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With this thought, we hereby present to you

# **EXPLORING THE INTERSECTION OF CONTRACT LAW AND INTELLECTUAL PROPERTY**

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**LLM (Business Law)**

**Enrolment no. [A0319324055] Batch 2024: 2024 – 2025**

**RESEARCH DISSERTATION SUBMITTED TO**

**AMITY INSTITUTE OF ADVANCED LEGAL STUDIES AMITY UNIVERSITY,  
UTTAR PRADESH**

**In Part fulfilment of Requirement for the Degree of Master of Laws (LLM)**

**Under the Supervision of DR. ANKITA SHUKLA**

**[ASSOCIATE PROFESSOR]**

## **DECLARATION**

This is certified that the material embodied in the present work entitled, “**EXPLORING THE INTERSECTION OF CONTRACT LAW AND INTELLECTUAL PROPERTY**”

is based on my original research work. It has not been submitted in part or in full for any other diploma or degree of any university.

**DATE:** \_\_\_\_\_ **ADITYA SINGH**

## **CERTIFICATE**

This is to certify that this dissertation entitled “ **EXPLORING THE INTERSECTION OF CONTRACT LAW AND ITELLLECTUAL PROPERTY**” which is being submitted by **Mr. ADITYA SINGH** for the award of Degree of Masters in Law is bonafied research. He has worked on the above topic under my constant supervision and guidance to my entire satisfaction and her dissertation is complete and ready for submission. I am satisfied that this dissertation is worthy of consideration for the award of the Degree of Masters in Law. As this dissertation meets the requirements laid down by Amity University, Noida for awarding the Degree of Masters in Law, I recommend that this dissertation may be accepted for evaluation by the University.

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**ADITYA SINGH**



## LIST OF ABBREVIATIONS

1.	ADR- Alternative Dispute Resolution
2.	EMRS- Exclusive marketing rights
3.	GI- Geographical indication
4.	ICANN- Internet corporation for assigned names and numbers
5.	IP- Intellectual property
6.	IPR- Intellectual property rights
7.	PCT- Patent corporation treaty
8.	TRIPS- Trade-related aspects of intellectual property rights
9.	UDRP- Uniform domain-name disputes-resolution policy
10.	U.S- United States
11.	UCC- Uniform commercial code
12.	WHO- World health organization
13.	WIPO- World intellectual property organization

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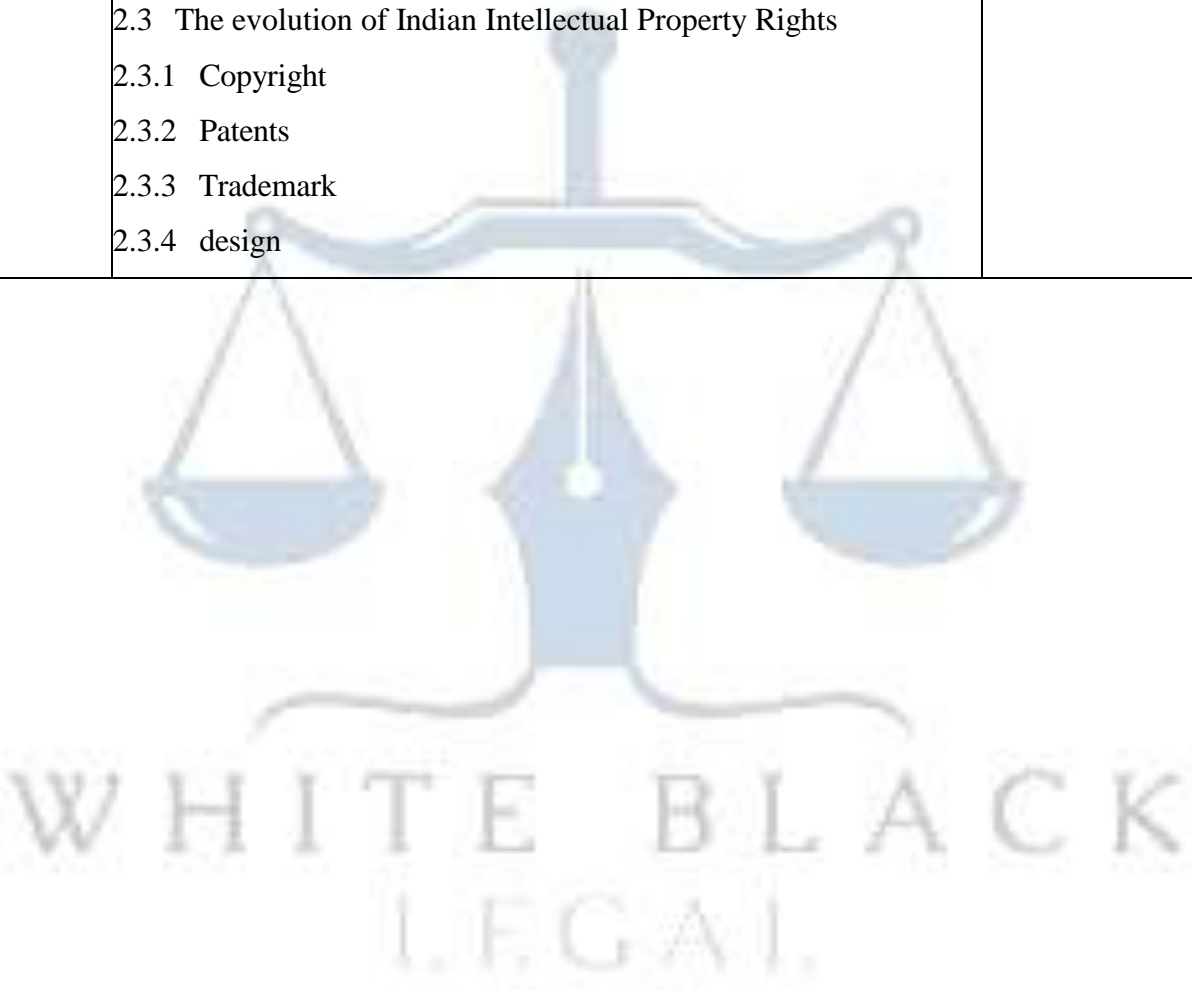
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## ABSTRACT

The convergence of contract law and intellectual property (IP) law is essential in establishing the legal framework controlling the production, transfer, and commercialization of intangible assets. Contracts serve a significant role in establishing the rights and obligations of parties participating in IP transactions, including licensing, assignment, secrecy, and collaborative development agreements. However, the connection between these two legal spheres gives rise to significant issues, particularly concerning the validity of contractual agreements vis-à-vis statutory IP rights. A fundamental question is the extent to which contractual agreements can override or amend statutory IP rights. While contract law enables freedom in establishing ownership and usage rights, certain statutory provisions—such as moral rights, prohibitions on transfer, and fair use doctrines—may impose constraints, leading to legal confusion. Additionally, discrepancies in bargaining power between individual producers and major organisations often result in inequitable contractual conditions, such as perpetual licensing and unfair royalty systems, which damage the economic rights of weaker parties. Another key difficulty is the enforcement of IP contracts in cross-border transactions. Jurisdictional issues, disparities in national IP laws, and variations in dispute resolution systems generate problems in contractual enforcement. Furthermore, the rapid expansion of digital technology and artificial intelligence (AI) has raised fresh legal concerns, including questions of authorship, ownership of AI-generated works, and the applicability of standard contractual frameworks to machine-created breakthroughs. This paper critically examines the legal issues at the junction of contract law and IP law, evaluates the usefulness of contractual mechanisms in preserving IP rights, and proposes prospective legal reforms. The study intends to provide methods for strengthening contractual certainty, fostering equitable negotiations, and maintaining a balanced approach to IP governance in a growing digital context.

## Keywords:

*Contract law, Intellectual Property, licensing agreements, assignment, bargaining power, cross-border transactions, dispute resolution, artificial intelligence.*

## **CHAPTER -1 INTRODUCTION**

Contract law and intellectual property (IP) interact to create a dynamic and changing terrain whereby legal ideas converge to control the development, transfer, and execution of intangible assets. While intellectual property law creates the rights and protections given to artists and innovators, contract law offers the structure for private agreements that enable commerce. Both laws have different but complimentary purposes<sup>1</sup>. The interaction between these two legal spheres has become even more important as the global economy gets more knowledge-driven in determining economic partnerships, encouraging innovation, and resolving conflicts across many sectors. Legal enforceable agreements between parties are governed by contract law. It guarantees honouring of promises made in business transactions and offers remedies in case of breach. A contract consists of essential terms offer, acceptance, consideration, desire to establish legal relations, and mutual consent. In the world of intellectual property, contracts serve as vehicles for licensing, assignment, secrecy, and joint development agreements, thereby enabling the commercialization and protection of IP assets. Intellectual property law, on the other hand, defends inventions of the human mind, such as patents, copyrights, trademarks, and trade secrets. These legal safeguards provide inventors exclusive rights over their ideas, artistic expressions, and distinctive branding aspects. The basic purpose of IP legislation is to stimulate creativity and technical advancement while ensuring that such inventions contribute to the greater public interest. The intersection between contract law and IP law becomes obvious when parties enter into agreements that specify the scope, usage, and ownership of IP rights. Several significant areas illustrate the interplay between contract law and intellectual property, each playing a crucial role in establishing rights and obligations within economic agreements. One of the most popular examples is licensing agreements, when IP owners offer third parties the right to utilise their intellectual assets under certain circumstances<sup>2</sup>. These agreements may be exclusive or non- exclusive, and they generally include conditions governing royalties, length, geographical scope, and limitations on use. Another notable crossover is observed in assignment agreements, where an IP owner assigns ownership rights to another company. Unlike licensing, which facilitates the use of IP without abandoning ownership, assignments include

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<sup>1</sup> Avtar Singh, Law of Contract and Specific Relief, 12th ed. (Eastern Book Company, 2021).

<sup>2</sup> P. S. Atiyah, An Introduction to the Law of Contract, 6th ed. (Clarendon Press, 2005)

the entire transfer of rights, generally in exchange for cash remuneration. Such agreements must comply with statutory formalities to ensure their enforceability<sup>3</sup>.

Confidentiality agreements and non-disclosure agreements (NDAs) also show the link between contract law and IP law. These agreements are vital in preserving trade secrets and sensitive information by legally committing parties to confidentiality commitments. They are particularly crucial in businesses where research and development play a significant role, such as medicines, technology, and entertainment. Furthermore, employment contracts often contain IP clauses dictating whether an employer or employee retains ownership of innovations made during the course of employment. These rules assist outline rights relating patents, copyrights, and trade secrets, ensuring clarity in employer-employee interactions regarding ownership and pay. Despite the symbiotic relationship between contract law and intellectual property, various obstacles exist in reality. Ambiguities in contract drafting can lead to conflicts about IP ownership, particularly when agreements fail to properly identify the scope of rights provided. Additionally, jurisdictional disparities in IP laws and contract enforcement processes add complexity to cross-border transactions. Issues such as moral rights, fair use, and termination clauses further complicate the contractual environment, requiring painstaking negotiation and legal skill. Another emerging concern is the impact of digital technology and artificial intelligence on IP contracts. With the development of digital material, cloud computing, and AI-generated works, contractual frameworks must change to address novel legal concerns, such as ownership of machine-created inventions and automated enforcement mechanisms for digital IP rights. The convergence of contract law and intellectual property is a significant area of legal discourse, determining the commercial exploitation and protection of intellectual assets. As firms and creators negotiate this difficult legal terrain, well-drafted contracts become vital tools for securing rights, minimising risks, and guaranteeing the equitable distribution of profits obtained from intellectual property.

Understanding the subtleties of contractual agreements in the IP sector is vital for stimulating innovation, sustaining competitive advantages, and resolving disputes successfully. In view of evolving technical breakthroughs and global trade dynamics, continual legal adaptation will be vital in reconciling the principles of contract law and intellectual property law in the current day<sup>4</sup>.

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<sup>3</sup> Catherine Colston and Jonathan Galloway, *Modern Intellectual Property Law* (Routledge, 2019).

<sup>4</sup> Roger D. Blair and Thomas F. Cotter, *Intellectual Property: Economic and Legal Dimensions of Rights and Remedies* (Cambridge University Press, 2005).

## 1.1 **STATEMENT OF PROBLEM**

The intersection of contract law and intellectual property (IP) rights offers significant legal difficulties that require careful consideration. Contract law provides as a core method for creating agreements governing the development, ownership, and transfer of intellectual assets. However, the dynamic nature of intellectual property law, coupled with rapid technology improvements and cross-border operations, has led to misunderstandings and disagreements in commercial interactions. One of the primary challenges in this intersection is the enforcement of IP contracts, particularly in scenarios where statutory IP rights overrule contractual agreements. For instance, while contract law permits parties to negotiate terms freely, certain legislative requirements in IP law—such as limitations on assignment, fair use principles, and moral rights—may restrict the total autonomy of contracts. This generates legal confusion, especially in circumstances involving licensing, assignment, and joint development agreements. Another major issue is the imbalance of bargaining power in IP contracts, particularly between individual producers and huge organisations. Due to disparities in legal resources and negotiation leverage, IP holders—especially freelancers, startups, and inventors—often find themselves constrained by restrictive contracts, including unfair royalty clauses, non-compete provisions, and perpetual license agreements that undermine their economic rights. Further, jurisdictional issues in cross-border IP relationships offer substantial challenges. With globalization, intellectual property transactions typically incorporate various legal systems, leading to complications in contract enforcement, governing law clauses, and dispute resolution processes. Variations in national IP statutes and contractual interpretations may result in inconsistent outcomes, consequently compromising the predictability of contractual commitments. Additionally, the use of digital technology and artificial intelligence (AI) in IP negotiations has created additional aspects of legal uncertainty. The advent of AI-generated material presents problems surrounding ownership rights and contract applicability when an autonomous system, rather than a human author, is involved in innovation. The existing contractual frameworks may not effectively handle these emerging concerns, demanding legislative revisions and clearer rules. Thus, this research attempts to examine the legal contradictions between contract law and intellectual property law, assess the effectiveness of contractual frameworks in managing IP transactions, and propose potential remedies for minimising contractual problems in the digital era. The study

intends to present recommendations for legal harmonization, equitable contracting practices, and strengthened enforcement tools to guarantee a fair balance between contractual autonomy and statutory IP rights.

## **1.2 RESEARCH OBJECTIVES**

- To investigate the legal relationship between contract law and intellectual property law – This purpose is to study how contractual agreements manage the ownership, transfer, and enforcement of intellectual property rights while balancing statutory limits.
- To analyse the enforceability of IP-related contracts in light of statutory protections – This purpose seeks to analyse the extent to which contractual obligations can override or be controlled by statutory IP regulations, such as moral rights, fair use, and assignment limitations.
- To evaluate the influence of bargaining power disparities on IP contracts — This objective analyses how discrepancies between individual creators, enterprises, and major corporations influence licensing agreements, royalty systems, and the fairness of contractual terms.
- To examine jurisdictional problems and enforcement issues in cross-border IP contracts – This objective focuses on the legal complications that arise in international IP agreements, including conflicts of law, controlling jurisdiction clauses, and dispute resolution methods.
- To examine the impact of new technologies on IP contract frameworks - This purpose is to assess how improvements in artificial intelligence (AI) and digital technologies effect IP ownership, contractual validity, and the evolving character of IP-related agreements.

## **1.3 RESEARCH QUESTIONS**

- How does contract law intersect with intellectual property law in governing the ownership, transfer, and enforcement of IP rights?
- To what extent can contractual agreements change or override statutory IP safeguards, such as moral rights, fair use, and assignment restrictions?

- How do power inequalities between individual creators and major corporations affect the fairness of IP-related contracts, particularly licensing and royalty agreements?
- What are the primary jurisdictional obstacles in enforcing cross-border IP contracts, and how might legal frameworks manage conflicts of law and dispute resolution issues?
- What impact do developing technologies, such as artificial intelligence, have on the development and enforcement of IP-related contracts, particularly in terms of ownership and authorship?

## 1.4 **SURVEY OF LITERATURE/ LITERATURE REVIEW**

- ***Paul Goldstein, in his book International Intellectual Property Law: Cases and Materials (2019)***, explores how contract law plays a crucial role in structuring IP transactions, particularly in technology, entertainment, and research-based industries. He highlights that licensing and assignment agreements provide flexibility for parties to negotiate terms, ensuring the efficient commercialization of IP assets.
- ***Robert P. Merges, in Justifying Intellectual Property (2011)***, argues that contract law serves as a private ordering mechanism that allows parties to tailor their agreements to their specific needs. However, he also cautions that statutory IP rights impose certain limits on contracts, ensuring that public interest considerations, such as fair use and compulsory licensing, are maintained.
- ***Gomulkiewicz (2009), in Intellectual Property, Innovation, and the Common Good***, further asserts that while contracts enable the customization of IP rights, they cannot always override statutory protections. Courts often step in to prevent the misuse of contract terms that attempt to restrict legally mandated rights, such as the doctrine of first sale and fair dealing exceptions.
- ***Mark A. Lemley, in his widely cited article Intellectual Property and Shrinkwrap Licenses (2004)***, examines the enforceability of contractual provisions in software licensing agreements, particularly end-user license agreements (EULAs). He argues that courts have taken varied approaches in determining whether contract provisions that restrict user rights (e.g., prohibiting reverse engineering) are legally binding, especially when they conflict with statutory copyright and patent protections.
- ***Pamela Samuelson, in The Copyright Principles Project: Directions for Reform (2010)***, discusses how statutory IP rights can impose limits on contractual freedom.

She highlights cases where courts have struck down contract terms that seek to override statutory exceptions, such as fair use in copyright law.

- **J.H. Reichman and Paul F. Uhler, in *A Contractually Reconstructed Research Commons for Scientific Data in a Highly Protectionist Intellectual Property Environment* (2003),**

analyze how power imbalances affect IP contracts, particularly in academic and technological collaborations. They argue that large corporations often impose restrictive licensing terms on individual researchers and small enterprises, thereby limiting innovation.

- **Shubha Ghosh, in *Intellectual Property and Business: The Power of Intangible Assets* (2007),** explores the role of contract law in protecting weaker parties in IP transactions. He advocates for stronger legal frameworks to prevent abusive licensing practices, such as perpetual royalty-free licenses and exclusivity clauses that favor dominant players in the market.

- **Rochelle Dreyfuss, in *Balancing Wealth and Power in Global Intellectual Property Rights* (2012),** highlights the jurisdictional complexities in enforcing IP contracts across different legal systems. She points out that variations in national IP laws create significant enforcement challenges, particularly in cross-border technology licensing and digital content distribution agreements.

- **Paul Goldstein and Bernt Hugenholtz, in *International Copyright: Principles, Law, and Practice* (2019),** discuss the role of international treaties such as the TRIPS Agreement and the Berne Convention in harmonizing IP contract enforcement. However, they acknowledge that despite these treaties, contractual disputes often arise due to conflicting national regulations and differences in legal interpretation.

- **Ryan Abbott, in *The Reasonable Robot: Artificial Intelligence and the Law* (2020),**

explores how AI-generated works challenge traditional IP contract frameworks. He raises critical questions about whether AI can be considered an author or inventor under contract law and how agreements should be structured to address machine-generated creations.

- **Joanna Bryson, in *Artificial Intelligence and Copyright: Rethinking Ownership in the Digital Age* (2021),** argues that AI disrupts existing contractual models by complicating ownership attribution and revenue-sharing mechanisms. She proposes adaptive contract frameworks that accommodate evolving technological realities while

ensuring fairness in IP transactions.



## 1.5 **HYPOTHESIS**

This research hypothesizes that the junction of contract law and intellectual property (IP) law generates a complicated legal framework where contractual arrangements significantly influence the ownership, transfer, and enforcement of IP rights. While contracts enable flexibility in structuring IP transactions, statutory limits and court interpretations typically restrict the extent to which parties can negotiate terms freely. Furthermore, power asymmetries in licensing agreements, jurisdictional issues in cross-border transactions, and the rise of future technologies, such as artificial intelligence, hinder the enforcement of contractual IP rights. This paper suggests that a balanced legal framework—one that harmonizes contractual flexibility with statutory safeguards—can enhance the predictability and fairness of IP agreements while supporting innovation and economic progress.

## 1.6 **RESEARCH METHODOLOGY**

This study utilises a doctrinal research technique, relying on the analysis of legislation, case laws, treaties, and scholarly literature to analyse the junction between contract law and intellectual property (IP) law. Primary sources, including national and international legal frameworks such as the Indian Contract Act, 1872, the Copyright Act, 1957, the Patents Act, 1970, and international agreements like TRIPS and the Berne Convention, will be evaluated to assess their impact on IP contracts. Secondary sources, including books, journal articles, and commentaries by legal academics, will provide critical viewpoints on the enforcement, restrictions, and fairness of IP agreements. Additionally, a comparative approach will be applied to explore how different countries interpret and enforce IP contracts, highlighting jurisdictional obstacles and best practices. This research is qualitative in character, attempting to uncover legislative gaps and give ideas for a balanced contractual framework that supports both invention protection and fair market practices.

## 1.7 **STUDENT LEARNING OUTCOMES**

By engaging with this research on the confluence of contract law and intellectual property (IP) law, students will build a thorough grasp of how contractual agreements impact the

ownership, transfer, and enforcement of IP rights. They will obtain insights into the legal concepts underpinning IP contracts, including licensing, assignment, and legislative constraints. Students will also learn to study case laws, statutory rules, and international treaties to determine the enforceability of contractual agreements in different jurisdictions. Additionally, they will develop their critical thinking abilities by examining the implications of negotiating power imbalances, jurisdictional problems, and evolving technologies on IP agreements. This research will equip students with the skills to suggest legal reforms that combine contractual freedom with statutory safeguards, encouraging a more predictable and equitable legal framework for IP transactions.

## **1.8 CHAPTERIZATION**

### **CHAPTER 1. INTRODUCTION**

This chapter outlines the fundamental interplay between contract law and intellectual property (IP) law, emphasizing how contracts facilitate the commercialization of IP assets.

### **CHAPTER 2. INTELLECTUAL PROPERTY RIGHTS: ORIGIN AND DEVELOPMENT AS APPLIED IN INDIA**

This chapter traces the global and Indian historical evolution of intellectual property rights, including copyright, patents, trademarks, and designs. It also discusses India's legislative responses aligned with international obligations like TRIPS and WIPO

### **CHAPTER 3. CONTRACT AND INTELLECTUAL PROPERTY RIGHTS CO-EXIST**

The chapter explores how contracts function as essential tools in IP transactions, supporting licensing, assignment, and distribution of rights. It highlights that while IP law grants rights, contract law operationalizes their use through party autonomy and negotiation.

### **CHAPTER 4. LIMITS ON CONTRACT**

This chapter examines statutory and judicial limitations placed on contracts that deal with IP, such as fair use, moral rights, and compulsory licensing. It emphasizes how public interest doctrines restrict complete contractual freedom in IP agreements.

## **CHAPTER 5. LEGAL PROTECTION OF INTELLECTUAL PROPERTY RIGHTS IN INDIA**

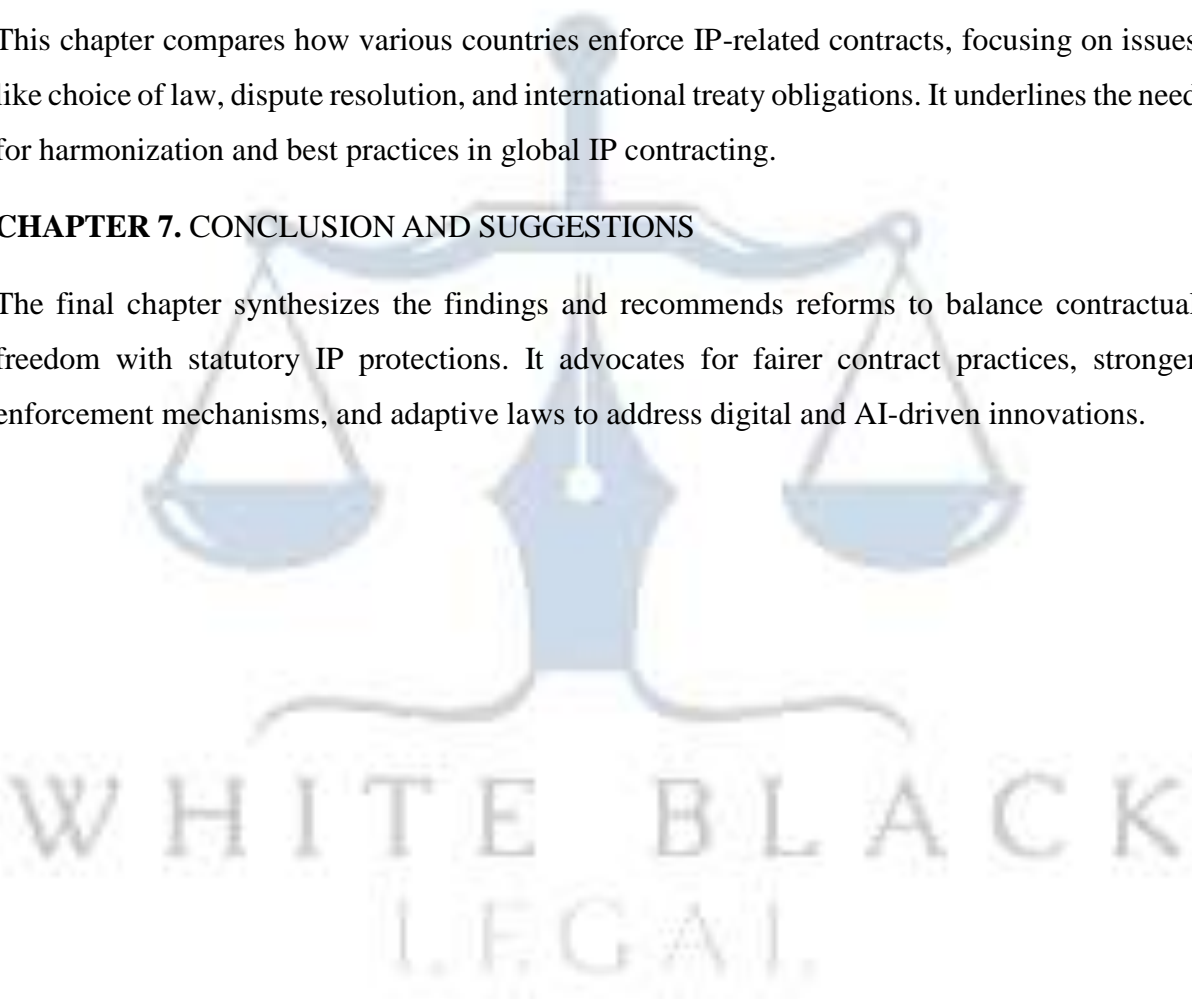
This section reviews India's statutory framework for protecting various types of IP, including enforcement provisions under laws like the Copyright Act, Patents Act, and Trade Marks Act. It also analyzes available remedies like injunctions and penalties.

