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Intellectual Property License Contracts: Reflections on a Prospective UNCITRAL Project

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INTELLECTUAL PROPERTY LICENSE CONTRACTS: REFLECTIONS ON A PROSPECTIVE UNCITRAL PROJECT

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Abstract

IP licenses are the leading lady of the information age. The economic and strategic significance of this contract archetype have grown exponentially over the past 40 years. Under this glaring spotlight, it has become increasingly apparent that the legal framework governing these voluntary exchanges is not supportive of the role they play in the modern digital environment. At the domestic level, the applicable rules are often lacunose and suffer from doctrinal underdevelopment; moreover, they are scattered throughout diverse areas of the law, yielding legal uncertainty and rendering a holistic appraisal onerous. Internationally, a comparative analysis of IP licensing regimes reveals a jarring lack of alignment across jurisdictions that severely hinders cross-border transactions. For over a decade, the United Nations Commission on International Trade Law ("UNCITRAL") has been contemplating the possibility of a project to promote the modernization and harmonization of IP licensing law. During this time, UNCITRAL Member States have continued to grapple with lingering reservations, yet support has grown steadily among practitioners and academics, and is verging on achieving critical mass. This paper provides the theoretical infrastructure for such a project by expounding its possible scope, content and form. The objective of the present enquiry is not

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to articulate or advocate a single, concrete proposal. Rather, its aim is to identify the policy choices and legal issues that UNCITRAL Member States would face in the elaboration of this project, and coextensively lend color to the decision-making processes that would be required to attain consensus solutions.

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INTRODUCTION

The sale of goods contract archetype has played a cardinal socio-economic role since the adoption of currency.[1] Throughout history, this prominence has prompted numerous legal systems to develop bespoke rules for such transactions, supplemental to general contract law.[2] Their

1. For an analysis of the impact of currency on both private bargains and the broader economy in ancient civilizations, including Mesopotamia under the Code of Hammurabi (2123-2081 BCE), and ancient Egypt see PAUL EINZIG, PRIMITIVE MONEY (1949). For a rich analysis also considering religious ancient sources see Benjamin Geva, *From Commodity to Currency in Ancient History–On Commerce, Tyranny, and the Modern Law of Money*, 25 OSGOODE HALL L. J. 115 (1987).

2. On the development of the law of sales throughout history *see generally* JAMES MACKINTOSH, ROMAN LAW OF SALE (1892) (on the history and development of Roman law of sale); JOHN BARON MOYLE, THE CONTRACT OF SALE IN THE CIVIL LAW (1892) (for a rich comparative analysis between Roman law and 19th century English law); Alan Rodger, *The Codification of Commercial Law in Victorian Britain*, 108 L. Q. REV. 570, 574 (1992) (charting the history of the English commercial law codifications of the 18th century); Mary Arden, *Time for an English Commercial Code*, 56 CAMB. L.J.

purpose is to address the issues germane to these voluntary exchanges, enhance legal certainty and ultimately facilitate dealings between sellers and buyers. From a comparative perspective, national laws governing sales have become increasingly aligned over the course of time.[3] Concurrently, intergovernmental initiatives have progressively crafted a legal framework for international sale contracts, culminating in the United Nations Convention on Contracts for the International Sale of Goods (Vienna, 1980) ("CISG").[4]

In the information age, intellectual property ("IP") licenses have become ubiquitous and their economic significance has burgeoned.[5] Digital technologies have disrupted numerous commercial sectors and

516, 518–22 (1997) (reflecting on the possibility of a modern codification of English commercial law); ROBERT JOSEPH POTHIER, TREATISE ON THE CONTRACT OF SALE (Luther S. Cushing tran., 1839) (on the birth and development of the French law of sale); Ernst Freund, *The New German Civil Code*, HARV. LAW REV. 627 (1900) (discussing the history of commercial and civil law in Germany); REINHARD ZIMMERMANN, THE NEW GERMAN LAW OF OBLIGATIONS, HISTORICAL AND COMPARATIVE PERSPECTIVES (2006) (analysing the most recent developments in German commercial law); BASIL S. MARKESINIS ET AL., THE GERMAN LAW OF CONTRACT: A COMPARATIVE TREATISE (2006) (comparing German civil and commercial law to the common law).

3. *See generally* HENRY D. GABRIEL, CONTRACTS FOR THE SALE OF GOODS: A COMPARISON OF U.S. AND INTERNATIONAL LAW (2d ed. 2009) (for the perspective of the United States); Larry A. DiMatteo, *The Curious Case of Transborder Sales Law: A Comparative Analysis of CESL, CISG, and the UCC*, *in* CISG VS. REGIONAL SALES LAW UNIFICATION: WITH A FOCUS ON THE NEW COMMON EUROPEAN SALES LAW, 25-57 (Magnus Ulrich ed., 2012) (providing a comparative analysis of the CISG, CESL and the UCC).

4. For an exegesis of the CISG, *see generally* MASSIMO C. BIANCA & MICHAEL JOACHIM BONELL, COMMENTARY ON THE INTERNATIONAL SALES LAW: THE 1980 VIENNA SALES CONVENTION (1987); PETER SCHLECHTRIEM & INGEBORG H. SCHWENZER, COMMENTARY ON THE UN CONVENTION ON THE INTERNATIONAL SALE OF GOODS (CISG) (Ingeborg Schwenzer ed., 3rd ed. 2010); STEFAN KRÖLL ET AL., UN CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS (CISG): COMMENTARY (Stefan Kröll et al. eds., 2015); CLAYTON P. GILLETTE & STEVEN D. WALT, THE UN CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS: THEORY AND PRACTICE (2d ed. 2016).

5. *See generally* MANUEL CASTELLS, THE RISE OF THE NETWORK SOCIETY: THE INFORMATION AGE: ECONOMY, SOCIETY, AND CULTURE (2d ed. 2011) (for a broad socio-economic perspective); ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE: 2018, 1-30 (2018) (for a holistic overview of the impact of the information age on IP law); Graeme B. Dinwoodie & Rochelle C. Dreyfuss, *Designing a Global Intellectual Property System Responsive to Change: The WTO, WIPO, and Beyond*, 46 HOUS. L. REV. 1187 (2009) (charting the trajectory of international IP law, over the second half of the 20th century);): Bruce T. Atkins, *Trading Secrets in the Information Age: Can Trade Secret Law Survive the Internet*, 1996 U. ILL. REV. 1151 (1996) (specifically on trade secrets); Jessica Litman, *Revising Copyright Law for the Information Age*, 75 OR. L. REV. 19 (1996) (assessing the impact of the information age on copyright law); Pamela Samuelson, *Toward a "New Deal" for Copyright in the Information Age*, 100 MICH. L. REV. 1488 (2001) (on the impact of the information age on copyright); Jane C. Ginsburg, *Copyright Use and Excuse on the Internet*, 24 COLUM. J.L. & ARTS 1 (2000) (suggesting new limitations for copyright law in the information age); Kenneth S. Dueker, *Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses*, 9 HARV. J.L. & TECH. 483 (1996) (on the impact of the information age on trademarks); YOCHAI BENKLER, THE WEALTH OF NETWORKS: HOW SOCIAL PRODUCTION TRANSFORMS MARKETS AND FREEDOM (2006) (explicating the impact of networks on IP).

enabled new business models that depend on IP license agreements rather than sale of goods contracts.[6] As the world advances towards an ever more digital future, such trends will only amplify and proliferate. This forecast is further supported by recent attempts to commoditize non-exclusive license contracts and publicly trade them on regulated exchanges.[7]

At the domestic level, the regime governing IP licenses typically stems from the intersections[8] between multiple legal streams, including contract law, IP law, labor law, competition law, and consumer law.[9] Notably, the

6. For a primer *see generally* Gerald F. Davis & J. Adam Cobb, *The Virtual Corporation*, *in* MIT CENTER FOR ADVANCED ENGINEERING STUDY (1992); Henry Chesbrough & Kevin Schwartz, *Innovating Business Models with Co-Development Partnerships*, 50 RES.-TECH. MGMT. 55 (2007); David J. Teece, *Business models, business strategy and innovation*, 43 LONG RANGE PLANN. 172 (2010).

7. *See generally* Jorge L. Contreras, *Frand Market Failure: IPXI'S Standards-Essential Patent License Exchange*, 15 CHI.-KENT J. INTELL. PROP. 419 (2016) (charting the history and ultimate failure of IPXI); Merritt L. Steele, *The Great Failure of the IPXI Experiment: Why Commoditization of Intellectual Property Failed*, 102 CORNELL L. REV. 1115 (2017) (analyzing the IPXI business model in depth); Timo Fischer & Jan Leidinger, *Testing patent value indicators on directly observed patent value—An empirical analysis of Ocean Tomo patent auctions*, 43 RES. POL'Y 519 (2014) (on auction houses specializing in IP rights).

8. *See* Jacques de Werra, *The Need to Harmonize Intellectual Property Licensing Law: A European Perspective*, *in* RESEARCH HANDBOOK IN INTELLECTUAL PROPERTY LICENSING 450–73 (Jacques de Werra ed., 2013) (vividly describing this confluence); RAYMOND T. NIMMER & JEFF DODD, MODERN LICENSING LAW § 1:1 (2016–2017 ed. 2016).

9. *See generally*, for an exhaustive analysis of the law of IP licensing in the United States NIMMER AND DODD, *supra* note 8; RAYMOND T. NIMMER, LICENSING OF INTELLECTUAL PROPERTY AND OTHER INFORMATION ASSETS (2d ed. 2007); ROBERT W. GOMULKIEWICZ, LICENSING INTELLECTUAL PROPERTY: LAW AND APPLICATIONS (3rd ed. 2014); JAY DRATLER, LICENSING OF INTELLECTUAL PROPERTY (2017). In Canada STUART C. MCCORMACK, INTELLECTUAL PROPERTY LAW OF CANADA (2nd ed. 2010). In China Hong Xue, *Intellectual Property Licensing in China*, *in* RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY LICENSING 381–400 (Jacques de Werra ed., 2013). In India Nikhil Krishnamurthy, *Intellectual Property Licensing in India*, *in* RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY LICENSING 400–25 (Jacques de Werra ed., 2013). In Japan Shinto Teramoto, *Intellectual Property Licensing in Japan*, *in* RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY LICENSING 425–50 (Jacques de Werra ed., 2013). In the United Kingdom DAVID KEELING ET AL., KERLY'S LAW OF TRADE MARKS AND TRADE NAMES ch. 13 (15th ed. 2015); RICHARD MILLER ET AL., TERRELL ON THE LAW OF PATENTS ch. 16 (18th ed. 2017); 1 COPINGER AND SKONE JAMES ON COPYRIGHT ch. 5, (Nicholas Caddick, Gillian Davies, & Gwilym Harbottle eds., 17th ed. 2016). In France ALEXANDRA SCHERENBERG ABELLO, LA LICENSE DE DROITS DE PROPRIÉTÉ INTELLECTUELLE, FONDEMENT D'UNE CIRCULATION ORGANISÉE DES BIENS (2008) (on copyright licenses); JÉRÔME PASSA, DROIT DE LA PROPRIÉTÉ INDUSTRIELLE (2d ed. 2009) (on patents and trademarks licenses); MICHEL VIVANT & JEAN-MICHEL BRUGUIÈRE, DROIT D'AUTEUR ET DROITS VOISINS (3rd ed. 2015) (on copyright licenses). In Italy LUIGI CARLO UBERTAZZI, COMMENTARIO BREVE ALLE LEGGI SULLA PROPRIETÀ INTELLETTUALE E CONCORRENZA (6th ed. 2016); MARCO RICOLFI, TRATTATO DEI MARCHI: DIRITTO EUROPEO E NAZIONALE (2015) (on trademarks licenses); ALESSANDRO COGO, I CONTRATTI DI DIRITTO D'AUTORE NELL'ERA DIGITALE (2010) (on copyright licenses). In Germany ALEXANDER KLETT, MATTHIAS SONNTAG & STEPHAN WILSKE, INTELLECTUAL PROPERTY LAW IN GERMANY: PROTECTION, ENFORCEMENT AND DISPUTE RESOLUTION (2008); MARTIN AUFENANGER, GERHARD BARTH & ANJA FRANKE, THE GERMAN TRADEMARK ACT: DAS DEUTSCHE MARKENGESETZ (3rd ed. 2006) (on trademarks licenses); HANS-JÜRGEN AHRENS & MARY-ROSE MCGUIRE, MODEL LAW ON INTELLECTUAL PROPERTY: A PROPOSAL FOR GERMAN LAW REFORM (2013) (discussing legal reform proposals). Under EU law ANNETTE KUR & THOMAS DREIER, EUROPEAN INTELLECTUAL PROPERTY LAW: TEXT, CASES AND MATERIALS (2013); IRINI STAMATOUDI &

applicable rules and principles are difficult to appraise holistically, as they are scattered throughout diverse areas of the law. Identifying precisely all the tesserae of this mosaic, deciphering the order in which they come together, and comprehending the picture that they create can be extremely challenging. As a result, the prevailing view is that the resulting normative framework is fettered by substantive lacunae and suffers from doctrinal underdevelopment.[10]

