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Licensing/Agreement under IP Law; Reliefs and Remedies

MAYANK LAL¹

ABSTRACT

This abstract seeks to bring out the study of licensing/ agreement under IP law; reliefs and remedies. Nowadays, License and agreement has been considered as the spine of the MNC's across the globe. Having an ownership of rights over intellectual property provides plus point in growth of shares, generating profit, leveraging, creating goodwill etc. Nowadays it has been mandatory for all the MNC's to get it in their name for maintaining inventiveness which leads in speed growth. The simple meaning of intellectual property is "providing someone's idea, imagination, invention, creation etc. which is in some form that can be protected under any law from being used by someone else without the owner's permission". These are said to be legal rights that allows the owner to do exploitation of the creation done.

Intellectual property rights in India are governed under several Acts such as; Indian Patent Act, 1970, Trademarks Act, 1999, Indian Copyright Act, 1957 and Designs Act, 2000. These Acts provide security to the inventor or owner of the intellectual property and if any infringement came in light then it provides remedies.

Licensing/ agreement are the main key aspect of Intellectual property that gives power to the creator of the work to give it to someone else for a certain period of time.

The researchers would like to review all the related articles and data's of various such incidents and occasions to draw an inference about the present situation that can be helpful in resolving the disputes among the parties that has been taken place by the way of existing laws and what changes are required for maximizing the outcome of such policies.

In the light of above stated research methods researchers would like to attain a conclusion that now is the high time for the concerned authorities, legal professionals, jurists and general mass to discuss about the process of resolving the matters and come out with solutions which is most probably new legislation or better enforcement of existing provisions for ensuring the fact that the state is primarily responsible for taking care of the underprivileged ones and the fact that the justice should be provided to one and all.

¹Author is a student at School of Law, Galgotias University, Uttar Pradesh, India.

I. INTRODUCTION

Licensing and agreement has been considered as the spine of the MNC's across the globe. Having an ownership of rights over intellectual property provides plus point in growth of shares, generating profit, leveraging, creating goodwill etc. Nowadays it has been mandatory for all the MNC's to get it in their name for maintaining inventiveness which leads in speed growth. The simple meaning of intellectual property is "providing someone's idea, imagination, invention, creation etc. which is in some form that can be protected under any law from being used by someone else without the owner's permission". These are said to be legal rights that allows the owner to do exploitation of the creation done.

The origin of intellectual property rights is that the person who came up with the idea or discovery or creation should have exclusive control over the use as it is his hard work. It has been recognised the monetary value of these rights. Intellectual property rights in India are governed under several Acts such as; Indian Patent Act, 1970, Trademarks Act, 1999, Indian Copyright Act, 1957 and Designs Act, 2000. These Acts provide security to the inventor or owner of the intellectual property and if any infringement came in light then it provides remedies.

Licensing is a key aspect of Intellectual property. A licensing agreement is contract between an owner, who is known as the licensor, and other person who is authorised to use such rights, who is known as the licensee, in exchange monetary benefits known as royalty. It doesn't mean the transfer of ownership has been done.

II. LICENSING

Licensing is an agreement between two parties where the holder agree to allow the other one to use the rights enjoyed by him by paying certain amount of consideration. The licensee gets the power to use the work of the owner; but, it is restricted to certain term & conditions and after the payment of consideration amount as fixed. Since it is a contract, it must satisfy the entire essential given under Sections 10 and Section 11 of the act², i.e., the contract should be between major, should be of sound mind, shall not be disqualified under any law of India and there must be free consent of parties, with a lawful object and lawful consideration.

III. TYPES OF INTELLECTUAL PROPERTY LICENSING

a. Exclusive License:

This license gives exclusive rights to the license and even the licensor is not able to use

² <https://www.incometaxindia.gov.in/pages/acts/indian-contract-act.aspx>.

it for the mentioned period of time.

b. Sole License:

In this license, licensor is permitted to use the property but, the rights cannot be transferred to any third party. This can only be exercised by licensor and licensee.

c. Non-Exclusive License:

This license allows the licensee to exercise the rights and will also allow the licensor to give the right to any other third party also.

