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# TRANSFER OF INTELLECTUAL PROPERTY

- A PRIMER

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Intellectual property (“IP”) refers to the creations of the mind such as inventions, literary and artistic works, designs, logos, brand names and like. IP laws protect creators by preventing the unauthorized use of these creations by third parties. The legal protection afforded to creators encourages them to innovate and empowers them to commercialize the IP, apart from conferring a statutory monopoly. For many businesses, IP protects more than just a name, idea or product – it acts as a valuable asset adding immensely to fiscal growth and the ability to compete in the market. Corporations and entities, whether big or small, have focussed on maintaining a robust IP portfolio, and have monetized and commercialized such IP in profitable ways.

There are several ways in which IP can be monetized.<sup>1</sup> The IP owner can utilize these rights herself, or these rights can be transferred or licensed to other parties in exchange for a fee, royalties or other kinds of payments. A document governing the transfer of these rights would describe the scope of the rights transferred, the nature of the transfer and would contain a detailed payment structure or revenue-sharing model. In this paper, we look at the various modes in which copyright, trademark, patent and design, all of which are governed by separate legislations in India, may be transferred or licensed.

## Assignment v. License

An assignment refers to the transfer of interest in the IP. Typically, since IP consists of a bundle of rights, such transfer may –

- a) be done in whole or in part,
- b) be restricted by a specific time period,
- c) be restricted to a specific territory, and/or
- d) include one or more of the various rights that are exercisable in relation to the IP.

Essentially, an assignment transfers the title in the IP for the period of the assignment. Once rights are validly assigned, the assignee can deal with the IP as the exclusive owner thereof, and can therefore reassign the rights, or exploit the assigned rights in any manner. The portion that is assigned cannot be used and exercised by the assignor because the assignee now holds the title to the IP.

On the other hand, a license is not a transfer of title but refers to the limited grant of a right whose exercise by the licensee, in the absence of the license, would have been unlawful. It does not refer to the transfer of title in the IP but is merely an authorization on the part of the IP rights owner, permitting the licensee to do something that only the IP owner is entitled to do. A license can be exclusive or non-exclusive, i.e., (a) under a non-exclusive license, similar licences can be granted to other parties, in addition to the licensee, by the rights holder, and (b) an exclusive license grants rights to the exclusive licensee to the exclusion of everyone else including the licensor herself.

Assignment	License
Results in transfer of title	Does not result in transfer of title
Exclusive in nature	May be exclusive or non-exclusive
Takes away the assigned rights from the assignor and vests the rights in the assignee who is entitled to exercise the rights exclusively	The title remains with the licensor, but an exclusive licensee can prevent the licensor from exercising, commercializing or monetizing the licensed rights
Is unconditional and the assignor cannot restrict the exercise of the assigned rights in any manner	License may be specific, narrow and highly restricted

From a practical standpoint, the difference between an exclusive license and an assignment is extremely limited in that in an exclusive license the licensor continues to retain the titular interest in the IP.

<sup>1</sup> For more on this topic, see, Leo Paul Johnson, “Intellectual Property Monetization”, 6 IJIP 186 (2013); Lawrence Liang, “Copyright, Culture Production and Open-Content Licensing”, 1 Ind. J. L. & Tech. 97 (2005).

## Transfer of Intellectual Property

Under Indian law, there are specific statutory provisions governing certain aspects of transferring or licensing trademarks, copyrights, patents and other kinds of IP. These statutory provisions have been discussed below.

### 1. Copyright

Copyright refers to a bundle of rights held by the author or the owner, as the case may be, in original literary, musical, dramatic or artistic works, photographs, and includes the rights held by the producer in a cinematograph film or sound recording for a specific term.<sup>2</sup> Copyright is a creation of a statute and is therefore limited to the rights created and granted under the statute.<sup>3</sup> Therefore, there is no natural/common law right in a work other than what is granted under the Copyright Act, 1957 (“**Copyright Act**”). The Copyright Act contains provisions that grant authors’ rights, and provisions that describe the lawful manner in which works may be used by the public.<sup>4</sup>

1.1. Copyright vests with the author/owner of the work upon the creation of the work – these terms may be understood as follows –

1.1.1. Work – Section 2(y) of the Copyright Act defines “work” to include literary, dramatic, artistic and musical works. It also includes cinematograph films and sound recordings.

