

UNCITRAL - Third International Colloquium on Secured Transactions

Presentation by Lorin Brennan and Jeff Dodd

Concept Draft for Discussion Only

MODEL INTELLECTUAL PROPERTY CONTRACT LAW

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## CHAPTER I: GENERAL PROVISIONS

### **Article 1.: Purpose**

The purpose of this law is to simplify and modernize dealings in intellectual property by enabling and validating intellectual property contracts made in compliance with this law.

### **Article 2.: Definitions**

*Assignee, Licensee or Transferee* means a person who obtains an ownership interest or authorization to use intellectual property under an assignment, license or transfer as applicable.

*Assignment* means a contract that conveys an ownership interest in intellectual property, whether outright or conditional, or whole or partial.

*Assignor, Licensor or Transferor* means a person who conveys an ownership interest or authorizes use of intellectual property under an assignment, license or transfer as applicable.

*Intellectual property* means patents, industrial designs, copyrights, trademarks, geographical indications, trade secrets and other legal interests recognized or protected as intellectual property under the law of this State.

*Intellectual Property Contract* means an assignment or a license.

*License* means a contract that authorizes or restricts the creation of, access to or use of intellectual property or rights in intellectual property, whether exclusive or non-exclusive.

*Person* means an individual or any legal, private or public entity.

*Scope* means the terms of a transfer regarding the covered intellectual property, exclusive rights, territory of use, and duration of use that, in the case of an assignment, defines the ownership interest conveyed and, in the case of a license, defines the permitted or restricted use.

*Transfer* means an assignment or license as the situation requires.

*Use* means authorization to exercise or the exercise of any rights in intellectual property.

*Writing* in this law includes electronic records to the same extent as provided in the laws of this State regarding use of electronic records in contracts generally.

### **Article 3.: Sphere of Application**

This law applies to an intellectual property contract if the intellectual property is protected under the law of this State, the centre of main interests of one of the parties is within this state, or the contract provides that this law in this State governs the contract.

### **Article 4.: Relation to Intellectual Property Law**

This law applies to all matters that may be the subject of a contract under applicable intellectual property law. Nothing in this law expands or diminishes any exclusive rights, or exceptions and limitations on exclusive rights, under applicable intellectual property law.

### **Article 5.: Deference to Other Law**

This law does not supersede provisions of any of the following laws of this State to the extent they apply to an intellectual property contract:

- (a) competition law;
- (b) consumer protection law;
- (c) employment law;
- (d) laws applicable to national security or public order;
- (e) laws governing specific types of transactions in intellectual property including those relating to security rights, franchises or business opportunities;

- (f) provisions in intellectual property law that apply to specific types of contracts or contract terms, including compulsory licenses; and
- (g) \_\_\_\_\_.

**Article 6.: Party Autonomy**

Parties may derogate from and vary the effects of this law and are free to determine the content of an intellectual property contract except where expressly stated otherwise in this law. Parties may determine whether this law or other law applies to all or any part of their contract.

**Article 7.: Interpretation of this Law**

(a) In the interpretation of this law, regard is to be had to its international origin and to the need to promote uniformity in its application and the observance of good faith.

(b) Questions concerning matters governed by this law which are not expressly settled in it are to be settled in conformity with the general principles on which this law is based

**CHAPTER II: FORMATION**

**Article 8.: Validation**

An intellectual property contract may be formed under the laws of this State in the same manner as any other contract may be formed under general contract law of this State.

**Article 9.: Formalities**

(a) The requirements in intellectual property law and the general contract law of this State relating to evidencing contracts by an executed writing as a requirement to enforceability apply to intellectual property contracts, and this law does not impose any additional requirements.

(b) Unless otherwise provided in the laws of this State, the parties to an intellectual property contract may agree on additional requirements to authenticate the terms of their contract even if they are more restrictive than those in this law or the general contract law of this State.