It is a combination of such license of intellectual property for grant of exclusive rights in any particular geographical area. Further, the World Intellectual Property Organisation broadly categorises intellectual property licences under³:

1. Technology License Agreement:

Under this, the licensee were granted for exercising the rights related to patents, utility models or any trade secret owned by the licensor. Thus the licensee will use the technology without any interruption.

2. Franchise or Trademark License Agreement:

Trademarks are mode of `differentiating the goods and services of any venture from another. The franchise has mainly gained reputation for the trademark and by the way of an agreement, which authorises the franchisee to use the trademark by signing certain terms & conditions like maintaining product quality, services as the goodwill of the trademark is at risk. The franchisee may also offer financial resources or any expertise if needed.

3. Copyright License Agreement:

Copyrights license are given for the artistic works like; music, cinematograph films, lyrics etc. If any person other the actual owner want to recreate the copyrighted work will have to sign copyright license agreement with the licensor for using it without any interruption.

IV. PROVISION FOR LICENSING

Some of the mostly used provisions under license agreements are as follows⁴:

³ https://www.wipo.int/sme/en/ip_business/licensing/licensing.htm.

⁴ <https://blog.ipmetrix.in/2014/03/09/key-clauses-in-a-license-agreement/>.

- i. **Parties:** It is the most important part of any license agreement which talk about the name of the parties/ companies, registered address and term of using.
- ii. **Recital Clause:** This clause gives the brief idea to the person who is going through the contract that what it is about and the background of the work and how it can be used by the licensee.
- iii. **Jurisdiction:** This talk about up to what extent the territorial limits of license extends.
- iv. **Grant:** This describes about scope and the rights that are granted to the licensee and also if any limitation is there. The language should be clear and explicit in order to avoid any future misunderstanding by either of the party. It shall be granted for either type: “exclusive or non-exclusive”.
- v. **Term:** The time period of the license must be clear in the agreement. The duration of license shall not cross over the time period of protection assigned to the property. The license is generally cancelled only if there is a fundamental breach of the agreement or a clause that allows for early termination⁵.
- vi. **Consideration:** This will be considered as the backbone of any kind of contract. For a valid contract, there must be consideration that should be in form of money or cross license⁶, which grants license to a party in return for a similar license being granted to the licensor. In a license agreement, this is said royalties which is payable by the licensee to the licensor.
- vii. **Confidentiality:** This clause is for maintaining the secrecy of the work of licensor and for prohibiting the licensee from gaining any extra monetary benefits by disclosing it to the any other third party who has not been signatory to the license agreement.
- viii. **Warranties:** The warranty given by the licensor is that he is the owner of the property and is having the right to license the property to the licensee.
- ix. **Indemnity:** This involves the parties for the financial liability which is to be taken by parties if any loss, damage or penalty etc. happening to the other by virtue of the former’s breach of the agreement.

V. ASSIGNMENT VS. LICENSE

Assignment means to transfer of entire rights and interest over to the assignee with the assignor that when it is needed will buy back the property if wishes to use it again. Licensing

⁵ <https://www.obhanandassociates.com/blog/intellectual-property-licensing-in-india/>.

⁶ <https://www.iipta.com/cross-licensing-technology/>.

means agreement that only allow the licensee to exploit the protected work in a particular manner for a specified period of time and the licensor still holds interest in the property. The following are the main differences:

- i. In assignment there is an absolute transfer of ownership and there is termination of interest of the assignor in the property whereas licensing a property is done only for specified period of time with the knowledge of the licensor.
- ii. When there is assignment of property by the assignor then he don't have any control over the use of the property and the assignee is free to use the property in a way he like to do. A license powers the licensee to use the property as per the clauses mentioned in agreement. It is for the certain period of time.