A comparative analysis of the national regimes for IP licenses reveals marked divergences. Across jurisdictions, there is a jarring lack of alignment of both the relevant branches of the law and the manners in which they intersect.[11] Moreover, while multiple international projects have harmonized the foundational tenets of national legislations regulating the most prominent IP rights archetypes,[12] similar initiatives

PAUL L.C. TORREMANS, EU COPYRIGHT LAW: A COMMENTARY (2014); JUSTINE PILA & PAUL L.C. TORREMANS, EUROPEAN INTELLECTUAL PROPERTY LAW (2016); JUSTINE PILA & CHRISTOPHER WADLOW, THE UNITARY EU PATENT SYSTEM (2015); P. A. C. E. VAN DER KOOIJ & DIRK JOHAN GERARD VISSER, EU IP LAW: A SHORT INTRODUCTION TO EUROPEAN INTELLECTUAL PROPERTY LAW (2015); ANNETTE KUR & MARTIN SENFTLEBEN, EUROPEAN TRADE MARK LAW (2016); Alain Strowel & Bernard Vanbrabant, *Copyright Licensing: A European View*, *in* RESEARCH HANDBOOK IN INTELLECTUAL PROPERTY LICENSING 29–54 (Jacques de Werra ed., 2013); MICHELE BERTANI, DIRITTO D'AUTORE EUROPEO (2011); Lucie Guibault & Bernt P. Hugenholtz, *Study on the Conditions Applicable to Contracts Relating to Intellectual Property in the European Union*, Institute for Information Law (2002), http://dare.uva.nl/document/2/24667.

10. *See* Jacques de Werra, *Moving Beyond the Conflict Between Freedom of Contract and Copyright Policies: In Search of a New Global Policy for Online Information Licensing Transactions-A Comparative Analysis Between US Law and European Law*, 25 COLUM. J.L. & ARTS 239 (2003) (forcefully making this point in his comparative analysis between United States and European licensing laws).

11. *See generally* de Werra, *supra* note 8; Michael Anthony C. Dizon, *The symbiotic relationship between global contracts and the international IP regime*, 4 J. INTELL. PROP. L. PRAC. 559, 564 (2009).

12. The list of the primary international IP treaties administered by the World Intellectual Property Organisation (WIPO) is available at http://www.wipo.int/treaties/en/index.html. For commentary on these sources *see generally* SAM RICKETSON & JANE C. GINSBURG, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS, V 1-2: THE BERNE CONVENTION AND BEYOND (2005); JÖRG REINBOTHE & SILKE VON LEWINSKI, THE WIPO TREATIES 1996: THE WIPO COPYRIGHT TREATY AND THE WIPO PERFORMANCES AND PHONOGRAMS TREATY: COMMENTARY AND LEGAL ANALYSIS (2002); SILKE VON LEWINSKI, INTERNATIONAL COPYRIGHT LAW AND POLICY (2008); SAM RICKETSON, THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY: A COMMENTARY (2015); DIETER STAUDER, 2 EUROPEAN PATENT CONVENTION: A COMMENTARY (2003); JON NELSON, INTERNATIONAL PATENT TREATIES: WITH COMMENTARY (2007); ELLEN P. WINNER & AARON W. DENBERG, INTERNATIONAL TRADEMARK TREATIES WITH COMMENTARY (2004); CARLOS CORREA, TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: A COMMENTARY ON THE TRIPS AGREEMENT (2007); FRIEDRICH-KARL BEIER & GERHARD SCHRICKER, FROM GATT TO TRIPS: THE AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (1996); JUSTIN MALBON, CHARLES LAWSON & MARK DAVISON, THE WTO AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: A COMMENTARY (2014); IRENE CALBOLI & JACQUES DE WERRA, THE LAW AND PRACTICE OF TRADEMARK TRANSACTIONS: A GLOBAL AND LOCAL OUTLOOK (2016); JUSTINE PILA & ANSGAR OHLY, THE EUROPEANIZATION OF INTELLECTUAL PROPERTY LAW: TOWARDS A EUROPEAN LEGAL METHODOLOGY (2013) (for critical reflections on the harmonization of substantive IP law in the

devoted to the law governing contractual dealings involving IP rights and license agreements have borne meagre fruit.[13]

Legal practitioners, academics, non-governmental entities, and international organizations alike have long mooted ameliorations to the legal framework governing IP licenses, both nationally and internationally.[14] In some jurisdictions, this has led to government-commissioned reviews, which have scrutinized the extant body of rules and recommended legislative interventions.[15] Among international organizations, the United Nations Commission on International Trade Laws ("UNCITRAL")[16] has cautiously yet persistently expressed interest in a future work addressing the legal framework of IP license contracts.[17]

European Union).

13. For one of the few examples of intergovernmental initiatives focused on licensing law see the WIPO SUCCESSFUL TECHNOLOGY LICENSING GUIDE (http://www.wipo.int/edocs/pubdocs/en/licensing/903/wipo_pub_903.pdf).

14. *See generally* Alain Strowel, *Quelle Codification pour la Propriété Intellectuelle?*, TIJDSCHR. VOOR NED. BURGELIJK RECHT 248 (1995); de Werra, *supra* note 8; Dizon, *supra* note 11; Lorin Brennan & Jeff Dodd, *A Concept Proposal for a Model Intellectual Property Commercial Law*, *in* RESEARCH HANDBOOK IN INTELLECTUAL PROPERTY LICENSING 257–81 (Jacques de Werra ed., 2013); Mark Anderson, *International Patent Licensing*, *in* RESEARCH HANDBOOK IN INTELLECTUAL PROPERTY LICENSING 126–55 (Jacques de Werra ed., 2013); The European copyright code developed by the Wittem Group sought to develop model provisions for copyright including copyright licensing EUROPEAN COPYRIGHT CODE: THE WITTEM PROJECT, (2010); for an overview of the Wittem Code Eleonora Rosati, *The Wittem Group and the European Copyright Code*, 5 J. INTELL. PROP. L. PRAC. 862 (2010). For observations on the state of the law governing IP licensing in the EU see European Commission, *Single Market for Intellectual Property Rights Boosting Creativity and Innovation to Provide Economic Growth, High Quality Jobs and First Class Products and Services in Europe,* COM (2011) 287 final (May 24, 2011).

15. For example, in the United Kingdom see ANDREW GOWERS, GOWERS REVIEW OF INTELLECTUAL PROPERTY (2006); IAN HARGREAVES, DIGITAL OPPORTUNITY: A REVIEW OF INTELLECTUAL PROPERTY AND GROWTH: AN INDEPENDENT REPORT (2011), http://dera.ioe.ac.uk/16295/7/ipreview-finalreport_Redacted.pdf (last visited Sep. 7, 2017). The British Government broadly accepted these recommendations, yet has been slow in implementing them (*see* http://www.ipo.gov.uk/ipresponse-full.pdf).

16. On the history and working method of UNCITRAL *see* Andrea Tosato, *The UNCITRAL Annex on Security Rights in IP: A Work in Progress*, 4 J. INTELL. PROP. L. PRAC. 743, 743–45 (2009); SUSAN BLOCK-LIEB & TERENCE C. HALLIDAY, GLOBAL LAWMAKERS: INTERNATIONAL ORGANIZATIONS IN THE CRAFTING OF WORLD MARKETS (2017) (for both a legal and sociological analysis of the work of UNCITRAL); Steve Charnovitz, *Nongovernmental Organizations and International Law*, 100 AM. J. INT. LAW 348 (2006) (on the role of NGOs in intergovernmental organizations); Allan E. Farnsworth, *UNCITRAL-Why? What? How? When?* 20 AM. J. COMP. LAW 314 (1972); Peter H. Pfund, *Overview of the Codification Process*, 15 BROOK. J. INT'L L. 7 (1989).

17. At the time of its foundation, UNCITRAL identified nine subject matters for its future endeavors, including Intellectual Property; *see* U.N. GAOR, 23rd Sess., at ¶¶ 40 and 48, supp. 16 A/7216 (1968). Future work on the legal framework of IP licenses at both national and international level has been under consideration at UNCITRAL for some time: *see* U.N. Comm'n on Int'l Trade L., UNCITRAL Report of Working Group VI (Security Interests) on Its Fourteenth Session Comm'n Doc. A/CN.9/667, at ¶ 141; U.N. Comm'n on Int'l Trade L.,141; Report of Working Group VI (Security Interests) on Its Fifteenth Session Comm'n Doc. A/CN.9/670, at ¶¶ 123-26: "With respect to a contractual guide on intellectual property licensing, it was observed that it would be an extremely important project, which

Despite this, none of the UNCITRAL Member States ("Member States") have yet explicitly championed such an initiative nor shown willingness to submit an official proposal for the consideration of the UNCITRAL Commission.[18]

At the UNCITRAL Fourth Colloquium on Secured Transactions,[19] panelists discussed the topic of "IP licensing"[20] examining the problems afflicting the law regulating these agreements in many jurisdictions and focusing on the oft-fraught dialogue between contract and IP law. This was followed by a debate on a hypothetical UNCITRAL project on the law of voluntary IP licenses ("Project"), which would be aimed at fostering improvements to national legal regimes and stimulating international harmonization. This paper aspires to advance the aforementioned discourse.

It would be entirely premature to formulate a complete and detailed proposal for the Project at this stage. This paper instead ventures to examine methodically three salient points that are logical prerequisites to crafting a conscientiously-formed proposal. First, attention will be devoted to the potential scope of the Project. Secondly, a comparative analysis of the substantive rules governing IP license contracts will be conducted, for the dual purpose of providing representative examples of the types of legal conundrums that Member States would have to tackle at the heart of the Project and expounding the decision-making processes required to conceive "consensus"[21] solutions. Thirdly, an assessment will be performed of the possible, alternative forms that the Project could assume and their associated ramifications. Lastly, concluding observations will recommend a strategy for the advancement of the Project to its next phase.

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would address key issues of law relating to intellectual property."; Planned and possible future work Comm'n Doc. A/CN.9/774, at ¶ 11; Planned and possible future work Comm'n Doc. A/CN.9/807, at ¶ 13; Planned and possible future work Comm'n Doc. A/CN.9/841, at ¶ 14.

18. For an examples of recent Member State proposals *see* Proposal by Switzerland on possible future work by UNCITRAL in the area of international contract law Comm'n Doc. A/CN.9/758; Proposal by the Government of the United States regarding UNCITRAL future work Comm'n Doc. A/CN.9/789.

19. UNCITRAL Vienna 15-17 March 2017, programme available at http://www.uncitral.org/pdf/english/colloquia/4thSecTrans/4th_Int._Coll_on_ST_2017_r.pdf. This Panel continued developing themes initially explored during the UNCITRAL Third International Colloquium on Secured Transactions, March 1-3, 2010, Vienna, where a panel titled a "Concept Proposal for a Model Intellectual Property Contracting Law" was held, programme available at http://www.uncitral.org/uncitral/en/commission/colloquia/3rdint.html.

20. The panelists were Jeff Dodd (Chair), Lorin Brennan, Thilo Agthe and Andrea Tosato. All materials are available at http://www.uncitral.org/uncitral/en/commission/colloquia_security.html.