1.1.2. Author v. Owner – According to Section 2(d) of the Copyright Act, author in relation to a copyright is the person who creates the work. For instance, the writer is the author of a literary work. Typically, the title of the work is with the author and therefore, the author is the first owner of a work.

When the author transfers her rights to a third-party, such third-party becomes the owner of the work upon transfer. Once a work is assigned, the assignee is treated as the owner of the work or such portion of the work that is assigned.

As per Section 17 of the Copyright Act, there are exceptions to this rule where, in certain circumstances, like in the case of employment, or contracts of service, or works made for valuable consideration at the instance of another person, the author is not the first owner of the work.<sup>5</sup> For instance, let us consider a work made by an employee of a newspaper for the purpose of publication in the newspaper. In so far as the publication of such work is concerned, the newspaper publication will be the first owner of the work and not the artist-author.

1.1.3. Joint authorship – Under Section 2(z) of the Copyright Act, this refers to a work produced by the collaboration of two or more authors in which the contribution of one author is not distinct from the contribution of the other author or authors. Joint authors own the work jointly.

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<sup>2</sup>To understand the statutory contours of copyright in India, *see*, Sections 13 and 14, Copyright Act, 1957.

<sup>3</sup>Section 16, Copyright Act, 1957 (“No Copyright except as provided in this Act- No person shall be entitled to copyright or any similar right in any work, whether published or unpublished, otherwise than under and in accordance with the provisions of this Act or of any other law for the time being in force, but nothing in this section shall be construed as abrogating any right or jurisdiction to restrain a breach of trust or confidence.”).

<sup>4</sup>For a jurisprudential overview of balance in copyright, *see*, Abraham Drassinower, “A Rights-Based View of the Idea/Expression Dichotomy in Copyright Law”, 16 Canadian Journal of Law and Jurisprudence 3 (2003).

<sup>5</sup>*See*, *V.T. Thomas and Ors v. Malayala Manorama Co. Ltd.*, AIR 1989 Ker 49, where a former employee was held to retain the copyrights in his work because they were not created during the course of employment.

- 1.1.4. Fixation – Copyright in a work arises upon the creation of the work. In copyright parlance, creation refers to when the work is fixed on a tangible medium.<sup>6</sup> For instance, when A, a playwright fixes the script of a play in writing, A becomes the owner of the copyright in the dramatic work.
- 1.1.5. Registration – Since the copyright comes into existence upon fixation, it is not compulsory to register a copyright in India. However, under Section 48 of the Copyright Act, when registered, the registration acts as prima facie proof of the copyright.

The Copyright Act recognizes the owner's rights to either assign or license a work to a third-party. The provisions in relation to assignment and license are discussed below.

## 1.2. Assignment

Assignment is essentially a transfer of the copyright or a transfer of the interest in the work from the assignor to the assignee. Sections 18, 19 and 19A of the Copyright Act govern assignments of copyright. Under Section 18 of the Copyright Act, an assignment may be made in full or in part. For instance, the author of a literary work such as a book, can choose to assign only the right to make a film adaptation of the book and retain all the other rights in the literary work.<sup>7</sup> It must be noted that joint authors/owners should assign the work jointly.

- 1.2.1. Consideration – The author/owner of a work, upon assigning a work, may receive a lumpsum payment or royalty as consideration from the third-party to whom such right is granted. As opposed to a lumpsum, royalty refers to an on-going payment made to the assignor based on the use of the work. For instance, royalties may be payable by the publisher of a book to the author for every copy sold. Such payment can be on-going or limited by a period of time.
- 1.2.2. Unassignable Royalty – The *proviso* to Section 18(1) of the Copyright Act grants special rights to authors of literary and musical works that form part of a cinematograph film or sound recording. Authors of such literary and musical works cannot assign or waive their right to receive royalty. The royalties are required to be shared on an equal basis with the assignee. The concept of unassignable royalty was introduced by the 2012 amendment to the Copyright Act to protect the interests of the authors of literary and musical works who were often subject to rampant exploitation by producers of films and sound recordings.

Thus, any assignment to the contrary is void. However, under the Copyright Act, such assignment is valid if it is in favour of the legal heirs of the author of the literary or musical work, or such assignment is made to a copyright society to aid in the process of collection and distribution of royalty.