VI. LICENSING UNDER VARIOUS ACTS:

(A) TRADEMARKS ACT, 1999

Licensing of trademarks in India is given in Trademarks Act, 1999⁷. The Act does not clearly mention the term license but refers to the licensee as a 'registered user'⁸. The license should be in written form and permits the licensee to be a registered or an unregistered user. Licensee under this Act can start infringement proceedings whereas unregistered users cannot do so.

Section 49 provides following points:

- a. There must be written contract between the owner and the proposed owner.
- b. There must be an affidavit which defines up to what extent licensee has control over the trademark, of which registration is to be done, terms and conditions to be applied, and the time period of the same.

The license will get registered with the Registrar.

(B) COPYRIGHTS ACT, 1957

Licensing is given under Chapter VI of the Copyrights Act, 1957. Section 30 of the act gives powers to the copyright owner that he may license the rights in writing by him or by his authorised agent. Licenses for future works will only come into effect when the work comes into existence. The issue or grant of licenses for literary work, drama, music and artistic works in cinematograph films or any sound recordings can be done only by registered Copyright Society. The owner of copyrighted work can give licenses, in respect of his work

⁷ Section 49 of the act; http://www.ipindia.nic.in/writereaddata/Portal/IPOAct/1_43_1_trade-marks-act.pdf.

⁸ <http://www.mondaq.com/india/x/202886/Trademark/Assignment+Licensing+of+Trademarks+In+India>.

with an obligation as a member of a registered copyright society⁹. Under this act it has been mentioned 7 types of licenses:

1. Compulsory in works withheld from the public¹⁰: A person may come up to the Appellate Board for grant of compulsory license for work withheld from the people by the owner but, the person will have to first approach the owner for a license to recreate or to perform the work which has been rejected by the copyright owner without any reasonable reason.
2. Compulsory licenses for unpublished or published works¹¹: In case of any unpublished or published works of any unknown, dead or untraceable authors, any one could apply for license to the Intellectual Property Appellate Board (IPAB) for making the same work or translation of the work to the public and before doing all this will have to do publication of the same in a daily newspaper.
3. Compulsory licenses for benefit of disabled¹²: Any person or an organisation running for the help of disabled persons may apply for a compulsory license to the Intellectual Property Appellate Board (IPAB), for any work wherein the copyright exists.
4. Statutory licenses for cover versions¹³: This section permits for issue of statutory licenses for only making of the cover versions of any recordings of literary, musical or dramatic work. The person will have to give prior notice of his intention that what will be the use of that recreation.
5. Statutory licenses for broadcasting literary, musical works and sound recordings¹⁴: This license is issued by the Intellectual Property Appellate to the any organisation that wants to show to public, any literary or musical work or sound recording, which has been published already by the copyright owner. The organisation will have to give prior notice of the motive behind the broadcast.
6. License to produce and publish translations¹⁵: A person may apply to the Intellectual Property Appellate Board for a license to produce or publish the literary or dramatic work in any other language after the expiry of seven years from the date of publication.

⁹ Section 33(1) of the act; <http://www.copyright.gov.in/Documents/CopyrightRules1957.pdf>.

¹⁰ Section 31 of the act; <http://www.copyright.gov.in/Documents/CopyrightRules1957.pdf>.

¹¹ Section 31 A of the act; <http://www.copyright.gov.in/Documents/CopyrightRules1957.pdf>.

¹² Section 31 B of the act; <http://www.copyright.gov.in/Documents/CopyrightRules1957.pdf>.

¹³ Section 31 C of the act; <http://www.copyright.gov.in/Documents/CopyrightRules1957.pdf>.

¹⁴ Section 31 D of the act; <http://www.copyright.gov.in/Documents/CopyrightRules1957.pdf>.

¹⁵ Section 32 of the act; <http://www.copyright.gov.in/Documents/CopyrightRules1957.pdf>.

The applicant will have to pay royalties as decided by the Intellectual Property Appellate Board.