## **CHAPTER 6. COMPARATIVE ANALYSIS OF IP CONTRACT ENFORCEMENT IN DIFFERENT JURISDICTIONS**

This chapter compares how various countries enforce IP-related contracts, focusing on issues like choice of law, dispute resolution, and international treaty obligations. It underlines the need for harmonization and best practices in global IP contracting.

## **CHAPTER 7. CONCLUSION AND SUGGESTIONS**

The final chapter synthesizes the findings and recommends reforms to balance contractual freedom with statutory IP protections. It advocates for fairer contract practices, stronger enforcement mechanisms, and adaptive laws to address digital and AI-driven innovations.



## **CHAPTER 2**

### **INTELLECTUAL PROPERTY RIGHTS: ORIGIN AND DEVELOPMENT AS APPLIED IN INDIA**

#### **2.1 INTRODUCTION**

Intellectual property rights initially appeared in antiquity, when monopolies were common in the Byzantine Empire<sup>5</sup>. Ancient Greek cooks were granted a one-year monopoly to try out new recipes in the 7th century BC. A few centuries later, however, Emperor Zeno of Rome disapproved of the concept of a monopoly. In 480 AD, Emperor Zeno declared that no one should own a monopoly on anything, including apparel, fish, or other goods. By 1432, a legislation granting special privileges to anyone who invented a machine or process to speed up the manufacturing of silk was approved by the Venetian Senate. Later, similar security was extended to other devices. Any new idea started to get protection as a result. The first laws safeguarding intellectual property rights were introduced in the sphere of patents<sup>6</sup>. Thus, the development of intellectual property rights is associated with the European enlightenment<sup>7</sup>. It was possible to imagine humans as creators and thus possess new concepts rather than merely conveying timeless truths because of the study of ancient books, which led people to believe that knowledge came from the human intellect acting on the senses rather than from supernatural revelation<sup>8</sup>. Intellectual property is a complex concept that is woven from at least three complex strands of jurisprudence: copyright, patents, and trademarks. It is also particularly modern. In addition to having a distinct history in premodern law and custom, each of these strands has a distinct trajectory into the modern era<sup>9</sup>.

#### **2.2 DEVELOPMENT OF INTELLECTUAL PROPERTY RIGHTS OUTSIDE OF INDIA**

##### **2.2.1 The Origins of Intellectual Property in the Past**

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<sup>5</sup> “Curtis Reid v. Clarice B. Covert, 354 U. S. 1 (1957)”.

<sup>6</sup> “Elizabeth Verkey, Law of Patents, Eastern Book Company, Lucknow (2005) p. 2.”

<sup>7</sup> “Christopher May and Susan K. Sell, Intellectual Property Rights: A Critical History (Viva Books, 2008)”.

<sup>8</sup> D. Vaver and L. Bently, *Intellectual Property in the New Millennium*, (Cambridge University Press, 2004).

<sup>9</sup> Carla Hesse, *The Rise of Intellectual Property from 700 BC to AD 2000: An Idea in the Balance* (Rutledge Taylor and Francis Group, London, 2006) at p. 51



The first task that included breaking down an information component was labelling things, the marks indicating the reputation and trustworthiness of the manufacturer or craftsman.

Owner marking is said to have started when animals were branded, which was the first instance of a private mark. Evidence of ear-cut branding and other cave art methods is widely dispersed. In fact, cutting an animal's ears to make a personalised ownership mark using a specific owner's mark is still common in agricultural communities, and ear tags (and branding) still have a similar function in modern farming. People all over the globe have been marking products they have made, bought, or acquired for over 6000 years (perhaps from the first time animals were domesticated). It may also be said that some of these marks still correspond to the contemporary trademark. Ownership marks on pottery and other domestic items found in ancient European and Asian sites provide copious evidence that such practices were common and pervasive. Brick manufacturers by the time of the Egyptian and Mesopotamian dynasties branded their goods with the names of the building's owner and the reigning king. It is recognised among the Greek city-states that a certain objects may be valued more because of the maker's identity, which started to spread beyond material products to cultural goods to the cultural (and intellectual) sphere as well<sup>10</sup>.

### 2.2.2 Greek Concepts of Possession

In the Greek city states, rewards for both paid performances and public recitation began to supplement direct patronage-based financing. The Sophists are said to have been the first group to profit significantly from their own teaching business<sup>11</sup>. The Sophists were not seen as intellectual providers; rather, they were seen as teachers of thinking and behaving. Finding poets who claimed to be the authors of certain works and artists who signed their paintings or photographs was uncommon in Greek culture starting in the sixth century B.C.<sup>12</sup> According to Mladen Vukmir, the appearance of makers' marks (and signatures) on artistic creations is "reliable evidence of recognition of the proprietary nature of artistic activity" and serves as both a "warning of ownership" and a "recognition of personal achievement." We can see the development of the idea of creativity, which would later serve as the foundation for increased ownership of knowledge, in Greek civilisation throughout the sixth and fifth centuries B.C.

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<sup>10</sup> "Margreth Barrett, Intellectual Property: Cases and Materials (American case Book Series West, A Thompson Reuters Business)".

<sup>11</sup> "Christopher May and Susan K. Sell, Intellectual Property Rights: A Critical History, (Viva Books Private limited 2008)".

<sup>12</sup> Margreth Barrett, Intellectual Property: Cases and Materials (American case Book Series West, A Thompson

Reuters Business).



The seventeenth and eighteenth centuries saw the development of the idealistic notion of the author as a unique genius. Thus, it has its distant origins in Greece. It was believed that poetry was the first artistic attempt to become a commodity<sup>13</sup>. C. Developments in Rome Roman use of craftsman's insignia in the industrial arts preserved earlier Greek customs. Since the mark had no legal status at the time, its creator had no recourse in the event that their mark was violated, therefore it represented the makers' honesty and integrity. The Roman publishing industry, or more precisely, the systematic production of a large number of copy scribal texts, began and flourished in Alexandria in the first century B.C. and moved to Rome in the fifty years around A.D. Authors were often supported by patrons and did not immediately profit from the publication of their writings, as had previously happened in Greece. With a direct link between the author and the sale of individual works, a new model of authorship developed gradually, and the idea of literary property emerged. These early (and mostly unformalized) ideas of ownership rights in knowledge or intellectual works did not completely disappear with the fall of the Roman Empire. Although there was no such thing as copyright at the time, one dispute in sixth-century Ireland has often been considered the first somewhat formal copyright dispute. It is concerning that such claims are exaggerated<sup>14</sup>. His teacher, Finnian of Moville, had a student named Saint Columba who, in the year 567, secretly transcribed a book of psalms. After Finnian objected, the argument continued until King Diarmid declared that Finnian owned both the original and the copy, saying, "to every cow her calf, and accordingly every book its copy." Diarmid saw the book as belonging to Finnian, who was thus entitled to the copy of it. There is serious uncertainty about on whether the occurrence that was documented really occurred, but its legendary nature does not lessen its significance as a representation of the authorship and knowledge that endures<sup>15</sup>. However, the trademark form originated in the Greek and Roman Empire throughout the Middle Ages. D. Intellectual Property and the Venetian Moment Although ideas regarding information ownership have been around for a while, the first codified patent system was established in Venice in the fourteenth century. For the first time, information ownership was created via the institutional and legal framework of intellectual property rights, which were also purposefully used to promote innovation. There was no formal constitution in place at the time, and the division of authority between the legislative,

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<sup>13</sup> "Prankrisna Pal, Intellectual Property Rights in India, (Regal Publication, New Delhi, 2008)"

<sup>14</sup> Peter Drahos and Ruth Mayne (Ed.) Global Intellectual Property Rights, (Palgrave, United Kingdom, 2002).

<sup>15</sup> J. K. Das, "New Dimensions of Intellectual Property Rights in India" 3 Pragmaan Journal of Law (2013) pp. 11-33.

executive, and judicial branches was unclear. Rather, government action with overlapping authority was guided by precedent and custom. In 1474, Venice passed its first patent law<sup>16</sup>. "We have among us men of great genius, apt to invent and discover indigenous devices," the Venetian Senate's decree said. Therefore, more men would be employed if facilities were made for the work and tools discovered by such people so that others who could see them couldn't make them and take away the inventor's honour would then use their imagination to find and create very valuable gadgets for our common riches. Venetian authorities did not regularly accept the new law-derived patents inventors, the granting of patents throughout the fourteenth and fifteenth centuries preferring monopolies above innovations was much the same throughout the Britain and the European continent. The first documented attempt to protect craft knowledge in Venice was established by a council of Venice decree on 21 May 1297: "If a doctor creates a medication based on his own secret, He must use only the best resources to make it, and everything must be kept safe inside the Guild. All members of the Guild must promise not to look into it (cited in Bugbee 1967, The council placed restrictions on the spread by passing an ordinance for this reason of knowledge and the force of the law, not simply Guild regulations. In 1549, the printers and booksellers of Venice formed a guild, which allowed for the preservation of an extensive record of works, authors were relying on the publishers to guarantee the publication of works by the formalisation of text that is protected<sup>17</sup>. The framework of a system that has been created by the Venetian moment very powerful in its essential components. The production of anything in Venice like today, intellectual property was partially a response to a new cutting-edge information technology. Printing had an effect on the environment in which information and expertise might be used. It modified the rules of the game for those who wanted to profit from having ownership or influence of concealed methods and strategies of privileged information or exclusive access to outstanding academic achievement. Throughout the fifteenth century, the establishment of the Intellectual property was not only strongly associated with the previous standard practice, but it remained just one security measure. Of course there coincides with Venetian wealth, its dominance in printing, and the appearance of intellectual property that would imply a coincidental connection. In the typical justification for a patent This connection is obvious. The Venetian moment illustrates that, although being presented in terms of universal ideals, intellectual property was not especially concerned with the

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<sup>16</sup> Elizabeth Verkey, Law of Patents, Eastern Book Company, Lucknow (2005) p. 2.

<sup>17</sup> Prabuddha Ganguli , Intellectual Property Rights, ( McGraw – Hill , New Delhi, 2001)



idealised individual and his rights; instead, it was a government-derived tactic for creating a competitive edge and a prosperous economic structure. In response to the problems that were beginning to plague Venice's commercial empire at the end of the fourteenth century, the law of 1474 was designed to strengthen and improve Venice's position in a number of economic sectors. However, the rationale for this response was developed by those who stand to gain from a system of legal information ownership, not by the legislators. Legislative innovation<sup>18</sup> seen the rights and interests of information owners, not its producers, as crucial since intellectual property was established as an institution, regardless of any subsequent arguments to the contrary. In 550 AD, a copyright case was first documented in *Finnian v. Columbia*<sup>19</sup>. The University of Paris's 1223 law allowed for text duplication for the institution's benefit. Prior to the late fourteenth century, the majority of literary works were religious in nature and produced by learnt monks who devoted a significant amount of time to creating their illuminated books. Obviously, literary plagiarism was usually a real possibility due to the enormous amount of human labour and skill required to create such works. Eventually, it became clear that a more robust copyright law was needed, and the parliament responded by passing the copyright Act 1709, also known as the Statute of Ann (the first copyright statute in history), which, much to the surprise of publishers, gave book authors a monopoly over their creations. In contrast to the rights granted to publishers by Royal Decree, the statutory right is limited to 14 years and may be extended by the author for a further 14 years. The Act had a convoluted notice, registration, and for many years, the English courts mandated a deposit requirement and strict adherence to such laws. For many years, English courts adopted the Statute of Ann's preamble because it recognised the value of copyright as a means of disseminating knowledge and ideas. It says this since printers, booksellers, and other individuals have recently taken the liberty of printing, reprinting, and publishing, or causing to be printed, reprinted, and published, books and other writings without the consent of the authors or proprietors of such books and writings, to their great detriment and, too often, to their ruin and that of their families, "An Act for the encouragement of learning, by vesting the copies of printed books in the authors or purchasers of such copies, during the times therein mentioned"<sup>20</sup>.

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<sup>18</sup> Christopher May and Susan K. Sell, *Intellectual Property Rights: A Critical History* (New Delhi, 2008).

<sup>19</sup> Incredibly, in the year 567 A. D. Apparently, St. Columba surprisingly made a copy of plaster in the possession of his teacher finian. See R. R. Bowker, *Copyright: It's History and Its Law* (Houghton Mifflin, 1912) at p. 3.

<sup>20</sup> The Statute of Anne came into force in 1710.



In the seventeenth century, the idea of copyright started to expand. In 1734, 1766, and 1777, the Engraves Copyright Acts were enacted. Sculpture was protected by the Copyright Acts of 1798 and 1814. In 1833, the privilege was granted to theatrical works, and in 1842, it was expanded to include musical works. In 1783, the Copyright Acts of Massachusetts and Connecticut were adopted in America. One hundred In the same year, the Congress recommended to certain states that U.S.-citizen authors and publishers be granted copyright protection. The United States Constitution of 1789 stated that the government might promote the advancement of science and useful arts by giving authors and inventors the exclusive right to their specific creations and discoveries for a limited time. In order to comply with the constitutional mandate, the Federal Copyright Act 1790 was enacted.

## **2.3 THE EVOLUTION OF INDIAN INTELLECTUAL PROPERTY RIGHTS**

### **2.3.1 Copyright**

The evolution of intellectual property law in the West had a significant impact on the India's establishment of intellectual property rights<sup>21</sup>. The English Copyright Act of 1872 was brought to India by the East India Company. Legislation such as the Copyright Act of 1911 and the Imperial Copyright Act of 1911 created copyright law in England. These laws served as the Indian Territory's "Law in force<sup>22</sup>." An modified version of the British Copyright Act of 1911 was the Indian Copyright Act of 1914. The main idea of the legislation was that all laws that place restrictions on human effort and enterprise should be viewed in a fair and generous spirit. Some of the important requirements of the legislation were:

- (i) that the authors' work was not required to be registered;
- (ii) that the authors' rights existed as soon as the work was formed;
- (iii) that protection was granted not to ideas but to the tangible forms in which the work was stated; and
- (iv) that only original works were granted copyright protection.
- (v) The lifetime of the copyright protection term was defined as the writer and twenty-five years after his death. The 1914 Act levied penalties for copyright violations that weren't considered crimes. In order to consolidate and update the previous provisions, the copyright Act was re-enacted in 1957. The legislation of

<sup>21</sup> Denis de Freitas, “The Main Features of Copyright Protection in the Various Legal System” 28 Journal of Indian Law Institute, 1986 pp.441-443.

<sup>22</sup> S. R. Myneni, Law of Intellectual Property (Asia Law House, Hyderabad, 200).



1957 contained the following notable provisions establishment of the copyright board; extension of the definition of copyright; author's right to reclaim his right after seven years but prior to the ten-year assignment period; authorisation for a library to make copies of any works; and control over the operations of performing arts organisations, including the fees or royalties charged<sup>23</sup>.

Sections 32A and 32B of the 1983 amendment to the Copyright Act 1957 established mandatory clearances for the publication of foreign works in any Indian language in order to support systematic infrastructure measures at reasonable cost with the Copyright Board's approval. Following a complaint, Section 19A gave the copyright board the authority to order the revocation of the granted copyright if the conditions are "harsh" or the work's publication is unnecessarily delayed. Additionally, the board has been given power to preserve oral traditions and publish hitherto unpublished Indian works. All countries started to try to address the issues by implementing strict legislation and enforcement measures after the 1984 amendment made piracy a global problem due to the rapid advancements in technology, which have ensured serious proportions internationally. Sufficient anti-piracy methods need to be considered. These days, there are three these include piracy of sound recordings, piracy of cinematograph films, and piracy of the written word.<sup>108</sup> The following changes were proposed by the 1984 legislation to combat this crime:

To increase the severity of the punishment for copyright violations, which consists of a minimum 6-month jail sentence of three years and a maximum fine of Rs. 2 lakhs with a minimum of Rs. 50,000 to provide room for a more severe punishment in the event of a second or subsequent conviction. To allow for the designation of copyright infringement as an economic offence so that the allotted time for prosecution 1973 crimes will not apply to this offence under the Code of Criminal Procedure. To specifically apply the Act's provisions to computer programs and video films to compel the producers of video and record media to provide certain information in their products' containers<sup>24</sup>. Sections 40A and 42A were added to the Copyright Act, 1957 in 1999, allowing the national government to provide for artists and broadcasting organisations. They also provide the national government the ability to restrict the rights of international artists and media companies. Offering protection to various

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<sup>23</sup> The Copyright Act, 1957 has been amended from time to time by the Amendment Acts of 1983, 1984, 1994, 1999 and 2012.

<sup>24</sup> P. Narayana, Law of Copyright and Industrial Designs (Eastern Law House, New Delhi, 2007).



types of intellectual property is in the nation's best interests in order to advance society and culture.

Additionally, foreign works and recently developed technologies should be protected in order to increase people's capacity for learning<sup>25</sup>.

India's first intellectual property legislation was the Copyright Act of 1957. The 2012 modification is the most recent of around five revisions to the Copyright Act. The 2012 changes are significant in their breadth as they tackle the challenges posed by the internet while also expanding on these issues. The digital revolution that was sweeping the world in the 1980s and 1990s saw the rise of the internet worldwide. Two treaties known as the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), collectively referred to as the "Internet Treaties," were created in 1996 as a response to the challenges the internet posed to the copyright system. These treaties address the problems associated with the spread of protected content through digital networks like the internet. The WCT addresses the protection of authors of creative and literary works. The WPPT gives phonogram makers and performers copyright-like protection<sup>26</sup>.

The Copyright (Revisions) Act of 2012 suggested changes to bring the Copyright Act of 1957 into compliance with WCT and WPPT. The Amendments Act has significantly altered the Copyright Act of 1957 and goes far beyond the Internet Treaties. We applaud changes to the copyright board's and copyright groups' administration. All things considered, the changes have the hallmark of a reforming strategy. The TRIPS Agreement and the substantial elements of copyright law have naturally aligned. Nevertheless, copyright enforcement is still below the TRIPS Agreement's standards. Not even the 2012 amendment to the Copyright Act has improved the enforcement of copyright violations<sup>27</sup>.

### 2.3.2 Patents

Legislative enactments have shaped India's patent system throughout the years. Even In 1859, while the British were in power, inventors were granted exclusive privilege. This Act's main objective was to provide English patent holders access to the Indian market. The Invention and Design Act of 1888 came after the Patent and Design Protection Act of 1872.

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<sup>25</sup> See, Yogesh A. Pai, "Copyright Protection for Computer Programs: Walking on One Leg?" 48 Journal of the Indian Law Institute (2006) pp. 359-399.

<sup>26</sup> Tushar Kanti Saha, "Copyright Law in Changing World", 8, Journal of intellectual Property Rights, (2003), pp.23-31

<sup>27</sup> Arathi Ashoke, "Technology Protection Measures and the Indian Copyright (Amendment) Act, 2012: A

Comment”, 17 Journal of Intellectual Property Rights (2012), pp. 521-531.



The purpose of these enactments was to honour the creativity of the innovators. The Patent and Design Act of 1911 was a comprehensive statute. Up until the 1970 Patent Act was passed, it dominated the Indian market<sup>28</sup>. It permitted various time-bound procedural requirements for processing applications, submitting objections, etc., as well as a complicated administrative system overseen by the patent controller. The Act of 1970 was approved after a number of committee findings and changes. evaluated the Indian patent system's inability to stimulate innovation and encourage the use of novel concepts for commercial purposes and suggested the following action:

In order to address the issue of abuses, mandatory licenses need to be issued; effective equipment ought to be developed. The Indian Patents and Design Amendment Act of 1950, which listed the fundamental requirements for a nation to incorporate the benefits of a patent system, included these recommendations. These traits include the country's technological advancement and the need to support inventors. The need of advancing them in the field of education Following careful consideration, the committee made a few recommendations for improvements that would protect inventors' interests after accurately identifying innovations, either by allowing foreigners to participate in the Indian market or by placing restrictions on them and requiring them to resist pressure to sign any international agreements. This was suggested in order for India to effectively launch its own economy. Following much discussion, the Patent Act of 1970 was approved. The following important elements were noted by the 1970 Patent Act:

They are two types of patents recognised: product patents and process patents.

Pharmaceuticals, food products, and chemicals cannot receive product patents because of their production process. Patents are granted to encourage discoveries and ensure that creative works are produced on a commercial scale<sup>29</sup>. When a patent is issued for a chemical that is not a food product or drug in and of itself but can be used as both, it is considered to have been approved under the terms of "licenses of rights." It is crucial that a patent that is supported by these terms does not infringe upon the patentee's exclusive rights. After three years have passed after the patent was sealed, any other person may apply for the right to use the invention. Under such conditions, the patent holder's exclusive use rights are limited for a

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<sup>28</sup> Samira Guennif and N lalitha, "TRIPS plus Agreement and Issues in Access to Medicines in Developing Countries" 12 Journal of Intellectual Property Rights (2007) pp. 471-479.

<sup>29</sup> See Sudip Choudhury, "TRIPS Agreement and the Amendment of Patents Act in India", Economic and Political

Weekly, (August 10, 2002), pp.3354-3360.



period of three years<sup>30</sup>. However, it was later discovered that, in accordance with Articles 70.8 and 70.9 of the TRIPS Agreement, member countries that do not permit product patents in the same field as medicines and agricultural chemicals must provide the means to accept product applications for such products starting on January 1, 1995, and upon fulfilment of the necessary conditions, grant exclusive marketing rights for a period of five years or until the patent Act prohibits the issuance of patents in regard to sua of pharmaceuticals, chemicals, agricultural products, and for the granting of exclusive marketing rights (EMRS). With retroactive effect from January 1, 1995, the Patent Modification Act of 1999 established a new chapter, IV-A, which covers the exclusive marketing rights (EMRs) to sell or distribute a product or medication in India. It is composed of sections 24-A through 24-F. An application for a patent on an invention pertaining to a material that is intended for use or that can be used as medication or medicament, with the following exceptions: 1. all medications for internal or external use by humans or animals; any drugs intended for use in the diagnosis, treatment, mitigation, or prevention of illnesses in humans or animals; all materials intended for use in the maintenance of public health; or the prevention or control of pandemic illnesses among humans or animals and Insecticides, fungicides, germicides, and any other substances intended for use in plant protection may be manufactured in front of the controller; applications in the designated format will be forwarded to the examiner; and specific actions have been taken in order to implement the TRIPS and WTO treaty requirements. Similar to the Copyright Act, the Patent Act has undergone many revisions in 1999, 2002, and 2005. The primary modifications to the Patent Act of 1970 occurred in 2002. These include the addition of a new definition of "capable of industrial application," which is defined as an invention that may be developed or used in an industry<sup>31</sup>. Food is defined as strengthened by the addition of "for human consumption<sup>32</sup>." The term "invention" has been defined more simply. The 2002 Amendment Act explicitly states that invention implies a new product or process with a creative step and capable of industrial application<sup>33</sup>, in contrast to the previous definition, which included a connection to art, technique, method or mode of manufacturing, machine, equipment, etc., including any new and helpful enhancements of any of them. Compared to the previous definition, this one is better. Since the new amendment allows for a global patent application, including outside of India, a new definition

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<sup>30</sup> Hetero Drugs Ltd. v. Wockhart Ltd., MIPR 2007 (1) 403; Glaxo Smith Kline Plc v. Controller of Patents and Designs, 2006 (3) CHN 577.

<sup>31</sup> Section 2 (ac).

<sup>32</sup> Section 2(g).