**Article 10.: Assignments and Exclusive Licenses**

If under the law of this State an exclusive license of particular intellectual property makes the exclusive licensee an owner or right holder in a manner comparable to an assignment, then references in this law to “assignment” apply to such an exclusive license *mutatis mutandis*.

**Article 11.: Electronic Contracts**

Parties may form and perform an intellectual property contract by electronic means to the same extent as for other contracts under the laws of this State.

**CHAPTER III: INTERPERTATION**

**Article 12.: Integration**

Parties to an intellectual property contract may agree that a writing evidencing the terms of their contract represents the final expression of their agreement. In that case the terms of the writing may not be contradicted by evidence of an earlier agreement or contemporaneous oral agreement, but they may be explained by practical construction in accordance with the next Article unless the contract limits its construction to the terms of the writing.

**Article 13.: Practical Construction**

(a) The meaning of the terms in an intellectual property contract may be explained by evidence of conduct between the parties in the same or other transactions that establishes a

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common basis for interpretation and by evidence of applicable customary professional practices of which the parties were or should have been aware.

(b) The express terms of an intellectual property contract, along with evidence of other conduct of the parties and applicable customary practices, should be construed consistently with each other where feasible, but in case of inconsistencies express terms prevail over conduct and custom, and conduct prevails over custom.

(c) Terms in an intellectual property contract relating to successive performances relate to such performances without the necessity of restatement unless otherwise expressly required.

#### **Article 14.: Amendment**

An intellectual property contract that is evidenced by an executed writing which precludes amendment except by another executed writing may not otherwise be amended.

#### **Article 15.: Interpretation of Transfers**

(a) The scope of a transfer should be interpreted under ordinary principles of contract interpretation in light of the intellectual property involved and the commercial context except where applicable intellectual property law requires a different rule, such as requiring interpretation in favor of a transferor.

(b) An assignment of intellectual property includes the right to use the intellectual property within the scope of the assignment by all methods then existing or later developed whether or not anticipated at the time of contracting unless the assignment states otherwise.

(c) A license of intellectual property does not authorize use of the intellectual property by methods not anticipated at the time of the contracting unless the license states otherwise.

### CHAPTER IV: WARRANTIES

#### **Article 16.: Express Warranty**

An express warranty arises from a definitive affirmation in an intellectual property contract by a party that a fact is true on which the other party was intended to and did rely in entering into the contract, but statements of opinion or aesthetics do not create any warranty.

#### **Article 17.: Implied Warranty Of Title In Assignments**

An assignor impliedly warrants to the assignee that the assignor owns or controls the ownership interest in the intellectual property within the scope of the assignment and has not previously transferred such interest to any other party.

#### **Article 18.: Failure of Warranty**

In an intellectual property contract a warranting party agrees to hold the other contracting party harmless from any liability to a third party due to the failure of a warranty by the warranting party up to the value of the consideration received by warranting party in the contract.

#### **Article 19.: Disclaimer of Warranty**

Parties to an intellectual property contract may disclaim or limit the scope of any warranty or the remedies for the failure of any warranty provided the language so doing is unambiguous.

### CHAPTER V: PERFORMANCE

#### **Article 20.: Obligations of the Parties**

(a) Parties to an intellectual property contract are obligated to perform in a manner that substantially conforms to the terms of the contract.

(b) In an intellectual property contract, performance by the transferor includes enabling the transferee's use of the intellectual property within the scope of the transfer, and performance by the transferee includes paying any compensation or rendering any performance due for any performance by the transferor which the transferee accepts.

(c) The obligations of transferor and transferee are independent unless otherwise stated.

(d) A party may agree that any its obligations are irrevocable and must be performed regardless of counter-performance by the other party unless the other party ends the contract.

#### **Article 21.: Enabling Use**

(a) A transferor enables use by making a transfer sufficient to allow use of the intellectual property within the scope of the intellectual property contract and by completing any additional acts required under the contract to make the intellectual property available to the transferee.