## 1.3. Manner of Assignment

- 1.3.1. In writing – An assignment is valid and enforceable only when it is in writing and is duly signed by the assignor or any person authorized to do so.

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<sup>6</sup> Article 2(2) of the Berne Convention prescribes that “works in general or any specified categories of works shall not be protected unless they have been fixed in some material form”. National laws prescribe their own rules pertaining to fixation.

<sup>7</sup> *George Jacob and Ors. v. Nandakumar Moodadi and Ors.*, 2014 SCCOnline Ker 3106. In this case a photograph was permitted to be used only in a CD-Rom and no other manner. However, the defendant published the photograph in a magazine. The Kerala High Court held that an assignment is not absolute and is limited entirely by the terms of the agreement and the scope of the rights assigned therein.

- 1.3.2. Future work – Assignment can be made in a future work, i.e., a work that has not come into existence as on the date of the assignment. Any interest, by way of an assignment, created in a future work comes into existence upon the creation of the work.<sup>8</sup>
- 1.3.3. Scope of assignment – It is essential for an assignment agreement to clearly specify the work that is being assigned, the rights in respect of the work that are being assigned, the duration of the assignment and the territory within which such rights are exercisable.
- 1.3.4. Payment terms – The assignment agreement must clearly lay down the payment terms as agreed between the parties. Such consideration may be a lumpsum payment, a series of payments, as a share in the revenue, or in the form of royalty payments.
- 1.3.5. Term – The assignment agreement must specify whether the assignment is perpetual or limited by time. Under the Copyright Act, if the agreement does not specify a term, by operation of law, the term of such assignment is five years.<sup>9</sup>
- 1.3.6. Territory – If the territorial extent of the assignment is not specified, it will be exercisable within the territory of India.

#### 1.4. Reversion of rights

It is pertinent to remember that Section 19(4) of the Copyright Act entails a right of reversion in favour of the assignor. If the rights assigned under a duly executed agreement are not exercised by the assignee within a year from the date of the assignment (or the effective date in case of future works) such assignment will revert to the assignor. These rights will no longer remain the assignee's rights to exercise.

Once the rights revert in this manner, the assignment must be re-executed in a separate agreement. For practical ease, it is prudent to include a clause in the agreement whereby parties agree that Section 19(4) of the Copyright Act will not apply to their agreement. However, it might be in the interest of the assignor to allow the operation of Section 19(4) since that would deter an assignee from squatting on the rights in a work without publicly using it.

#### 1.5. Disputes Relating to Assignment

In the event that an assignee fails to exercise the assigned rights sufficiently, and where such failure cannot be attributed to the assignor, a complaint may be made to the Intellectual Property Appellate Board (“IPAB”). The IPAB may inquire into the complaint and revoke such assignment if it finds sufficient cause. Other contractual remedies are also available to the parties.

#### 1.6. License

The owner of an existing work or the prospective owner of a future work may grant a license to any party by creating a limited interest in the exploitation of the copyright wherein such rights may be limited by time, territory, non-exclusivity and/or scope. For example, the owner of a sound recording can license the right to broadcast the sound recording to a radio station. Specifically, this is a license to broadcast a copyrighted work.

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<sup>8</sup> *B4U Network (Europe) Ltd v. Performing Rights Society Ltd.*, 2013 EWCA Civ. 1236.

<sup>9</sup> See, *Pine Labs Pvt. Ltd v. Gemalto Terminalis India (P) Ltd.*, 2011 48 PTC 248 (Del.); *M/s. Agi Music Sdn Bhd v. Ilaiyaraja and Anr.*, 2019 SCCOnline Mad 1960.

- 1.6.1. In writing – As per Section 30 of the Copyright Act, licenses must be in writing, and in the case of future works will take effect only when the work comes into existence.
- 1.6.2. Sections 19 and 19A – The provisions of Sections 19 and 19A of the Copyright Act *mutatis mutandis*, apply in relation to a license of copyright. Therefore, all the statutory requirements that bind assignments, as discussed in paragraphs 1.3 to 1.5 above, will also apply to licenses under the Copyright Act.
- 1.6.3. Compulsory and Statutory license<sup>10</sup> – In addition to licenses granted by the authors voluntarily, there are situations wherein an application may be made to the IPAB seeking a license in certain classes of works (discussed below). This is because copyright is a creation of a statute and the monopoly that is granted therein is not absolute. Therefore, in cases where (a) certain works are withheld from public, or (b) the author of an unpublished work is dead, unknown or cannot be traced, an application may be made to the IPAB in such cases seeking a compulsory license.