<sup>33</sup> Section 2(oa).



of the Patent Co-Operation Treaty (PCT) has been included. In addition, additional significant changes were made to the patent application process. The proposed modification states that an application before the Indian controller and an international application under the PCT may be lodged concurrently. Every patent granted subsequent to the enactment of the 2002 amendment law now has a 20-year term from the day the application was filed. The most significant change was the hike in the fine for unlawful patent rights claims, which was raised from Rs. 500 to Rs. 100,00<sup>34</sup>. The penalty for failing to submit information has also been increased from Rs. 1000126 to Rs. 20000. Any person who engages in unregistered patent agent activity faces a maximum fine of Rs. 40000 rather than Rs. 2000 as per the unaltered legislation. The main component of the 2005 Patent (Amendment) Act was the incorporation of the medicine and drug product patent, dated 1-1-2005<sup>35</sup>. Apart from restoring product patents for medications that were approved before to 1970, the parliament has updated the patent laws to meet the duties of the TRIPS Agreement. The Patent Act of 1970 has undergone many changes as a result of the 2005 revision. The changes include:

- (1) a reworking of the idea of "inventive steps," new inventions, and medications
- (2) introduction of the controller's duty to communicate to the applicant the examiner's negative report and the main points of objections, etc.
- (3) substitution of new sections 25 and 26 related to patent objection.
- (4) Regarding patents, using "granted" instead than "granted and sealed" and
- (5) the addition of a clause requiring mandatory authorisation for the export of patented pharmaceutical products in very dire situations<sup>131</sup>, which brought about significant changes with far-reaching implications for the Patent Act. Through the introduction of sub-part (2) in section 5 of the Patents Act, the amendment included regulations pertaining to the claim for patent of an invention for a material intended for use alone or capable of being used as a treatment or drug. Additionally, a new exclusive marketing rights (EMRS) concept was introduced by the amendment. According to this TRIPS Agreement, patents would be available for any technological invention (product or process) across all fields, regardless of whether it is novel, involves innovative steps, or is suitable for industrial application. It also

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<sup>34</sup> Section 120.

<sup>35</sup> Articles 27 and 65 of the TRIPS Agreement. See Christopher May and Susan K. Sell, *Intellectual Property Rights: A Critical History* (Viva Books, 2008).

emphasises that patents will be available, and patent rights ought to be exercised without regard to the location of invention, the field of technology, or whether goods are produced domestically or imported. Additionally, it provides protection for plant varieties via patents, a successful sui generis system, or a combination of these. The Patent Act of 1970 was also amended in 2005, as was previously mentioned<sup>36</sup>.

### 2.3.3 Trademark

The history of trademark law in England is long and complicated, dating back more than 200 years. By 1838, a series of court decisions had established the right of property in trademarks, and before 1875, a trademark violation action could be brought. Prior to 1875, there were only three types of common law remedies available for trademark protection. These remedies included injunction, passing off, and deception procedures. Only public users are permitted to acquire trademark rights, which are protected by equity law. The Patents, Design, and Trademark Act of 1883 eliminated this law because it was deemed intolerable. In 1888, the 1883 statute underwent a few minor revisions and modifications. The 1883 Act was repealed in 2005 with the passage of the Trademark Act of that year. 1919 and 1938 saw revisions to the 1905 Act. Through the 1938 Act, trademark law was harmonised. Prior to this year, India had no official trademark law laws 1940. Nonetheless, the other laws were previously accessible to the injured parties. The Similar Specific Relief Act of 1877 was used to resolve the trademark dispute. For the reliefs in trademark-related actions, Section 54 of the Specific Relief legislation may be used. Under sections 479–489 of the Indian Penal Code, 1860, trademarks are also legally protected. It has made it illegal to use a fake property mark, counterfeit a property mark that someone else has used, counterfeit a mark that a public servant has used, manufacture or possess a device for counterfeiting a property mark, place a fake mark on any container containing goods, or interfere with property with the intent to cause harm. 135 It has been decided that each of these offences is not cognisable and is subject to bail. Given the growing industrialisation and economic advancements, it was believed that the trade mark law provision in the aforementioned legislation was inadequate. For trademark protection, a special Act was required. The first piece of pure law on the subject was the Indian Merchandise Marks Act 1889, which was introduced to the statute book and succeeded by the Trademark Act 1940. Rapid industrial development demonstrated that 1940 was insufficient to meet demands, and Indian business owners also faced

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<sup>36</sup> Manoj Pillai, “The Patent (Amendment) Act 2005 and the TRIPS Compliance –A Critique,” Journal of

Intellectual Property Rights (2005) pp.235-238.



challenges getting their trademarks registered in foreign countries where building a certificate for house registration was a prerequisite for registration<sup>37</sup>. Resolving the ambiguity surrounding the High Courts' jurisdiction to hear appeals against the Registrar's decision was deemed necessary for pragmatic reasons. As a result, the Trade and Merchandise Marks Act of 1958 was passed by the Indian parliament, which served its purpose for around 42 years.

In light of improvements in business and commerce, the need for a simpler and more standardised trademark management system, the increasing internationalisation of industry and commerce to boost investment flows and technology transfer, and the conclusion that a thorough review of the 1958 statute was required to fulfil the obligations under the TRIPS Agreement<sup>38</sup>. As a result, the Indian government passed the Trademark Act of 1999, which made important changes to the country's trademark legislation and allowed for the

In addition to product registration, trademark registration for services. The 1999 Act adds this special function. In addition to expanding the grounds for trademark rejection, the option for defensive trademark registration has since been asked to be eliminated. Registration of trademarks that are copies of well-known brands is not permitted expanding the range of acceptable use and streamlining the registered user registration procedure allowing for the association's collective marks to be registered, etc<sup>39</sup>.

### 2.3.4 Design

The first country to safeguard the Designs was Great Britain. The first to get legal protection was the textile design. The first laws preserving design were passed in the United Kingdom in 1787. They promoted design talents and the printing of linens, cotton, calicoes, and muslins by temporarily transferring ownership of their assets to the designers, printers, and owners.

But shortly after, the design's lifespan increased and, in the end, it became everlasting. The protection was extended to include printing designs for woven fabrics in 1839. In 1842, an update action was conducted to modify the Design Act's existing requirements. Up until 1883, the laws pertaining to patents, designs, and trademarks were separate; until 1905, the laws pertaining to patents and designs remained united. As far as India is concerned, the Patents and Design Act of 1872 was the first legislation on the subject. The Act was created

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<sup>37</sup> P. S. Sangal, "Trademarks and Domain Names: Some Recent Developments", 41 Journal of Indian Law Institute (1999) pp. 30-43

<sup>38</sup> Infosys Technologies Ltd. v. Jupiter Infosys Ltd., (2011) 1 SCC 125: MIPR 2010 (3) 139; Bhavnesh Mohanlal Amin v. Nirma Chemicals Works Ltd., (2006) 1 SCC 185: 2005 (31) PTC 497 (SC).

<sup>39</sup> Vikash Vashisth, Law and Practice of Intellectual Property in India, Bharat Law House, New Delhi, pp. 33-35

to provide British Indian pattern and design creators similar advantages, albeit for a much shorter period of time pause. It included the new term "new manufacturing," which refers to any novel and creative pattern or design, or the application of such a pattern or design to the manufacture of any substance or commodity. One notable piece of legislation was the invention and Design Act of 1888, which modernised and unified the laws related to the protection of design and invention. In the end, the Indian Patent and Design Act of 1911 was based on the British Patent and the Design Act of 1907. The patent law provisions of the Patents and Design Act of 1911 were abolished by the Patents Act of 1970. The Design Act of 1911 remained the only legislation pertaining to industrial design in India until the passage of the Design Act of 2000. The act's provisions are comparable to those of the Design Act of 1911. A number of changes were made to the Design Act of 2000, which means that in order to effectively preserve the registered design, the legal framework for industrial design protection has to be improved. Additionally, the law is not supposed to create any unnecessary systems that are not necessary for the act to function. The revised Act includes a number of adjustments to achieve this goal, some of which are as follows:

- It establishes the notion of "original" and broadens the meaning of item and design;
- It provides tools for identifying designs that cannot be registered.
- It cancels a registered design's two-year secrecy period.
- It increases the severity of the fine for violating a registered design.
- It allows for the restoration of lapsed designs, among other things<sup>40</sup>.

When a registered design is pirated, the fines increased from 500 rupees to 25,000 rupees under the Act of 2000. The sum that may be given to the owner of a registered design in the event that he wants to sue for damages is Rs. 50,000, rather than Rs. 1,000. This provision will be beneficial in lowering the proportion of registered design infringement. In light of the TRIPS Agreement, which permits the regulation of anti-competitive clauses in contractual licenses, the Act of 2000 included further crucial provisions for avoiding some restrictive terms in contracts, leases, and specific licenses. This provision will be helpful in lowering the barriers to owner-granted licensing for registered designs.<sup>140</sup> The Trade and Merchandise Marks Act of 1958 repealed the Trademark Act of 1940, which had established comprehensive law on this subject and served its purpose for forty years. The Indian

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<sup>40</sup> Godrej Sara Lee Limited v. Reckitt Benckiser Australia, MIPR 2010 (1) 101: 2010 (42) PTC 417 (SC);

Bharat Glass Tube Limited v. Gopal Glass Works, MIPR 2008 (2) 173: 2008 (37) PTC 1 (SC).



Parliament passed the Trademark Act 1999 (the 1999 Act), repealing the 1958 Act, in order to amend and consolidate the laws pertaining to trademarks for goods and services and the prevention of the use of fraudulent marks. This was done in response to changes in trading and commercial practices, the growing globalisation of trade and industry, the need to encourage investment flows and technology transfer, the need for simplification and harmonisation of trade, and the need to fulfil the obligations of the TRIPS Agreement. The most significant modification that the new Act sought to implement was the registration of trademarks for services as well as goods<sup>41</sup>.

### 2.3.5 Novel Dimensions

Several sui generis regimes that provide rights relating to intellectual property rights exist in addition to copyright, patents, designs, and trademarks. Examples of sui generis rights include farmers' rights, plant varieties, and geographic designation. 142 A new notion of geographical names divorced from the idea of uniqueness was introduced in India by the Geographical Indication of Goods (Registration and Protection) Act 1999<sup>42</sup>. This Act defines a geographical indicator as a means of identifying items, whether natural or manufactured, that originate from a certain area or region that is known for a particular characteristic or attributes of the commodities. If someone uses such geographic labels for goods that come entirely from other locations, it might lead to miscommunication or dishonesty. Through the process of legally registering such an indicator, the Geographical indicator of Goods Act seeks to protect consumers from misinterpretation and deceit as well as to protect the use of such an indication from infringement by others<sup>43</sup>. This is the exact goal of the Geographic Indication of Goods Act. Another novel idea in the field of IPRs has been brought about by the protection of the Plant Varieties and Farmers Rights Act of 2001<sup>44</sup>. The need to increase agricultural output has become more important due to the world's population growth. Only by creating new plant species that will produce both qualitatively and quantitatively higher yields of food grains, pulses, seeds, and fruits of all types will this be possible. Scientific research, which involves financial, labour, and intellectual investment, has made the creation

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<sup>41</sup> J. K. Das, "The TRIPS Agreement and Intellectual Property Rights: An Indian Perspective" 16 International Trade Law and Regulation (2010) pp. 165-173

<sup>42</sup> See, V. K. Ahuja, "Protection of Geographical Indications: National and International Perspective" 46 Journal of the Indian Law Institute (2004) pp. 269-287.

<sup>43</sup> M. D. Nair, "TRIPS, WTO and IPR: Geographical Indication and Protection in India", 16 Journal of Intellectual Property Rights (2011), pp.429-430

<sup>44</sup> See, K. M. Gopakumar, "Seeds Bill 2004: For Whom?" 47 Journal of the Indian Law Institute (5005) pp. 483-

501.



of such kinds possible. To promote scientific investigation and inspire the creation of new plant kinds Either patent rights or an efficient sui generis mechanism should be used to reward the people or organisations who generate these types. To provide protection for those who produce novel plant species, the Indian government has decided to draft a sui generis legislation<sup>45</sup>. Throughout its lengthy history, the intellectual property system has been subject to criticism. It's clear that these objections have become weaker in recent years. Knowledge of intellectual property has grown, an innovative sector is still playing a significant role in the national economy, and the influence of intellectual property legislation has caused a plurality of opinions. The idea that an innovation might be a property has changed in an era when information can be swiftly shared in infinite amounts throughout the globe. For these opponents, the idea of information property is hardly more than a bad metaphor. Some opponents are troubled because they believe that intellectual property expands the market's value to include ideas and, ultimately, information and thought. They also see intellectual property as a one-way ratchet that continuously supports the expansion of rights. For instance, the duration of copyright protection has increased in recent years sharply rose Trademark law has adopted the more expansive dilution theory, and the reach of patent protection has expanded to include business processes and other post-industrial advancements. Nothing on the balance sheet seems to be helping consumers in contrast to these tendencies. Intellectual property law will continue to evolve as long as innovators continue to create new technologies, ways to express themselves, and business strategies.

Before 1999, there was no specific legislation in India regarding geographical indications that could effectively safeguard the interests of the producers. "Geographical indication" means that certain goods come from a country, region, or locality and have some unique qualities, characteristics, or reputation that are attributable to its place of origin. India did not enact any laws pertaining to geographical indications, even though she was a signatory to the TRIPS Agreement. As a result of India's obligation under TRIPS Agreement art. 27(3)(b), which requires members to protect plant varieties by patent, effective sui generis system, or any combination of these, the Protection of Plant Varieties and Farmers Right Act 2001 was passed. India chose to protect plant types by enacting the Plant types Act, a sui generis law. Integrated circuits are essential to the advancement of technology, particularly in the fields of information technology and electronics. Mobile phones, televisions, watches, radios, washing

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<sup>45</sup> M. D. Nair, "TRIPS, WTO and IPR: Recent Happenings in WTO", 16 Journal of Intellectual Property Rights

(2011) pp .267-269.



machines, data processing devices, and many more devices use integrated circuits. The need to create layout solutions that reduce integrated circuit size while simultaneously increasing its use is becoming more and more pressing. The smaller the integrated circuit, the less material is needed to make it, and the less room is needed to house it. An integrated circuit's innovative layout design requires a significant investment of both financial resources and the time of highly qualified experts. The Semiconductor Integrated Circuit Layout Design Act 2000 (Layout-Design Act)<sup>46</sup> was passed by India in order to achieve its obligations under the TRIPS Agreement and to reward and stimulate a sufficient level of investment of human, financial, and technical resources.

## **2.4 PROTECTION OF RIGHTS TO INTELLECTUAL PROPERTY**

Since the inception of intellectual property rights, laws relevant to their enforcement have been in place. Since intellectual property rights are statutory rights, the law grants enforcement of these rights. The English Law of Anne (the English Copyright Act 1709) is the first intellectual property rights law in the world. Beginning on January 1, 1710, the Anne law became operative. The author's right was recognised under this act for a certain period of time, and the aforementioned legislation recognised the enforcement procedure in the event that the right was violated. Thus, traditional methods of enforcing intellectual property rights include injunction, damages, earnings reports, etc. India has implemented several of the TRIPS Agreement's provisions since it came into effect, either by updating its current intellectual property laws or enacting new ones. In the process, it changed the Patent Act of 1970 (by the Patent Amendment Act of 2002) and the Copyright Act of 1957 (in 1994 and later in 1999 and 2012). The new Trade Mark Act of 1999 replaced the Trade and Merchandised Mark Act of 1958, and the Plant Varieties and Farmers Protection Act of 2001, the Integrated Circuit Layout Design Act of 2000, and the Geographical indication of goods (registration and protection) Act of 1999 were also passed. In addition to these specific IPR restrictions, there is sufficient room for IPR enforcement under other general laws. Section 483 of the Indian Penal Code defines counterfeiting as a crime that carries a jail sentence and a fine. The Specific Remedies Act of 1963 provides both temporary and permanent injunctions as remedies for actions that violate the owner's rights<sup>47</sup>.

<sup>46</sup> V. K. Ahuja, Law Relating to Intellectual Property Rights , (LexisNexis , Butterworths Wadhwa Nagpur, New Delhi, 2010) pp. 570.

<sup>47</sup> See, N. S. Sreenevasalu (ed.) Intellectual Property Rights (Regal Publication, New Delhi, 2007)



## **CHAPTER 3**

### **CONTRACT AND INTELLECTUAL PROPERTY RIGHTS CO-EXIST**

#### **3.1 INTRODUCTION**

It is evident that there is not only no contradiction between intellectual property ideas and contracts, but that each is an intrinsic and necessary component if one concentrates just on the conditions of contracts related to rights distribution, component of the other's policy framework. As we have seen, one of the two main ways that information is disseminated is via commercialisation, such as contracting for informational assets. It stands for the part of the matrix that provides monetary and comparable incentives for the production of new information assets as well as the sharing of already-existing ones. In that regard, without contract law and practice, the so-called intellectual property deal does not exist. More importantly, it is evident from US law that one of the main characteristics of a "property interest" is the ability to transfer the property whole or in part. The owner of the property rights often makes the choice to do so. To discuss a property right that cannot be transferred, even temporarily, is unusual, if not blatantly contradictory. An assumption of non-transferability would deprive the property right of the majority of its inherent value in a market system. Then, rather than whether these laws—contract and property—conflict, we ask how they relate to one another. I'll make three arguments to help you concentrate on that question:

First, the two bodies of law control a party's conduct differently.

Second, as the laws of property are filtered and modified via contractual and other interactions, the influence of a property right in a marketplace moulded by contractual agreements is often indirect.

Third, intellectual property law in this commercial environment offers "default rules" governing contractual arrangements. These are default rules in that a contract may often change the rule's impact according to its own terms.

1. The Character of Law in the Two Domains with very few exceptions, contract law emphasises the parties' autonomy to establish their own relationship. On the other hand, intellectual property law is a system of vested rights, maybe with the exception of trade secret

law. In the absence of a contractual arrangement altering that established or vested right, it specifies how individuals relate to an identified corpus of information.

### 3.1.1 Party Choice and Contract Law

The norms developed within a contract law system, whether in common law or in a standard codification, are subordinate to the actual decisions of the parties because they represent an assumption of party autonomy or choice. Generally speaking, the law of contracts does not require certain results from a business partnership. Rather, contract law serves three main purposes in this context. First, it specifies when a contract between two parties becomes legally binding (for example, when a "agreement" turns into a "contract")<sup>48</sup>. Second, in the case that the parties cannot agree otherwise, contract law establishes "background" or default norms that specify the nature of the connection. Third, contract law stipulates that some conditions may be invalid in certain circumstances due to factors like unconscionability. The use of background or default rules in a contract law regime necessitates a different interpretation of the black text of contract law than its equivalent in a vested rights regime, assuming we set aside contract formation rules for the time being. In order for the contract rule to be applicable, there must be a contractual relationship; otherwise, it would not. If the parties do not otherwise agree, it then reveals the nature of the connection. Although there has been considerable discussion in the literature about the origin and reasoning behind such background principles, the most often cited source in a commercial legislation, as opposed to common law, is customary business or other transactional practice appropriate for the situation. This is a party-choice administration, after all. According to Grant Gilmore, the goal of a commercial statute's drafter is to guarantee that, when carried out by the parties, transactions have the legal impact that was expected in practice. The foundation of contract law is the idea that relationships are formed (or not) by parties, not by laws. The parties use their own discretion to do this. Nonetheless, the concepts of agreement and choice express a romantic perspective on contracts, meaning that genuine negotiations between parties with equal negotiating power must precede the choices. It is uncommon for conditions to be negotiated in a commercial or mass market. The mass market in particular and our economy

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<sup>48</sup> Contract formation, of course, is a major issue in contract law. When it was first adopted, Article 2 of the U.C.C. was viewed as establishing highly permissive rules enabling the early formation of contracts despite the lack of precise agreement as to all specific terms. The "open term" or "layered" contract model is found in several provisions in Article 2. See, e.g., U.C.C. § 2-204 (1996) (allowing formation in any manner); id. § 2-207 (allowing formation even though offer and acceptance have varying terms); id. § 2-311 (permitting formation with open terms even though one party retains the right to particularize the details of

performance after the fact).



as a whole are not and never were a bazaar economy, which is defined by often negotiated conditions that are tailored to each transaction. And it never will be. It is not possible due to efficiency and economic reasons.<sup>49</sup> Terms are proposed by one party (the buyer or seller), and the other side either agrees or declines. The suggested conditions in some situations just pertain to quantity and price, while in others they are more comprehensive since there are significant "incentives to contract"<sup>50</sup>. According to contract law, parties who are intelligent or have equal leverage are not necessary for the creation of a contract or the specification of its terms motivation to invest time, energy, and money in negotiations. All trade is characterised by standard terms, levies, and conformity to predetermined terms. Most significantly, it has never been thought that contract law should be used to generally alter the equilibrium brought about by market forces. Transactions that lead to customers agreeing to acquire the goods under the specified conditions are entirely enforceable if DuPont offers a cleaning fluid for sale to a consumer or janitorial firm, but only at a certain price and with a strict disclaimer of warranties. Standard form contract conditions are enforceable with relatively few exceptions. An essential component of efficiency in transactional contexts is the parties' capacity to standardise and regulate the conditions under which a product or piece of information is sold. Contract theory completely supports the legal choice to enforce standard form contracts. There are choices involved in this kind of distribution, even if the party with less clout may believe that it has no options. The first decision is whether to promote (or make a purchase offer) a product solely on specified conditions. The seller has that option in the consumer market. The buyer is in charge in other situations. The customer may either accept the conditions and product or reject them and buy a different product or nothing at all in a seller-dominant situation. The supplier will alter the terms or pricing or withdraw from the market if a sufficient number of prospective customers reject the goods and conditions. Because of the Internet, buyers may now debate terms and goods, which increases the possibility that they will have a greater and greater effect. The term "contract of adhesion" is most frequently used in relation to standard form contracts, but modern courts only employ it when there are other indications of non-disclosure, unbalanced sophistication, or similar circumstances in the transaction, and the adhering party had essentially no other options in the market because no

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<sup>49</sup> See, e.g., W. David Slawson, Standard Form Contracts and Democratic Control of Lawmaking Power, 84 HARV. L. REV. 529, 529-30 (1971) (stating that standard form contracts "account for more than ninety- nine percent of all the contracts now made" and that their "predominance ... is the best evidence of their necessity").

<sup>50</sup> See *supra* section II(B)(3) for discussion of incentives to contract. There are incentives to do more in a contract than simply-specify price and quantity.

other providers offered the same or comparable product or service. The concept of an adhesion contract entails more than just my ability and desire to enforce my obligations.

Adherence contracts are often upheld. An adhesion contract Generally speaking, analysis shows that a judge upholds the contract while thoroughly examining its provisions for those that are procedurally or substantively unacceptable. That idea is upheld by Article 2B, which calls for the implementation of measures that safeguard the party who is abiding by the terms of the contract. One may argue that rights-related clauses can only be included in a contract if it reflects the idealised understanding of contract law, which holds that a completely dickered agreement between parties with equal bargaining power is the only valid contract. In fact, such idealistic interpretation of contracts suggests that courts should reinterpret agreements and modify economic disparities. Modern contract law instead accepts that agreements are binding and acknowledges that courts should monitor and modify terms of agreement as necessary to prevent oppressive outcomes and unfair surprises in circumstances of severe imbalance. It does not claim to reorganise the economic system. The romantic perspective similarly presumes that evidence of subjective agreement and the normalcy of execution are necessary for consent to a contract. It has never been the case. Contracts may be informal agreements between people who enter into a contract without officially making an offer or accepting an offer, or they can be professionally negotiated agreements written by a number of attorneys. A contract is deemed to exist under the Restatement (Second) of Contracts if the parties express agreement by their explicit behaviour. A gathering may Fest consent may be expressed by an offer or an acceptance, but it can also be shown through behaviour without the need for formality. These notions are expanded upon in Article 2B, which also gives the assenting party further safeguards. There are procedural restrictions on when assent may be shown. Regulations mandate that refund chances be linked to the time of assent. Despite the usage of a standard form, there exist regulations that uphold specifically negotiated provisions. Article 2B then embraces the fundamentals of the consent notion prevalent in all commerce, whether it be modern or ancient, with those principles based on the idea of expressing assent, all of which benefit the licensee.

### 3.1.2 Law of Property

The rules establish a party's connection to a corpus (the "property") in terms independent of any relationship between the rights owner and a third party. This is a popular, if not entirely correct, perception of property or vested rights law. From a transactional perspective, they

serve as a foundation for creating the transaction. Property rights are "rights good against the



world," according to one court, while contract rights are "rights good against the other contracting party"<sup>51</sup>. This is accurate in that contract rights rely on the existence of a connection, but actual property rights are independent of the formation of a consensual relationship. The emphasis on legally defined rights in connection to a specific corpus (property) informs the governmental choice to grant or reject property rights. A contractual connection between parties regarding such property is not necessary for the existence of the property right. Because I own my Mercedes, for instance, I theoretically have certain exclusive rights of ownership and usage, which are protected by law against others who violate them without my consent. That doesn't mean I can't give you the automobile. Similar to this, I have certain exclusive rights that are protected by law against anyone who violate them without my consent since I am the owner of the copyright of my most recent book. The most important Supreme Court decisions on the extent of intellectual property rights are based on this fundamental idea. Consequently, a state statute was declared unconstitutional due to pre-emption. The legislation was supposed to provide the boat distributor the authority to stop others from using a specific technology to copy the boat hull design. The Court contended that this state statute attempted to establish rights that were rejected by federal patent and copyright laws<sup>52</sup>. These rights were counter to the "intellectual property bargain" that federal laws had created under property law.<sup>4</sup> The underlying factual assumption was that the individual duplicating the hull design had no contractual or other relationship with the original designer-manufacturer. State law effectively established actionable rights in the absence of a connection that was prohibited by federal law. Property rights law is concerned with such kind of right.