7. License to reproduce and publish works for certain purposes¹⁶: After the passing of appropriate time after the publication of literary or artistic work and the said work is not available in India for the period of six months, then any person can apply for license to publish the same in India.

(C) PATENTS ACT, 1970

Under Patents Act, 1970 the license is to be given in writing between the licensor and the licensee which shall include all the terms and conditions that governs their rights and obligations¹⁷. The Act gives power to the owner of the patent to give license to any other 3rd person to use that patent¹⁸.

The Act also contains the provisions related to compulsory licensing which can only be given for public health, national emergencies and health crisis¹⁹.

After the passing of three years time period from the grant of the patent, any person may file an application to the Controller of Patent for compulsory license on the following grounds:

- a) The requirements of the public with respect to invention have not been satisfied;
- b) The invention is not available at affordable price for public at large;
- c) The invention did not work within the territory of India.

The Act also has the provision for the grant of compulsory license by the notification of Central Government in the official gazette²⁰ and any person who is interested can make an application to the Controller of Patent for the same. The Controller will have to look in several points while framing the terms and conditions of the compulsory license. He has to make clear that²¹:

- a. Royalty and remuneration mentioned shall be reasonable;
- b. Patented invention is used to the fullest by the licensee;

¹⁶Section 32 A of the act; <http://www.copyright.gov.in/Documents/CopyrightRules1957.pdf>.

¹⁷ Section 68 of the act; http://www.ipindia.nic.in/writereaddata/Portal/IPOAct/1_31_1_patent-act-1970-11march2015.pdf.

¹⁸ Section 70 of the act; http://www.ipindia.nic.in/writereaddata/Portal/IPOAct/1_31_1_patent-act-1970-11march2015.pdf.

¹⁹ Section 84 of the act; http://www.ipindia.nic.in/writereaddata/Portal/IPOAct/1_31_1_patent-act-1970-11march2015.pdf.

²⁰ Section 92 of the act; http://www.ipindia.nic.in/writereaddata/Portal/IPOAct/1_31_1_patent-act-1970-11march2015.pdf.

²¹ Section 90(1) of the ac; http://www.ipindia.nic.in/writereaddata/Portal/IPOAct/1_31_1_patent-act-1970-11march2015.pdf.

- c. Patented articles will be available to the public at reasonable prices;
- d. The license is non-exclusive;
- e. The license is non-assignable
- f. The license is not longer than the term of the patent;
- g. The license is for better supply in the Indian market;
- h. In case of semi-conductor technology, the license granted is for non-commercial public use;
- i. In case the license is to remedy an anti-competitive practice, to allow the licensee to export the patented product, if need be.

(D) DESIGN ACT, 2000

As per Section 30(4) which says that any person who has registered any design for doing trade and business under this act will have the power to give license in with some amount of royalty. It shall be in writing, with the terms and conditions and the rights and obligations of the parties engaged in it.

VII. ADVANTAGES OF LICENSE FOR LICENSOR:

- 1. It is the considered as the source of extra earning for the licensor in form of royalty.
- 2. It opens the path for licensor for entering into markets of different states. This will be helpful for making people use to with brand for creating more and more money.
- 3. Licensor will still in the ownership and earns revenue on it.
- 4. It gives an opportunity of self employment.
- 5. If the licensor don't have money to sell the product, then he can give the license to any other person and can earn royalties for.

VIII. DISADVANTAGES OF LICENSE FOR LICENSOR:

- 1. The licensor will be dependent on the licensee as it is up to his ability that how to commercialise the licensor's product effectively.
- 2. If there is an agreement of franchising and the quality of the goods is not maintained then it will harm the name of licensor in the market.
- 3. At the time of an agreement the licensor may provide some kind of expertise to the licensee for setting himself up as an opponent in the market.

IX. ADVANTAGES OF LICENSE FOR THE LICENSEE

1. Licensee can use the registered brand, logo or any other property of the owner as there will be less requirement of investment and R&D.
2. It will give full access to licensee to use technology without any interruption.
3. As, there is constantly a need of new products or up gradation in the existing technology, the licensing allows the licensee to use the technologies that will be helpful for the society.
4. It is the exclusive right given to the licensee to use the property that will give the competitive advantage.