(b) If enabling use reasonably requires providing physical materials, then the transferor must make reasonable efforts to do so in a timely manner.

(c) If enabling use requires providing access to an automated information system, a transferor enables use by providing the transferee reasonable information needed to gain and maintain such access consistent with the contract and ordinary operation of the system.

(d) If enabling use reasonably requires execution and delivery of additional instruments, such as for filing with governmental authorities, then upon request the transferor must make reasonable efforts to do so in a timely manner.

#### **Article 22.: Acceptance**

(a) A transferee accepts a performance of the transferor by signifying to the transferor that the intellectual property whose use has been enabled conforms to the intellectual property contract, by failing to reject the transferor's performance after a reasonable opportunity to do so, or by commencing any use of the intellectual property other than for allowed inspection or verification of the transferor's performance.

(b) If acceptance of performance requires the transferee to inspect any physical materials for suitability, then the transferee must use reasonable efforts to do so in a timely manner.

(c) Before acceptance a transferee may not use any intellectual property except for allowed purposes of inspection or verification of the transferor's performance.

(d) A method of inspection or verification specified in an intellectual property contract is presumed to be exclusive.

### **CHAPTER VI: TRANSFERS**

#### **Article 23.: Effectiveness**

(a) A transfer of intellectual property is effective to the extent of the transfer's actual authority to make the transfer consistent with applicable intellectual property law.

(b) A later transfer is only effective to the extent it is within the scope of any earlier transfer under which access to or use of the intellectual property was acquired or authorized.

(c) A transfer becomes effective between the parties upon conclusion of the intellectual property contract containing the transfer or at another time specified in the contract.

(d) A transfer becomes effective against third parties upon conclusion of the intellectual property contract containing the transfer or at a later time specified in the contract.

(e) A transfer that is prohibited under relevant intellectual property law or that is not authorized in an intellectual property contract is ineffective.

#### **Article 24.: Further Transfers**

(a) An assignment of intellectual property authorizes the assignee to make further transfers unless prohibited in the assignment.

(b) Except as provided in section (c), a license of intellectual property does not authorize the licensee to make further transfers unless authorized in the license or by the licensor.

(c) A license of intellectual property to an enterprise may be transferred in conjunction with the sale of substantially all of the assets of the enterprise unless prohibited in the license.

#### **Article 25.: Tangible Materials**

Delivery of tangible materials does not in itself transfer any rights in intellectual property, and a transfer of intellectual property does not in itself convey title to any tangible materials.

#### **Article 26.: Duration of Transfer**

Unless otherwise specified in an intellectual property contract, a transfer continues for the duration of the period under which the intellectual property rights may be enforced under the laws of this State, subject to any provision in intellectual property law allowing for earlier termination.

#### **Article 27.: Priority Of Transfers**

(a) If another law of this State determines priority between conflicting transfers of intellectual property, that law applies. Otherwise, the provisions in this article apply.

(b) As between two conflicting exclusive transfers (*i.e.* assignments or exclusive licenses), the first one to become effective against third parties prevails.

(c) An exclusive transfer (*i.e.* assignment or exclusive license) takes subject to non-exclusive licenses that became effective against third parties before the exclusive transfer became effective against third parties.

### **CHAPTER VII: REMEDIES**

#### **Article 28.: Breach**

(a) A breach of an intellectual property contract is a failure to perform an obligation under the contract or this law as and when due.

(b) A material breach is a substantial breach of an essential obligation.

(c) An immaterial breach is any breach that is not material.

(d) The parties may specify the actions or inactions that constitute a breach of contract and whether the breach is material or immaterial.

#### **Article 29.: Cure**

(a) If a material breach is not capable of cure or threatens imminent serious harm, the aggrieved party may immediately exercise its remedies for the material breach.

(b) In all other cases, the aggrieved party must give the breaching party reasonable notice of the breach and a reasonable opportunity to cure before exercising its remedies.