### **3.2 PROPERTY RIGHTS IN A TRANSACTION IN THE MARKETPLACE**

Since the laws of property are formed and modified by contractual and other agreements, the influence of a property right in a marketplace influenced by contractual ties is often indirect. This does not imply that the impact is non-existent. The terms of the transaction are influenced by whether a party has a property interest in the information it provides. This is accurate, despite the fact that some would argue otherwise, seeing the policy choice to assign property rights as unrelated to the final value allocation in any given transaction. However, such idea is only applicable to a hypothetical, frictionless, and abstract world that does not

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<sup>51</sup> ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1454 (7th Cir. 1996).

<sup>52</sup> See id. at 168



exist<sup>53</sup>. The problem is more complicated in the actual world. The conditions of a transaction are impacted by the determination of which party, if either, possesses a property interest in the transactional subject matter<sup>54</sup>. However, the impact of the policy decision that grants or rejects a property right is not always clear-cut or straightforward; in the transactional world, the outcome of the choice in property law theory is sometimes unpredictable. A transactional advantage does not always or inevitably follow from a property right. Instead, only via negotiation, the marketplace, and other factors affecting the transaction can it have a transactional impact. Property interests' limited influence in defining the boundaries of Contractual agreements have to be a significant factor in discussions about any problem with the establishment (or rejection) of information property rights or in any other resource. Any belief that property rights are directly equivalent to having the capacity to manage or assess value in a contemporary economy is often untrue. Instead, value and control are linked to several other transactional components, as well as the data that adds the greatest value to a transaction. There could be information with no acknowledged property rights.

a) Impact of the Market on Real Estate Deals Property rights provide a focal point for a transaction's conditions are proven, but only one point. In a marketplace, transactions take place. The nature of transactions is shaped and determined by that marketplace. Typically, market forces are significantly more significant than are the nature and extent of the relevant property rights. Let's say, for instance, that I have a Zenith TV and you want that kind of television. The sum you're prepared to spend and the conditions you agree to are partially determined by whether there are alternative suitable other sources of information, and whether I have the authority to pre-I'm angry with you for stealing my TV without paying for it. Rights to property impact this last component since they let me keep my own TV. despite your efforts to grab it by force. However, such rights don't often affect the first component: the accessibility of alternatives, in excluding the option of not using a television. The property right's transactional value is determined by the strength of the need for the specific data and the presence of substitutes access it, as well as whether or whether the

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<sup>53</sup> See generally Herbert Hovenkamp, *Marginal Utility and the Coase Theorem*, 75 CORNELL L. REV. 783 (1990); Jules L. Coleman, *Efficiency, Exchange, and Auction: Philosophic Aspects of the Economic Approach to Law*, 68 CALIF. L. REV. 221 (1980).

<sup>54</sup> See Daniel Farber, *Parody Lost/Pragmatism Regained: The Ironic History of the Coase Theorem*, 83 VA. L. REV. 397, 406 (1997).

information has exclusive rights. Therefore, even if I could want to sell my TV for \$1,000 and only on the requirement that you return it after just one usage, my power to demand You must agree to their conditions. There is no reason why I would want such terms until I or someone else is prepared to trade on such terms ready to avoid doing any business until the conditions are fulfilled. You won't agree to such conditions unless the price and the restrictions are reasonable in view of numerous options as well as your requirement or want for the TV. Markets normalise and regulate transactions, according to contract law<sup>55</sup>.

Behaviour and, for the most part, avoid going too far, because of the presumption, regulatory limits are seldom necessary. The model is a choice-friendly marketplace. If the market is that context is incorrectly distorted by function, fraud, or abuse; the abuses are handled individually in order to eradicate or control them. This market-based concept has several examples in intellectual property law. In fact, a lot of copyright laws assume a transactional context and provide the applicable default rules. These consist of: Following a first sale, the buyer of a copy has certain presumption rights. Transferring a copy does not transfer copyright. A piece that is included in a collaborative work gives the collective author permission to use the material in its original form a person may make a replica of a computer program if they have a copy of it, Certain works are owned by the employer under employment contracts. In fact, it is fair to say that when property rules are implemented in a market where demand and activity are driven by trans economic factors, they become default regulations. Discussions on proposals to expand or diminish information property rights are often ignored in that sector. The main idea is that changes to rights, whether approved or rejected, could b) have little effects on the actual transactions that occur. Value and Terms in Information Exchanges Often Don't depend on intellectual property rights. In this case, those whose knowledge or enthusiasm is restricted to intellectual property law often make a simple error. It is a common misperception that the only or most significant value in a transaction involves Knowledge that has never been widely accepted is covered by intellectual property rights. This is even less true in modern commerce since alternative sources of income and rights are growing increasingly significant. Consider this: I own the only copy of a nationwide directory of email addresses that I compiled by hand. You would want to make use of the advertising. There is no copyright protection for the list. Never promote a new product while wearing a gown. However, if I have something valuable, you may be willing to

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<sup>55</sup> See, e.g., RICHARD POSNER, ECONOMIC ANALYSIS OF LAW 89-96 (4th ed. 1991); Richard Epstein,

Unconscionability: A Critical Reappraisal, 28 J.L. & ECON. 293 (1975).



pay for it and accept the conditions of the contract I provide. There is no question that the list may serve as the basis for a contract. Of course, you could compile the same list on your own, but you may not have the resources, the time, or the desire to do so. My ability to use the list on your behalf or provide you a copy is one aspect of the transactional value in this instance. These rights cannot be challenged, regardless of copyright laws. The copyright law that compiles this list does not protect it. Making material publicly available does not give you the right to demand access to it. I have chosen to limit the agreement you accept, so you are not allowed to access my house, place of employment, or computer without my permission<sup>56</sup>. The basis of the transaction is based in part on an evaluation of

- (i) the value of obtaining information from me vs
- (ii) a willingness to either get the data elsewhere or not use it at all, although the price may be relatively high or low, it provides a framework around A contract might be made with it. What terms will be covered by the agreement? Since tract depends on the selection of the par, it cannot be handled here connections and their ability to negotiate, but the terms will most likely go beyond issues with intellectual property rights and might include:

The completeness of the list cannot be guaranteed, any disputes about the con's performance are governed by Illinois law. tract; the licensor has [not yet] fully granted consents and privacy rights, for "mailing" and other uses, the list may only be used once, is against the terms of the agreement; all copies of the list must be returned to the licensor after the one. allowed use; The list will only function with UNIX and be supplied as object code.

For a single use of the list, the customer will pay \$-, and the seller will not assist with its use. This transaction, of course, is an illustration of numerous transactions that occur.

Concerning non-copyrightable lists of phone numbers, email addresses, and daily residential residence addresses, which constitute the basis of a lucrative and growing information commerce. The idea behind copyright property legislation that denies copyright protection "Facts" does not identify the exclusive property right that governs these transactions, much alone the sole basis for a transaction with substantial financial worth. For the commercial examination of the pertinent data, is neither required nor the decisive element.

### **3.3 PROPERTY LAW DEVELOPS THE TRANSACTIONAL DEFAULT RULE**

<sup>56</sup> The copyright doctrine works on a different premise. It assumes that information is placed into the public and rejects the existence, under copyright, of any exclusive or preclusive property right that can be asserted against parties in the absence of contract.



Unless otherwise noted, property rights including intellectual property rights may provide context or default rules that govern the transaction in transactional interactions. From a contract law standpoint as the main goal of intellectual property law is to create fundamental principles, as opposed to contractual practice. Broadly speaking, the fundamental component of all property rights is the owner's power to grant or withhold their property. Contract law must serve as the cornerstone for effective transfers for outlining the values acquired and the interests indicated. More than in any other property rights system, the statutory regarding contractual transactions, copyright law (and, to a lesser extent, patent law) rules obviously connect to and support this stance due to the fact that contracting is necessary to achieve the core goals of

the copyright. The purported intellectual property deal that was supposedly made It is assumed that knowledge is transferable in legislative decisions pertaining to federal patents, copyright, and trademark law, the rights set out in these legislation. The Copyright Act enumerates copyright holders' rights in Title. Section 17 of the United States Code. Following the passage of the 1976 Act, the range of rights associated with the five Basic rights enumerated in 17 U.S.C. §106(1–5) has greatly increased. The Copyright Act recognises that the copyright holder has the autonomy to freely transmit (or refuse to grant) any resulting agreement ("license") that confers the exclusive rights. The given license to utilise the remaining copyright-protected exclusive rights is not conferred by the grantee's authorisation to produce and distribute copies owner (including the ability to create "derivative works" that are derived from the source and the ability to perform or display in public)<sup>57</sup>.

There are several instances of this kind of link.

### **3.3.1 Accurate Editing**

One instance of economic relevance was the *Tasini v. case, The New York Times*<sup>58</sup>. The lawsuit concerned the rights of independent authors of magazine articles in connection with the online versions of the publications by the magazine's owners<sup>59</sup>. A property was purportedly at the centre of the lawsuit. Legal query: is the "revision right" applicable to online reproduction?

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<sup>57</sup> Cases suggest that interpretations of the scope of a license should be designed to protect the licensor's retention of rights. See generally *SOS, Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989).

<sup>58</sup> 972 F. Supp. 804 (S.D.N.Y.), reh'g denied, 981 F. Supp. 841 (S.D.N.Y. 1997).

<sup>59</sup> See id at 806

given to authors of collaborative works<sup>60</sup>. In actuality, the case dealt with the creation and interpretation of a background rule or contract default that was crucial to the convergence of the information industries. The district court claimed that the electronic version constituted a revision to the original work rather than a brand-new one<sup>61</sup>. As a change, it fell within the author of the collective work's rights as allowed by the Copyright Act<sup>62</sup>. The One can ascertain if the electronic version was only a revision, disputed as a copyright matter, but to recognise the link

With respect to property law and contract law, we may ignore that worry and assume that the court was correct. Thus, the court's decision on the contract under which the articles were submitted is the most important issue for our purposes. Needless to say, these were not intricate written works. It is clear that parties with equal negotiating power did not participate in their discussions. Make use of leverage<sup>63</sup>. One deal included a right of first publication in the journal.

The court decided that this phrasing did not apply to a later electronic publication. In accordance with its own regulations, it solely dealt with the "first publication."<sup>64</sup> Despite being an electronic publication, the court found that it satisfied the legal criteria since it was clearly altered from the original magazine.<sup>6</sup> However, given the contract's other general language relates to republishing the story or any portions of it in or in connection with the magazine, this did not completely undermine the publisher's ability to make an electronic alteration<sup>64</sup>. Changes might be made to this language. The court returned to applying the section 201 presumption in light of these perhaps incongruous linguistic interpretations of the contract. What the court said is instructive: Similar to how publishers must demonstrate that they possess desired rights beyond the presumptive [statutory] advantages, authors must demonstrate that any arrangement between publishers restricts certain parties to more rights than others. According to Section 20 1(c), the plaintiffs failed to meet their obligation, [indicates] that the granted rights act as a floor, i.e., an agreement that is often taken for granted between publishers. This places the copyright legislation in a framework that is suitable and analogous to the responsibility norm found in de contract law. The court recognised that parties may amend, restrict, or waive the statute's rights under a contract. A

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<sup>60</sup> See 17 U.S.C. § 201(c) (1994).

<sup>61</sup> See Tasini, 972 F. Supp. at 827.

<sup>62</sup> See id. at 814.

<sup>63</sup> See id. at 807.

<sup>64</sup> Id. at 807.



transactional framework simply specifies that the author of the original version and any changes or new versions are under the administration of the collective effort, according to the default norm, unless otherwise agreed. The norm applies in the absence of any other contractual treatment. Nevertheless, the so-called revision right only applies when a contract is in place. only grants a right in the case that a submission occurs, allowing the other party to copy the work, as permitted by the original submitter.

To summarise, licenses are governed by this default limitation, which prohibits, Gains are planned. Transferability of Licenses According to well-established federal case law, a licensee cannot transfer their rights under a non-exclusive licence without the licensor's consent. This criterion applies as nonexclusive licenses are private less rights than other forms of transfer, non-assignable privilege, and less than a property interest. In addition, the Ninth Circuit explains that allowing "free assignability... would jeopardise the incentive for innovation if a party wishing to make use of the patented technology might either ask the owner of a patent or request an assignment of an already-issued patent license from a licensee." Although the rule preempts state law, it is a default rule that forbids the effect of an intellectual property that takes priority, much as the revision right appropriate in a transaction, but allows for a contradictory agreement (consent). Specific contractual provisions pertaining to transferability take precedence over the default norm.

### 3.3.2 The author's authority to stop

The owner of the copyright has 35 years from the date of the contract to cancel an indefinite-duration licence, according the Copyright Act.<sup>66</sup> One court claims that this rule forbids application to by default, common law (and UCC) copyright licenses make contracts with indefinite durations subject to termination at any moment. The choice it was phrased in terms of the federal preemption of the underlying com. Mon law default. Importantly, however, the copyright rule only applies in cases where the parties did not sign a contract with a specific expiry date. One court has determined that a "perpetual" license is valid in cases when documentation is provided declares a want to transfer the copyrighted file's renewal rights without violating any federal regulations. Therefore, unless the contract expressly states otherwise (for instance, an explicit choice on the licensing term), the rule establishes a default in property law that applies to specific contracts (indefinite copyright licence) percentage. The specific phrases bypass the default norm.

### 3.3.3 The Copy's First Sale and Ownership



Another default rule applies to the associated subjects of "first "copy ownership," "patent exhaustion," and "sale" of a computer program<sup>65</sup>. These ideas state that the "sale" or other transfer of ownership The owner of the copy has the right to do specific actions when the copy (goods) is given, even when their intellectual property would otherwise forbid them owner of rights. According to the Copyright Act, not all rights are the copy owner's explains unequivocally that the transfer of ownership of a copy does not provide complete copyright. As a consequence, the copy owner is not granted the right to perform or display the work in public or to produce further commercial copies for use in trade. Whether or when a sale or transfer of ownership occurs is determined by state legislation or common law<sup>66</sup>. Since copies are sometimes thought of as products, a sale is a business transaction that transfers ownership of items, and the law will determine when this occurs at a cost<sup>67</sup>. If title is not transferred, the "first sale" rights are nullified. The contract specifies when and how this occurs, however in the event that no contract is in place, the copyright to a sold copy is transferred upon delivery of the copies. In a broader sense, it is clear that the rights holder has the option to refuse to "sell" a copy. Even if a copy is sold, the provisions of the contract may nevertheless create or remove the parties' rights under contract law assumption, distribution of statutory rights. The statutory rights operate as a model that may be altered by contract by increasing or decreasing what the transferee receives. In modern life, many contracts provide the transferee rights beyond the statutory allotment, including greater uses, public disclosure, and repeated copying. Under some agreements, the buyer's rights are reduced from those of the original transaction. When information is leased but the ownership rights of the copy required to make the permitted information use are not expressly disclaimed, this is especially true in commercial transactions. In any case, the contract commercialises the particular arrangement by fitting the right to it.

### 3.3.4 Contractual Interpretation

There will always be disagreements on the meaning of a contract's terms and their consequences. Some courts acknowledge a special relationship between contract interpretation and copyright law. Therefore, the court suggested in *SOS, Inc. v. Payday, Inc.*<sup>68</sup> that a general copyright law objective of protecting the rights holder takes precedence over contract interpretation rules where the issue is the amount of the grant.<sup>78</sup> The court ruled that

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<sup>65</sup> See, e.g., 17 U.S.C. § 117 (1994).

<sup>66</sup> See U.C.C. § 2-401 (1994); *Icart*, 976 F. Supp. at 154.

<sup>67</sup> See U.C.C. §§ 2-106, 2-401 (1994).

<sup>68</sup> 886 F.2d 1081 (9th Cir. 1989).



the grant should be read harshly against the grantee because to the policy overlay, even though the grantor created the contract. Generally speaking, the contract withholds any rights that are not expressly granted. This view is not shared by all courts; most interpret contracts ordinarily and take the whole business environment into account when interpreting the grant's intended meaning. The business assumption that Article 2B acknowledges, at least in offers far more adaptable protection to a licensee than SOS, which purported federal oversight. Naturally, both the restrictive and commercial analyses recognise that the explicit terms of a contract take precedence; they only deal with ambiguity when a judge is required to assess the legal impact and purpose of the contract. That encapsulates the connection between contracts and intellectual property rather well. A framework for assessing the conditions and ramifications of contracts is provided by the exclusive rights.



## CHAPTER 4

### LIMITS ON CONTRACT

#### 4.1 INTRODUCTION

As we have shown, contracts and contract law must be included in any serious evaluation of the ways and reasons that intellectual property law influences commercial applications of information assets. Contract law, which interacts with the default positions of intellectual property law, is used to achieve a party choice regime. This does not, of course, mean that all contracts and their conditions are good or that restrictions on contracts should not be imposed by intellectual property, competition, or contract law policy constraints. However, it does reaffirm that no argument of wide preclusion of contract makes sense since intellectual property law policy must be seen as embracing commercialisation uses of information that entail contracting at multiple levels. Any change in this position would need a significant overhaul of intellectual property laws as well as a fundamental reframing of any current equilibrium.

Generally speaking, in a market economy system that is focused on contractual interactions and an intellectual property rights regime that relies on the ability of parties to enter into contracts, restrictions that prohibit contract terms under any circumstances should be severely limited. The norm must be the enforcement of contracts. When the competing public interest is sufficiently strong and well-defined to prohibit the parties from exercising their transactional choice, exclusions take place. In fact, this is exactly how the issue of contract limits is handled by modern law. Next, we go into the consequences of contracts and their constraints should be there. In this context, defining the parameters of our focus is essential.

This portion of the article does not address the default rules of copyright, patent, and other intellectual property law. With the parties' permission, these requirements may often be successfully waived or modified for the sake of a specific transaction. Rather, when we discuss contract constraints, we are referring to laws or rules that prohibit or render contracts or their terms void. In essence, the issue is whether preclusionary norms allow a judge to deny the execution of a certain contract provision. The three viewpoints discussed in the following subsections are the exclusions of over-reaching terms from contract law, the notions of preemption or misuse that are focused on intellectual property, and the recent

assertion that theories of fair use or first sale themselves directly limit a party's right to contract. One possible source of contract constraints is the idea of government preemption of contracts or contract stipulations. Because of the obvious conceptual mismatch, applying this topic to the issue of contract restriction is difficult. Federal preemption primarily aims to prohibit state laws or regulations that conflict with federal law or, in very rare cases, federal policy. Its activities are governed by state legislation. On the other hand, even if they occur within a wide framework of supporting laws, contracts imply transactional judgements made by private parties and enforce those decisions. Most courts immediately see this conceptual mismatch and utilise it as grounds to reject claims of preemption. Therefore, it is seldom a good idea to preempt private action.

## **4.2 THE COPYRIGHT ACT'S PREEMPTION CLAUSE**

Two sources of potential pre-emption claims are most frequently brought up in the context of intellectual property when discussing contract and intellectual property law issues. The first comes from Section 301 of the Copyright Act, which declares that this title is the only one that may control legal or equitable rights that are equivalent to any of the exclusive rights within the wide scope of copyright. No one is entitled to the laws or legislation of any state<sup>69</sup>. Section 301(a)'s interpretation has grown difficult because of its potentially amazing reach when applied to an economy that is increasingly dependent on processing information as a source of significant value. For the sake of our study, nevertheless, the cases follow a rather consistent pattern. In the meantime, there have been a few rulings that forbid certain types of claims that are filed under the pretence of a contract cause of action but that actually allege claims that are similar to infringement claims. Section 301 pre-emption has never been successfully used to contest and declare void a clause in a contract that was enforceable under normal state contract law. One indication that the idea of pre-emption is difficult to apply to private actions and transactional choices is the fact that section 301(a) pre-emption does not apply to contracts or contract conditions. Equally important is Section 301(a), which addresses the preclusion of rights similar to the exclusive rights of copyright law<sup>70</sup>. The standard that has developed under this expression states that state laws that call for a "extra element" to establish the cause of action are not preempted. This was stated in a well-known

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<sup>69</sup> 17 U.S.C. § 301(a) (1994).

<sup>70</sup> 17 U.S.C. § 301(a) (1994).



book as follows: State law preempts the state-created right if the act of reproduction, etc., would infringe upon it on its own. However, if qualitatively distinct elements are required in addition to or in lieu of the acts of reproduction [etc.] in order to constitute a state-created cause of action, the right does not fit "within the general scope of copyright," and there is no preemption<sup>71</sup>.

This definition states that successful preemption claims are typically limited to circumstances in which the parties did not have a contract or any other special relationship<sup>72</sup>. Additionally, section 301(a) excludes claims related to contracts, trade secrets, or other comparable relationships<sup>73</sup>. The additional factor in relation to relationship-based claims is proof of the connection, its conditions, and the behaviour that violates those terms as it relates to the particular parties. Contracts don't have the same basic scope or impact as property rights that are created directly by state law or common law. This issue was brought up in the ProCD, Inc. v. Zeidenberg case<sup>74</sup>. Among other reasons, the argument in that case was that a contract that forbade the use of an uncopyrighted database was preempted since the subject matter of the transaction was not covered by copyright. The court duly rejected this argument. It distinguished clearly between a property right that might be preempted and a contract right. Contract rights and property rights are simply not the same thing. This is the transactional foundation of a contract and establishes a crucial, relatively clear boundary for preemption claims. "A copyright protects you from the outside world. Contrarily, treaties often just impact their relationships; outsiders are free to behave whenever they like, therefore they do not confer "exclusive rights." When two parties enforce a contract, the content of the agreement—whether or not it is protected by copyright—is completely free from any contractual issues pertaining to third parties. This approach is obviously limited by the fact that contract law regulations typically only apply inside an established partnership. Of course, this analysis requires the existence of a formal contract between the parties; if state law imposes conditions on parties without an enforceable contract, the legislation that creates such terms is preempt.

created by an agreement; hence, in the absence of an enforceable agreement, any use of the

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<sup>71</sup> M. NIMMER& D. NIMMER, NIMMER ON COPYRIGHT 1.01[B] (1994).

<sup>72</sup> "See generally National Basketball Ass'n v. Motorola, Inc., 105 F.3d 841 (2d Cir. 1997); United States ex. rel. Berge v. Board of Trustees of the Univ. of Alabama, 104 F.3d 1453 (4th Cir. 1997)."

<sup>73</sup> "See, e.g., Computer Assocs. Int'l, Inc. v. Altai, Inc., 982 F.2d 693, 721 (2d Cir. 1992) (trade secret); National Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc., 991 F.2d 426, 431 (8th Cir. 1993) (contract); Data General Corp. v. Grumman Sys. Corp., 36 F.3d 1147, 1165 (1st Cir. 1994) (trade secret); ProCD, 86 F.3d at 1455 (contract)."

<sup>74</sup> 86 F.3d 1447 (7th Cir. 1996).



contract notion is often void, *Vault Corp. v. Quaid Software Ltd.* dealt with a rule that was enforced by a state legislation when there isn't a legally binding contract. In the *Vault* case, the Fifth Circuit invalidated a section of a state law that specifically upheld a list of certain conditions in a shrink-wrap license<sup>75</sup>. The judgement was based on the trial court's conclusion that the underlying connection was not an enforceable contract.<sup>76</sup> The legislation effectively placed restrictions on people in the absence of a contract, including clear limitations on a buyer's ability to modify and create. Regardless of whether *Vault* was correctly decided at the district court or appeal level, the final preemption analysis was a pure property law examination that operated under the presumption that there was no enforceable contract between the parties. The reasoning behind this presumption was straightforward: Section 301 prohibited the property right that was formed by state legislation, which established regulations establishing a right independent of contracts; the idea that copyright can super

#### 4.2.1 Preemption Under the Supremacy Clause

This emphasis captures the notion and focus of *Prod* and *Vault*, which focusses on preemption theory about state laws that restrict or prohibit an individual's use of information, regardless of the relationship between the entity seeking to impose the limitations and the object of those restrictions, reflects the general tenor of property rights and extends to a second kind of possible preemption that comes from intellectual property law. The Supremacy Clause of the U.S. Constitution, which prohibits state laws that conflict with declared federal policy in areas where the federal government has substantial power and involvement, serves as the foundation for the preemption argument. In the first cases dealing with this type of preemption, the U.S. Supreme Court issued several decisions, overturning portions of the state's unfair competition laws in two controversial decisions in response to claims that a defendant had improperly cloned equipment sold by other companies. The Court held in both cases that state law could not be used to stop copying when the copied item was not protected by federal patent law. Importantly, the defendants in these cases did not breach any contracts or confidentiality agreements they had made with the plaintiffs, a fact that the Supreme Court confirmed ten years later. In *Kewanee Oil Co. v. Bicron Corp.*<sup>77</sup> the Court held that federal policy preemption did not preclude the execution of a trade secret law injunction against former employees on non patented technology<sup>78</sup>. The Court stated that

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<sup>75</sup> See *Vault*, 847 F.2d at 268-69.

<sup>76</sup> See *id.* at 269.

<sup>77</sup> 416 U.S. 470 (1974)

<sup>78</sup> See id. at 498-99.



preemption occurs only when a state law becomes an obstacle to the accomplishment of Congress's objective. This was not the case with trade secret legislation, which is concerned with promoting innovation and upholding moral principles in business by enforcing confidentiality limits that have been agreed upon or created in other ways. The Court returned to the fundamental preemption issue in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* in 2005, declaring that any "direct moulding process" was unlawful under state law. It is evident that the state law was established.

