provisions, there are no specific rules set out for licences. However, the Vertical Agreements Guidelines provide some guidance. Non-compete provisions are generally acceptable, provided that they are limited to a maximum of five years or one year after the end of the relevant agreement. Further, restrictions on the use or disclosure of know-how can be imposed for an unlimited period after the end of the agreement, provided that the know-how is not in the public domain.

Other provisions that may be problematic under Swiss law include the following:

- Restrictions preventing a licensee from exploiting its own technologies or from undertaking R&D.
- Grant-back (through an exclusive licence or assignment to the licensor) of improvements made by the licensee.
- No challenge against the licensed IP.
- Payment of royalties after expiration of the licensed IPR (royalties may still be justified for know-how).

Under Article 7(1) of the Cartels Act, dominant undertakings behave unlawfully if, by abusing their position in the market, they hinder other undertakings from starting or continuing to compete, or disadvantage trading partners. Article 7(2) lists certain practices that are deemed unlawful, in particular:

- A refusal to deal.
- Discrimination between trading partners in relation to prices or other conditions of trade.
- Imposing unfair prices or other unfair conditions of trade.

The Competition Commission has published advice on broadcasting rights. In an exclusive broadcasting agreement, a sports association had granted a broadcaster a right of first negotiation (at the end of the term of the agreement). Failing agreement at the end of the right-of-first-negotiation period, the broadcaster had a matching-offer right, whereby it could match any offer made by a third party to the sports organisation, therefore extending the benefit of the exclusivity of the broadcasting rights. The Competition Commission advised that such provisions will be considered unlawful if they cannot be justified on grounds of economic efficiency.

Exclusions/exemptions

20. What exclusions or exemptions are available for national competition law issues involving the exploitation of the main IPRs?

Under the Cartel Act, agreements affecting competition can be justified on grounds of economic efficiency if they both:

- Are necessary to:
 - reduce production or distribution costs;
 - improve products or production processes;
 - promote research into or dissemination of technical or professional know-how; or
 - exploit resources more rationally.
- Do not enable the parties involved to eliminate effective competition.

In relation to unlawful vertical agreements (*see [Question 19](#)*):

- Bagatelle (low value) cases are exempted. However, the Federal Supreme Court does not provide further explanations on the applicable threshold. In particular, since the Federal Supreme Court is concerned with potential adverse effects on competition, it is unclear to what extent quantitative criteria can be taken into account at all.
- For non-hardcore restrictions, vertical agreements are assumed not to have a significant effect on the market if none of the parties have a market share over 15%.

Advertising

21. To what extent do advertising laws impact on the use of third party trademarks?

Comparative advertising is permitted under Swiss law if it is not incorrect, misleading, unnecessarily injurious or imitative

(Article 3(1)(e), UCA). Further, comparative advertising must not have the effect of exploiting the reputation of a competitor's trade mark (free riding).

The advertising industry is regulated by the [Commission Suisse pour la Loyauté](#) (*Schweizerische Lauterkeitskommission*), which publishes reports of its decisions.

Employees and consultants

22. Who owns each of the main IPRs created by an employee in the course of employment?

Ownership

Patents and designs. Inventions and designs developed by employees in the course of their work for the employer and in performance of their contractual obligations belong to the employer (*Article 332, Code of Obligations*). By written agreement, the employer can reserve the right to acquire inventions and designs developed by employees in the course of their work for the employer but not in performance of their contractual obligations.

Copyrights (including software). Swiss law does not contain provisions on the ownership of copyright works created by employees. Therefore, the general rule applies: copyright vests in the author of the work (the employee).

For software, the employer has the exclusive right to use any software created by its employees in the course of discharging their professional duties or fulfilling their contractual obligations (*Article 17, Copyright Act*).

Employers and employees are free to agree a different allocation of IPRs in employment agreements, subject to:

- Mandatory compensation of the employee in certain cases (*see below, Compensation*).
- General limitations on the assignment of moral rights, such as the right to be named as author or inventor.