21. It is an established practice that UNCITRAL only takes decisions by consensus, meaning by general agreement without any one Member State voicing opposition. *See* U.N. Secretariat, UNCITRAL Rules of Procedure and Methods of Work, Comm'n Doc. A/CN.9/638/Add.4, at § III-I.2 Decision-Making in the Commission, available at https://documents-dds-ny.un.org/doc/UNDOC/GEN/V07/875/89/PDF/V0787589.pdf?OpenElement.

I. THE SCOPE OF THE PROJECT

As a logical antecedent to any foray into matters of substance, Member States would be required to define the scope of the Project. As IP license contracts are a vast and diverse archetype, this determination would be demanding. It is submitted that a scrupulous decision-making process would involve an assessment of two distinct legal dimensions.

First, IP licenses impact a sweeping range of socio-economic interests, giving rise to legal issues that differ in nature and are governed by rules stemming from diverse areas of the law. Structurally, IP licenses are binding promises between persons; they generate private law questions that are answered by contract law. Functionally, they are dealings for the purpose of exploiting IP rights; they engender issues that are proprietary in nature and fall within the realm of IP law. Concurrently, IP licenses can also attract the attention of competition law, labor law, consumer protection law and international private law, depending on the content of the undertakings stipulated by the parties.

In approaching this dimension, it would be for Member States to decide whether the Project should engage with all these branches of the law or rather concentrate on a narrower selection. At first glance, it might appear unproblematic to exclude delimited areas *a priori*, such as consumer protection or unfair competition. A more rigorous analysis, however, reveals that compartmentalizing IP license contracts is conceptually Gordian, as issues pertaining to discrete branches of the law can be closely intertwined and difficult to resolve in isolation. This would be especially true with regard to contract law and IP law, as license agreements are often characterized by a coalescence of obligatory and proprietary profiles, owing to the nature and function of these transactions.

Secondly, IP licenses cannot be described as a homogeneous category. These contracts all share a functional core: the licensor grants to the licensee a form of permission to perform actions that would otherwise be an infringement of the licensed IP.[22] Nevertheless, the rights and obligations of the parties vary markedly depending on multifarious elements. The nature and quantity of the licensed IP rights, the breadth and limitations of the grant, the compensation structure, and the legal status of the parties, can all profoundly affect the respective legal spheres of the licensor and licensee.

In approaching this second dimension, it would be for Member States to deliberate whether the Project should encompass all license agreements

22. This common functional core is recognized ubiquitously; Guibault and Hugenholtz, *supra* note 9 (for a European law perspective) 3.2.2; NIMMER & DODD, *supra* note 8, at § §1:2 (for United States perspective); Xue, *supra* note 9 (for a Chinese law perspective); Krishnamurthy, *supra* note 9 (for an Indian law perspective); in Japanese law Teramoto, *supra* note 9.

without exception, or rather delve into a sub-group of this category. In the former case, the Project would seek to articulate a ruleset that concentrates on the functional core of IP licenses, yet eschew delving into the singularities of the many existing incarnations of these contracts. Its emphasis would be on pinpointing problems and elaborating solutions that apply to all types of IP licenses uniformly. Coextensively, caution would be required to ensure that unintended consequences were not inflicted on the regime of any one type of license agreement.

Alternatively, if Member States decided that the scope of the Project should be confined to licenses with particular attributes, the objective would be to conduct an exhaustive study into the designated subject matter. For example, Member States might elect to focus exclusively on licenses that involve a certain type of IP – such as copyrights, patents or trademarks – are international in nature, are entered into by legal persons, or have a specific commercial structure. The notable advantage of limiting the categories of licenses encompassed by the Project is that it would mitigate the risk of unintended consequences arising from the broad-brush strokes required when addressing all these transactions as a unitary subject matter. Nevertheless, it would be challenging to identify a sub-group of licenses characterized by socio-legal singularities sufficient to merit its own set of rules and the associated systemic fragmentation cost.

Thus, the determination of the scope of the Project would present Member States with a vast spectrum of options. At one extreme, a wide remit embracing all license types and the totality of legal issues that they elicit, regardless of the area of the law to which they pertain. At the other, a narrow scope, comprising only licenses with very peculiar attributes and only tackling profiles that relate to one branch of the law. This would be a cardinal policy choice with far-reaching ramifications, as will be shown in subsequent paragraphs devoted to substantive rules.

II. THE SUBSTANCE OF THE PROJECT

It would be beyond the editorial limits of this contribution to explore exhaustively all facets of the body of rules governing IP license agreements that the Project may investigate.

Attention will be directed, however, to seven problematic areas that possess doctrinal complexity, carry commercial relevance and are indicative of the conceptual challenges faced by Member States. For each area, this paper will conduct a tripartite analysis: first, describing briefly the current state of the law across jurisdictions; secondly, scrutinizing the substance of these rules and appraising the degree of international dissonance; thirdly, theorizing the methodological approaches that Member States might adopt to confront these issues and, to a lesser extent,

the type of substantive solutions they might consider.

A. Licensing of jointly-owned IP rights

It is uniformly accepted that rights-holders can license their IP.[23] However, the legal regime for the licensing of jointly-owned[24] rights varies markedly across jurisdictions.[25] From a systemic perspective, most states provide special IP rules to regulate the licensing of jointly-owned IP rights; however, in some, this matter is subject to general property law.[26] In similar vein, these rules are typically derogable in nature, yet there are exceptions.[27] With regard to substance, most jurisdictions lack a unitary approach, adopting heterogeneous regimes for jointly-owned copyright, patents, trademarks and design rights.[28] In some, licenses can be granted by one co-owner, absent the consent or knowledge of the other joint-owners.[29] In others, the consent of all co-owners is a validity

23. IP licensing has ancient roots, dating back to the Venetian Patent Statute of 1474; *see generally* Joanna Kostylo, *Commentary on the Venetian Statute on Industrial Brevets (1474)*, *in* PRIMARY SOURCES ON COPYRIGHT (1450-1900) (Lionel Bently & Martin Kretschmer eds., 2008) (detailing the 1474 Venetian patent system and its embryonic licensing rules). For a historical analysis of copyright licensing predating the statutory introduced in the 18th Century starting with the watershed of the Copyright Act 1710 8 Ann C. 19, *see* HARRY HUNTT RANSOM, THE FIRST COPYRIGHT STATUTE: AN ESSAY ON AN ACT FOR THE ENCOURAGEMENT OF LEARNING, 1710 (1956).

24. Co-ownership of IP rights is accepted ubiquitously, see AIPPI The Impact of Co-Ownership of Intellectual Property Rights on their Exploitation (Q194) [henceforth Q194] Summary Report available at http://aippi.org/wp-content/uploads/committees/194/SR194English.pdf. The sole exception of notice lies in Brazilian Trademarks law, as the Brazilian Patent and Trademark Office does not allow joint-application and registration of jointly-owned trademarks, *see* Int'l Ass'n for the Protection of Intell. Prop. [AIPPI] Braz. Rep.Report Q194 available at http://aippi.org/wp-content/uploads/committees/194/GR194brazil.pdf.

25. For an exhaustive collection of primary sources and a comparative analysis see AIPPI Q194 national reports available at http://aippi.org/committee/the-impact-of-co-ownership-of-intellectual-property-rights-on-their-exploitation/.

26. See AIPPI Q194 for an exhaustive comparative analysis. For two examples of jurisdictions subjecting the licensing of jointly-owned IP rights to general property law see German patent law (AIPPI Ger. Rep. Q194 available at http://aippi.org/wp-content/uploads/committees/194/GR194germany_en.pdf) and Canadian Patent Law (AIPPI Can. Rep.Q194 available at http://aippi.org/wp-content/uploads/committees/194/GR194canada.pdf).

27. Chinese copyright co-ownership rules for creations of employees of public companies are imperative, see AIPPI China Rep. Q194 available at http://aippi.org/wp-content/uploads/committees/194/GR194china.pdf. The same is true of all Bulgarian copyright co-ownership statutory provisions, see AIPPI Bulg. Rep. Q194 available at http://aippi.org/wp-content/uploads/committees/194/GR194bulgaria.pdf.

28. This emerges lucidly from the AIPPI Q194 national reports, *supra* note 24 and the AIPPI Summary Report Q194 available at http://aippi.org/wp-content/uploads/committees/194/SR194English.pdf.

29. In the United States, this is the regime applicable to jointly owned patents under 35 U.S.C. § 262 (2017).

requirement.[30] In others still, unanimous assent is only necessary for exclusive licenses.[31] The resulting legal landscape is disjointed and beset with legal uncertainty,[32] inflating transaction costs, elevating market-access barriers, and obstructing innovation.[33]

The Project should consider advocating a uniform approach for the licensing of jointly-owned IP rights. It would be for Member States to consider two distinct, yet logically contiguous issues. First, they would have to decide whether a right-holder can ever grant a license without the consent of their joint-owners. The cardinal query is whether it is acceptable for a joint owner to suffer a detrition of their exclusive right without their consent, even at the hands of one of their fellow co-owners. Systemically, the competing legal interests are the *erga omnes* nature of IP and the right to exploit and dispose of these rights.[34] If an affirmative answer were provided to this cardinal query, Member States would be faced with the task of defining precisely the circumstances in which a right-holder is at liberty to grant licenses of jointly-owned IP rights. As national laws lack alignment on this matter, compromise would not be easy.

Secondly, it would be for Member States to regulate the position of a person who enters into a license agreement with a right-holder who failed to obtain the required consent of their joint-owners. Here, the tension is

30. For example, in the United Kingdom, the consent of all co-owners is required for the granting of patent licenses under United Kingdom Patents Act 1977, c. 37 (Eng)[henceforth UK PA], § 36; the same is true under section UK Copyright Designs and Patents Act 1988, c.48 (Eng) [henceforth CDPA] § 173(2); the same is true under the India Patents Act 1970 § 50 and the Australia Patents Act 1990 § 16.

31. This is the regime governing licenses of jointly-owned copyrights in the United States, under 17 U.S.C. § 201(d) (2010), as held in *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137 (9th Cir. 2008); see MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §§ 6.10-611 (2013) ("one joint owner may grant a nonexclusive license in the entire work without consent of the other joint owners"). This is also the principle governing the licensing of jointly-owned patents in China under Art 15 Chinese Patent Act (2009); for an in-depth analysis see Yunling Ren & Yan Hong, *Rights of Joint Patent Owners in China*, 11 J. MARSHALL REV. INTELL. PROP. L. 601, 622 (2012).

32. This sentiment was strongly voiced in several AIPPI Q194 national reports, *supra* note 24.

33. These issues are particularly noticeable in markets were entrants require multiple licenses to compete with the incumbents; *see generally* Hargreaves, *supra* note 15 at 5; Thomas W. Merrill & Henry E. Smith, *Optimal Standardization in the Law of Property: The Numerus Clausus Principle*, 110 YALE L.J. 1, 8-11, 24-26, 29-32 (2000); Carl Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard Setting*, 1 INNOV. POL'Y & ECON. 119 (2000) (suggesting strategies to efficiently collect the required licenses); Sonia Baldia, *The Transaction Cost Problem in International Intellectual Property Exchange and Innovation Markets*, 34 NW. J. INT'L L. & BUS. 1 (2013) (who highlights that the territoriality characterizing IP licensing increases uncertainty and costs).