#### **Article 30.: Available Remedies**

(a) Parties may specify, limit or waive any remedies available for any breach. In the absence of so doing, a party has available all remedies under the intellectual property contract and this law for any breach.

(b) All available remedies for any breach are cumulative, and resort to any one remedy does not prevent resort any other available remedy for the same or any other breach, but a party may not recover more than once for the same loss.

(c) A party may waive any available remedy after a breach, but a waiver of a remedy after a breach in one instance does not constitute a waiver in any other instance. If the intellectual property contract so requires, a waiver of remedy is only effective if it is in writing.



(d) A transferee may not use intellectual property outside the scope of an intellectual property contract regardless of any breach by the transferor except as expressly allowed in the intellectual property contract.

**Article 31.: Termination, Cancellation and Rescission**

(a) “Termination” means ending an intellectual property contract for a reason other than breach, including expiry of the duration of a transfer.

(b) “Cancellation” means ending an intellectual property contract due to breach.

(c) “Rescission” means undoing the effectiveness of an intellectual property contract from inception and reasonably restoring the parties to their situation before contracting.

(d) Upon termination or cancellation future obligations of the parties are ended except for obligations of confidentiality or nondisclosure, return or destruction of materials, and other matters specified in the intellectual property contract. However, the parties retain all rights and remedies with respect to any performance or breach arising before termination or cancellation.

(d) The parties may specify the conditions under which an intellectual property contract may, or may not, be terminated, cancelled or rescinded, including precluding any right to resort to cancellation or rescission as a remedy for breach.

(e) If not precluded as a remedy, cancellation or rescission is only available for an uncured material breach unless otherwise specified in the intellectual property contract.

**Article 32.: Damages**

(a) An aggrieved party under an intellectual property contract may recover damages for breach on the same basis and to the same extent as for other contracts under the laws of this State.

(b) An aggrieved party is entitled to recover such damages as will, exclusively or in combination with other remedies provided by this law or the intellectual property contract, place the aggrieved party in the position in which it would have been had the contract been performed in accordance with its terms.

(c) Subject to Article 34, the parties to an intellectual property contract may specify the type and measure of damages available for any breach.

(d) In any case no party may recover damages for breach of an intellectual property contract greater than the party would have obtained from full performance of the contract.

**Article 33.: Mitigation of Damages**

(a) An aggrieved party may not recover damages for any loss which could have been avoided by taking reasonable measures under the circumstances to avoid or reduce its loss.

(b) The breaching party has the burden of establishing a failure by the aggrieved party to act in accordance with the previous provision.

**Article 34.: Liquidation of Damages**

(a) The parties may agree to payment of a specified sum for breach of an intellectual property contract provided that it results from a determination made at the time of contracting that the specified sum is a reasonable measure of the damages that would result from the breach or that the damages could not reasonably be determined in the event of breach.

(b) The specified sum may be reduced to the extent the breaching party proves that it has become grossly excessive in relation to the actual damages resulting from the breach.

(c) The parties may not derogate from or vary the effect of the provisions of this Article.

**Article 35.: Additional Contract Remedies**

(a) An aggrieved party may obtain rescission or specific performance of an intellectual property contract to the same extent as other contracts under laws of this State.

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(b) An aggrieved party may obtain an injunction to secure performance or prevent breach of an intellectual property contract to the same extent as other contracts under laws of this State.

(c) An aggrieved party may resort to any other available remedy for breach of intellectual property contract to the same extent as other contracts under laws of this State.

**Article 36.: Intellectual Property Remedies**

Nothing in this law limits or supersedes the remedies an aggrieved party may have under intellectual property law in cases where conduct that amounts to a breach of contract may also be grounds for an action for infringement or misappropriation.

**CHAPTER VIII: TRANSITION**

**Article 37.: Effective Date**

This law applies to all intellectual property contracts concluded after its effective date.