X. DISADVANTAGES OF LICENSING FOR THE LICENSEE

1. It is the obligation of the licensee to pay royalties to the licensor on the due date as mentioned in agreement/ license.
2. If license is not exclusive, the licensee will have to face competition in the market as there are various other licensees.
3. The licensee will have to renew the license time to time for long term use.

XI. RELIEFS/ REMEDIES OF IP INFRINGEMENT

The remedies for protection of IP infringement has been categorised as of various types which will depends on the loss occurred to the IP owner and are discussed below:

a. Civil remedies

It mainly includes injunctions, damages. The main motive of providing civil remedy is to prohibiting the selling, manufacturing, or distributing of the already registered products or generating profits out of it from using the plagiarized product of the real owner without his permission.

A court may grant ex-parte injunctions while the proceeding is under process. Further, the courts have expanded their hands for dealing the serious issue and have introduced the following interim reliefs as civil remedies:

- **Anton Pillar Order:** It gives rights to the right owner to visit the defendant's location along with the *local police appointed* by the court, for the purpose of search and seizer of the goods which belongs to plaintiff. The goods will be returned to the

defendant with an undertaking that it shall be preserved safely till the further orders of the court.

- **John Doe order:** It is also like Anton Pillar order, the merely difference is that the defendants are unknown/ or not known. Moreover, this action is taken when it is difficult to identify the counterfeiter or where the counterfeiter is operating out of temporary premises²².
- **Mareva injunction:** it is to protect the interest of plaintiff during the suit is pending. The main purpose of this is to stop the defendant from selling out the assets they until the court gives order.

Code of Civil Procedure, 1908 administers the procedures used in the civil cases. The listed civil remedies are not enough to compensate the loss suffered by the right holder. The courts are giving their best efforts to increase the horizon of civil course in order to make it capable to resolve the matter and provide justice to the aggrieved.

Therefore, the courts also award remedy in addition to damages and payment of the plaintiff's counsel fee.

b. Criminal remedies

The owner of the work that has been protected under any law of IP law can file a suite of criminal remedy.

As per section 63 of the copyright act, that deals with offences regarding infringement of copyright or any other right conferred by act. The act provides imprisonment which cannot be less than 6 months but which may extend to 3 years. The Code of Criminal Procedure, 1973 lays down that if the offence is punishable "by imprisonment for three years and upwards but not more than seven years", the procedural law provides that the offence will be cognizable and non-bailable whereas if any offence is punishable with imprisonment of less than 6 months then it is a non-cognizable offence. Therefore, in such circumstances the offence committed under Section 63 has to be held cognizable and non-bailable.²³

XII. CONCLUSION

Nowadays licensing/ agreement are considered as the best method for doing commercialization of the work owned by someone in creating huge profit out of it. The

²² <https://www.worldtrademarkreview.com/anti-counterfeiting/procedures-and-strategies-anti-counterfeiting-india>.

²³ https://www.manupatrafast.in/NewsletterArchives/listing/ILU%20RSP/2015/Sep/TerraLex%20Connections%20-%20Whether%20Infringement%20of%20Copyright%20Is%20a%20Cognizable%20Offence_.pdf.

peoples who have created or discovered something out of their intellect mind are exploiting the sole right in earning out of it or giving them to others for doing various businesses.

The protections of the IP are done in various classes and in various forms like registrations, agreements with appropriate terms and conditions etc. These days, licensing/ agreements are one of the best way to earn profitable where the owner is having a larger stake. In licensing/ agreements there are lot of small but highly significant issues such as ownership of IP, sharing of revenues, secrecy etc. When the infringement is figured out then there are several remedies and reliefs which are available under the various provisions of law and are needed to be amended as at present the present time there were various other ways to infringe the protected work and the fine and punishment may be increased.