34. For a law and economics perspective on this general conundrum see Clifford G. Holderness, *Joint Ownership and Alienability*, 23 INT'L REV. L. & ECON. 75 (2003) (dividing all possible regimes for jointly holding property into four classes); Peter H. Karlen, *Joint Ownership of Moral Rights Part I*, 38 J. COPYRIGHT SOC'Y U.S.A. 242 (1991) (for an analysis of the legal regime of joint ownership of copyright moral rights).

between co-owners unwilling to suffer a deterioration of their exclusive right and licensees who have legitimate expectations of exploiting the permission they have contractually obtained. In this context, the rival legal interests are, on one hand, upholding the "certainty" of the absolute nature of IP rights and, on the other, ensuring the "certainty" of commercial dealings.[35] *Mutatis mutandis* this is a conundrum analogous to that faced when elaborating principles to adjudicate conflicts stemming from transfers of title by non-owners (*traditio a non domino*);[36] with the crucial distinction that a licensee in this position cannot acquire material and exclusive control of the subject matter of a license due to its intangible nature but merely venture to perform activities falling within the scope of the improperly licensed IP.[37]

In principle, there is an ample spectrum of possible solutions. At one end of this spectrum, unreserved protection of the property rights of the non-consenting joint-owner, directing the licensee to take action against their injudicious licensor; at the other, unexempted upholding of the granted license, eroding the breadth of the proprietary right of the non-consenting joint-owners and granting them recourse against the licensors. Amid these extremes lie a multitude of intermediate solutions, allowing for exceptions in scenarios in which, for example, the non-consenting

35. The dichotomy between 'certainty of rights' and 'certainty of transactions' has been explored thoroughly in German legal scholarship; see Víctor Ehrenberg, *Rechtssicherheit und Verkehrssicherheit*, 47 JHERINGS JAHRB. 273 (1904) (who first framed this contraposition); Mitchell Franklin, *Security of Acquisition and of Transaction: La Possession Vaut Titre and Bona Fide Purchase*, 6 TUL. L. REV. 589 (1931) (highlighting that common law jurisdictions have historically favored the certainty of rights over that of transactions).

36. The body of scholarship on this topic is vast. For present purposes comparative law scholarship is particularly illuminating; see Franklin, *supra* note 35; Jean-Georges Sauveplanne, *The Protection of the Bona Fide Purchaser of Corporeal Movables in Comparative Law*, RABELS Z. FÜR AUSLÄNDISCHES INT'L PRIV. RABEL J. COMP. INT. PRIV. L. 651 (1965); Rodolfo Sacco, *Diversity and Uniformity in the Law*, 49 AM. J. COMP. LAW 171 (2001); Alan Schwartz & Robert E. Scott, *Rethinking the Laws of Good Faith Purchase*, 111 COLUM. L.REV. 1332 (2011); Giuseppe Dari-Mattiacci & Carmine Guerriero, *Law and Culture: A Theory of Comparative Variation in Bona Fide Purchase Rules*, 35 OXF. J. LEG. STUD. 543 (2015); for a thorough historical and comparative analysis of European law on this topic see Arthur F. Salomons, *How to Draft New Rules on the Bona Fide Acquisition of Movables for Europe? Some Remarks on Method and Content*, *in* RULES FOR THE TRANSFER OF MOVABLES: A CANDIDATE FOR EUROPEAN HARMONISATION OR NATIONAL REFORMS? 141–154 (Wolfgang Faber & Brigitta Lurger eds., 2008).

37. See Mary-Rose McGuire, *Intellectual Property Rights: 'Property' or 'Right'? The Application of the Transfer Rules to Intellectual Property*, *in* RULES FOR THE TRANSFER OF MOVABLES: A CANDIDATE FOR EUROPEAN HARMONISATION OR NATIONAL REFORMS? 217–36 (Wolfgang Faber & Wolfgang Faber eds., 2009); Alice Haemmerli, *Why Doctrine Matters: Patent and Copyright Licensing and the Meaning of Ownership in Federal Context*, 30 COLUM. J.L. & ARTS 1 (2006) (providing a primer of the *bona fide* purchaser rules applicable to copyright and patent assignments in the United States and hypothesizing their applicability to licenses). Interestingly, the Italian Copyright Statute, Law No. 63 of Apr. 22, 1941 [henceforth Italian Copyright Law], article 167 appears to draw an analogy between the legal positions of a good faith purchaser in possession and that of a person who exercises copyright *de facto*; see UBERTAZZI, *supra* note 9 commentary to article 167 Italian Copyright law.

joint-owner failed to act promptly, the licensee was misled, the license was not granted for value, or the licensee had knowledge of the existence of the joint-owners.[38]

Faced with such a broad variety of alternative solutions, it is submitted that a two-stage decision-making process would be appropriate to steer Member States towards a consensus. At the outset, a fundamental decision would be required, deliberating whether the interest of the licensee or that of the non-consenting co-owner should be favored as a general rule. This would be followed by the careful integration of exceptions aimed at mitigating the inflexibility that would otherwise flow from an unrestricted application of the adopted general norm. In making these choices, Member States would greatly benefit from both *ex ante* agreement on the normative objectives to be pursued and a comparative assessment of the positive law in force across different jurisdictions.

Interestingly, the licensing of jointly-owned IP rights furnishes a felicitous example of the type of issue that would lie at the heart of a broadly-scoped Project. Member States, fueled by frustration with present levels of national fragmentation and international disharmony,[39] might find a unitary approach to this matter singularly palatable.

B. Pre-contractual negotiations

Private law has traditionally taken a keen interest in pre-contractual negotiations, yet the approaches adopted vary markedly, both methodologically and substantively, across jurisdictions.[40] Historically,

38. These are some of the factors most typically considered by national legislations when dealing with the conflict between a dispossessed owner and a good faith purchaser; *see generally* Dari-Mattiacci and Guerriero, *supra* note 36 (offering normative solutions to this conundrum based on a law and economics analysis aimed at maximizing utility); Sacco, *supra* note 36 (for a comparative approach in the context of international sales); Salomons, *supra* note 36 (for a utilitarian normative approach to the conundrum of *bona fide* purchasers vis-a-vis unlawfully dispossessed owners).

39. As evidenced in the AIPPI Res. Q194 available at http://aippi.org/wp-content/uploads/committees/194/RS194English.pdf.

40. For a comparative overview *see generally* PRECONTRACTUAL LIABILITY: REPORTS TO THE XIIITH CONGRESS, INTERNATIONAL ACADEMY OF COMPARATIVE LAW, MONTREAL, CANADA, 18-24 AUGUST 1990, (Ewoud H. Hondius ed., 1991); for an analysis on the basis of the methodology of the Trento Common Core Project see PRECONTRACTUAL LIABILITY IN EUROPEAN PRIVATE LAW, (John Cartwright & Martijn Hesselink eds., 2008); for a European law primer PRINCIPLES, DEFINITIONS AND. MODEL RULES OF. EUROPEAN PRIVATE LAW. DRAFT COMMON FRAME OF REFERENCE, (Christian von Bar & Eric Clive eds., 2010) Art II-3:301 [henceforth D.C.F.R.]. For an analysis from the perspective of United States law see Friedrich Kessler & Edith Fine, *Culpa in Contrahendo, Bargaining in Good Faith, and Freedom of Contract: A Comparative Study*, 77 HARV. L. REV. 401 (1964); Allan E. Farnsworth, *Precontractual Liability and Preliminary Agreements: Fair Dealing and Failed Negotiations*, 87 COLUM. L. REV. 217 (1987); Alan Schwartz & Robert E. Scott, *Precontractual Liability and Preliminary Agreements*, 120 HARV. L. REV. 661 (2006). For an analysis of private law international instruments see John Klein & Carla Bachechi, *Precontractual Liability and the Duty of Good Faith Negotiation in*

IP legislation has not introduced special rules for the negotiations of license contracts; even in legal orders with a propensity to scrutinize these interactions closely, IP law has not strayed from the general contract law regime.

In the past, IP license negotiations predominantly took place either between businesses, or individual IP rights holders and businesses. These transactions were largely domestic, featured grants over a small number of IP rights, and involved a linear compensation structure; typically, such agreements were preceded by discussions of limited profundity that involved insubstantial exchanges of information.[41]

Over the past fifty years, the landscape of IP license negotiations has evolved. In the high-volume, low-value market segment, the mass distribution of digital products and services has irreversibly brought consumers into the factual matrix of IP license negotiations;[42] the feverish propagation of the internet of things will further promulgate this trend, as

International Transactions, 17 HOUS. J. INT'L L. 1 (1994); Franco Ferrari, *Uniform Interpretation of the 1980 Uniform Sales Law*, 24 GA. J. INT'L COMP. L. 183, 190–192 (1994); Allan E. Farnsworth, *Duties of Good Faith and Fair Dealing Under the UNIDROIT Principles, Relevant International Conventions, and National Laws*, 3 TUL. J. INT'L COMP. L. 47 (1995); Diane Madeline Goderre, *International Negotiations Gone Sour: Precontractual Liability Under the United Nations Sales Convention*, 66 U. CIN. L. REV. 257 (1997); SCHLECHTRIEM AND SCHWENZER, *supra* note 4; KRÖLL, MISTELIS, AND VISCASILLAS, *supra* note 4.

41. This picture emerges lucidly from a multiplicity of studies that have charted the historical trajectory of IP law; *see generally* Frank D. Prager, *A History of Intellectual Property from 1545 to 1787*, 26 J. PAT. OFF. SOC'Y 711 (1944) (focusing primarily on pre-1709 socio-economic dynamics, in England and other European countries); Ove Granstrand et al., THE ECONOMICS AND MANAGEMENT OF INTELLECTUAL PROPERTY (1999) (for an historical account focusing on economic facets); Paul A. David, *Intellectual Property Institutions and the Panda's Thumb: Patents, Copyrights, and Trade Secrets in Economic Theory and History*, *in* GLOBAL DIMENSIONS OF INTELLECTUAL PROPERTY RIGHTS IN SCIENCE AND TECHNOLOGY (Mitchel B. Wallerstein, Mary E. Mogee, & Robin A. Schoen eds., 1993) (for a comprehensive history of the international IP law framework); Keith Aoki, *(Intellectual) Property and Sovereignty: Notes Toward a Cultural Geography of Authorship*, 48 STAN. L. REV. 1293 (1996); seminally on trademarks FRANK ISAAC SCHECHTER, 1 THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS (1925); BRAD SHERMAN & LIONEL BENTLY, 1 THE MAKING OF MODERN INTELLECTUAL PROPERTY LAW (1999) (for an English law perspective); CATHERINE SEVILLE, 8 THE INTERNATIONALISATION OF COPYRIGHT LAW: BOOKS, BUCCANEERS AND THE BLACK FLAG IN THE NINETEENTH CENTURY (2006) (focusing on the Anglo-American book trade); CHRISTOPHER MAY & SUSAN K. SELL, INTELLECTUAL PROPERTY RIGHTS: A CRITICAL HISTORY (2006); Petra Moser, *Patents and Innovation: Evidence from Economic History*, 27 J. ECON. PERSP. 23 (2013) (focusing on patent licensing).

42. Empirical research of on-line consumer contracts provides robust evidence of this phenomenon, *ex multis* see Florencia Marotta-Wurgler, *What's in a Standard Form Contract? An Empirical Analysis of Software License Agreements*, 4 J. EMPIR. LEG. STUD. 677 (2007); Florencia Marotta-Wurgler, *Competition and the Quality of Standard Form Contracts: The Case of Software License Agreements*, 5 J. EMPIR. LEG. STUD. 447 (2008); Yannis Bakos, Florencia Marotta-Wurgler & David R. Trossen, *Does Anyone Read the Fine Print? Consumer Attention to Standard-Form Contracts*, 43 J. LEG. STUD. 1 (2014); Daniel B. Ravicher, *Facilitating Collaborative Software Development: The Enforceability of Mass-Market Public Software Licenses*, 5 VA. J. L. TECH. 11 (2000) (offering insights into the software market).

sales contracts for tangible goods will be increasingly coupled with grants of licenses over the associated IP.[43] In the low-volume, high-value market segment, international licensing and cross-licensing deals of entire IP portfolios have acquired substantial strategic significance. Parties' interactions preceding these transactions involve exchanges of large quantities of information, and can give rise to confidentiality issues.[44]

In recent past, European jurisdictions have begun to recalibrate their consumer protection legislation to address this new environment, also reviewing pre-contractual interactions preceding IP licenses.[45] Concurrently, academics have begun to query more insistently whether extant private law rules possess sufficient elasticity to accommodate these developments.[46]

Thus, the Project may consider whether the legal framework of IP licenses might benefit from special rules governing pre-contractual negotiations. It is submitted that this determination would be buttressed by a decision-making process divided into two logically-distinct stages. In the first, it would be for Member States to ascertain the existence of

43. For a broad overview see Gerd Kortuem et al., *Smart Objects as Building Blocks for the Internet of Things*, 14 IEEE INTERNET COMPUT. 44 (2010); Peng-fei Fan & Guang-zhao Zhou, *Analysis of the Business Model Innovation of the Technology of Internet of Things in Postal Logistics*, *in* INDUSTRIAL ENGINEERING AND ENGINEERING MANAGEMENT (IE&EM), 2011 IEEE 18TH INTERNATIONAL CONFERENCE ON 532–536 (2011), http://ieeexplore.ieee.org/abstract/document/6035215/ (last visited Sep 8, 2017); Remco M. Dijkman et al., *Business Models for the Internet of Things*, 35 INT'L J. INFO. MGMT. 672 (2015).