The Court correctly recognised that the Act established a property right because the rights granted by the Act extended to other parties, independent of any connection between the right owner and any third party wishing to replicate the hull design.<sup>107</sup> This power extended to designs that were not covered by patent law. The state legislation was preempted because it conflicted with a federal policy that allows reproduction of public domain content that is actually disseminated to the general public in any way under the *Bonito* case, the Court said that the decision to not provide rights to unpatented technology constituted a key component of what it called the "bargain" under intellectual property law.<sup>10</sup> This hypothetical agreement essentially entails creating rights that benefit the whole planet, including for government supplied products. Although it is limited to certain advances, the public's freedom to use non patented items is upheld. According to the Court, this keeps people motivated to get a patent, which necessitates making the basic innovation publicly known. For patent laws to be attractive to inventors, *Bonito* says, there must be a history of free competition in unpatented goods and technology that have been made accessible to the public.<sup>Twelve</sup> This competition is probably going to promote the creation of patentable technology and the obtaining of patents for it. Based on this pop art depiction of financial and creative incentives, the Court said that the state legislation aimed to create rights for the hull designer that were good "against the world" and equivalent to patent rights. As the state legislation erroneously "prohibits the entire public from engaging in a form of reverse engineering of a product in the public domain," it was disregarded.<sup>Fourteen</sup> However, it should be noted that *Bonito* does not by any way provide a theory on state law that would permit parties to preserve their existing relationships. Trade secret law, contract law, and other fields. The *Bonito* rule does not apply to texts at all.

#### **4.2.2 Intellectual Property Abuse Ownership and Related Theories**

A second, more directly applicable corpus of law that affects contract practice deals with the idea of intellectual property misuse. Unlike preemption law, the idea of misuse focusses on contractual or relational terms. By imposing certain conditions on a transferee, it provides a basis for imposing severe penalties on the right owner in some circumstances.<sup>5</sup> This concept is based on federal law and, like preemption laws, cannot be altered by state contract law regulations.

Article 2B expressly recognises this and adds that the degree to which a word is forbidden by misuse or similar ideas has no effect on the result. The "misuse" hypothesis is a defensive doctrine rather than an affirmative cause of action. Until the misuse has ceased, it prevents a patent or copyright from being pursued against any party. However, there are a few hypotheses that are almost the same but have different accords. In the same way, some uses of patent or copyright power to achieve needless, anti-competitive outcomes may result in responsibility for antitrust law violations. For example, a number of rulings maintain that a contract provision, whether explicit or implicit, that unjustly expands the scope of a patent beyond its term is unenforceable. The fact that inappropriate use of the power afforded by intellectual property rights happened, and that judicial punishments were used to undo the damage or dissuade such activity, unites these legal systems. The misuse legislation, which prohibits using leverage to increase intellectual property, makes this particularly clear. It permits the owner to exploit their intellectual property rights, as long as they are not extended to dominate other markets, and is closely tied to antitrust tying principles.

### **4.3 THE HISTORY OF THE MISUSE DOCTRINE**

Misuse legislation initially appeared in the area of patent licensing. The concept flourished during a period of judicial antipathy towards the commercialisation of intellectual property. In the first and most significant patent case, *Morton Salt Co. v. GS Suppiger Co.*, the Supreme Court rendered a decision. In the Morton Salt case, the licensee of a patented salt tablet dispenser was contractually obligated to purchase all of the salt tablets produced by the licensor<sup>79</sup>. The pills were unpatentable<sup>80</sup>. After failing to follow this part of the agreement, the licensee was sued for infringement because it continued to utilise the patented dispenser

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<sup>79</sup> See id at 489.

<sup>80</sup> See id at 491



technology.<sup>81</sup> Although the case highlighted an antitrust tying problem (a patented technology license connected to the acceptance of another product), the Supreme Court ruled against enforcing the patent on equitable grounds due to what it considered to be a misuse of the patent rights<sup>82</sup>. It concluded that the patent rights had been misused by forcing licensees to take on a duty to buy unpatented, publicly available products from the patent owners.

The argument of patent abuse flourished at a period when the Department of Justice seemed willing to employ antitrust theories to restrict intellectual property licensing practices.

However, the doctrine's scope was legislatively constrained in 1988 by a rule that said that patent abuse only happens when a patent owner requires a license for a patent or the sale of a product to be contingent on the buyer's purchase of another product or technology. Such acts are only deemed misuse when "the patent owner has market power in the relevant market for the patent or patented product on which the licence or sale is conditioned." This Act did not alter other patent policy positions that forbid specific contract provisions. Misuse law was simply placed in the same framework as a large portion of antitrust law, whose theories limit responsibility for product linking to circumstances where the supplier really has market power to force the other party to comply with the connection.

### 4.3.1 Infringement Of Copyright

The most well-known case concerning copyright infringement is *Lasercomb America, Inc. v. Reynolds*<sup>83</sup>, There was "abuse" in Lasercomb from a computer software license that contained clauses that forbade the licensee from designing, developing, or producing computer-assisted die-making products for 99 years. The copyright owner's infringement action was directed at a third party that was not bound by the allegedly abusive licensing agreement. 131 Despite the fact that this third party was not covered by the license, the court developed a theory of copyright abuse that allowed it to prevent the copyright owner from exercising its right.<sup>32</sup> Although the court did not adopt the patent abuse statutory rule, it concluded that copyright misuse is equivalent to patent misuse and that attempts to extend contract terms beyond the restricted grant of copyright may be prohibited. This court believed that the licensing requirements went too far in restricting competition in sectors beyond the copyright's jurisdiction<sup>84</sup>. In modern law, the concept of copyright abuse is questionable.<sup>135</sup>

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<sup>81</sup> See id at 489

<sup>82</sup> See id

<sup>83</sup> 911 F.2d 970 (4th Cir. 1990).

<sup>84</sup> See id at 979



Importantly, however, the doctrine's main focus is on utilising a property right to dominate another commodity or service in the marketplace. The clearest illustration of this was given by the Fifth Circuit's ruling in *DSC Communications Cations Corp. v. DGI Technologies, Inc.* In cases where it appeared that leverage from a copyrighted product was being extended to a second product market, the court there upheld the lower court's decision to deny a preliminary injunction, citing the possibility of a misuse defense. Software for a communications switching system is also licensed by the manufacturer of the system. The software licenses forbade the program from being used in any device other than processors that the licensor provided. 139 The alleged infringement occurred when a competitor downloaded the program onto their own device to test their product and try to develop a compatible CPU. In violation of the agreement, the competitor had stolen software copies from a licensee. Since DSC seems to be attempting to utilise its copyright to obtain a monopoly over unpatented microprocessor cards in a manner comparable to that of a patent, the Fifth Circuit concluded that DGI might prevail on the defence of copyright abuse. Any competing microprocessor card designed for DSC phone switches must be compatible with DSC's copyrighted operating system software. To ensure compatibility, a competitor such as DGI must test the card on a DSC phone switch. To do such a test, a copy of DSC's copyrighted operating system has to be created. In order to compete with the unprotected product, potential competitors would need to temporarily replicate the copyrighted software due to the nature of the market. Even while the legislative action on abuse laws concentrated on patent misuse, the methodology developed there should also be used to claims of copyright misuse. In other words, rather than the mere existence of an intellectual property right, the formation of a misuse claim requires the presence and exercise of market power in the relevant market for the patent or the patented product on which the license or sale is conditioned. Rather than limiting contractual options to a narrow range set by the Copyright Act, the idea of abuse is to provide courts a mechanism to prevent overreaching by employing leverage to obtain anti-competitive effects.

### 4.3.2 Simple Policy Restrictions

Even though misuse law is founded on equity theory, 146 focusses on issues related to competition law. It offers no justification for restricting contractual activity beyond the purview of competition laws. However, there is also federal case law that is similar to abuse principles and seems to expressly prohibit some patent license circumstances. During the

1960s, when courts were clearly against the commercialisation of intellectual property rights,



this corpus of case law developed. The decisions have not been extensively applied or extended. Legislation or court decisions have subsequently invalidated most, if not all, of the competition-related legal principles that served as the foundation for this hostility and were articulated at the time. The primary example of this abuse theory variant is *Lear, Inc. v. Adkins*. Lear determined that a state common law contract concept that established a doctrine of licensee estoppel was unlawful due to an asserted federal strategy of promoting challenges to a patent's validity<sup>85</sup>. The estoppel doctrine, which was used in some but not all state contract law systems, stated that a licensee could not contest the legality of the underlying patent and accept the benefits of a patent license simulate. The Court concluded that the primary goal of federal intellectual property policy was to encourage the voluntary or legal commitment of even highly innovative technology to the public domain. It determined that a licensee could not be prevented from contesting the validity of the patent it had licensed based on that assumption<sup>86</sup>. Such estoppel would thwart the government policy that patents should be declared invalid whenever possible<sup>87</sup>. Concurrently, the Court decided that a patent license could not create an obligation to pay royalties for a period longer than the term of the relevant patent, using the rationale that the fees' extension. In essence, duties extended the patent's life. Since this was part of the agreed-upon fee for the licensing, this could only be the case for the parties to the contract, thus of course it isn't possible unless it applies to them. Ten years following *Lear* and fifteen years following the royalty case, another Supreme Court decided that there was no such restriction in a trade secret licence with regard to the requirement to pay royalties. The Court suggested that in the latter case, the contractual consideration emerged upon the revelation of the information, and that a contractual commitment could not be revoked simply because the revealed information was now known to the public. If followed, this branch of misuse theory—which began in the 1960s and was curtailed ten years later—would put judges in a position to restrict contractual decisions based on their own evaluation of what, in the present situation, constitutes suitable intellectual property theory. Theoretically, we may discuss why the Court concentrated on estoppel and the extension of royalties in patent licenses in the 1960s, as well as whether copyright or software licenses should be covered by the same rulings. We may argue about whether a contract for software, multimedia, databases, or anything similar is more akin to the Aaronson trade secret license or the *Lear* patent license. We could do all of this, but it is

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<sup>85</sup> See id at 673-74.

<sup>86</sup> See id

<sup>87</sup> See id



not relevant to the topic at hand. The fundamental truth is that theories that permit courts to use their interpretation of popular culture or art to declare a party's contract decisions invalid can never be accepted. In addition to their many other issues, they run counter to the fundamental tenet of intellectual property law: Allowing a court to declare contract decisions void after the fact based on its opinion of what appropriate policy should be undermines the advantages that society derives from the commercialisation of knowledge.

### 4.3.3 Contract Law's Restrictions

The goal and flavour of the enforceability constraints of contract law differ from those of property rights or regulatory law because they generally focus on fixing severe transactional process dysfunctions. The fundamental tenet of contract law remains constant: parties are bound by the provisions of most contracts even if they are not read or negotiated. Secondary themes suggest that this fundamental idea needs to be abandoned in rare instances when the contract provision in question is abusive. Contract law supports the exercise of the parties' options and assumes that they are dominant. First, it is unconscionable. The most common restrictive theme states that if a court finds a contract provision to be unconscionable, it may declare the entire contract or just a portion of it unenforceable.<sup>157</sup> This was a novel concept when it was first incorporated into U.C.C. Article 2 and is now a generally recognised theory; it has not gained widespread acceptance outside of Article 2. The idea of unconscionability is neither thematically or substantively focused. When it was first issued, its main goal was to provide a crucial organising concept that gave courts the authority to "police" against what they saw to be unfair contract terms.. Thus, the approach lays forth a court's restricted authority to amend contracts. As the theory of unconscionability developed, it began to emphasise a court's authority to reject contractual provisions that combine substantive (oppressive conditions) and procedural (adhesion contracts) unconscionability. The "basic test is whether, in light of the general commercial background and the commercial needs of the particular trade or case, the clauses involved are so one-sided as to be unconscionable under the circumstances existing at the time of the making of the contract." is what the comments to the Article 2 provision that introduced the concept state. Without ever establishing clear boundaries for the doctrine's applicability, we may spend hours debating the extent and use of unconscionability as a topic in contract law. In actuality, it is a broad overview requirement that allows courts to monitor contractual practices in order to prevent serious

abuses. According to that general rule, the basic case law pattern that has emerged renders a contract's terms void only when they are founded on a combination of substantive abuses and procedural issues. Due to the doctrine's scope, most published judgements utilise it to declare contracts pertaining to consumer transactions or other situations where there are significant disparities in the complexity and negotiating power of commercial contracts void. Preventing abuse situations brought on by malfunctions in the contracting process is the aim and the outcome. The first is unconscionability. The most often accepted limited theme states that a judge may declare This was a novel concept when it was first incorporated into U.C.C. Article 2 and is now a generally recognised theory. The concept has not been widely accepted outside of Article 2. If the court finds that a contract provision was unconscionable, it may date the entire deal or just a portion of it. The idea of unconscionability is neither thematically or substantively focused. When it was first issued, its main goal was to provide a crucial organising concept that gave courts the authority to "police" against what they saw to be harsh contract conditions. "58" Thus, the approach lays forth a court's restricted authority to amend contracts. As the theory of unconscionability developed, it began to emphasise a court's authority to reject contractual provisions that combine substantive (oppressive conditions) and procedural (adhesion contracts) unconscionability. "59" The "basic test is whether, in light of the general commercial background and the commercial needs of the particular trade or case, the clauses involved are so one-sided as to be unconscionable under the circumstances existing at the time of the making of the contract." is what the comments to the Article 2 provision that introduced the concept state. Without ever establishing clear boundaries for the doctrine's applicability, we may spend hours debating the extent and use of unconscionability as a topic in contract law. In actuality, it is a broad overview requirement that allows courts to monitor contractual practices in order to prevent serious abuses. That general rule is that the fundamental case law pattern that has developed only declares a contract's terms null and invalid when they are based on a combination of procedural and substantive violations. Due to the focus of the theory, the majority of published decisions. The purpose and result is to prevent abuse scenarios caused by defects in the contractual process, and to utilise it to nullify agreements related to consumer purchases or other instances where there are large inequalities in the complexity and bargaining strength of commercial contracts.

#### **4.3.4 Section 211 Reiteration**

Section 211 of the Restatement (Second) of Contracts originally outlined the fundamental Restatement concept, which focusses on how standard forms are treated.<sup>161</sup> Despite the fact that the standard was first established in the 1970s, fewer than 10 states have adopted it for situations that do not include insurance contracts.<sup>162</sup> Despite using different terminology and concepts, the Restatement (Second) of Contracts establishes a criterion that substantially resembles the unconscionability theory. With the exception of any terms that the party submitting the form has reasonable grounds to believe would cause the other party to reject the writing if it were aware of the egregious term, the "rule" of Restatement states that a person who agrees with a standard form is bound by its terms. Beyond the idea of unconscionability, this "refusal term" concept adds another reason to avoid certain clauses in a contract, suggesting that even when the phrase is not unconscionable, a court may avoid using it. The Restatement's letter mentions "refusal terms," but in the few states that adhere to the theory, some courts go one step further and allow a court to omit any term that the judge deems to be beyond the "reasonable expectations" of the other party, whether or not that other party is a business or a consumer. The Restatement's comments mention this sentence, but they primarily address other topics. Even if they typically adhere to standard agreements and are bound by them without even appearing to fully comprehend the standard terms, customers are not bound by unknown provisions that go beyond the bounds of reasonable expectations. The fact that the phrase is odd or harsh and that it eviscerates the non-standard could be interpreted as evidence terms specifically agreed upon, or because it eliminates the main objective of the deal. The interest being protected here is connected to the bar getting process itself. The Restatement recognises that, as all contract laws must, parties consent to and are bound by traditional forms on a regular basis. The section covers the concept of unconscionability as well as other concerns regarding the possibility of an unfair surprise, but the main goal appears to be to give one party the opportunity to convince a judge that it was not aware of the condition and that the other party should have known that the adherent party would have rejected the contract if the term had been revealed. This is crucial for modern business. The two viewpoints on how the rule is defined in those states differ greatly, and states do not generally embrace the Restatement's basic premise. The Restatement's black letter only declares void "refusal" provisions, i.e., conditions that the party did not know about and that, if disclosed, would have caused it to reject the contract. <sup>166</sup> The rule also considers whether the party submitting the form had reasonable grounds to believe that the provision would result in the rejection of the contract, which limits the doctrine's application to

very broad words, leading to the suggestion that it is indistinguishable from



unconscionability theory. The Restatement remark mentioned above refers to words "which are beyond the range of reasonable expectations." This is a far more flexible and aggressive avoidance standard that focusses on the perspective of the person receiving the form. Some courts have adopted it. Restrictions on Article 2B and Unconscionability. The evolution of Article 2B has been impacted by the concept of unconscionability and the Restatement rule, both of which provide courts the ability to remedy serious defects in the contractual process and the resulting overreach. In accordance with U.C.C. customs, Article 2B applies the concept of unconscionability to all transactions that come under its jurisdiction.<sup>169</sup> In addition, the concept is expressly raised in connection with mass market licensing. The following is mentioned in the relevant section's remarks: The idea invalidates strange and harsh language and hidden by cliched language. For example, a condition in a mass market license that defaults [sic] on the mass market contract for \$50 software [sic] and cross defaults on all other licenses between two organisations may be unfair if there was no reason to expect the connection of the smaller and larger licenses. Similarly, it is against public policy, unenforceable, and perhaps unfair for a licensing form to include wording that absolves the licensee of all responsibility for wilful misconduct. Although it was limited to consumer contracts, a similar but broader idea was put up in proposed draft modifications of U.C.C. Article 2. In contrast, the mass market idea outlined in Article 2B applies to both company and consumer transactions made in the retail market.<sup>174</sup> Since then, the emphasis of Article 2 has changed. It's unclear what language, if any, will endure in the long run. Early versions of Article 2B experimented with the Restatement notion in relation to mass market licensing." The idea was not supported by corporate or consumer interests. Due to its focus on situations involving unfair surprise, the restatement technique has a fundamental problem in that it is a disclosure regulation that does not offer guidance on what information should be disclosed, making any contract's terms vulnerable. The rule's main goal is to validate certain conditions that were not known to the parties at the time of the contract, even if they are presented in a way that the parties determine, in order to prevent unfair surprise, as the comments demonstrate. This suggests that term avoidance may be possible under this regulation's "guidance" There was never a rational answer to the question (of course, it is impossible to reveal every sentence in an effective manner, since that is what really happens when the form is only shown). The only way to eradicate unfairness is through transparency. Which phrases, in accordance with the Restatement standard, must be made clear to the opposing party in order to prevent their invalidation? As demonstrated, scope of use clauses

are essential for determining the product being transferred; however, under this standard, they



could be declared invalid due to "unfair surprise" in relation to a "refusal term." This makes the issue especially important in information contracts. In business, it goes without saying that there is a risk of an unfair surprise. The suggestion in the Restatement comments to exclude a "bizarre or oppressive" phrase is addressed in two ways under Article 2B. First, section 2B-208 explicitly recognises that a court may declare a provision unlawful in this and other situations if it is unconscionable<sup>88</sup>. This final assumption, which is beneficial to licensees, allays the concern that the terms of a standard form won't destroy the parties' true agreement. Second, a mass market licence cannot conflict with provisions that the parties specifically agreed upon, subject to the parol evidence rule, as stated in section 2B-208.

#### 4.3.5 Invalidation based on public policy

As seen by the above three instances, conventional contract law restrictions. Contract law generally addresses preventing misuse by focussing on cases where the adhering party allegedly adopts egregiously unfair conditions due to failures in the negotiation process. Due to the general acceptance of the legality of contracts and the desire to prevent courts from re-examining and changing the terms of agreements made by the parties, it should be clear that when a court declares a clause in a contract unenforceable while leaving the rest of the agreement intact, it effectively rewrites the contract for the parties in any situation. The use of contract law need to be limited. But sometimes, in accordance with certain restrictions, using lavatory legislation or the application of otherwise expressly stated public policy, courts can declare a contract or a term void on the grounds that it violates a state's basic public policy. This is typically done in relation to regulatory legislation that is specifically relevant and forbids agreements with certain provisions, such as limitations on the implementation of certain termination provisions in bankruptcies. 18 However, because of the underlying principle supporting party autonomy and contract freedom, specific phrases are frequently not regulated in the U.C.C. or in the general common law of contracts. When it occurs, it is due to clearly stated and well-considered public considerations that supersede the standard assumption of contract autonomy in contract law. In the larger area of intellectual property practice, lawyers are most familiar with contract case law, which in many jurisdictions restricts the enforcement of contract requirements related to non-disclosure, non-competition, and similar contract clauses. The policy in this case is based on competition law, the principle that trade should not be unduly restricted, and the fundamental fairness principle that an

<sup>88</sup> See U.C.C. § 2B-208 (Aug. 1, 1998 Draft).



individual should not normally be prevented from practicing her trade or profession. A rarely used Restatement section places this case law in the context of contract law and states: If the law declares a promise or other provision of an agreement to be unenforceable or if the public policy clearly outweighs the interest in its enforcement under the circumstances, then the promise or term is unenforceable on the grounds of public policy. (Determined focus). Long-standing laws protecting specific identifiable interests and established trade restriction policies, like the ban on entering into a contract that would permit a tort or result in a breach of fiduciary responsibility, are related to the Restatement. Most of the time, the legislature is the source of important government policies. In the absence of legislation specifically rejecting a contract provision, courts are often reluctant to override it, and they do so sparingly based on public policy. A determination regarding enforceability can only be made after carefully weighing the interest in the enforcement of the specific contract against the policy prohibiting its enforcement, taking into account all relevant facts. One of the most important factors in the balancing process is the strength of the public policy against enforcement. The law's longstanding interest in protecting the parties' expectations, its distaste for any undue enrichment, and any public interest in the enforcement of the specific provision are all clearly outweighed by the arguments against enforcement. Although this Restatement formulation is not widely recognised as a principle, it reveals two very clear principles about how contract themes address this issue: first, the interest in enforcement that arises from the common foundation of contract law must be clearly outweighed by the opposing interest in non-enforcement, which recognises the adoption of the fundamental principle that, in general, contracts regulate parties' relationships in accordance with their own terms.

Public policy revolves on a fundamental legal idea. Though books and software are considered products under current law, this issue is not covered by Article 2. The underlying legislation that supports certain contract conditions on such public policy grounds is specifically brought forward and referred to in Article 2B without changing it.<sup>88</sup> The comments in the relevant section highlight its limited function as well as its significance in preventing the execution of certain contract provisions that aim to limit the right to fair criticism and similar rights. Article 1 of the U.C.C. states that, unless specifically replaced, the requirements of its articles are supplemented by broad common law and equity notions.

## **4.4 FAIR USE AND FIRST SALE POLICIES**

Based on the argument that copyright laws relating to fair use and first sale should govern and prohibit contracts that conflict with the property law principles they reflect, even in light of the interactions discussed in this article, the public debate regarding the relationship between intellectual property law and contracts, as well as the role of proposed Article 2B in defining that relationship, has finally come to a close.

## 1. Fair Use, First Sale, and Preemption

Despite the fact that they contain specific copyright law requirements related to library usage, the main references used to support claims to limit the enforcement of contracts based on copyright policy centre on four parts of the Copyright Act: 89 the first sale doctrine, 190 the handling of computer program copyright owners, 191 the notion of fair use, and the exclusion of copyright for facts or ideas. These doctrines collectively state that, in terms of property law, it is not unlawful to: distribute a copy of a computer program that you own, make changes to, backup copies of, or essential copies of, a copy of a work that you own, or use the expression of a work that, taken as a whole, amounts to a "fair use." These are undoubtedly important principles in property law that balance property ownership and third-party rights, but the main argument in our situation is that these rules, as written, prohibit conflicting contractual agreements, which is clearly false in most cases. For example, licensing client lists for certain usage periods at a fixed fee is the foundation of a whole major industry in our country, and of course, a client list is merely a collection of names and addresses. Copyright protection is unlikely to apply to it. How the claim made by copyright law that "facts" cannot be protected by copyright simply implies that unorganised, unadulterated facts are not protected by copyright; it does not state that contracts or other types of control do not apply to facts; there is no evidence that the contract practice is superseded by the property concept. Nevertheless, it does not forbid licenses that grant the list a limited use right, but it is common practice to create licenses for the usage of these listings. Similarly, the notions of a sale or copy ownership establishing a first sale or other exclusions from an infringement claim also focus on a particular type of transaction when other contract clauses are absent; they do not state that a sale or transfer of ownership cannot be combined with a use limitation; they do not specify that a sale of a copy cannot be combined with a use limitation.<sup>193</sup> More importantly, they merely establish a default norm that applies when a decision is made to sell without. Finally, the theory of fair use, which is based on equitable principles, provides important protections for certain uses of copyrighted works that, when

considered collectively, do not cause the copyright owner enough harm to allow for a claim



of infringement. It includes the ability to avoid punishment for infringement if, on balance, the use is fair, but it excludes the ability to force the other party to allow that use. No action "violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright" is prohibited or restricted by the Act, as we have discussed in section 301 of the Copyright Act.<sup>194</sup> It is clear that Washington legislators can create legislation that preempts contract practice and prohibits opposing actions when they so choose, but this is not the case in these sections. In light of this, it is clear that contracts that do not include rights equivalent to those of property rights under copyright law are not covered by copyright law. A wide-ranging, conflicting interpretation would render several contemporary and without a doubt, no one would defend the current extent of copyright theories, which essentially include all trade secret licensing (most secrets are now supplied in writing or digital form; very few are still just spoken orally). In fact, the main point of the argument is usually that these standards supersede contracts in a small percentage of situations, which naturally weakens the statutory analysis. The sections used for these discussions, however, may contain a seed of a major topic. These provisions (apart from section 102) state that it is not illegal to use a computer program for fair use, distribute an owned copy, or back up an owned copy. Look at the wording: it is not an infringement. In terms of intellectual property law, a contract cannot change that outcome. Whether the contract permits or forbids it, the protected behaviour is not an infringement; however, if the behaviour deviates from the terms of the contract, it may be a violation.