Similarly, applications may be made for licenses to produce cover versions, accessible versions of works for disabled people, for broadcasting of works, for publishing translations, etc. These licenses can be granted only by the IPAB and not by a civil court. Practically, these statutory licenses can be resorted to when it becomes impossible to obtain a license from the owner directly for whatever reason.

## 2. Trademark

Trademark, as per the Trade Marks Act, 1999 (“**Trade Marks Act**”), comprises a sign, symbol, word, name or logo that helps identify a product or a service as belonging to a particular source and distinguishes it from a product or service belonging to some other trader. For instance, the brand ‘Coca Cola’ signifies a particular source thereby distinguishing it from other similar products.

A trademark may be registered or unregistered. Both registered and unregistered trademarks may be assigned or licensed. Assignments and licenses of trademarks are governed by the provisions of the Trade Marks Act.

### 2.1. Registered v. Unregistered Trademark

The owner, also known as proprietor, of a trademark may apply to the Registrar of Trademarks (“**Registrar**”) for a trademark to be registered. Under the Trade Marks Act, such trademark must be distinctive, and non-descriptive of the kind, quality or origin of the mark, and must also not be deceptively similar to an existing mark. A trademark may be registered in one or more of the 45 (forty-five) classes of goods or services.<sup>11</sup>

Under the Trade Marks Act, the Registrar maintains a Register of Trademarks, which contains details of all registered trademarks along with the name and other particulars of the registered proprietor and the mark. Registration is prima facie proof of the ownership of the trademark. The violation of a registered mark by use of a deceptively similar mark with a view to cause confusion among the consuming public amounts to infringement.<sup>12</sup>

A trademark may also be unregistered and will still be an asset to any business. The value associated with a mark is known as goodwill, and simply put, is the reputation that the mark has in the market owing to its extensive use in relation to a particular product or service.

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<sup>10</sup> See, Sections 31 to 32A, Copyright Act, 1957.

<sup>11</sup> Section 7, Trade Marks Act, 1999. See, NICE Classification of goods and services, which provides the internationally accepted classes, available at <http://euipo.europa.eu/ec2/> (for terms and phrases acceptable in India search the database specifically for terms accepted in CGPDTM).

<sup>12</sup> Section 29, Trade Marks Act, 1999. For a critical overview of Section 29, see, Dev Gangjee, “Lots in a Name: Would Diluted Trademarks Still Sell as Sweetly?”, 15 SBR 5 (2003).

When an unregistered mark is violated by a person misrepresenting his goods or services as that of another, the common law tort of passing-off can be applied to protect the unregistered mark.<sup>13</sup>

## 2.2. Assignment

Section 2(b) of the Trade Marks Act defines assignment as an assignment in writing by the act of parties concerned. Sections 37 and 38 of the Trade Marks Act govern assignment of trademarks. When a trademark is assigned, the assignee acquires the right to use the trademark and steps into the shoes of the erstwhile proprietor or owner.

2.2.1. Registered trademark – The registered proprietor of a trademark has the power to assign the trademark in writing for consideration. Such an assignment will entitle the assignee to use the mark in respect of the goods and services to which the registration applies.

- i. Extent of assignment – A registered trademark may be assigned only to a limited extent, i.e., it may be assigned in respect of only a portion of the goods or services for which it is registered. The assignment agreement must also clearly specify the territorial extent of the assignment. Once a trademark is assigned for exclusive use in a specific territory, the assignee is considered to be using the trademark “in its own right” and not that of another entity’s although such trademark may be used by other entities in other territories.<sup>14</sup>
- ii. Registration of the assignment – Upon an application made by the assignee, the Registrar will record the assignment after ascertaining that there are no pending disputes pertaining to the assignment. Section 45 prescribes the procedure for recording an assignment with the Registrar.
- iii. Registration of assignment does not confer title – The procedure under Section 45 however does not confer title. The assignee derives title from the assignment agreement. It has been held that where an assignee has made an application under Section 45, and the court is satisfied that a valid assignment exists, any suit filed by the assignee under the Trade Marks Act, including for infringement, is maintainable.<sup>15</sup> However, it remains the discretion of the court to receive an assignment agreement into evidence when such assignment is not duly recorded in the Register of Trademarks.