44. For an empirical survey of the behavior in the US semiconductor industry see Bronwyn H. Hall & Rosemarie Ham Ziedonis, *The Patent Paradox Revisited: An Empirical Study of Patenting in the U.S. Semiconductor Industry, 1979-1995*, 32 RAND J. ECON. 101 (2001); Peter C. Grindley & David J. Teece, *Managing Intellectual Capital: Licensing and Cross-Licensing in Semiconductors and Electronics*, 39 CAL. MGMT. REV. 8 (1997); Robert H. Pitkethly, *Intellectual Property Strategy in Japanese and UK Companies: Patent Licensing Decisions and Learning Opportunities*, 30 RES. POLICY 425 (2001) (comparing the business conduct of Japanese and UK market participants).

45. The European Union has been leading the way on this particular front; see HANS SCHULTE-NÖLKE, CHRISTIAN TWIGG-FLESNER & MARTIN EBERS, EC CONSUMER LAW COMPENDIUM: THE CONSUMER ACQUIS AND ITS TRANSPOSITION IN THE MEMBER STATES (2008) (for a comparative European law primer); STEPHEN WEATHERILL, EU CONSUMER LAW AND POLICY (2013) (for a systematic analysis of European Union consumer law); Peter Cartwright, *Redress Compliance and Choice: Enhanced Consumer Measures and the Retreat from Punishment in the Consumer Rights Act 2015*, 75 CAMB. L. J. 271 (2016) (examining recent UK law reforms).

46. See Christian Twigg-Flesner, *Innovation and EU Consumer Law*, 28 J. CONSUM. POL'Y 409 (2005) (presciently predicting future developments in the Community Acquis); Stefan Grundmann, *Targeted Consumer Protection*, *in* THE IMAGES OF THE CONSUMER IN EU LAW : LEGISLATION, FREE MOVEMENT AND COMPETITION LAW 223–44 (Stephen Weatherill & Dorota Leczykiewicz eds., 2016) (considering the need for tailored consumer protection rules); GERAINT G. HOWELLS & THOMAS WILHELMSSON, EC CONSUMER LAW 175–86 (2017) (for forward-looking considerations); Christopher Koopman, Matthew Mitchell & Adam Thierer, *The Sharing Economy and Consumer Protection Regulation: The Case for Policy Change*, 8 J. BUS. ENTREP. L. 529 (2014) (for North-American perspectives). The European Union discusses some of these challenges in its *Green Paper on the Review of the Consumer Acquis,* COM (2006) 744 final (July 16, 2007).

untoward conduct patterns during negotiations of IP licenses that are inadequately regulated by typical private law safeguards; for example, especially uneven bargaining positions or idiosyncratic information asynchronies that fundamentally skew the balance of the ensuing agreement, encouraging rent seeking and engendering market failures.[47] If this enquiry were answered in the affirmative, the subsequent step would be to identify normative interventions capable of remedying these mischiefs and ultimately, a selection of the preferable options.[48]

Notably, the scope of the Project would markedly affect the palatability of a set of special rules governing negotiations of IP licenses. If its remit were broad, both in terms of relevant areas of the law and license types, the magnitude and diversity of the subject matter under consideration would render the recognition of common issues challenging. A wide range of transactions would need to be parsed, alongside extensive empirical evidence from an array of subjects and economic sectors. In similar vein, the divergences that exist between the legal approaches adopted across jurisdictions to regulate negotiations would render agreement on the substantive rules to be adopted by the Project arduous to achieve.

If the scope of Project were narrow, by contrast, the aforementioned difficulties would be materially reduced. Analyzing a subset of transaction archetypes would simplify the task of identifying legal wrongs and the agreement of substantive rules to resolve them. However, it should be noted that introducing special rules that only regulate negotiations of a small group of IP licenses would carry a hefty price for systemic fragmentation.

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47. For empirical research into the problems experienced by European consumers in the digital services market see EUROPE ECONOMICS, *DIGITAL CONTENT SERVICES FOR CONSUMERS: ASSESSMENT OF PROBLEMS EXPERIENCED BY CONSUMERS (LOT 1)*, REPORT 4: FINAL REPORT (July 16, 2011), http://www.europe-economics.com/publications/eahc_final_report_+_appendices.pdf

48. For example, in the United States, in the limited context of software licenses, the American Law Institute, PRINCIPLES OF THE LAW: SOFTWARE CONTRACTS § 2.02(c) (2009) [henceforth ALI Software Contracts Principles] have suggested that information disclosure obligations should be imposed on licensors. The merits of this approach have been the object of a lively debate, see Robert A. Hillman & Maureen A. O'Rourke, *Principles of the Law of Software Contracts: Some Highlights*, 84 TUL. L. REV. 1519 (2009) (for a general overview of the ALI Software Contracts Principles); Robert A. Hillman & Maureen O'Rourke, *Defending Disclosure in Software Licensing*, 78 U. CHI. L. REV. 95 (2011) (lending support to the approach of the ALI Software Contracts Principles); Florencia Marotta-Wurgler, *Will Increased Disclosure Help? Evaluating the Recommendations of the ALI's" Principles of the Law of Software Contracts"*, 78 U. CHI. L. REV. 165 (2011) (raising doubts on the efficacy of precontractual disclosure in online contacts, and suggesting alternative approaches); Omri Ben-Shahar & Carl E. Schneider, *The Failure of Mandated Disclosure*, 159 U. PA. L. REV. 647 (2011) (criticizing the efficacy of precontractual disclosures); Bakos, Marotta-Wurgler, and Trossen, *supra* note 42 (suggesting that pre-contractual disclosures have limited effecacy, based on empirical evidence). See *infra* part II.C.2.

C. Formation

Contract formation is shaped by private law tenets. Though there are differences between common and civil law systems, a degree of conceptual uniformity does pervade across jurisdictions.[49] IP law establishes but few exceptions to this body of rules, otherwise conforming to it unreservedly.[50]

In this brief contribution, it is not possible to conduct an exhaustive inquiry into all facets of the formation of IP license contracts that Member States could explore. The following analysis will concentrate on two topics: consent in standard form IP license agreements and form requirements. The former involves exploring a thorny intersection between IP law and contract law, and affords the opportunity to revisit a well-trodden issue with fresh eyes. By contrast, form requirements present legislative policy challenges in the broader context of international harmonization.

1. Consent: standard form IP contracts

Consent[51] lies at the heart of modern contract law theory.[52] In the eyes

49. *Generally see* FORMATION OF CONTRACTS: A STUDY OF THE COMMON CORE OF LEGAL SYSTEMS, (Rudolph B Schlesinger ed., 1968); Franco Ferrari, *Formation of Contracts in South American Legal Systems*, 16 LOY. L. INT'L COMP. L. J. 629 (focusing on South-American jurisdictions); John E. Murray Jr., *An Essay on the Formation of Contracts and Related Matters under the United Nations Convention on Contracts for the International Sales of Goods*, 8 J. L. & COM. 11 (1988) (for a CISG perspective); Maria del Pilar Perales Viscasillas, *The Formation of Contracts & (and) the Principles of European Contract Law*, 13 PACE INT'L L. . REV. 371 (2001) (exploring contract formation in the PECL); MO ZHANG, CHINESE CONTRACT LAW: THEORY AND PRACTICE 91–120 (2005).

50. See NIMMER AND DODD, *supra* note 8 at Ch 3 (for United States law); Guibault and Hugenholtz, *supra* note 9 (for a comparative study of copyright laws in Europe).

51. Since the times of Aristotle, consent is seen as a combination of knowledge and reasonable alternatives see KENNETH A. TELFORD, COMMENTARY ON ARISTOTLE'S NICOMACHEAN ETHICS III, 1 (2013).

52. Despite growing in importance in the late empire, consent was not at the heart Roman contract law; see REINHARD ZIMMERMANN, THE LAW OF OBLIGATIONS: ROMAN FOUNDATIONS OF THE CIVILIAN TRADITION 560–65 (1990) (observing, however, that most "individual parts" of modern contract law theory were present in the Corpus Juris Civilis); DAVID J. IBBETSON, A HISTORICAL INTRODUCTION TO THE LAW OF OBLIGATIONS 7–10, 71–76, 130–35 (2001). The idea of consent as the cardinal element of a contract flourished with natural lawyers, see Samuel Pufendorf, *On the General Duties of Humanity*, III *in* THE POLITICAL WRITINGS OF SAMUEL PUFENDORF , 166 (Craig L. Carr ed., Michael J. Seidler tran., 1994) ("But the things which I owe another from pacts and agreements, these I owe for the reason that he has acquired a new right against me from my own consent."); JEAN DOMAT, LES LOIX CIVILES DANS LEUR ORDRE NATUREL; LE DROIT PUBLIC, ET LEGUM DELECTUS, *livre preliminaire*, *introduction* (1777); POTHIER, *supra* note 2 at 17. On consent in modern contract law theory, *see generally* AW Brian Simpson, *Innovation in Nineteenth-Century Contract Law*, 91 L. Q. REV. 247 (1975) (detailing the historical evolution of consent in English law during the 19th century); PATRICK S. ATIYAH, PROMISES, MORALS, AND LAW (1981) (for a modern English law perspective); JAMES GORDLEY, THE PHILOSOPHICAL ORIGINS OF MODERN CONTRACT DOCTRINE (1993) (for a philosophical analysis); Joseph M. Perillo, *The Origins*

of the law, an agreement is binding only if the parties have assented[53] to its terms and thus their minds are *ad idem*. Private law establishes the criteria pursuant to which the presence of consent is ascertained.[54] Historically, IP law has not sought to depart from these general rules.

Over the course of the 20th century, standard form contracts have permeated almost every facet of commerce.[55] In the realm of IP, this trend has been especially apparent in the technology sector.[56] Among legal scholars, one long-held thesis contends that standard form contracts sit uneasily with the consent paradigm as formulated by classical contract law theory.[57] This submission has its roots in the empirical observation that offerees generally do not read the terms of standard form contracts and offerors do not expect them to do so.[58] From this premise, proponents of this view posit that offerees cannot be held to have consented to undertakings the content of which was unknown to them[59] and conclude

of the Objective Theory of Contract Formation and Interpretation, 69 FORDHAM L. REV. 427 (2000) (providing the biography of this notion in United States contract law); Brian Bix, *Contracts*, *in* THE ETHICS OF CONSENT 251 (Franklin Miller & Alan Wertheimer eds., 2010).

53. The words "consent" and "assent" are used synonymously throughout this paragraph.

54. For a comparative overview of both common and civil law jurisdictions see FORMATION OF CONTRACTS: A STUDY OF THE COMMON CORE OF LEGAL SYSTEMS, *supra* note 49. For an overview of the approaches to ascertaining consent in European civil law jurisdictions see D.C.F.R, *supra* note 40 at Art II. – 4:102; Timothy A.O. Endicott, *Objectivity, Subjectivity, and Incomplete Agreements*, *in* OXFORD ESSAYS IN JURISPRUDENCE 151–171 (2000) (for an English law perspective); Perillo, *supra* note 52 (for the United States perspective).

55. The body of scholarship on standard form contracts is vast. *See generally* Karl N. Llewellyn, *What price contract? An essay in perspective*, 40 YALE L.J. 704 (1931); OTTO PRAUSNITZ, STANDARDIZATION OF COMMERCIAL CONTRACTS IN ENGLISH AND CONTINENTAL LAW, (1937); Heinz Hildebrandt, *Das Recht der allgemeinen Geschäftsbedingungen*, 143 ARCH. FÜR CIVILISTISCHE PRAX. 326 (1937); Friedrich Kessler, *Contracts of Adhesion–Some Thoughts About Freedom of Contract*, 43 COLUM. L. REV. 629 (1943); Todd D. Rakoff, *Contracts of adhesion: An essay in reconstruction*, 96 HARV. L. REV. 1173 (1983). For a European perspective STANDARD CONTRACT TERMS IN EUROPE: A BASIS FOR AND A CHALLENGE TO EUROPEAN CONTRACT LAW, (Hugh Collins ed., 2008) (providing an exhaustive analysis of the European normative landscape).