## 2. The Overriding Policy of First Sale and Fair Use

The more complex assertion is that the rules contained in the sec If one looks at the situation from the perspective of imposing restrictions on a rights owner, the idea that copyright regulations should take precedence over contract conditions may seem to be based on a policy of preventing rights owner abuse; however, before discussing this proposal, it is important to understand what it signifies when taken as a whole and the policies that follow. The nature and scope of the anticipated abuse depend on 1) determining the likelihood that an attempt to circumvent copyright laws will be made and accepted in the marketplace, and 2) determining whether the benefits of doing so will outweigh the disruption the rule would cause to the fundamental equilibrium established by conventional reliance on commercialisation and open forum uses of information. This balance, in my opinion, favours leaving contract terms unprohibited, but we also gain an important insight if we look at how

the proposed policy regulation affects the information's end user receiver: the proposed



regulation would essentially give the owner of a copy a right (property?) that cannot be waived or subject to a contract. This, of course, results in a very unique right because non-transferability undermines the value of the right for the owner and completely contradicts the idea that a right holder can use their right however they see fit. A user cannot exchange a portion of their first sale right for a price or other concession, but in pursuing a purportedly social goal that isn't motivated by self-interest. When applied to all information transmissions, the argument is illogical. Instead, it focusses (or should focus) on a small subset of transactions, most likely those that give copies of information to the public. The reasoning goes that when this occurs, it should be government policy to make contract conditions that violate the four aforementioned sections inoperative. On one level, this cannot be true because the "first sale" policy assumes that I have the right to transfer a copy that I own, as I mentioned earlier. Should someone be banned from distributing copies to the public for non-ownership purposes under that policy? Obviously not, because the video rental industry depends on that type of distribution and isn't being attacked on this thread, I think. If that's the case, then it's true that not all public distributions are sales under copyright law, which invokes the "first sale" right. Of course, this means that the copyright holder may decide to market its copies in a number of ways, including through different distribution channels to the general public. It uses contracts to make such commercialisation decisions. It does not work to focus the proposed limitation on "mass markets." That much is clear from the video example, but more importantly, the regulation would need to go further up the chain to achieve that goal. Let's say I own the copyright to a highly valued piece of work, and I have an agreement with ABC Distributorship to make that work available to the general public. I could sell copies to ABC, but I would prefer to give them a license to make copies and distribute them only under my specified guidelines. Despite this, ABC, which has a strong bar, agrees, crea Now let's use the "first sale" option to look at the prior transaction. It is clear that the end user has the right to distribute the copy they own, which is established by both section 117 and the initial sale. However, what would happen to ABC, the distributor, or the final consumer if copyright (or the contract) prohibited anything other than the selling of copies in the mass market? But can the final user display the work in public? Of course, this isn't a first sale privilege. If the contract doesn't allow the public performance or exhibition to alter the rights of the original sale, then such a result is obviously illogical. From the standpoint of the final consumer, a rule that states that the relevant property rights cannot be altered in the mass market implies that the buyer cannot legally give up its "right" to transfer

the copy in exchange for a certain price or the ability to display the work in public. Why?



Because the result is the exact opposite, it is clear that the solution isn't intended to protect the end user, as is common with restrictive laws that apply to contracts. The hypothesis drastically alters the status quo rather than maintaining it. By stating that the owner of the rights cannot choose how (if it so chooses) to commercialise the information in a purely commercial transaction, the proposed regulation would essentially change the balance of copyright (and all of intellectual property law). A similar, if not more incomprehensible, consequence is revealed when examining the effects of the proposed regulation from the standpoint of my contract with ABC: In addition to stating an impossibility, the argument's main thrust is that copyright holders (or other information holders) should be legally restricted to using traditional distribution methods for their works, such as selling copies to distributors who then sell copies to the general public in order to spread the work. This argument also misrepresents the current situation, as digital distribution mechanisms that do not require physical copies are already established and widely used, making this impractical. The erroneous claim assumes that all of the content was made accessible to the public yesterday in copies that were sold to them, which is not supported by my most recent visit to Blockbuster Video. They cannot be eliminated by legislation from Congress. When I sign my license with Westlaw, they would be just as surprised to see that I had a copy of their database with fair use rights, and they would be even more startled to learn that I own and may resell the copy of "Florida Sunset" that I leased yesterday. The case for preserving general ("fair use") rights is far stronger than the case for banning specific phrases. Let's say that the idea of fair use allows me to cite a limited, non-competing excerpt from published works that I have accessed via a legitimate agreement. What would happen if I freely quoted from the text, ignoring my agreement, and the publisher, acting against its own financial interests, demanded that I sign a contract promising not to quote from any published work that is disseminated under the terms of the agreement? We must first recognise that this is a hypothetical law school test; given the market and other factors, a mass market scenario is highly improbable. 195 To address the issue, we can make some basic observations: First, under copyright law, a contract cannot establish an infringement claim when none already exists; the contract's provisions do not change that outcome if fair use principles are applicable. On the surface, it does not seem correct that a mass market contract may take precedence over an examination of fair use policy with regard to infringement problems; the goal of fair use analysis is to allow a judge to consider all aspects of an alleged infringement; it is contrary to everything we know about judges' workings to assume that, given the

copyright system, a court given that statutory date would inevitably consider only one



element (the contract). Second, if a breach of contract claim is based on a violation of the terms of the contract, a court can consider whether a particular provision overreached and should, therefore, be prohibited in context.<sup>197</sup> Under Article 2B, which protects common contract law, a specific contract claim may be impacted by overriding public laws that support the right to quote and use in other ways portions of a copyrighted work that is sold in a public market. Third, what are the damages for a breach of an enforceable contract condition where there is no legally cognisable restriction and quoting from a work is deemed to be a breach? Without going into too much detail, I would say that, in most cases, they would be negligible as long as there was no evidence of a predictable and consequent loss of profits or other damages that might be recovered from the fair remark. Of course, damages in a trade secret or other licence of confidential information may This brings me to my last point: the common law (as guaranteed by Article 2B) and copyright analyses more than suitably accommodate the first sale and fair use conceptions of overriding contracts, which are grounded in contextual protections rather than absolute principles. The idea of a widely articulated contract defence based on a generalised fair use policy calls for a fundamental shift in the nature of the relationship as well as a reorganisation of the fundamental components. If the goal is to preserve the flexibility inherent in these doctrines and the information flow they support, the solution is to acknowledge that the ability to contract exists and has existed for generations rather than changing the fundamental framework of the relationship between copyright and contracts. Such a big change has no real evidence to back it up.

#### 4.5 ARTICLE 2B AND THE FAIR USE DEBATE

Although, when properly interpreted, Article 2B has maintained a neutral stance and has no bearing on the matter, the debate over the ostensibly obligatory nature of the first sale and fair use doctrines has been actively discussed in general copyright legislation and in relation to the impact of digital distribution systems on conventional intellectual property law principles. In reality, the debate has extended beyond concerns about the relationship between contracts and intellectual property. Article 2B cannot change the fact that fair usage supersedes a contract; of course, as we have seen, the concepts of fair use and first sale are not preemptive when it comes to contractual ties; the claim that clauses in contracts that restrict fair use amount to copyright abuse is also unfounded and cannot be resolved by a state law contract regulation; and even if Article 2B were inclined to address some parts of the "fair use"

argument, it would be unable to do so. For example, state law cannot address the mistaken



claim that copyright law preempts in this case. This does not lessen the issue in terms of state contract law. In this country, in particular, there is a strong social policy that argues that there should be no restrictions on the exchange of information between the public and private sectors. That policy is the foundation of our culture. Article 2B focusses on a disagreement between two beliefs. It is assumed that a new state law regulation should be put in place to prohibit contract terms that either violate a proclaimed pattern of rights in the mass market or "fair use" or any other comparable general concept. This method of avoiding words is constructive. The alternative premise argues that Article 2B should carefully retain the notions that have long been under state law to correct any abuses, without taking a position on the concerns in general. Article 2B employs the latter of these tactics. This conclusion is based in part on the contract law traditions of the commercial code. It is based, in part, on the notion that a wide-ranging copyright dispute that is raging in Congress and throughout the globe cannot be effectively and conclusively resolved by state contract law. To restate the obvious, Article 2B does not establish contract law in this area. Contracts already exist and are often used. They function well because they are based on the idea that party preferences and market pressures will shift, and they are limited by legal doctrines that provide judges the power to alter the facts in order to prevent grave abuse. Despite the fact that there are important policy issues, they cannot be addressed directly. The idea that fair comment and other fair uses are politically and socially relevant does not imply that the owner of the content must distribute it and has no control over how it is distributed. They cannot be reached with the assumption that all rights holders are evil and that all copy recipients need to be protected from one another. The assumption that the law can somehow legislate the former order of circumstances cannot be applied to them. Regardless of whether a contract is involved, they must be handled in a manner that respects the fundamental freedom to make choices and carry them out. The role of the law should be to monitor for abuses if and when they occur. In my opinion, the most sensible position that state contract law may take on these issues is one that emphasises neutrality. That's exactly what Article 2B has decided to do. Any other strategy would need state law to rewrite the intellectual property law agreement, which has traditionally been primarily a federal policy issue and mostly depended on the rights owners' power to contract to distribute their goods anyway they saw appropriate.

## 4.6 CONCLUSION

Without a doubt, the most significant takeaway from re-examining the relationship between contracts and intellectual property is that these two legal domains have long coexisted rather than being at odds in a newly found way<sup>89</sup>. At least when it comes to copyright, these legal specialities depend on one another to support the system's purportedly primary goals. Copyright and other intellectual property regulations cannot and have never been able to encourage the active production and distribution of information commodities in society without relying largely on contracts. As we've seen, commercialization—which depends on contractual agreements—is one of the primary means of knowledge creation and dissemination. It ought to be recognised as an essential part of the "bargain" in the context of intellectual property law.

This is not to say that potential disagreements or stressful situations never arise. However, contextually sensitive analyses of particular abuse claims and circumstances have always resolved such contentious questions. It should be that way. It seems almost impossible that property rights law, with its focus on vested rights and positions taken against third parties, could ever be a good model for the complex and dynamic information economy. Outdated distribution methods and older ideas of how the general public obtains and uses information might be maintained. Hope, however, is insufficient to halt the rapid economic and technological transformation that is now taking place all around us. I would wager on the latter if one had to pick between battling to preserve the status quo by legislative action or depending on markets and thorough judicial analysis of particular cases by the markets.

Commercialisation, which functions on the basis of contractual ties that are tailored to the dynamic character of the market, is a good and constructive aspect of intellectual property legislation that has contributed to the prosperity of this country. The potential for abuse in some limited situations does not diminish the importance of contracts' overall role in commerce and intellectual property. The abuses must be addressed by a thorough analysis that is targeted at particular situations in order to establish valid and sustainable balances.

Actually, I can't conceive of a practical solution to the problems with intellectual property and contracts in the present day.

<sup>89</sup> ibid



## CHAPTER 5

# LEGAL PROTECTION OF INTELLECTUAL PROPERTY RIGHTS IN INDIA

### 5.1 INTRODUCTION

Many laws in India safeguard an individual's intellectual property rights, such as those concerning patents<sup>90</sup>, copyright<sup>91</sup>, trademarks, design and other areas. Along with these particular. An aggrieved party may access provisions included in Sections 479 of the Indian Penal Code, 1860, and Section 38 of the Specific Relief Act, 1963. However, in order to safeguard its intellectual property rights, the public often resorts to legal remedies. In a complaint submitted to the relevant court, an individual who believes that his intellectual property rights have been infringed may ask for an injunction, damages, and an explanation of earnings and the distribution of counterfeit items or products. The most popular, effective, and significant remedy is an injunction. The power to ask for an injunction has been specifically permitted under each of the four 1P legislative categories previously mentioned, and the Code of Civil Procedure, 1908, and the Specific Relief Act of 1963 provide details on the steps and rules that must be adhered to. In times of emergency, the courts have been granted extensive discretion to issue interim injunctions under certain circumstances. An injunction is issued if the plaintiff proves the case at trial. The legal system in India and the court's role in protecting intellectual property rights are examined in this chapter.

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<sup>90</sup> “The Patents Act, 1970 (39 of 1970). The Provisions of this Act, other than sections 12(2), 13(2), 28, 68 and 125 and 132 came into force on 20-4-1972, vide S.O. 300(E), dated 20th April, 1972, published in Gazette of India, Extra, Part-II, Sec. 3(ii), p.735, Sections 12(2), 13(2), 28, 68 and 125 to 132 came into force on 1st April, 1978, vide S.O. 799 dated 10th March, 1978, published in of India, Pt. II, Sec. 3(ii), P.764.”

<sup>91</sup> “The Copyright Act, 1957 (14 of 1957). The Act came into force vide S.R.O. 269, dated 21st January, 1958, published in Gazette of India, Extra., Pt. II, Sec.3, p.167. The Parliament of India has enacted the Copyright Act, 1957 as it is empowered under item 49 of the Union List in the Seventh Schedule of the Constitution of India. This Act from its commencement is made applicable to the whole of India. This Act has been extended to the Union Territories of (i) Goa, Daman and Diu by Regn. 12 of 1962 (w.e.f. 1st February 1965; (ii) Dadra and Nagar Haveli, by Regn. 6 of 1963 (w.e.f. 1st July 1965); and (iii) Pondicherry, by Regn. 7 of 1963 (w.e.f. 1st October, 1963).”

### 5.1.1 Legal Structure: Civil and Criminal Proceedings

The Indian Patents Act of 1970 allows for an injunction against patent rights infringement in addition to damages or an accounting of profits in a case for infringement (Section 106).<sup>260</sup> There is also the possibility of issuing an interlocutory injunction. Section 108 of the Act has been modified to provide the patent holder further remedies in the case of patent infringement by granting the courts the authority to destroy items and equipment involved in their fabrication. The most important amendments have been made to the Copyright Act and the Trade Marks Act to bring them into compliance with the TRIPS Agreement. An injunction will be issued if the defendant infringes or threatens to violate the plaintiff's trademark rights or pleasure property. Information from market surveys is now admissible at the interlocutory phase in trademark litigation. The newly enacted legislation has enhanced the power bestowed by the court to issue an ex parte injunction in certain situations (Section 124). Cases involving trademark offences are tried in a court that is at least as high as that of a metropolitan magistrate or judicial magistrate of first class. Both the Copyright Act and the Trade Marks Act include intricate provisions that provide both civil and criminal penalties for copyright infringement and trademark, trade description, etc. fabrication. Sections 106 and 111 of the Trade Marks Act provide the government the authority to confiscate goods that are illegal. The offender also risks a maximum penalty of three years in jail and a fine. There will be further sanctions for a second or subsequent conviction. (Pages 103–105). The Act has given the courts the same power as the Copyright Act. The penalty for trademark violations has been raised in an effort to prevent the sale of counterfeit and fraudulent products. Using misleading trade names or trademarks may result in a fine of between 50,000 and 2 lakh rupees, as well as a sentence of six months to three years. The same sanctions apply when selling products or services under a phoney trade name or trademark. For subsequent convictions, the sentence's harshness has been raised. It also grants a police officer, up to the position of superintendent of police, the power to search and confiscate products and any associated equipment used in offences involving trademarks. The Copyright Act provides both criminal and civil remedies.<sup>264</sup> There are civil remedies available in "injunctions, damages, accounts, and other remedies as are or may be granted by law for the violation of a right" (Section 55) are features in question<sup>92</sup>. The civil lawsuit may be started by the District

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<sup>92</sup> "Klas Tape Company v. Vinod Hardware Store and Ors., MANU/DE/1361/2010: 2010 (44) PTC 39 (Del) ; Super Cassettes Industries Ltd. v. Mr. Punit Goenka and Anr., MANU/DE/1842/2009: 2009 (41) PTC 1

Court with jurisdiction, appealed to the High Court, and then taken all the way to the Supreme Court. In addition to civil remedies (Sections 55 and 58), the Act allows for criminal remedies such as imprisonment and fines (Chapter XIII).<sup>266</sup> Any copies of the work and the equipment used to make it may be located anywhere and may be seized without a warrant by a police officer with the level of sub inspector or above, who may then present them before a court<sup>93</sup>. The use of computer software that has been pirated is now prohibited and is punishable by a fine and a jail sentence that may last anywhere from seven days to three years. If cable operators violate the Act, they might face penalties, jail time, and equipment confiscation. Anton Piller orders are also often issued against counterfeiters and pirates. Because the legal system is sometimes delayed, interlocutory injunctions are crucial in patent cases. The government has now established a number of efficient procedures to resolve disputes pertaining to intellectual property in less than a year by using retired judges.

## **5.2 INDIAN COURTS CONCERNING THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS**

The Indian court has looked at several different aspects of the enforcement of intellectual property rights. These problems are classified as judicial jurisdiction, injunction, damages, including punitive damages, profit accounting, criminal procedures, etc., but the most important thing to remember is that Indian courts are battling the issue of an increase in pointless, speculative, and vexatious litigation. As a result, Indian courts are the scene of many vexatious and fraudulent intellectual property rights lawsuits. In this way, some of the parties and attorneys have abused the legal system. Opposing parties have sometimes been harassed by the legal system. There are activists who help these people file pointless lawsuits. Under a variety of guises, such an attorney may ask for adjournments, extending the case for years.

### **5.2.1 Place the Order**

Legal remedies are permitted under Sections 54 to 62 of the Copyright Act. Section 55 of the Act states that, unless this Act stipulates otherwise, the owner of the copyright shall have the right to all remedies, including injunctions, damages accounts, and other remedies that may be provided by law for the violation of a right. Consequently, all civil remedies, including as

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(Del); Entertainment Network (India) Ltd. v. Super Cassette Industries Ltd., 2008 (37) PTC 353 (SC): 2008 (9) SCALE 69.”

<sup>93</sup> Upendra Baxi, “Copyright Law and Justice in India”, 23 Journal of Indian Law Institute (1986) p. 505



injunctions, damages, and other legal remedies, are available to a copyright owner. In most copyright disputes, the main remedy sought is an injunction to stop the defendant from doing more actions that constitute infringement<sup>94</sup>. There is no other means of holding a defendant responsible who demonstrates that, at the time of the infringement, the innocent infringer had no reason to suspect that the work was protected by copyright and was not aware of its existence<sup>95</sup>. Although the plaintiff in these situations is not entitled to damages, the court may order the defendant to reimburse the plaintiff for all or a part of the money he gained from the sale of the copies that were infringing, depending on what it thinks is reasonable in the given situation. The provisions pertaining to injunction are contained in the Specific Relief Act of 1963. In such proceedings, a temporary injunction is often sought to prohibit the defendant from breaching the plaintiff's copyright until the issue is settled (*pendente lite*), since damages are seldom an adequate remedy for the loss experienced by the plaintiff. Obtaining an *ad interim* injunction *ex-parte* while awaiting the serving of notice of the lawsuit is also typical. Since the parties have not yet provided evidence to support their individual claims, the court must determine whether to grant or refuse an interim injunction based on the *prima facie* circumstances, the probability of the case, and the balance of convenience. The concepts put out in English precedents are often used and accepted in India. The rules pertaining to interlocutory injunctions are found in Order 39, Rules 1 and 2 of the Civil Procedure Code, 1908. It is explicitly stated, however, that the remedy of an injunction cannot be used to order the demolition of a building to the extent that it has been constructed<sup>96</sup> or to prevent the construction of a building or other structure that infringes upon the copyright of another work or that, if completed, would violate that copyright after construction has started. Now, the issue is what standards ought to be used when issuing a copyright infringement injunction. The need for explicit pleading in the plaint on the claim that the plaintiff's case would fall under The Supreme Court highlighted the applicability of a certain law in *Gramophone Co. of India Ltd v. Mars Recording Pvt. Ltd*<sup>97</sup>. The respondent-plaintiff in this matter began manufacturing audio cassettes of the musical compositions held by the Gramophone Company after complying with section 52 (1) (j). The plaintiff requested an injunction to prevent the defendant from interfering with the cassettes' sale after the copyright owner threatened to have the recordings seized by the police. The order issued by the lower court

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<sup>94</sup> The Copyright Act 1957, Section 55(1).

<sup>95</sup> *Ibid.*, Proviso to Section 55(1).

<sup>96</sup> *Ibid.*, Section 59(1).

<sup>97</sup> 2001 PTC 681 (SC).



was affirmed by the High Court. Due to the absence of specific pleading, the Supreme Court reversed the order on appeal, noting that "it is necessary to plead and establish these aspects of the case as contended for respondent No 1 in order to attract the provision of Section 52(1)(J) of the Act or to fall outside the scope of section 2(m) of the Act." In our opinion, the parties must provide factual evidence in the pleadings before assessing the soundness of the arguments made. It would be dangerous to issue a temporary injunction or make a ruling if, as respondent No. 1 contended, these factors emphasise the parties' underlying disputes and there are no pleadings to that effect in either form or substance. We thus overturn the High Court's ruling that upheld the lower court's decision to award an interim injunction. To make compelling arguments, the parties may use amendments or other strategies. We further clarify that the parties may ask for the appropriate interim orders in the event that pleadings are changed. It is crucial to remember that there is no evidence to back up the claimed rulings that the defendant has raised this issue before the Supreme Court, the High Court, and subordinate courts. Four criteria are used to decide whether to issue an interlocutory injunction in a patent infringement case: (1) the moving party's reasonable chance of success on the merits; (2) the harm that would result from the denial of preliminary relief; (3) the relative hardships of the party to be enjoined and the moving party; and (4) the impact, if any, on common interest. An interlocutory injunction may be granted or denied by the court. Therefore, the court's decision to deny a preliminary injunction will not be overturned on appeal unless it can be shown that the court misused its power, made a legal error, or seriously misunderstood the facts. Lord Denning noted in *Hubbard v. Vosper*<sup>272</sup> that "when deciding whether to issue an interlocutory injunction, a judge should consider the entire case, taking account both the strength of the claimant and the defence, before determining the best course of action." In certain cases, it may be preferable to issue an injunction in order to maintain the status quo until the trial. In other cases, it is preferable to allow the defendant to continue unhindered. The criteria upon which an interlocutory injunction may be given in a patent dispute are the same as those under Order 39, Rules 1 and 2 of the Civil Procedure Code, even if an interim injunction that forbids the defendant from violating a patent does not precisely come within Order 39's jurisdiction. The plaintiff must prove both a prima facie case of infringement and that convenience trumps inconvenience in order to win a patent action. In patent matters, it is very difficult to establish a prima facie basis for the granting of an injunction. To show a realistic possibility of victory on the merits in a patent infringement

lawsuit, the movant for injunctive relief must demonstrate a substantial likelihood that the patent in question is both valid and infringed<sup>98</sup>.

Based on a chemical study, the respondent, a manufacturer of "Vigil" bath soap, was found to be covered by all or some of the petitioner's patent claims, according to the petitioner company's statement in *Hindustan Lever Ltd. v. Godrej Soaps Ltd.* Due to the misconduct of the respondents, the petitioner corporation has suffered irreparable loss, damage, injury, and prejudice. If the respondents were allowed to continue their unlawful and criminal activities, the petitioner would not get sufficient relief from monetary compensation, and there is no criterion for assessing the precise harm that has been or is anticipated to be done to the petitioner. The petitioner prevailed in the argument over whether convenience or irritation was more significant, and the harm was therefore found to be irreparable. In patent infringement actions, interlocutory injunctions are granted based on the same standards as apply to other processes. Therefore, in order to get an interlocutory injunction to stop patent infringement, a party must show: the probability that the action would succeed in the future; the chance that other interested parties would be harmed by the granting or refusal of the injunction; the possibility that the movant would suffer irreparable injury if relief were not granted; and 4. the general welfare. An interlocutory injunction may be issued without the infringement being established beyond a reasonable doubt or without the accused infringer's argument being substantiated by evidence. The petitioner for a preliminary injunction must show that there is no alternative legal remedy or other permanent damage, in addition to having a high possibility of succeeding on the merits. It is often presumed that irreparable loss has occurred when patent validity and infringement are evident. The Court should consider not only the irreparable loss but also the idea of balance of hardship. In situations when legitimacy and continuous breach have been sufficiently shown, immediate irreparable damage is anticipated. When the movant has shown that the behaviour complained of is likely illegal, an interlocutory injunction maintains the status quo.

*Instacare Laboratories Pvt. v. Cadila Pharmaceuticals Ltd.* In the case of *Ltd.*, the Gujarat High Court examined whether the validity of a patent could be examined at the time of issuing an interlocutory injunction<sup>99</sup>. The plaintiff developed a novel method for synthesising lactobacilli and penicillin and began marketing the product under the brand "LMX." The

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<sup>98</sup> *H.H. Robertson Company v. United Steel Deek, Inc.*, 820 F.2d 384 (Fed. Cir. 1987).

<sup>99</sup> 2001 PTC 472 (Guj).



novel method involves coating lactobacilli, which forms a thin protective film that isolates the antibiotic substance from the lactobacilli dose. This is to stop the antibiotic from affecting the action of lactobacilli. The advantage of this approach is that, even after a prolonged amount of time, the lactobacilli in the combination medication continue to be active and effectively offset the negative effects of the antibiotic. In March 2000, the plaintiff was granted the patent in India.