2.2.2. Assigning an unregistered trademark – Under Section 39 of the Trademark Act, even a trademark that is not registered can be assigned.

### 2.2.3. Goodwill

- i. Goodwill- Goodwill, in the famous words of Lord Macnaghten,<sup>16</sup>

*“is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the*

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<sup>13</sup> For grounds to be considered in a case for passing-off, see, *Cadila Healthcare Ltd. v. Cadila Pharmaceutical Ltd.*, AIR 2001 SC 1952.

<sup>14</sup> *CCE v. Otto Bilz (India) Pvt. Ltd.*, (2016) 13 SCC 559.

<sup>15</sup> *Skol Breweries Ltd. v. Som Distilleries and Breweries Ltd.*, (2010) 42 PTC 389 (Bom). See, *Cadila Healthcare Ltd. v. Speciality Meditech Pvt. Ltd.*, AIR 2010 NOC1065 (Guj.) (The plaintiff was disentitled from filing a suit in the absence of an application to register an assignment made in its favour); *Hindustan Unilever Ltd. v. Bombay Soda Factory*, AIR 1964 Kant. 173 (Merely because the trademark in question did not stand registered in the name of the plaintiffs on the date of the suit the plaintiff could not have been non-suited).

<sup>16</sup> *Commissioner of Inland Revenue v. Muller & Cos Margarine Ltd.*, (1901) A.C. 217.

*attractive force which brings in customers. It is the one thing which distinguishes an old established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates.”*

- ii. Assignment may be with or without goodwill – Traditionally, the value of a trademark lies in its goodwill, however, subject to certain conditions, a trademark may be transferred with or without goodwill.<sup>17</sup> Goodwill is an asset by itself, and the assignment of a trademark does not by itself transfer the goodwill earned by the business.
- iii. Situations where goodwill is separable from the mark – Let us look at a practical scenario where it might be possible to separate the goodwill from the trademark. Consider A transfers the trademark “Goodness” to B. A has earned considerable reputation in the dairy business. However, A having a registration for “Goodness” in multiple classes, assigns the mark to B in respect of chocolates for which A admittedly has no reputation. A retains the goodwill and merely transfers the brand “Goodness” to B.

In *The Commissioner of Income Tax and Ors. v. Associated Electronics and Electrical Industries (Bangalore) Pvt. Ltd.*,<sup>18</sup> it was held that a trademark can be deemed to be sold along with goodwill only when it is sold in the same business in which it has acquired goodwill. Therefore, let us consider the same example as above. The mark “Goodness” can be deemed to be sold along with goodwill only if it is sold to be used in the dairy business where it has acquired reputation. This is because it is the reputation which is of value and gains favour among the customers.

- iv. Assignment without the transfer of goodwill – Where an unregistered trademark has been assigned without goodwill, the assignee is required to apply to the Registrar within six months from such assignment seeking advertisement, and such assignment cannot take effect unless the assignee has applied to the Registrar in the prescribed manner and the procedure under the Act is followed.<sup>19</sup>

- 2.2.4. Associated trademarks – Associated trademarks are defined in the Trade Marks Act as those that can only be registered as associated marks under the Trade Marks Act. Section 2(3) provides that goods and services are associated with each other if it is likely that those goods/services might be sold, provided or otherwise traded in by the same business. For instance, if the trademark “ABC” is registered in relation to milk and the same mark is also applied to be registered for other dairy products, the marks may be registered as “associated” in order to avoid confusion as to the source.

Section 16 makes it clear that where two or more trademarks of the same proprietor are identical or resemble each other, and apply to similar goods/services, such trademarks must be registered as associated marks in order to avoid confusing the consuming public as to the source. Under Section 44 of the Trade Marks Act, associated marks are assignable as a whole and not separately.

- 2.2.5. Restrictions on assignment of trademarks – Sections 40 and 41 of the Trademarks Act restrict assignments or transmissions in certain circumstances, such as where the assignment or transmission causes confusion or deceives the consumer of the

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<sup>17</sup> *Ramdev Food Products (P) Ltd. v. Arvindbhai Rambhai Patel*, (2006) 8 SCC 726 at para 59.