56. Focusing specifically on IP standard form contracts, *see generally* Robert W. Gomulkiewicz & Mary L. Williamson, *A Brief Defense of Mass Market Software License Agreements*, 22 RUTGERS COMPUTER & TECH. L.J. 335 (1996); Robert A. Hillman & Jeffrey J. Rachlinski, *Standard-form Contracting in the Electronic Age*, 77 N.Y.U. L. REV. 429 (2002); Robert A. Hillman, *Rolling Contracts*, 71 FORDHAM L. REV. 743 (2002); Elizabeth MacDonald, *Incorporation of Terms in Website Contracting – Clicking 'I Agree,'* 27 J.C.L. LEXIS 11 (2011).

57. See seminally Edwin W. Patterson, *The Interpretation and Construction of Contracts*, 64 COLUM. L. REV. 833 (1964) (who imported into American scholarship both the qualified "adhesion" and the notion that these contracts require special rules of interpretation owing to their peculiar formation process); Kessler, *supra* note 55 (denouncing form contracts as affording private parties de facto law-making powers and warning that American contract law lacked the doctrinal tools to regulate them).

58. Arthur Allen Leff, *Contract as Thing*, 19 AM. U. L. REV. 131, 143–147 (1970); Andrew Robertson, *The Limits of Voluntariness in Contract*, 29 MELB. U. L. REV. 179 (2005) (basing this observation on an empirical enquiry).

59. This argument bears the influence of subject consent theory; see Perillo, *supra* note 52 at 429–32; Randy E. Barnett, *Consenting to form contracts*, 71 FORDHAM L. REV. 627, 629–30 (2002).

that standard form contracts are unenforceable.[60]

Though lingering notes of discontent have continued to chime,[61] the largely prevailing stance among courts and commentators internationally is that standard form contracts are binding.[62] Two arguments are advanced in support of this conclusion. The first is that offerees who "manifest" their assent to be legally bound by the terms of a standard form contract are deemed to have consented from an objective perspective, even if they failed to read them in fact.[63] The second is that offerees who accept a standard form contract are deemed to have given "a blanket assent . . . to any not unreasonable or indecent terms . . . which do not alter or eviscerate the reasonable meaning of the dickered terms."[64]

This debate has resurfaced with renewed fervor in respect of IP licenses, owing to the widespread use of "shrinkwrap" "clickwrap" and "browsewrap" standard forms for these agreements ("Wrap Licenses").[65] Legal scholars have emphasized that the idiosyncratic formation process

60. For a detailed explanation of this argument see Barnett, *supra* note 59 at 628–29; Perillo, *supra* note 52.

61. An example is found in Rakoff, *supra* note 55 (highlighting that conceptual infrastructure of general contract law struggles to accommodate comfortably the realities of standard form contracts).

62. For a United States perspective see David W. Slawson, *The New Meaning of Contract: The Transformation of Contracts Law by Standard Forms*, 46 U. PITT. L. REV. 21, 31–44 (1984) (detailing the different scholarly views and judicial approaches emerged during the twentieth-century); Michael I. Meyerson, *The Reunification of Contract Law: The Objective Theory of Consumer Form Contracts*, 47 U. MIAMI L. REV. 1263, 1264, 1274–81 (1992) (schematically reviewing the different theories on standard form contracts advanced during the twentieth-century scholars, including those of Edwin Patterson, Friedrich Kessler, William Prosser, Arthur Corbin, Karl Llewellyn, Todd Rakoff, Colin Kaufman, Arthur Leff, David Slawson, and Robert Keeton). For a European perspective *see generally* STANDARD CONTRACT TERMS IN EUROPE, *supra* note 55. For a Chinese perspective see Nicole Kornet, *Contracting in China: Comparative Observations on Freedom of Contract, Contract Formation, Battle of Forms and Standard Form Contracts*, 14 ELEC. J. COMP. L. 1, 24–27 (2010).

63. See Barnett, *supra* note 59 at 634–636; Bix, *supra* note 52 at 264–65. Seminally on the notion of "manifest" consent JUDAH PHILIP BENJAMIN, A TREATISE ON THE LAW OF SALE OF PERSONAL PROPERTY: WITH REFERENCE TO THE FRENCH CODE AND CIVIL LAW 357–58 (1868).

64. KARL N. LLEWELLYN, THE COMMON LAW TRADITION: DECIDING APPEALS 370 (1960); Karl N. Llewellyn, *Book Review: Prausnitz: The Standardization of Commercial Contracts in English and Continental Law*, 52 HARV. L. REV. 700–05 (1939); Colin K. Kaufman, *The Resurrection of Contract*, 17 WASHBURN L.J. 38, 70–72 (1977) (supporting Llewellyn's submission and exploring its corollaries).

65. There is no longer reason to treat these three contracts as distinct archetypes, as in current online practice they have become a single model; see Juliet M. Moringiello & William L. Reynolds, *From Lord Coke to Internet Privacy: The Past, Present, and Future of the Law of Electronic Contracting*, 72 MD. L. REV. 452 (2012) (who cogently argue that differences between these types of licenses have disappeared). For a thorough analysis of Wrap Licenses see Michelle Garcia, *Browsewrap: A Unique Solution to the Slippery Slope of the Clickwrap Conundrum*, 36 CAMPBELL L. REV. 31, 34–54 (2014); Elizabeth Macdonald, *When Is a Contract Formed by the Browse-Wrap Process?*, 19 INT'L J. L. INF. TECHNOL. 285 (2011) (for an English law perspective on the formation of these contracts); Hillman and Rachlinski, *supra* note 56 (describing the peculiarities of Wrap Licenses and concluding that Llewellyn's thesis adequately accommodates with minor adjustments); NANCY S. KIM, WRAP CONTRACTS: FOUNDATIONS AND RAMIFICATIONS (2013) (providing a systematic account of this topic).

of Wrap Licenses greatly magnifies the consent dilemma afflicting traditional standard form contracts.[66] They observe that the terms of these agreements raise grave systemic concerns, as they confer far-reaching rights to the offeror that are often entirely unanticipated by the offeree.[67] Moreover, these same scholars question whether traditional theories and doctrines designed for paper-based standard form contracts can be adapted to accommodate Wrap licenses adequately.[68] Though they ultimately concede that the presence of consent in these agreements cannot be called into question, proponents of this view strongly advocate in favor of the introduction of special rules regulating either the negotiations preceding these contracts or their substance, especially if consumers are involved.[69]

The law governing Wrap Licenses is in a state of flux across jurisdictions. In some, courts do not admit challenges to their enforceability based on a lack of consent, only timidly contemplating the possibility of invalidating individual terms, based on doctrines governing substantive fairness.[70] In others, Wrap Licenses can be successfully challenged for lack of consent and the substance of the stipulations therein can be questioned penetratingly.[71] The resulting international legal

66. *See generally* Batya Goodman, *Honey, I Shrink-Wrapped the Consumer: The Shrink-Wrap Agreement as an Adhesion Contract*, 21 CARDOZO L. REV. 319 (1999) (ultimately holding that shrinkwrap licenses are adequately governed by the framework for contracts of adhesion); Richard H. Stern, *Shrink-Wrap Licenses of Mass Marketed Software: Enforceable Contracts or Whistling in the Dark*, 11 RUTGERS COMPUT. TECH. L.J. 51 (1985) (describing as "unsettling" the notion that opening a package manifest consent to terms inside of it); Katy Hull, *The Overlooked Concern with the Uniform Computer Information Transactions Act*, 51 HASTINGS L.J. 1391 (1999) (emphasizing how all these contract forms place offerees in a "take-it-or-leave-it" predicament); KIM, *supra* note 56 at 35–87 (providing an extensive account of the history and development of these licenses); Mark A. Lemley, *Intellectual Property and Shrinkwrap Licenses*, 68 S. CAL. L. REV. 1239 (1995) (providing a map of the conceptual problems raised by these licenses). For a European perspective see Natali Helberger et al., *Digital Content Contracts for Consumers*, 36 J. CONSUM. POLICY 37 (2013); Lucie Guibault, *Copyright Limitations and Contracts: Are Click-Wrap Licenses Valid?* 2 Journal of Digital Property Law 144 (2002).

67. See KIM, *supra* note 65 at 44–53; Robert L. Oakley, *Fairness in Electronic Contracting: Minimum Standards for Non-Negotiated Contracts*, 42 HOUS. L. REV. 1041 (2005) (suggesting that the doctrine of unconscionability is not adequate to redress these imbalances); Ronald J. Mann & Travis Siebeneicher, *Just One Click: The Reality of Internet Retail Contracting*, 108 COLUM. L. REV. 984 (2008) (offering an empirical analysis of such terms); Robert W. Gomulkiewicz, *Getting Serious About User-Friendly Mass Market Licensing for Software*, 12 GEO. MASON L. REV. 687 (2003) (articulating steps that might render these contracts more user friendly).

68. For a comprehensive analysis of the case law in the United States see NIMMER AND DODD, *supra* note 8 §§ 3:32-3:34.

69. See *supra* note 47 on the pre-contractual disclosure for digital, standard form IP licenses; on substantive controls on the terms of IP licenses see *infra* Part II.D.

70. Following initial uncertainties, this is the position in the United States, see NIMMER AND DODD, *supra* note 8 § 3:33 (providing a detailed analysis of the relevant judicial authorities).

71. For a comparative analysis see Jane K. Winn & Brian H. Bix, *Diverging Perspectives on Electronic Contracting in the US and EU*, 54 CLEV. ST. L. REV. 175 (2006) (comparing the normative approaches in the United States and EU); James R. Maxeiner, *Standard Terms Contracting in the Global*

framework is piecemeal and riddled with uncertainty. This is particularly problematic at a time when standard form terms are offered to a global audience of potential licensees over the internet, at an ever-accelerating pace and in a growing number of sectors.

The Project might consider addressing this contentious matter. It is submitted that it would be for Member States to initially agree whether standard form IP licenses are capable of being vitiated by a lack of consent. If such a concern were unanimously shared by Member States, the circumstances in which acceptance of a standard form IP license gives rise to concerns regarding the consent of the licensee would have to be defined precisely; for example, it could be agreed that this is only the case if the license is entered into remotely or if a consumer were involved. The final step would be for Member States to elaborate substantive rules to resolve the aforementioned deficit of consent.

Notably, the scope of the Project would once more be of decisive importance in shaping this discussion. Though imperfect assent beleaguers Wrap licenses generally, the intensity of this issue varies markedly depending on the subjects involved in the transaction and the type of IP licensed.

2. Form requirements

Private law establishes tenets that govern form requirements for all contracts.[72] IP law commonly provides supplementary rules for

Electronic Age: European Alternatives, YALE J. INT'L L. 109 (2003) (comparing Germany, the EU and the United States); Faye Wang, *The Incorporation of Terms Into Commercial Contracts: A Reassessment in the Digital Age*, J. BUS. LAW 87 (2015) (comparing European Union, UK and Chinese law); Hasan A. Deveci, *Consent in Online Contracts: Old Wine in New Bottles*, COMPUT. TELECOMMUN. L. REV. 223 (2007) (focusing primarily on English law); Phillip Johnson, *All Wrapped Up? A Review of the Enforceability of 'Shrink-Wrap'and 'Click-Wrap' Licenseswrap'licenses in the United Kingdom and the United States*, 25 EUR. INTELL. PROP. REV. 98 (2003) (focusing specifically on the enfroceability of these contracts and comparing the United States and the United Kingdom); Roberto Rosas, *Comparative Study of the Formation of Electronic Contracts in American Law with References to International Law*, COMPUT. TELECOMMUN. L. REV. 4 (2007) (for a broad comparative assessment of the formation of electronic contracts).