It was alleged in a complaint alleging patent infringement that the defendant began manufacturing comparable products using the same method.

### **5.3 PROFITS AND DAMAGES ACCOUNT**

Section 55 of the Copyright Act of 1957 allows for damages and accounting as remedies in addition to the injunction. However, the injunctive remedy may be part of the package, either with that of accounts or damages, but the remedies of accounts and damages cannot ever be combined<sup>2</sup>. In order to stop the film from being screened any further, the book's publishers filed a copyright case and asked for an injunction against the film's distributors and producers, which included the book's subject. The publishers sought both the adjustment of accounts and damages. Once the publishers did not dispute that the damages were enough, the order of damages became final. The appeal was denied by the Andhra Pradesh High Court, which decided that it was impossible to claim that an injunction constituted an

improper course of action. Furthermore, because damages were granted and the verdict regarding damages became final, the publishers were not entitled to the relief of accounts.

The court further decided that damages and accounting are alternative remedies, and the two reliefs are incompatible. Determining damages in copyright infringement lawsuits is one controversial topic. The method for determining damages in cases where the copyright work is not priced and the awarding of exemplary damages was considered in *P. N. Krishnan Murthy v. Co-operative for American Relief Everywhere*.<sup>295</sup> The plaintiff-appellant in this case is the author of the story *Lakshma Kills A Tiger* and the registered proprietor of the 1969 copyright. The plaintiff's publishing business, CAP, released the comic booklet that *Care for Children* translated into other languages with authorisation. In 1970, *Care* engaged CAP to print 15 lakh copies of the same tale in Malayalam with the plaintiff's permission. However, due to a dispute, CAP terminated this deal. With the assistance of another publisher, *Care* wrote the book and distributed it to young people in Kerala at no cost. The plaintiff brought the current lawsuit in 1971, claiming copyright infringement. Although the trial began in 1972 and the

plaintiff completed his testimony in 1973, the defendant took several years to



complete the evidence. It was alleged that the documents that were accessible in New York had been destroyed, and the defendant was unable to provide any proof about the accounts. Twenty-seven years later, in 1998, the District Court eventually determined that copyright had been violated, issued an injunction, and awarded damages of Rs. 2,31,000, or 17.50 percent of the cost of publishing one copy of the book, plus 18 percent interest from the action date. Both parties filed appeals with the High Court. The defendants contended that there was no copyright infringement since the work was created while they were working. Based on the facts presented, the High Court found that there had been copyright infringement since Care had not shown that there had been a legitimate transfer of rights for the Malayalam translation of the book. The court acknowledged the trial court's formula in response to the plaintiff's argument about how damages should be calculated, noting: "The trial court has taken the cost of publication of the book at Rs. 1/- and has awarded 17.50% of the same to the plaintiff ...." This was after accounting for the fact that the book was freely distributed in Kerala State, was neither priced nor sold in the market, and that the plaintiff was unable to demonstrate his actual loss of profit. We are aware of the plaintiff's assertion that, had the disputed book been produced and published in compliance with the provisions of the contract dated September 15, 1970, the plaintiff would have received 17.50% of the cost, which served as the foundation for the trial court's decision. The plaintiff is seeking damages for infringement rather than the previously specified expense. Even for damages, however, we believe that 17.50% of the cost is appropriate in the absence of any other criteria, particularly since the book is not a paid one and royalty is normally given according to the book's price. Therefore, we think that if the plaintiff received 17.50% of the overall cost and the book's printing and distribution costs were estimated to be Rs. 1.296, they would get a fair amount of money.

## **5.4 PUNITIVE RESTITUTION**

Punitive damages are awarded as a form of retribution when intellectual property rights are infringed. Even if punitive damages might also be awarded for such. Thus, the issue that has to be addressed is whether punitive damages may be awarded when databases and computer software infringe copyright. Punitive damages were explored in *Time Incorporated v. Lokesh*. Punitive damages are founded on the concept of restorative justice, per Srivastava 298 of the Delhi High Court; hence, under suitable circumstances, this must be offered to warn the wrongdoers that the law considers those who are not parties to the contract but suffer as a

consequence of the breach, and does not see a breach as just a disagreement between



disputing parties. The court believed that punitive damages should be awarded when the defendant in *Hero Honda Motors Ltd. v. Shree Assuramji Scooters* chose to abstain from court proceedings because, in the event that the defendant did not appear and submit his account books, he would be held liable for damages; however, a party who chooses to abstain from court proceedings would not be held liable because the account books were not available. In *Microsoft Corporation v. Ms. K. Mayuri*, the Delhi High Court underlined the need of severe penalties in situations involving egregious copyright breaches. This Court has no qualms about declaring that the time has come for courts dealing with cases involving infringement of trade names, copyright, patents, etc. to award both compensatory and punitive damages. This is done to discourage and deter lawbreakers who commit violations without consequence out of greed, making them realise that if they are caught, they will be held accountable for paying both compensatory damages and punitive damages, which could spell financial ruin for them. This Court's rationale was expressed in an ex parte final decision that forbade the defendants from loading Windows and Microsoft Office without permission. In this case, the court granted Rupees 5 lakh in compensatory damages and an extra Rupees 5 lakh in punitive damages, in contrast to the plaintiff's demand of Rupees 26.72 lakh. It is uncertain why the defendant, who earned a profit of Rupees 26.72 lakh, would "spell financial disaster" with the payment of Rupees 5 lakh, even if the explanation is a sincere attempt. The court must behave equitably when awarding compensatory damages.

## **5.5 THE JURISDICTION OF THE COURT**

The issue now is, in the event that copyright is breached, whose court should be utilised for litigation or other civil proceedings? No matter where the infringement occurs, a copyright owner may bring a lawsuit or other civil action related to copyright infringement in the District Court that has jurisdiction over the infringement under Section 62(1). The District Court where the copyright owner genuinely or voluntarily lives, works for personal benefit, or does business is subject to this legislation. A plaint must be submitted to the District Court or High Court, as appropriate, in order to initiate a civil litigation for copyright infringement. All lawsuits and other civil processes under the Copyright Act, 1957, must be filed in the District Courts having jurisdiction, according to Section 62 of the Act. Although Section 62(2) of the Copyright Act, 1957 is a long-arm clause, the Act only applies within India.<sup>301</sup> The District Court is defined as the court within the local limits of whose jurisdiction the person filing the lawsuit or civil proceedings actually and voluntarily resides or conducts

business at the time of the suit or civil proceedings.



To constitute a cause of action, it must be shown that the infringement took place inside Indian territory. In *Banyan Tree v. A*, the court decided that a passive website alone would not give the forum court jurisdiction.<sup>302</sup> *Murali Krishna Reddy*. It must be shown that the website was used to conduct a business transaction within the forum court's jurisdiction. As a result, Section 62 of the Copyright Act allows a plaintiff to bring an infringement claim in the court where they live, do business, or get compensation—rather not necessarily at the scene of the infringement. A receiver or Court Commissioner may be appointed to inspect the defendant's property and determine or compile a list of the owners' rights that are being infringed, or the plaintiff may ask for an interlocutory injunction as an interim remedy while awaiting trial. The court has granted injunctions under the correct circumstances in cases where there is a prima facie allegation of piracy or counterfeiting<sup>100</sup>. However, the Delhi Court ruled in *Smith Kline Beecham Plc v. Sunil Singhi*,<sup>303</sup> that the defendant needed to prove that it was carrying out its local business operations in India in compliance with Section 62(2) of the Copyright Act, 1957. But in *Dhodha House v. S.*, the Supreme Court made a decision. *K. Maingi*, that Section 62(2) of the 1957 Act was created expressly to provide parties who couldn't file copyright lawsuits at two distinct courts an advantage. In other words, it gives the court a justification for exercising jurisdiction beyond the standard justifications outlined in Section 20 of the Code of Civil Procedure, 1908. The next concern is if there is a disagreement between the two decisions (*Dabur India* and *Dhodha House*) that were previously discussed. In *Exphar SA v. Eupharma Laboratories Ltd.*,<sup>305</sup> the Apex Court found that a composite action would be maintainable where the plaintiff lives, given the requirements of the 1957 Act.

### 5.5.1 Order of Interlocutory

A court may issue an injunction in any infringement suit under the Indian Patent Act of 1970, and the plaintiff has the option of either a declaration of income or losses. The District Court handles patent infringement remedies. When the defendant files a counterclaim for patent revocation, the High Court must receive both the action and the counterclaim. Therefore, among the remedies that a court may impose for patent infringement are an injunction and, at the plaintiff's request, damages or an accounting of profits.

### 5.5.2 Criminal Proceedings

<sup>100</sup> ibid



Intellectual property rights violations may result in criminal crimes. Certain behaviours are covered by IPRs when the relevant laws merely mention criminal consequences, and one may file a criminal complaint with an appropriate court. For the reasons mentioned above as well as two more, the right-owner often choose the civil alternative in following circumstances:

1. The criminal case does not include pre-trial procedures such as discovery, and there is no possibility of securing an interim injunction to halt activities until the trial (which might take weeks or months to mount) obtaining information from a defendant.
2. The prosecution has a strong burden of evidence in criminal proceedings; unlike in most civil disputes, the defendant must be proven guilty beyond a reasonable doubt, not only on the basis of the balance of probability. This burden of proof may be very challenging to meet if the kind of crime calls for evidence of the defendant's mens rea, or that he knew or had reason to believe that he was doing an infringing act or other Offences. Since there have long been clear sanctions against pirates, these violations are especially prevalent in the copyright realm. The Copyright Act of 1957, the Patents Act of 1970, and the Designs Act of 2000 all include several summary offences related to copyright infringement. In the worst situations, they may now lead to summary or indictment prosecution and cover the same ground as "secondary infringement" of copyright. Even while they do not include everything that may be used as a basis for infringement in civil cases, their reach is much more extensive than everything related to patents and registered designs. Since all of these types of protection rely on official approval or registration, there are certain offences associated with this. It is always illegal to create an unauthorised claim to rights and to get fraudulent entries in the register. However, there is no criminal culpability directly linked to an infringement, just as with the new unregistered design right.

### 5.5.3 Deceptive Coordination

Conspiracy to deceive might be a broad felony that includes violating someone else's intellectual property rights. This may occur not just when a group of people choose to purchase property in an unethical manner, but also when they want to get further financial gain or try to trick someone into doing something that is not their responsibility. Accordingly, in *Scott v. Metropolitan Police Commissioner*,<sup>364</sup> there was a scheme to cheat the owners of film copyright by paying theatre staff to turn over pictures so they could be covertly duplicated and returned. The House of Lords confirmed that the owners were cheated, even though no one was deceived by the operation. Since the decision did not rely on the fact that

the actual copying was a summary crime in and of itself, it may be relevant if the subject matter included any kind of intellectual property other than copyright. There is a lot of uncertainty when the topic is categorised as confidential knowledge. The accused conspirators in *DPP v. Withers*<sup>365</sup> convinced bank employees to divulge information on their clients by posing as employees of another bank, who then disseminated the information to their own clients. The information may be charged as a conspiracy to deceive if it is judged to be sufficiently near to property.

#### 5.5.4 Administration Procedures

The Copyright Act of 1957, the Patents Act of 1970, the Trade Marks Act of 1999, and the Designs Act of 2000 all set a particular process for halting imports at the point of entry into India. After notifying the Commissioners of Customs and Excise of his right, the right-owner may ask them to consider certain imports to be barred. When it comes to copyright, the imports in issue have to be copies of sound recordings or motion pictures, or copies of works of literature, theatre, or music that are copyright protected (in print). When it comes to trademarked goods, the Commissioners would not include anything they can identify unless there is a possible violation of the mark's use in Indian commerce. Nonetheless, they must be compensated for any expenses and damages by the legitimate owner. It seems that the system is not being used enough. But when it comes to goods with a phoney trademark, their power has significantly increased. The similar approach cannot be used by owners of other intellectual property rights. However, if customs records indicate that infringement has been taking place, the Commissioners may be sued to find out who the patent infringers. According to the information above, India has enforced intellectual property rights via both civil and criminal procedures. These techniques were developed over a long period of time by common law. India has a long history of enforcing intellectual property rights via the use of profit accounts, judicial jurisdiction, criminal prosecutions, injunctions, interlocutory injunctions, and penalties, including punitive fines. The Anton Piller Order, the John Doe Order, and border measures are new instruments for enforcing intellectual property rights that are often employed in Indian intellectual property disputes.

## **CHAPTER 6**

# **COMPARATIVE ANALYSIS OF IP CONTRACT ENFORCEMENT IN DIFFERENT JURISDICTIONS**

## **6.1 INTRODUCTION**

Rights to intellectual property (IP) are essential for promoting economic development, innovation, and creativity. The main tool for organising IP-related activities is a contract, which guarantees the licensing, transfer, and protection of intellectual property in a variety of sectors. However, since different nations have different legal systems, judicial interpretations, and regulatory frameworks, the way IP contracts are enforced differs greatly. Businesses, solicitors, and legislators that want to successfully negotiate the difficulties of cross-border intellectual property transactions must be aware of these variances. The form of intellectual property laws, the effectiveness of dispute resolution procedures, and the strength of judicial institutions across nations are some of the variables that affect the execution of IP contracts. Well-established legal systems with strong enforcement tools, such as specialised IP courts, alternative dispute resolution (ADR) alternatives, and strict compliance requirements, are found in several countries, such the US and the EU. On the other hand, insufficient enforcement mechanisms, a dearth of specialised IP courts, and procedural delays are common problems in emerging countries that may impede the efficient execution of contracts and the settlement of disputes. The approach to contractual validity and interpretation is one of the main areas where IP contract enforcement differs. A more flexible and dynamic legal environment is made possible by common law regimes, including the US and the UK, which place a strong emphasis on court precedents and case law when interpreting intellectual property contracts. Germany and France are examples of civil law regimes that depend more on codified legislation and legal rules, offering an organised, if sometimes strict, framework for the enforcement of intellectual property contracts. These variations affect the resolution of commercial disputes and the degree to which courts might give one party the benefit of the doubt when interpreting vague contractual provisions. The function of international treaties and agreements is another crucial element in the enforcement of IP contracts. Global agreements that promote harmonisation across countries include the Berne Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which

establish baseline criteria for IP protection and contractual enforcement. However, there are differences in how these agreements are implemented, which results in inconsistent enforcement methods. Due to financial limitations and varying policy goals, some nations struggle with compliance, while others have completely incorporated these standards into their legal systems. Furthermore, the enforcement of IP contracts now faces both new possibilities and problems as a result of digitalisation and technical improvements. As e-commerce, digital content distribution, and blockchain-based smart contracts have grown in popularity, legal frameworks have had to change to handle problems like online infringement, jurisdictional disputes, and automated contract execution. While some jurisdictions are still in the process of creating complete legal frameworks, others with advanced IP laws—like the European Union's Digital Single Market initiative—have taken aggressive measures to govern digital IP transactions. The purpose of this comparative study is to examine the parallels, discrepancies, and difficulties in enforcing IP contracts in various countries. This research aims to provide light on best practices and new trends in international IP contract enforcement by looking at case studies, court rulings, and legislative changes. In the end, knowing these jurisdictional variations may assist companies, attorneys, and legislators in developing plans to reduce risks and improve the enforcement of intellectual property agreements in a world economy that is becoming more linked by the day.

This chapter discusses the relationship between intellectual property (IP) law and comparative law as well as the function of comparative legal analysis as a research approach for IP academics. Even though comparative legal analysis has been a component of the study agenda for many decades for IP academics of many generations, There aren't many works that discuss comparative law's function in IP research from a conceptual and methodological standpoint. I intend to close this gap by providing some insightful remarks in this chapter, which builds on my earlier research in this field<sup>1</sup>. Specifically, I begin with the assumption that comparative legal analysis has historically been a significant function for IP academics because of the great degree of worldwide harmonisation of IP laws. I contend that the increasing integration of legal systems brought about by the trend of globalisation of commerce and the rapidly advancing global technology advancements in recent decades has made this function even more vital. Several legal traditions have subsequently merged to an unprecedented degree as a consequence of this economic and technological convergence. For instance, the long-standing distinctions between civil law and common law are becoming less clear. Today's IP laws are mostly founded on statutes, which are a classic civil law mainstay.

However, the common law's primary characteristic is the growing significance of court precedents in interpreting these legislation. However, certain distinctions still exist, which makes comparative legal analysis a very pertinent—if not essential—methodology to use when examining the parallels and discrepancies across country laws. This chapter also highlights the value of comparative legal analysis as a research approach, not only for academics who study international and comparative intellectual property concerns but also for any researcher, even those who may only investigate a particular research subject at the national level. Furthermore, I believe that comparative legal analysis may be effectively integrated with other research approaches, such as those rooted on the social sciences or the humanities, many of which are thoroughly examined in this book<sup>101</sup>. Above all, I want to emphasise that this research technique is still one of the best tools available to academics for fostering international understanding and legal bridges, and its significance extends far beyond IP studies. This is how the chapter goes. In Section II, I provide a concise synopsis of comparative law and outline the methodology that academics have developed to carry out comparative study in every area of law. I discuss how this research approach is used to IP scholarship in Section III. Based on a few of my earlier works, I provide some particular instances of the use of comparative legal analysis in the context of IP research in Section IV. I discuss what I believe to be the key lessons for academics interested in this field of law in this section. I provide a quick conclusion in Section.

## **6.2 AN OVERVIEW OF COMPARATIVE LEGAL ANALYSIS AND COMPARATIVE LAW IN BRIEF**

Unlike the majority of other legal disciplines, positive law does not have a distinct subfield known as "Comparative Law." Rather, the branch of law that focusses on the "comparison of different legal systems of the world" is often referred to as comparative law. This field of study allows for the exploration of a wide range of research problems by comparing various legal traditions, legal systems, national, regional, or international laws, and other things. Additionally, most academics agree that the use of comparative law extends beyond knowledge of legal systems to political science, economics, international relations, and

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<sup>101</sup> For a comprehensive overview of research methodologies, see the chapters published in this volume.



diplomatic studies<sup>102</sup>. Therefore, evaluating any one positive area of law is not the goal of comparative law. Rather, the goal is the legal comparison itself, together with the conclusions drawn from it. These conclusions include assessing the solutions used in various legal systems and whether or not they point to parallels or divergences between the legal systems under comparison<sup>103</sup>.

The approach at the core of comparative law is comparative legal analysis, which is the process of identifying and contrasting the conclusions drawn from the examination of various legal systems, customs, national, regional, or international laws, organisations, etc. It is important to remember that, while the two names are different—one designates the subject of law, and the other the research methodology—they are inherently linked in this context. Comparative law is "an intellectual activity with law as its object and comparison as its process," according to eminent academics<sup>104</sup>. Determining whether comparative law is a distinct legal area in and of itself or just a research approach (comparative legal analysis) that may be used across a range of legal disciplines has been the subject of intense debate in recent decades<sup>105</sup>.

Advocates of the latter viewpoint have cited comparative law's ability to "detect their differences and similarities." Academics from all across the globe participate in rely on comparing current regulations, court rulings, or other sources in other domains—such as constitutional law, family law, labour law, or intellectual property law—instead than having a set of codified standards<sup>106</sup>. As a result, it becomes challenging to recognise comparative law

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<sup>102</sup> See, e.g., Pierre Legrand, *Foreign Law: Understanding*, 6 J. Comp. L. 67, 68 (2011); Pierre Legrand, *On the Singularity of Law*, 47 Harv. Int'l L.J. 517, 524–25 (2006); Pierre Legrand, *The Same and the Different*, in *Comparative Legal Studies: Traditions and Transitions* (Pierre Legrand & Roderick Munday eds., 2003); Nora V. Demleitner, *Combating Legal Ethnocentrism: Comparative Law Sets Boundaries*, 31 Ariz. St. L.J. 737, 739–40 (1999).

<sup>103</sup> See George Mousourakis, *Comparative Law and Legal Traditions* 1 (2019) (noting that 'comparative law embraces: the comparison of legal systems with the purpose of detecting their differences and similarities; working with the differences and similarities that have been detected . . . ; and the treatment of methodological problems that arise in connection with these tasks'). See also Vernon Valentine Palmer, *From Lerotholi to Lando: Some Examples of Comparative Law Methodology*, 53 Am. J. Comp. L. 261 (2005) (advocating against a single methodology for comparative law and for a sliding scale of options depending on the specific research); Hiram E. Chodosh, *Comparing Comparisons: In Search of Methodology*, 84 Iowa L. Rev. 1025, 1066 (1999).

<sup>104</sup> Konrad Zweigert & Hein Kötz, *An Introduction to Comparative Law* 2 (1987). For a general review of how to conduct comparative legal research, see Edward J. Eberle, *The Methodology of Comparative Law*, 16 Roger Williams U.L. Rev. 51, 52 (2011); John C. Reitz, *How to Do Comparative Law*, 46 Am. J. Comp. L. 617 (1998).

<sup>105</sup> For a review of these discussions, see Mousourakis, *supra* note 6, at 3–6; Matthias Reimann, *The Progress and Failure of Comparative Law in the Second Half of the Twentieth Century*, 50 Am. J. Comp. L. 671 (2002); James Gordley, *Is Comparative Law a Distinct Discipline?*, 46 Am. J. Comp. L. 607, 611 (1998). <sup>106</sup> This criticism originates primarily from the civil law system, a system that generally uses codes to 'legitimize[] legal discourse'. See Fabio Morosini, *Globalization and Law: Beyond Traditional Methodology of Comparative Legal Studies and an Example from Private International Law*, 13 Cardozo J. Int'l & Comp.

as a distinct field of law. On the other hand, proponents of a more substantive understanding of the field as a branch of law contend that over time, scholars have produced a substantial amount of literature and epistemological discussion on both public and private comparative law, which has undoubtedly led to the development of a specialised field of study<sup>107</sup>. This group therefore supports the idea that comparative law is at least a valid and scientifically grounded paradigm for comparative legal studies, if not a completely different area of law<sup>108</sup>.

Despite these disputes, it is generally accepted that comparative legal analysis follows a four-step process<sup>109</sup>:

- (1) obtaining information about the legal systems (or legal traditions, national, regional, or international laws, organisations, etc.) that will be compared;
- (2) assessing the "external law," or the law as it is written or otherwise expressed in the legal systems under analysis;
- (3) assessing the "internal law," or the way the law functions in the particular societies under comparison; and
- (4) carrying out the actual comparison by contrasting the data gathered and presenting the findings. Scholars may use this technique to compare results from one or more foreign legal systems (or legal traditions, national, regional, or international laws, organisations, etc.) with those from another system. Researchers may also go beyond comparing two or more national systems. They have the option to compare regional systems with the international framework, national systems with the international framework, or both<sup>110</sup>.

Scholars should first collect the data on the legal systems (or legal traditions, national, regional, or international laws, organisations, etc.) under comparison before starting the comparison. Scholars should attempt to examine this data while doing so without any

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L. 541, 543–44 (2005), citing Rene David, *Les Grands Systeme`mes Du Droit Contemporain (Droit Compare`)* 1 (1964). According to this position, comparative law scholars engage with already existing rules that are parts of the specific—national or regional—legal norms applicable in the countries that are the objects of the scholarly comparison. *Id.* For a comprehensive introduction to the civilian tradition, see John Henry Merryman & Rogelio Perez-Perdomo, *The Civil Law Tradition* (2007); Reinhard Zimmerman, *Roman Law, Contemporary Law, European Law: The Civilian Tradition Today* (2001).

<sup>107</sup> See the contributions published in *Epistemology and Methodology of Comparative Law* (Mark Van Hoecke ed., 2004).

<sup>108</sup> Morosini, *supra* note 9, at 544

<sup>109</sup> See, e.g., Eberle, *supra* note 7, at 57–58 (listing the four rules for conducting comparative legal analysis); Reitz, *supra* note 7, at 632

<sup>110</sup> For several examples, see the various scholarly works cited in Section III.



personal prejudices they may have national experiences (since they may not be acquainted with the systems being compared, analysts comparing just foreign jurisdictions face additional obstacles). While collecting data, researchers should also attempt to comprehend the In order to determine if they are successfully obtaining the relevant information— including, if appropriate, the legal and procedural history linked to the particular inquiry— they are comparing as much as feasible the customs, economics, and social concerns of the various legal systems. In these early phases of study, scholars should also refrain from passing judgement on the data and conclusions of their investigation<sup>111</sup>. Second, the "external law" that pertains to the legal systems (or legal traditions, national, regional, or international law, national, regional, or international organisations, etc.) under comparison should be assessed by the researchers in light of their study topics. Scholars should specifically carry out this examination by closely examining the data gathered in light of the legal context, letter, meaning, and substance of the national or regional jurisdictions under study. Once again, this entails making an effort to comprehend these countries' legislative revisions, history, case law developments, etc. A thorough review of the history of the concerned nations or areas, their length of independence, and the impact of foreign legal systems on the formation of their own national laws should all be part of the investigation. The potential process of the nations under examination joining pertinent international organisations, international agreements, and other significant elements pertaining to the field of study should be included in the analysis. Then, using all of the elements that make up the "external law," researchers should examine and assess the similarities and differences between the systems they are studying. The final outcome of systematic [analysis] is that we will discover the specific significance of the legal data point that is being examined, as has been noted<sup>112</sup>. Third, researchers need to make an effort to assess the "internal law" of the systems under study in relation to the subjects of their enquiries<sup>113</sup>. This analysis includes the analysis of the practical application of the legislation in the relevant culture and the countries' respective legal traditions were contrasted. A law and society analysis of the study issue is often its foundation, and this analysis should ideally include the "underlying forces that operate within a society to help form and influence law and give it substance"<sup>114</sup>. These

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<sup>111</sup> Eberle, *supra* note 7, at 58–60

<sup>112</sup> *Id.* at 62.