<sup>18</sup> (2016) 6 ITR OL 471 (Kar.).

<sup>19</sup> *Cott Beverage Inc. v. Silvassa Bottling Co.*, (2004) 29 PTC 679 (Bom.).

actual source of the good/service to which such trademark is affixed. However, such assignment is permitted in certain instances with prior approval of the Registrar.

### 2.3. Licensing

Under the Trade Marks Act, a proprietor may license her trademark and allow a third-party to use the mark, and even register such a licensee as a “registered user”.

2.3.1. Permitted Use and Registered Use – “Permitted use” in relation to a trademark is defined under Section 2(1)(r) of the Trademarks Act as the use of a trademark either by a registered user or by any person other than the registered proprietor or user, in relation to goods or services–

- i. with which he is connected in the course of trade;
- ii. in respect of which the mark remains registered;
- iii. for which he is registered as the user or has written consent from the registered proprietor;
- iv. while complying with any conditions subject to which the use is permitted.

A person other than the registered proprietor may be registered as a registered user of a trademark.<sup>20</sup> Practically, this is a license granted by the proprietor to use the trademark. Use of the trademark by the permitted/registered user is deemed to be continuous use on behalf of the owner/proprietor.

2.3.2. Use of the trademark limited by the terms of the license – When the right to use a trademark is licensed, it can only be exercised as per the terms of the license. A license outside the contours of the “registered use” provisions, is governed by common law and is valid provided it does not cause confusion in the market and does not dilute the distinctiveness of the mark.

2.3.3. Registered user cannot transfer the mark – It is pertinent to note that the registered user of a trademark does not have the right to assign or further transfer the trademark or any rights in relation to the use thereof.

## 3. Patent

A patent is an exclusive right in an invention. The Patents Act, 1970 (“**Patents Act**”) requires a patent to be registered to be valid, and the law permits the grant of a patent when the invention is novel, inventive and useful. Therefore, registration is mandatory, and it is this process that bequeaths a right upon the patentee. The Register of Patents in India maintained by the Controller General of Patents (“**Controller**”) contains all the information pertaining to the patent and its ownership.

A patent confers upon the patentee, the rights to prevent third parties from making, selling, using, or otherwise dealing in the subject matter of the patent. Usually, the inventor of a patent can make an application and acquire a patent, unless the inventor has been hired to invent or is an employee whose rights in the patent vest with the employer under an agreement.

A patent, once granted, can be used and commercialized by the patentee herself or the patentee may assign or license the rights in the patent to a third-party.

### 3.1. Assignment

Assignment is not defined in the Patents Act, but, as is the case generally, it refers to the complete transfer of title in the invention. When a patent is jointly owned by more than one

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<sup>20</sup> For procedure pertaining to registration of a registered user, *see*, Section 49, Trade Marks Act, 1999.

person, all co-owners must jointly assign the patent. The assignee under the assignment deed becomes the owner of the patent and takes the place of the assignor for all legal and practical purposes.

The law also permits the creation of equitable assignments in favour of the assignee where the patentee bequeaths a portion of the patent to the assignee.<sup>21</sup> In such a case, while the assignee may not take the place of the patentee, the Patents Act provides that the assignee's notice of interest may be recorded in the Register of Patents.<sup>22</sup>

Patent rights may also be transferred in the form of a mortgage wherein the rights are transferred to the mortgagee, for a specific sum of money.<sup>23</sup> Once such payment is returned by the mortgagee, rights in the patent will, under the terms of the mortgage, return to the patentee. This type of arrangement is contemplated in the Patents Act but not in any other IP legislation.

### **3.2. Manner of Assignment**

3.2.1. In writing – Under Section 68 of the Patents Act, an assignment is valid and enforceable only when it is in writing and is duly signed by the assignor or any person authorized to do so. The written agreement must contain all the terms, conditions, rights and obligations of the parties thereto.

3.2.2. Scope of assignment – It is essential for an assignment agreement to clearly specify the invention that is being assigned, and demarcate the term and territory pertaining to the transfer.

3.2.3. Payment terms – The assignment agreement must also clearly lay down the payment terms as agreed between the parties whether such consideration is payable as a lumpsum payment, a series of payments, as a share in the revenue, or in the form of royalty payments.