72. Form requirements were paramount in ancient legal cultures and Roman law, see ZIMMERMANN, *supra* note 52 at 546–49. Over the centuries, however, mandatory formalities have become exceptional in nature, yielding to the principle that parties are free to choose the expression they prefer for their agreement. For a primer on form requirements in European contract law see D.C.F.R, *supra* note 40 at Art II. – 4:101 (as a general rule there are no form requirements, yet most jurisdictions contemplate exceptions for special contracts). For an Anglo-American perspective, *see generally* Joseph M. Perillo, *The Statute of Frauds in the Light of the Functions and Dysfunctions of Form*, 43 FORDHAM L. REV. 39 (1974); Eric A. Posner, *The decline of formality in contract law*, *in* THE FALL AND RISE OF FREEDOM OF CONTRACT 61–77 (Frank Buckley ed., 1999); Patrick S. Atiyah & Robert S. Summers, *Form and Substance in Anglo-American Law a Comparative Study of Legal Reasoning, Legal Theory, and Legal Institutions*, (1987).

assignments, licenses, and other contractual dealings.

The intersection of these two streams produces a distinctly different landscape across jurisdictions.[73] In some, strict and onerous formalities are required: IP contracts are void unless in writing and signed.[74] In others, form requirements are entirely absent.[75] In others still, formalities are only required *ad probationem*.[76] License agreements for different IP rights are often subject to contrasting form requirements within the same jurisdiction.[77] Additionally, a veritable cacophony of rules, regulations and standards surround electronic documents and signatures.[78]

This cacophony can be explained by the profoundly conflicting attitudes that exist towards form requirements internationally, both in contract law and IP law. Regardless, legal scholars have been unequivocal in denouncing the extant legal framework for its high transaction costs and legal uncertainty.[79]

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73. *See generally* Guibault and Hugenholtz, *supra* note 9 § 3.3 (providing an overview of the European landscape); NIMMER AND DODD, *supra* note 8 §§ 3:44-3:49 (offering a primer of the law in the United States).

74. For example, this is the case in the United Kingdom for patent (section 30 UK PA), trademarks (section 28 United Kingdom Trade Marks Act 1994) [henceforth UK TMA], and copyright licenses (sections 92, 101A CDPA). The same is true in Spain for patent article 74 Ley N° 24/2015, de 24 de julio, de Patentes [henceforth Spanish Patent law], and article 46 of Ley Nº 17/2001, de 7 de diciembre de 2001, de Marcas [henceforth Spanish Trademarks law]; notably, registration in the patent registered is contingent on the license being in the form of a deed under article 74 Spanish Patent law.

75. This is the case in Austria, Denmark, Finland, and Sweden; see Guibault and Hugenholtz, *supra* note 9 § 4.1.3.

76. For example, this is the case in Belgium (Article XI.167 Belgian Code of Economic Law), Italy (article 110 Italian Copyright Law) and Luxembourg (Article 12 Loi du 18 avril 2001 sur les droits d'auteur, les droits voisins et les bases de données) [henceforth Luxembourg Copyright and Related Rights Act]

77. For example, in the United States exclusive licenses must be in writing, while non-exclusive licenses do not; *see generally* NIMMER AND NIMMER, *supra* note 32 § 10.03; NIMMER AND DODD, *supra* note 8 §§ 3:44-3:49, 5:59; it should be noted however that written form is relevant for non-exclusive copyright licenses to resolve priority disputes under 17 U.S.C. § 205(e) (2010). In the Netherlands copyright licenses need not be in writing, while a written instrument is required for a license of neighboring rights (article 9 of the Act of March 18, 1993, containing Rules on the Protection of Performers, Phonogram Producers and Broadcasting Organizations and Amending the Copyright Act 1912) [henceforth Dutch Neighboring Right Act]. In France articles L131-2, L-132-7, L212-3 Code de la propriété intellectuelle (version consolidée au 17 mars 2017) [henceforth French Intellectual Property Code] establish variable set of formalities for copyright related contracts. *See generally* Guibault and Hugenholtz, *supra* note 9 §§ 4.2.3, 4.3.3.

78. This an area in which the United States benefits from a degree of clarity from The Electronic Signatures in Global and National Commerce Act (E-Sign) 15 U.S.C. 96; on this statute *see generally* Robert A. Wittie & Jane K. Winn, *Electronic Records and Signatures under the Federal E-SIGN Legislation and the UETA*, BUS. LAWYER 293 (2000) (providing an analysis of this statutory instrument). Across the world, however, there is substantial disharmony. *See generally* Donnie L. Kidd Jr. & William H. Daughtrey Jr., *Adapting Contract Law to Accommodate Electronic Contracts: Overview and Suggestions*, 26 RUTGERS COMPUTER TECH. L.J. 215 (1999) (suggesting that often adapting existing contract law doctrines is sufficient to accommodate the needs of electronic transactions).

79. See Brennan and Dodd, *supra* note 15 at 258, 264.

The Project should consider recommending a uniform legal regime for the form requirements, to promote international harmonization. Member States would undertake to seek equilibrium between two polarized impulses. At one extreme, the impetus to expedite contract formation and reduce transaction costs by minimizing form requirements. At the other, the desire to augment standardization and foster transparency by imposing formalities that require extensive disclosure of information.

It is submitted that this balancing assessment and the ensuing policy decision would be best informed by a comparative appraisal of the current state of the law across multiple jurisdictions and empirical data collected from stakeholders. Notably, the scale and complexity of this inquiry would differ substantially depending on the scope of the Project.

D. Content: rights and obligations of the licensor and licensee

It is a widely-accepted principle that persons can freely decide whether to enter into a contract, with whom and under which terms.[80] Nevertheless, the content of the synallagmatic nexus agreed by the parties does not exist in a vacuum but is rather affected by two distinct categories of legal rules.[81]

The first are mandatory[82] rules ("MRs"). MRs curtail party autonomy by imposing non-derogable rights and obligations on contracting parties;[83] they are typically either prescriptive or proscriptive in nature.[84] The second category consists of default[85] rules ("DRs"). DRs establish rights and obligations that apply to the contracting parties only in so far as they have not agreed otherwise; the defining feature of these rules is that they are presumptive.[86] Both MRs and DRs can originate from many

80. *See generally* PATRICK SELIM ATIYAH, 1 THE RISE AND FALL OF FREEDOM OF CONTRACT (1979); MICHAEL J. TREBILCOCK, THE LIMITS OF FREEDOM OF CONTRACT (1997).

81. *See generally* Duncan Kennedy, *Distributive and Paternalist Motives in Contract and Tort Law, with Special Reference to Compulsory Terms and Unequal Bargaining Power*, 41 MD. L. REV. 563 (1981) (discussing how the dividing line between mandatory and default rules might, in practice, become blurred).

82. These are sometimes alternatively referred to as "immutable" or "coercive".

83. In this paragraph, the expression "freedom of contract" and "party autonomy" are used as synonymy.

84. See Kennedy, *supra* note 81 at 595–96; Philippe Aghion & Benjamin Hermalin, *Legal Restrictions on Private Contracts Can Enhance Efficiency*, 6 J. L. ECON. ORGAN. 381 (1990) (arguing that certain mandatory rules can enhance efficiency).

85. These are sometimes alternatively referred to as "non-mandatory", "presumptive" or "terms implied in law".

86. The literature on DRs is vast. *See generally* Ian Ayres & Robert Gertner, *Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules*, 99 YALE L.J. 87, 88–89 (1989); Richard Craswell, *Contract Law: General Theories*, 3 ENCYCL. LAW ECON. 1 (2000) (providing an overview of the main theories developed in the 19th century on DRs); IAN R. MACNEIL, CONTRACTS: EXCHANGE

branches of the law and express a broad range of policy concerns; some apply to all contracts homogenously, while others only extend to voluntary exchanges with determinate features.[87]

IP licenses are subject to MRs and DRs that apply to all binding pacts generally, as well as those specifically crafted for these agreements. The latter group of rules stems primarily from IP laws, yet can also emerge from other branches of the law, such as competition law and consumer law. A comparative analysis of the rules impacting the content of IP licenses reveals significant differences in their prevalence, substance and intensity across jurisdictions. Notably, disharmony is most pronounced in relation to copyright licenses.[88]

With regard to MRs, some jurisdictions establish a thicket of rules that severely limit the freedom of the parties to architect their own agreement. Others contemplate but few MRs of proscriptive nature, allowing ample space for the parties' contractual creativity. These conflicting approaches are an external manifestation of both the proclivity of the legal order in question to encroach on private transactions and, more generally, the value attributed to freedom of contract. By contrast, across jurisdictions there is a relative paucity of DRs specifically addressing IP licenses; when they are present, they tend to concentrate on matters of secondary importance. Notable in its absence is a discernible systemic approach.[89]

It is almost a foregone conclusion that Member States would devote significant attention to the consideration of possible MRs and DRs that would affect the content of IP license agreements. Negotiations would likely be challenging, owing to the substantially different approaches that

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TRANSACTIONS AND RELATIONS: CASES AND MATERIALS 346–347 (1978); Matthias E. Storme, *Freedom of Contract: Mandatory and Non-Mandatory Rules in European Contract Law'(2007)*, 15 EUR. REV. PRIV. LAW 233, 239–51; Robert Grary, *The Prescriptive Nature of Obligatory Laws*, 69 ARSP ARCH. FÜR RECHTS-SOZIALPHILOSOPHIE ARCH. PHILOS. LAW SOC. PHILOS. 311 (1983) (analyzing Hart's, Augustine's and Kelsen's conception of mandatory rules).

87. For a systemic map of mandatory rules Storme, *supra* note 86 at 239–47; for a systemic European perspective see Martijn W. Hesselink, *Non-Mandatory Rules in European Contract Law*, 1 EUR. REV. CONTRACT L. 44 (2005).

88. For an exhaustive analysis of this topic see Paul Katzenberger, *Protection of the Author as the Weaker Party to a Contract Under International Copyright Contract Law*, 19 IIC 731 (1988); for a comparative analysis between the United States and select law jurisdictions see Neil Netanel, *Alienability Restrictions and the Enhancement of Author Autonomoy in United States and Continental Copyright Law*, 12 CARDOZO ARTS & ENT. L.J. 1 (1994).

89. In the United States, the most notable attempts fill this lacuna are Uniform Computer Information Transactions Act (UCITA) and the ALI Software Contract Principles. On UCITA and its troubled history *see generally* Amelia H. Boss, *Taking UCITA on the Road: What Lessons Have We Learned Symposium - Information and Electronic Commerce Law: Comparative Perspectives*, 7 ROGER WILLIAMS U. L. REV. 167 (2001); Nim Razook, *The Politics and Promise of UCITA Legal Issues Facing Corporations*, 36 CREIGHTON L. REV. 643 (2002). On the ALI Software Contract Principles *see generally* Hillman and O'Rourke, *supra* note 49; Juliet M. Moringello & William L. Reynolds, *What's Software Got to Do with IT-The ALI Principles of the Law of Software Contracts*, 84 TUL. L. REV. 1541 (2009).

exist at national level. Though MRs and DRs combine to create a unitary body of rules, it is submitted that Member States would benefit from adopting distinct decision-making processes for their formulation, owing to their profound ontological and functional differences.

1. Decision-making process for mandatory rules

In principle, there are two bases of adoption for a MR: protection of an interest of either one or both the contracting parties; and protection of an interest of persons not privy to this contract—society at large or a segment thereof. Crucially, the threshold of adoption is high: the interest under consideration must be deemed of such systemic importance as to warrant the introduction of a non-derogable rule that either restricts or completely precludes the parties' autonomy to stipulate otherwise in their agreement.

A comparative analysis reveals that MRs applicable to all contracts typically protect general interests such as legality, the integrity of consent, and reliance.[90] By contrast, MRs that apply to determinate contracts safeguard interests that are vital to their designated context of application. In the realm of copyright, non-derogable rules that nullify any attempt of an author to assign or license their moral rights are a revelatory example of an MR aimed at protecting an interest deemed to be of critical importance to this branch of IP law.[91]

Thus, in formulating MRs, it would be for Member States to define first which normative objectives the Project should seek to pursue when regulating IP license contracts, and their respective order of priority. Thereafter, Member States should dissect the structure of IP license agreements to ascertain which segments lend themselves to stipulations capable of undermining the objectives that have been identified as worthy of protection, if left entirely to unrestricted party autonomy. This decision-making process would involve legal, political, social, and economic considerations. It should, however, be shaped by the observation that the function of MRs is to protect interests deemed systemically significant.