<sup>113</sup> *Id.* at 62–65. See also Curran, Cultural Immersion, *supra* note 14, at 51.

<sup>114</sup> Eberle, *supra* note 7 at 63 (noting that this is 'the "invisible" dimension of law . . . [n]ot that this dimension is wholly unknown or unrecognizable, but more that this dimension of law is one we tend to assume,

take for granted, or perceive just dimly’).



"underlying forces" include the history, religion, and philosophy of the nations under comparison, in addition to economic and social concerns, academics may find this phase in the comparative legal analysis especially difficult, and it is not reasonable to expect legal academics to become authorities on subjects unrelated to their area of study. Scholars should, however, make an effort to evaluate the legal issues and comparative results in light of a framework that considers both "internal law" and "external law."

Lastly, in order to compare the data gathered, researchers must compile the findings of their study and use them to address their research questions. Scholars can choose between two majoritarian approaches to "how to conduct comparison": the "convergence approach," which focusses primarily on the similarities between legal systems and aims to bring uniformity and "functional solutions to problems [that] tend to be similar" across different legal systems<sup>115</sup>, or the "non-convergence approach," which evaluates both similarities and differences and aims to understand different positions on similar issues across diverse systems rather than achieving convergence<sup>116</sup>. Ultimately, the particular study issues and systems under comparison will determine whether researchers choose the convergence or non-convergence method. While answering their study questions, scholars might also mix different approaches. Historical, functional, evolutionary, structural, thematic, empirical, and statistical comparisons are among the techniques that fall under this category may help researchers evaluate the "internal law" or the "external law" in relation to the comparison results.

### **6.3 COMPARATIVE LEGAL ANALYSIS'S FUNCTION IN INTELLECTUAL PROPERTY LAW**

In many nations nowadays, comparative legal analysis is unquestionably a commonly used tool in IP research. In order to better understand their own national legal systems, IP academics, legislators, judges, and legal professionals have long acknowledged the value of learning about other legal systems. Professional training facilities, research institutes, and universities have also acknowledged the value of comparative legal education for a long time. These universities provide undergraduate and graduate courses on topics linked to International and Comparative IP Law because of its substantial significance to the legal profession.<sup>27</sup> Surprisingly, however, IP scholars seldom ever obtain specialised training on how to use and participate in this research approach, despite its widespread usage. However,

<sup>115</sup> Palmer, *supra* note 6, at 263.

<sup>116</sup> Pierre Legrand, *European Legal Systems Are Not Converging*, 45 *Int'l & Comp. L. Q.* 55 (1996); Pierre Legrand, *Fragments on Law-as-Culture* (1999).



a lot of IP scholars, like this author, have long been used to just using comparative legal analysis as a required research technique to answer research questions in an area of law that is becoming more and more internationalised and harmonised. I want to provide some advice in this chapter to IP researchers who are considering using this technique in their work. With the ratification of the 1883 Paris Convention for the Protection of Industrial Property<sup>117</sup> and the 1886 Berne Convention, comparative legal analysis began to play a significant role in IP law.<sup>118</sup> As the nineteenth century came to a conclusion, the start of IP law's "internationalisation" and the subsequent application of standardised principles in a number of nations worldwide<sup>119</sup>. The Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) was adopted in 1994 as a result of this tendency, which persisted throughout the 20th century<sup>120</sup>. In the 1990s and during the previous 20 years, a number of other relevant WIPO treaties were also ratified,<sup>34</sup> including many accords pertaining to the standardisation of national IP offices' processes for trademark and patent registration<sup>121</sup>. In addition, regional and bilateral international trade agreements (FTAs) have emerged as a new platform for establishing intellectual property standards, which has resulted in a number of modifications to the national laws of the nations that have signed them<sup>122</sup>.

Lastly, a number of regional organisations emerged in the last century, such as the Southern Common Market (MERCUSUR), the Association of Southeast Asia Nations (ASEAN), the African Intellectual Property Organisation (OAPI), the African Regional Intellectual Property Organisation (ARIPO), and the European Union (EU). In certain regions, these organisations have established region-wide intellectual property rights (such as in the EU for trademarks, designs, and geographical indications, and in OAPI for trademarks, patents, designs, and geographical indications), while in other regions, they have established a centralised system for national registrations. These organisations have also developed significant administrative

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<sup>117</sup> Paris Convention for the Protection of Industrial Property, 20 March 1883, 13 U.S.T. 2, 828 U.N.T.S. 107, as last revised at the Stockholm Revision Conference, 14 July 1967, 21 U.S.T. 1538, 828 U.N.T.S. 303.

<sup>118</sup> Berne Convention for the Protection of Literary and Artistic Works, 9 September 1886, as last revised 24 July 1971, 25 U.S.T. 1341, 828 U.N.T.S. 221.

<sup>119</sup> G.H.C. Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Intellectual Property* (1968); Sam Ricketson & Jane C. Ginsburg, *International Copyright and Neighboring Rights: The Berne Convention and Beyond* (2006).

<sup>120</sup> See Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, 31 October 1958, 923 U.N.T.S. 189.

<sup>121</sup> *ibid*

<sup>122</sup> See, e.g., Raymundo Valde's & Maegan McCann, *Intellectual Property Provisions in Regional Trade Agreements: Revision and update*, in *Regional Trade Agreements and the Multilateral Trading System* 497 (Rohini Acharya ed., 2016); *Intellectual Property and Free Trade Agreements in the Asia-Pacific Region* (Christoph

Antons & Reto M. Hilty eds., 2015).



cooperation and harmonisation of IP laws. (For instance, ARIPO makes it easier for all IP rights in member nations to be registered nationally, Although patent registration and filing are made easier by the European Patent Office between member nations). The centralisation of registration processes and the harmonisation of IP legislation have been beneficial to IP rights holders. On the other hand, this procedure has also drawn criticism since it often favours big, global corporations. The worldwide harmonisation of intellectual property law, according to critics, has often resulted in the importation—and not infrequently the imposition—of stronger protection requirements from rich nations into the national laws of poorer nations. Some contend that the degree of protection required by these rules was either excessive or unwarranted given the state of development of some of the receiving underdeveloped nations at the time<sup>123</sup>. This has undoubtedly been the case and continues to be so in a number of cases. However, affluent nations have also exported significant restrictions on intellectual property rights in recent decades, particularly with regard to copyright fair use. As their economies have expanded, certain emerging nations have shown a growing interest in intellectual property legislation. However, for an international harmonisation system to be successful, there must be enough flexibility to adjust to various country situations and developmental stages, which may alter over time. It is not surprising that many IP scholars have resorted to comparative legal analysis in order to address research questions pertaining to IP law, both to evaluate the existing national and international laws and to suggest amendments to them, given the backdrop of harmonisation and (possibly increased need for) flexibilities. In this context, IP scholars may investigate a wide range of subjects, which might differ significantly depending on their field of interest. Furthermore, comparative legal analysis may be used to better understand how international rules are incorporated into specific national legislation as well as to examine and contrast the IP harmonisation processes in various nations. In this regard, it may also help researchers evaluate the efficacy or potential issues that may emerge after the enactment of new legislation in their nation and other jurisdictions. Comparing legal texts, national court rulings, or other elements may be part of this, nationwide legal practice across many systems. Furthermore, the influence of comparative legal analysis in scholarly research extends beyond scholarly publications. For instance, academics often provide papers and comparative

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<sup>123</sup> See generally Graham Dutfield & Uma Suthersanen, *Harmonisation or Differentiation in Intellectual Property Protection? The Lessons of History*, 23 *Prometheus* 137 (2005) (highlighting the need for a more nuanced and differentiated approach in international harmonization and how the modern approach can often be seen as imposition from developed countries to developing countries to the benefit of developed countries' business

interests).



studies to help policymakers at the national, regional, and international levels weigh the benefits and drawbacks of certain legislation changes. Revising current laws, implementing new standards derived from international or other free trade agreements, or implementing national initiatives are all examples of comparative analysis in this context. In terms of methodology, researchers often follow (or are encouraged to follow) a procedure that is comparable to the four-step procedure outlined in Section II<sup>124</sup>, for conducting comparative legal analysis in IP law. Specifically, gathering pertinent data on the foreign legal systems, customs, organisations, etc. that researchers are comparing is the first stage once again.

Scholars should make an effort to fully immerse themselves in the context of the systems they are comparing in addition to collecting this data with an open mind. Scholars should, for instance, analyse the legislative history of the legislation and the key cases that were resolved using those laws. Comparing the information obtained with the "external law," or the law as written but in a broader context than the legislation's actual wording, is the second stage.

Examining the same data in light of the "internal law"—that is, the history, culture, and social and economic context of the systems under comparison—is the third phase. Assessing the data and responding to the original research question constitute the fourth and last phase. Scholars must examine the parallels and discrepancies between the systems they are studying and have highlighted for comparison as part of this process. In addition to the conventional way of researching and contrasting foreign systems, academics might use other research approaches, as discussed in Section II. For instance, they may use empirical analysis and other social science-based research techniques, integrate historical and archival research with conventional comparative analysis, or examine the results via the prism of critical theories<sup>125</sup>. For a thorough rundown of the approaches that may be used with comparative legal analysis, readers can Examine the book's additional chapters and table of contents. Comparing various legal systems is still the ultimate goal of comparative legal study in IP law<sup>126</sup>. Depending on the study topic and the results of the legal comparison, this comparison may once again result in convergence or non-convergence. Once again, the comparison's goal is to acquire fresh data in order to provide a more informed assessment of the relevant research subject, not to determine if academic perspectives are convergent or non-convergent. IP academics are now dealing with national regulations that are becoming more harmonised, regardless of whether they agree or disagree depending on the results of a particular comparison, as was previously

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<sup>124</sup> 3 See, *supra* Section II and related references.

<sup>125</sup> See Chapter 16 in this volume

<sup>126</sup> See, supra Section II and related references.



noted. The traditional distinctions between legal traditions—particularly Common Law, which is historically based on the authority of judicial precedents rather than statutes, and Civil Law, which is historically based on codes and statutory interpretation with little regard for judicial precedents—have also become increasingly hazy as a result of the harmonisation process. Common law nations' national legislation serve as the primary foundation for IP laws globally today, but civil law nations' court precedents have also grown in importance.

The Internet, the growth of the service and digital economy, and trade globalisation have all sped up the process of harmonising national intellectual property laws. The Uniform Domain-Name Dispute-Resolution Policy (UDRP), created by the Internet Corporation for Assigned Names and Numbers (ICANN) to settle disputes pertaining to domain name registration, is one example of how national laws are occasionally even directly applied across borders without the need for national harmonisation<sup>127</sup>. All generic top-level domains and some country code top-level domains globally are now covered by the UDRP. The WIPO Arbitration and Mediation Centre is one of many international dispute resolution organisations that implement the UDRP since the contract conditions in domain registration agreements require the registrant to do so<sup>128</sup>.

For academics to evaluate the distinctions that still exist between legal systems and the domains where national IP laws are in effect, comparative legal analysis is still essential have not been brought into harmony. There are undoubtedly still differences between the legal traditions, and the international intellectual property framework still offers a number of flexibilities that nations may apply to their own national territory according to their varying stages of development. Given this fact, comparative legal analysis is a crucial tool for intellectual property scholars to better understand their national and foreign laws as well as the regional and global frameworks by recognising the similarities and differences between various legal traditions and particular national provisions. Scholars now have far greater access to international laws, court rulings, legal papers, and scholarly literature from various nations, which is undoubtedly one of the main advantages of the growth of digital technology and the Internet. Many of the earlier obstacles to researchers wishing to do comparative IP studies have been removed as a result of these advancements. The WIPO Lex databases, for instance, make it simple for academics to see the actual text of the majority of international

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<sup>127</sup> Uniform Domain Name Dispute Resolution Policy, ICANN, <https://www.icann.org/resources/pages/help/dndr/udrp-en>.

<sup>128</sup> See WIPO Arbitration and Mediation Center-Domain Name Disputes (New gTLDs), WIPO,

<https://www.wipo.int/amc/en/domains/gtld/info/sunrise/guide.html#a12>.



laws. These databases also regularly provide translated versions of these laws using specialised software<sup>129</sup>. Additionally, there are a lot of IP-related papers available to scholars in online repositories, which provide valuable resources for comparative IP study.

Furthermore, a significant portion of these materials are written in or translated into English, a language that is being read and studied more and more often across the globe. Scholars and academic institutions working together internationally have also becoming simpler when students visit and stay in other nations. Through these interactions, academics may learn about other nations' legal systems as well as their social, cultural, and economic contexts. In conclusion, a greater number of IP scholars now find comparative legal analysis to be a more approachable technique because of the expanded availability of information and interactions with international specialists.

Last but not least, a growing number of IP researchers who study comparative law also possess supplementary knowledge in other disciplines, including political science, economics, international relations, sociology, and history, and they may integrate these approaches into their comparative studies. This is undoubtedly a good step forward for the subject, enabling IP academics to use comparative legal analysis even more extensively. This evolution does not, however, imply that all academics with an interest in comparative research must be familiar with or use these extra approaches. academics should undertake comparative legal analysis at their own level of competence, as stated in Section II. The technique shouldn't become too complicated or prohibit entrance for academics who lack experience.<sup>58</sup> Rather, all IP researchers need to be allowed to participate in comparative legal analysis to a certain extent in order to get relevant knowledge about the subject of their studies.

## **6.4 CONCLUSION**

Rights to intellectual property (IP) are essential for promoting economic development, innovation, and creativity. The main tool for organising IP-related activities is a contract, which guarantees the licensing, transfer, and protection of intellectual property in a variety of sectors. However, since different nations have different legal systems, judicial interpretations, and regulatory frameworks, the way IP contracts are enforced differs greatly. Businesses,

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<sup>129</sup> WIPO Lex Database, World Intellectual Property Organization, <http://www.wipo.int/wipolex/en/index.jsp>.

solicitors, and legislators that want to successfully negotiate the difficulties of cross-border intellectual property transactions must be aware of these variances. The form of intellectual property laws, the effectiveness of dispute resolution procedures, and the strength of judicial institutions across nations are some of the variables that affect the execution of IP contracts. Well-established legal systems with strong enforcement tools, such as specialised IP courts, alternative dispute resolution (ADR) alternatives, and strict compliance requirements, are found in several countries, such as the US and the EU. On the other hand, insufficient enforcement mechanisms, a dearth of specialised IP courts, and procedural delays are common problems in emerging countries that may impede the efficient execution of contracts and the settlement of disputes. The approach to contractual validity and interpretation is one of the main areas where IP contract enforcement differs. A more flexible and dynamic legal environment is made possible by common law regimes, including the US and the UK, which place a strong emphasis on court precedents and case law when interpreting intellectual property contracts. Germany and France are examples of civil law regimes that depend more on codified legislation and legal rules, offering an organised, if sometimes strict, framework for the enforcement of intellectual property contracts. These variations affect the resolution of commercial disputes and the degree to which courts might give one party the benefit of the doubt when interpreting vague contractual provisions. The function of international treaties and agreements is another crucial element in the enforcement of IP contracts. Global agreements that promote harmonisation across countries include the Berne Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which establish baseline criteria for IP protection and contractual enforcement. However, there are differences in how these agreements are implemented, which results in inconsistent enforcement methods. Due to financial limitations and varying policy goals, some nations struggle with compliance, while others have completely incorporated these standards into their legal systems. Furthermore, the enforcement of IP contracts now faces both new possibilities and problems as a result of digitalisation and technical improvements. As e-commerce, digital content distribution, and blockchain-based smart contracts have grown in popularity, legal frameworks have had to change to handle problems like online infringement, jurisdictional disputes, and automated contract execution. While some jurisdictions are still in the process of creating complete legal frameworks, others with advanced IP laws—like the European Union's Digital Single Market initiative—have taken aggressive measures to govern digital IP transactions. The purpose of this comparative study is to examine the

parallels, discrepancies, and difficulties in enforcing IP contracts in various countries. This



research aims to provide light on best practices and new trends in international IP contract enforcement by looking at case studies, court rulings, and legislative changes. In the end, knowing these jurisdictional variations may assist companies, attorneys, and legislators in developing plans to reduce risks and improve the enforcement of intellectual property agreements in a world economy that is becoming more linked by the day. In conclusion, Because different nations have different legal systems, regulatory frameworks, and judicial interpretations, there are significant differences in how IP contracts are enforced across them. Strong enforcement structures, including specialised courts and organised dispute resolution procedures, have been built in developed economies like the US and the EU. On the other hand, cross-border intellectual property transactions are more difficult in poor countries due to a lack of legal infrastructure, ineffective enforcement, and inefficient procedures. Global IP enforcement is intended to be standardised by international agreements such as the Berne Convention and TRIPS, but its application is still uneven. While some nations have effectively incorporated these accords into their national legislation, others still encounter obstacles to their efficient implementation. Contract enforcement and IP rights protection across states may be improved by promoting international collaboration and bolstering adherence to international norms.

For IP contract enforcement, the emergence of digital technologies and smart contracts offers both possibilities and difficulties. Blockchain and AI-powered solutions may enhance contract execution and lower dispute rates, but they also bring up issues with automated enforcement and jurisdictional conflicts. While preserving strong safeguards for intellectual property rights, legal frameworks must change to take into account these technological developments. Going ahead, strengthening IP contract enforcement will need a cooperative and flexible strategy. To improve legal frameworks, encourage best practices, and put in place more efficient conflict resolution procedures, policymakers, corporations, and legal experts should collaborate. Jurisdictions may provide a more stable and safer environment for intellectual property transactions by encouraging more international collaboration and embracing technical advancements, which will eventually spur innovation and economic progress on a worldwide basis.

## **CHAPTER 7 CONCLUSION AND SUGGESTIONS**

### **7.1 CONCLUSION**

Commercial transactions, innovation, and the legal frameworks regulating creative and technical breakthroughs are all greatly impacted by the dynamic and ever-changing relationship between contract law and intellectual property (IP) law. By combining these two legal areas, IP rights may be effectively commercialised, protected, and enforced while giving people and companies the freedom to design their agreements according to mutual agreement and discussion.

#### **1. How Contracts Help to Protect Intellectual Property Rights**

When it comes to identifying, transferring, and licensing intellectual property rights, contracts are an essential tool. In contrast to IP law's legislative safeguards, contracts provide parties the ability to negotiate conditions that go beyond the default legal framework, allowing for specialised arrangements that are suited to particular need. Assignment contracts, collaborative development agreements, licensing agreements, and non-disclosure agreements (NDAs) are examples of how contractual clauses support intellectual property rights by guaranteeing clarity in ownership, usage, and enforcement. Businesses may reduce the risks of unauthorised use or theft while commercialising their intellectual assets via contractual agreements. For example, licensing agreements allow for the legal transfer of rights without giving up ownership, which helps artists and innovators make money off of their inventions. Agreements for technology transfer also make it easier for companies to work together, which promotes creativity while safeguarding confidential information.

#### **2. Harmonising Contract Freedom with Public Policy Aspects**

Although contract law gives parties the ability to choose the terms of their agreements, legislative requirements and public policy may place restrictions on this freedom. Contractual provisions that seek to circumvent statutory intellectual property rights, impede fair competition, or encourage monopolistic behaviour often result in court intervention. In contract-based intellectual property transactions, the notion of unconscionability, anti-competitive prohibitions, and fair use rules serve as balances to avoid exploitation.

Restrictive terms in intellectual property contracts, such as eternal non-compete agreements or exorbitant royalty demands, are a major source of worry since they may impede the advancement of technology and fair market competition. The difficulty is in finding a middle ground between protecting contractual freedom and making sure that contracts don't go against the public interest by restricting access to necessary technology or impeding innovation.

### 3. Contractual IP Agreements: Difficulties and Conflicts

Even while contract law is useful for managing intellectual property rights, disagreements over unclear agreements, misinterpreted terms, and violations of contractual duties are common. Litigation may arise from unclear definitions of ownership, geographical scope, length, and termination provisions; these disputes can continue for a long time and jeopardise corporate interests. Jurisdictional difficulties may also arise in contract disputes involving intellectual property agreements, especially in cross-border transactions where various legal systems recognise differing levels of protection and enforcement. Contractual obligations are made more difficult to enforce by the changing nature of digital assets, software licensing, and online content distribution. As a result, new issues in IP protection need for ongoing legal adjustments.

### 4. New Developments in the Field of Contract and Intellectual Property Law

The relationship between intellectual property and contract law is constantly changing due to globalisation and the quick advancement of technology. The emergence of blockchain-based smart contracts, digital contracts, and AI-powered contract management platforms signals a shift in the way intellectual property rights are contractually governed. By increasing automation, efficiency, and transparency in the enforcement of contractual commitments, these developments are expected to lower the probability of conflicts. Furthermore, the global IP contract landscape is being shaped by the growing impact of international treaties and trade agreements, which guarantees a more uniform approach to IP commercialisation and dispute resolution. Frameworks like the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) encourage the fair and equal treatment of IP rights across countries and provide a legal basis for cross-border transactions.

## 5. Final Thoughts and Conclusion

Intellectual property and contract law overlap, highlighting the role of private order in establishing the legal parameters of IP protection and commercialisation. By providing flexibility to rights holders and fostering innovation and information exchange, contracts are essential instruments for filling up the gaps in legal frameworks. But as IP rights contractual governance grows, it's critical to make sure that legal frameworks continue to be flexible enough to accommodate new developments in technology and market conditions.

Technological innovations, legislative changes, and judicial interpretations that aim to strike a balance between private interests and the general good will probably influence the direction of contract and intellectual property law in the future. Adopting best practices in contract draughting, maintaining openness during discussions, and including dispute resolution procedures that reduce litigation risks are all necessary for stakeholders to optimise the advantages of contractual intellectual property agreements. The integrity of intellectual property rights may be preserved as firms, inventors, and legal professionals negotiate the complexity of contemporary commerce by creating a legal framework that harmonises contract law with IP principles.

## 7.2 **SUGGESTIONS**

Key elements including clarity, technological integration, legal compliance, and awareness campaigns must be prioritised in order to improve the efficacy and enforceability of commercial agreements managing intellectual property. In order to guarantee clarity in specifying ownership rights, use scope, license conditions, and royalty structures, contracts should be carefully draughted. Parties must create thorough terms that clearly address duties, restrictions, and consequences since unclear or imprecisely stated agreements often result in conflicts. Including clear dispute resolution procedures, such arbitration or mediation provisions, may lower the likelihood of litigation and provide a methodical means to settle disputes. Contractual frameworks may be made even more efficient and secure by using new technology. For example, blockchain-based smart contracts may provide automated contract execution, lowering the risk of fraud and security breaches. These smart contracts guarantee

that agreed-upon agreements are upheld without the need for middlemen by offering transparency and immutability. AI-driven contract management solutions may also help with contract analysis for any gaps, contradictions, and compliance issues, allowing firms and legal experts to improve agreements prior to implementation. IP contracts that are digitally notarised may also be a useful tool for confirming agreements and reducing the possibility of document manipulation.

Another important area that needs focus in the changing field of IP and contract law is legal and regulatory compliance. To enable seamless cross-border transactions, companies and individuals must make sure that their agreements comply with international IP and contract regulations. Respecting global standards like the General Data Protection Regulation (GDPR) and the Digital Millennium Copyright Act (DMCA) aids in protecting intellectual property in many countries. In order to ensure that agreements continue to be legally valid and enforceable, it is also essential to continuously examine and amend contractual clauses to account for changing industry standards and legal interpretations. The efficacy of contract-based intellectual property transactions may be greatly increased by promoting best practices and increasing knowledge of these agreements. Businesses, content producers, and legal professionals should all take part in training courses to get a deeper understanding of the subtleties of intellectual property arrangements. Standardised templates that are suited for various IP transaction types may improve uniformity, expedite discussions, and lower the likelihood of litigation. Furthermore, encouraging cooperation between legal professionals and business stakeholders may help to advance legislative changes that are required to improve contractual protections under IP law and promote conversations on new issues. Enhancing IP contract negotiating techniques is crucial in addition to these steps. A lack of negotiating skills or an imbalance in the parties' bargaining power are the main causes of many disagreements. Balanced and equitable contracts may be produced by making sure that agreements are draughted properly, openly, and with sufficient legal counsel for all sides. Long-term conflicts over out-of-date provisions may be avoided by including sunset clauses and periodic review procedures in IP agreements, which further guarantee that contracts stay applicable and flexible to changing conditions. Furthermore, IP litigation frameworks should be strengthened in order to increase contract enforcement procedures. Governments and legal organisations should endeavour to reduce needless enforcement delays by accelerating the settlement of IP-related disputes. It is important to promote Alternative Dispute Resolution (ADR) techniques like arbitration and mediation as time- and money-efficient ways to settle

IP-related contracts. More knowledgeable and effective dispute resolution may also be



facilitated by the establishment of specialised IP courts or tribunals with knowledge of contract law. Lastly, to establish a strong contractual environment for intellectual property protection, cooperation between governments, corporations, and academic institutions is required. Universities and research institutes should teach future professionals about the intricacies of contractual IP management, and governments should enact laws that encourage companies to use best practices in IP contracts. Stakeholders can guarantee that the nexus of contract law and intellectual property keeps developing in a way that supports innovation, economic growth, and ethical business practices by cultivating an ecosystem that places a high value on well-written contracts, technological advancement, and legal flexibility.



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