### **3.3. Assignment prior to the grant of a patent**

The titular interest in an invention may also be transferred prior to the grant of a patent. In such a case, since the assignee is the owner of the invention, any pending patent application can now continue in the name of the assignee. Under Section 20, an application can be made to the Controller for this purpose.

### **3.4. License**

A license agreement, as in the case of other types of IP, is entered between the patentee and a licensee allowing the licensee to make, sell, exercise or use the invention that is the subject matter of a patent. Such license can either be exclusive or non-exclusive.

3.4.1. Exclusive License – The Patent Act, under Section 2(1)(f), defines an exclusive license as a license which confers on the licensee, or persons authorized by him, to the exclusion of all other persons (including the patentee), any right in respect of the patented invention.

3.4.2. Types of licenses – Under the Patents Act, licenses can be statutory, voluntary or compulsory. A voluntary license is where the patentee comes to an agreement with any third-party allowing the use of an invention subject to the terms and conditions

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<sup>21</sup> *Coflexip Stena Offshore Limited's Patent*, (1997) R.P.C. 179.

<sup>22</sup> Section 69, Patents Act, 1970.

<sup>23</sup> Sections 68 and 69 of the Patents Act contemplate the transfer of a patent in the form of a mortgage akin to mortgage of immovable property.

prescribed under the license. For compulsory licenses, any person may make an application to the Controller under Section 84, Patents Act, and to obtain the license it must be shown that the reasonable requirements in relation to the invention have not been satisfied or that the invention is not available to the public at a reasonably affordable price. For example, India has witnessed the grant of many compulsory licenses for the manufacture and sale of pharmaceutical products with a view to make generic versions of drugs easily available at affordable prices. Other statutory licenses may also be granted by the appropriate authority upon making an application, and when public interest demands the grant of such a license.

3.4.3. Requirements – The requirements discussed in paragraphs 3.2.1 to 3.2.3 must be followed for licenses as well.

### 3.5. **Registration of rights acquired by assignment or license**

Under Section 69 of the Patents Act, any person entitled to rights or any interest in relation to a patent, either by way of an assignment, license, or mortgage must apply to the Controller, in the prescribed form, for the purpose of registering her title or any other interest in relation to the invention embodied in the patent. Such application must be made within 6 (six) months from the execution of the assignment or license agreement. After registration, the assignment will have effect from the date on which the deed was duly executed. If a license is not registered but the parties have acted upon the covenants in the document, then in view of the *proviso* to Section 70 of the Patents Act, equity will grant the licensee such rights as he would be entitled to if the license was registered. This equitable relief has been included in the provision with a view to protect the contractual rights of parties prior to their registration with the statutory authority in the prescribed manner.

## 4. **Design**

A design is defined under the Designs Act, 2000 (“**Designs Act**”) as referring to the features of shape, configuration, pattern, ornament or composition of lines or colours applied to any finished article making the article aesthetically appealing to the consumer.<sup>24</sup> A new and original design, when registered, confers upon the owner the exclusive right to apply the design to any article in respect of which such registration is obtained.

### 4.1. **Assignment and License**

The Designs Act does not contain specific provisions governing assignments and licenses. However, under Section 30 (3) an assignment or license is required to be in writing. Further, it is advisable to have an agreement which clearly specifies the terms and conditions agreed between the parties. It is good practice to generally follow the requirements discussed in paragraphs 3.2.1 to 3.2.3 for design transfers as well. The requirements ensure that any assignment or license is comprehensive and contains all relevant clauses to protect the interests of both parties.

### 4.2. **Registration of rights acquired by assignment or license**

When a registered design is transferred to another person by assignment or a license, such transfer may be recorded in the Register of Designs as per Section 30, Designs Act, 2000. The recordal of the license or assignment, is advisable since it is clear proof of title within the cognizance of the statutory authority.

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<sup>24</sup> For a general overview of design rights, *see*, Sections 2(d), 6 and 11, Designs Act, 2000.

*This paper has been written by Suchita Ambadipudi (Partner) and Sheetal Srikanth (Associate). This paper is the first of a two-part series on IP transfers. The second part of this series would address the manner in which IP transfer clauses must be drafted in assignment or license agreements.*

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