Compensation

Employee compensation is mandatory for patents and designs developed by employees outside the performance of their contractual obligations (if the employment agreement provides that such patents and designs are assigned to the employer) (*Article 332(4), Code of Obligations*).

Otherwise, employers and employees can agree the compensation for IPR assignment. This does not need to be specific to the assignment of IPRs, and can be included in the employee's compensation package.

Main steps

To ensure they own each of the main IPRs developed by their employees, employers should include an assignment of IPRs provision in each employment agreement. This provision should detail the types of IPRs that will be assigned to the employer.

For IPRs such as copyright in software and know-how (where infringement by the employee can be difficult to prove), it is also recommended to include a non-compete provision in employment agreements.

23. Who owns each of the main IPRs created by an external consultant?

Ownership

There are no specific rules on the assignment of IPRs created or developed by external consultants under Swiss law. In principle, the ownership of such IPRs therefore vests in the external consultants.

Main steps

Businesses should include an IPRs assignment provision in their agreements with external consultants, to ensure they have the rights to such IPRs.

Tax

24. What are the main taxes payable by a licensor on the licensing of the main IPRs?

The main taxes payable by a licensor on royalties under Swiss law are income/profit taxes at ordinary rates, at municipal, cantonal and federal levels.

If the licensor is a company, the royalties form part of its profits and are subject to corporate profit taxes.

Revenues on licensing received by individuals or partnerships are subject to income tax at the level of the individual.

Royalty payments are not subject to any withholding tax in Switzerland. Withholding taxes at a rate of 35% can only be imposed on royalty payments if the payments qualify as constructive dividends (that is, non-arm's length royalty payments paid at intra-group level or to a company's shareholders).

25. What are the main taxes payable by a seller on the sale or transfer of the main IPRs?

Revenues realised by a company on the sale of IPRs form part of the company's profits and are subject to corporate profit taxes at federal, cantonal and municipal levels. However, IPRs can be transferred free of tax at book value under certain conditions.

If the IPRs sold are part of an individual's private assets, the gains realised on the sale are not taxable (tax-free capital gain).

If the IPRs are part of an individual's business assets or assets of a partnership, income taxes are due at ordinary rates on the revenues realised on the sale of the IPRs.

Cross-border issues

26. Are foreign IPRs recognised in your jurisdiction?

The protection of IPRs is based on the principle of territoriality. Foreign IPRs are therefore not automatically recognised in Switzerland and only qualify for territorial protection if they meet specific conditions set out in the relevant national IP legislation. However, Switzerland is party to several international treaties that enable or facilitate the recognition of foreign IPRs.

Patents

Switzerland is a member of the EPO. Therefore, it is possible to apply for a European patent with effect in Switzerland.

Switzerland is also party to the Patent Cooperation Treaty 1970 (PCT). The holder of a foreign patent can file an international application (PCT application) and request protection for its patent in Switzerland.

Trade marks

Switzerland is a party to the [WIPO Madrid Agreement Concerning the International Registration of Marks 1891](#) and the WIPO Protocol Relating to the Madrid Agreement 1989. A foreign national trade mark can be registered with the WIPO as an international trade mark with protection in Switzerland.

Switzerland is also party to the [Paris Convention for the Protection of Industrial Property 1883](#). Under Article 6bis (and Article 3 of the Trade marks Protection Act), trade marks registered in another jurisdiction that is party to the Paris Convention that are well known in Switzerland benefit from certain rights in Switzerland.

Design rights

The [Hague Agreement Concerning the International Registration of Industrial Designs 1925](#) has been ratified by Switzerland. It is possible to obtain design protection for a foreign design by applying to WIPO for an international design with protection in Switzerland.

Reform

27. Summarise any proposals for reform to the main IPR laws.

There are no current proposals for reform to the main IPR laws.

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