Any excursion that sought to venture beyond methodological observations would be premature if conducted prior to deliberations

90. For a detailed analysis see Storme, *supra* note 86 at 244–51.

91. For an exhaustive comparative analysis of the different MRs that exist internationally restricting freedom of contract in respect of copyright moral rights see PAUL GOLDSTEIN & BERNT P. HUGENHOLTZ, INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE 345–56 (2010); ELIZABETH ADENEY, THE MORAL RIGHTS OF AUTHORS AND PERFORMERS: AN INTERNATIONAL AND COMPARATIVE ANALYSIS (2006); Henry Hansmann & Marina Santilli, *Authors' and Artists' Moral Rights: A Comparative Legal and Economic Analysis*, 26 J. LEGAL STUD. 95, 124–130 (1997) (providing a law and economic analysis of the effects of inalienability of moral rights).

establishing which normative objectives Member States wish to shield from absolute freedom of contract, and their respective order of priority. Nevertheless, based on a comparative analysis of IP-specific MRs presently in force across jurisdictions, it is submitted that the following are examples of types of norms that Member States might consider: limitations to the breadth and depth of the license grant that the parties can agree,[92] a standard of conduct in performance for the rights and obligations stipulated under the IP license,[93] a warranty regarding the quality and title of the licensed IP right,[94] and restrictions on terms the effect of which is to magnify the scope of protection of the licensed IP right beyond statutory confines.[95]

2. Decision-making process for default rules

The bases for the adoption of DRs are highly contentious spawning vivacious discussions and vast literature. Legal scholars, philosophers and economists are deeply divided with regard to the policy aims that should inform these rules.[96]

The most widely-supported theory is that DRs should promote economic efficiency. Among its proponents, however, there is disagreement concerning the manner in which these rules should achieve this objective.[97] Alternative views have been posited, including

92. For example, in many European jurisdictions, copyright laws contain MRs limiting the licensing of future rights, for a comparative analysis see Guibault and Hugenholtz, *supra* note 9.

93. For example, many European jurisdictions contain a general MR that applies to all contract, requiring parties to perform their contract in good faith; for a comparative European analysis see REINHARD ZIMMERMANN & SIMON WHITTAKER, GOOD FAITH IN EUROPEAN CONTRACT LAW (2000) (providing both a theoretical analysis and case studies). In similar vein, albeit with substantial differences, the Uniform Commercial Code establishes a duty to perform contracts in good faith, *see generally* Robert S. Summers, *"Good Faith" in General Contract Law and the Sales Provisions of the Uniform Commercial Code*, VA. L. REV. 195 (1968); Atiyah and Summers, *supra* note 72; Steven J. Burton, *Breach of Contract and the Common Law Duty to Perform in Good Faith*, HARV. L. REV. 369 (1980); Steven J. Burton, *Good Faith Performance of a Contract Within Article 2 of the Uniform Commercial Code*, 67 IOWA L. REV. 1 (1981). Notably, the ALI Principles of Software Contracts chose to retain the general UCC obligation to perform contractual obligations in good faith; for commentary see Hillman and O'Rourke, *supra* note 48 at 1533–34 (providing an overview of this issue).

94. For example, see ALI Software Contracts Principles § 3.05b; for a detailed commentary Hillman and O'Rourke, *supra* note 49 at 1534–35; NIMMER AND DODD, *supra* note 8 §§ 8:5-8:30.

95. *See generally* Robert A. Hillman, *Contract Law in Context: The Case of Software Contracts*, 45 WAKE FOREST L. REV. 669, 674–76 (2010); NIMMER AND DODD, *supra* note 8 §§ 13:24-13:33 (providing an exhaustive analysis of the law in the United States).

96. The bibliography on this topic is vast. *See generally* Ayres and Gertner, *supra* note 86 (arguing that in specific situations, it is efficient to impose a penalty default rule to discourage strategic information withholding); Eric A. Posner, *There Are No Penalty Default Rules in Contract Law*, 33 FLA. ST. U. L. REV. 563 (2005) (arguing that penalty default rules don't exist).

97. For an overview of the theories that have been advanced over the course of time *see* Craswell, *supra* note 86 at 3-4; RICHARD A. POSNER, ECONOMIC ANALYSIS OF LAW 434 (1992) (for an explanation

suggestions that DRs should be grounded in the customs, usages and practices of the parties' community ("Conventionalism"),[98] formalities,[99] the consent of the contracting parties[100] or morality.[101] Recently, two further foundations for DRs have been proposed: the history of the legal order in question and its constitution.[102]

In light of such profoundly diverging stances, Member States would face a schismatic decision in electing the bases of adoption for the DRs to be included in the Project. One possibility might be to embrace one of the aforementioned theories. In principle, such a choice would be elegant and offer consistency; in practice, it would be both politically and substantively problematic to realize, as reaching a consensus on the principle to be followed would be wearying. Alternatively, Member States could opt for an "eclectic" method that takes into account multiple bases concurrently.[103] This strategy would make allowances for a range of views and sensitivities, though it would saddle Member States with the heavy burden of formulating an order of priority among the chosen principles.

Nevertheless, it should be noted that the intergovernmental and international nature of the Project would intrinsically simplify this decision-making process. In the ambit of negotiations involving a large number of sovereign actors with profoundly different histories, social norms, and traditions, striving to ground DRs in historical, constitutional or moral considerations would be unrealistic. Accordingly, the most viable bases of adoption to be considered by Member States would likely be a combination of economic efficiency and Conventionalism.

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of the 'Majoritarian' or 'Market-Mimicking' thesis); Ayres, *supra* note 86 (for the 'Information-Forcing' or 'Penalty' Default Rules thesis).

98. *See* MACNEIL, *supra* note 86 at 854–905; Ian R. Macneil, *Economic Analysis of Contractual Relations: Its Shortfalls and the Need for a "Rich Classificatory Apparatus*," 75 N.W. U. L. REV. 1018 (1981); Randy E. Barnett, *The Sound of Silence: Default Rules and Contractual Consent*, 78 VA. L. REV. 821 (1992); Steven J. Burton, *Default Principles, Legitimacy, and the Authority of a Contract*, 3 S. CAL. INTERDISC. L.J. 115 (1993).

99. *See generally*, Lon L. Fuller, *Consideration and Form*, 41 COLUM. L. REV. 799 (1941) (suggesting that default rules should induce parties to express their intentions in a manner that could be recognized by courts easily).

100. For an explanation of this thesis and a cogent critique, *see* Christopher A. Riley, *Designing Default Rules in Contract Law: Consent, Conventionalism, and Efficiency*, 20 OXF. J. LEG. STUD. 367, 370–75 (2000).

101. *See* Burton, *supra* note 98 (default rules should be based on the coordinating principle of fairness). For a comprehensive bibliography *see* Craswell, *supra* note 86 at 12-13.

102. *See* Hesselink, *supra* note 87 at 62–65.

103. *See* Riley, *supra* note 100 at 389–90; Hesselink, *supra* note 87at 69.

E. Canons[104] of interpretation[105]

In every legal system, private law establishes principles and rules of construction that apply to all contracts.[106] In many jurisdictions, IP law provides ulterior hermeneutical canons specific to assignments, license agreements and other dealings involving these assets.

The ubiquitously-recognized aim of contract construction is to establish the intention of the parties.[107] Despite this, there is imperfect alignment between the rules, principles and processes that jurisdictions apply in pursuit of this core objective. *Inter alia*, the extent to which the common intention of the parties is construed subjectively or objectively varies significantly,[108] as do the precepts guiding completive interpretation[109] and recourse to good faith as a hermeneutical device.[110]

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104. The words canon is used here to include both rules and principles of interpretation.

105. For present purposes, the words construction and interpretation are used as synonyms. The terminological convention according to which "interpretation" designates the operation to discern meaning, while "construction" identifies process to establish legal effects is not accepted in this paper; *see* RESTATEMENT (SECOND) OF CONTRACTS §200, 201-03 (1981).

106. The body of scholarship on this topic is vast. For a United States perspective *see generally* Oliver Wendell Holmes, *The Theory of Legal Interpretation*, 12 HARV. L. REV. 417 (1899); Patterson, *supra* note 57; EDWARD ALLAN FARNSWORTH, FARNSWORTH ON CONTRACTS (3d ed. 2004)§) §7.8; STEVEN J. BURTON, ELEMENTS OF CONTRACT INTERPRETATION (2009); for a recent reconceptualization of contract interpretation *see* Alan Schwartz & Robert E. Scott, *Contract Theory and the Limits of Contract Law*, YALE L.J. 1 (2003); for a critical analysis of this new thesis *see* Steven J. Burton, *A Lesson on Some Limits of Economic Analysis: Schwartz and Scott on Contract Interpretation*, 88 IND. L. J. 339 (2013) (it also provides a detailed account of the different views expressed by commentators). In England *see* GERARD MCMEEL, THE CONSTRUCTION OF CONTRACTS: INTERPRETATION, IMPLICATION AND RECTIFICATION (2007); KIM LEWISON, THE INTERPRETATION OF CONTRACTS (2015). For European civil law perspective *see* HUGH BEALE ET AL., CONTRACT LAW: IUS COMMUNE CASEBOOKS FOR THE COMMON LAW OF EUROPE: CASES, MATERIALS AND TEXT ON CONTRACT LAW ch. 13 (2010); INTERPRETATION IN POLISH, GERMAN AND EUROPEAN PRIVATE LAW (2011). Grzegorz Zmij & Bettina Heiderhodd eds., 2011). For a comparative analysis *see* Stefan Vogenauer, *Interpretation of Contracts. Concluding Comparative Observations*, *in* CONTRACT TERMS 123–52 (Andrew Burrows & Edwin Peel eds., 2007).

107. *See generally* E. Allan Farnsworth, *"Meaning" in the Law of Contracts*, 76 YALE L.J. 939 (1967); ALFRED THOMPSON DENNING, THE DISCIPLINE OF LAW 32–50 (1979). In the United States *see* RESTATEMENT (SECOND) OF CONTRACTS § 200 (1981); for a European perspective see D.C.F.R, *supra* note 40 at II. – 8:101 (providing a primer of the canons of interpretation in European jurisdictions).

108. *See* Vogenauer, Burrows, and Peel, *supra* note 106 at 124–28 (explaining the underlying theoretical differences and comparing the law in England, France and Germany); D.C.F.R, *supra* note 40 at II-8:101 (for a primer of the different hermeneutical matter in European jurisdictions); Perillo, *supra* note 52 (explaining the trajectory of objective interpretation in United States contract law); David McLauchlan, *Common Assumptions and Contract Interpretation (1997)*, 113 L. Q. REV. 237.

109. Vogenauer, Burrows, and Peel , *supra* note 106 at 130–32; E. Allan Farnsworth, *Disputes Over Omission in Contracts*, 68 COLUM. L. REV. 860 (1968); D.C.F.R, *supra* note 40 at II. – 9:101 (for a primer of the law in European jurisdictions); Richard E. Speidel, *Restatement Second: Omitted Terms and Contract Method*, 67 CORNELL L. REV. 785 (1982).

110. On good faith as an interpretation prism, *see* FRANZ WIEACKER, ZUR RECHTSTHEORETISCHEN PRÄZISIERUNG DES §§ 242 BGB (1956) (who drew an analogy with Papinianus' conception of the *ius honorarium* (or *ius praetorium*) as *adiuvandi vel supplendi vel corrigendi iuris civilis*). For a European

Even where jurisdictions share common principles and rules of construction, their method of application can differ meaningfully.[111] Moreover, while interpretation is a matter of law in some legal orders, it is one of fact in others.[112]

IP law canons of construction for license agreements are supplementary in nature, as they complement the general rules and principles laid out by contract law.[113] Notably, their scope of application varies. Some apply horizontally to all licenses regardless of the type of IP involved. For example, there are jurisdictions where a principle has emerged which suggests that both ambiguous and unclear terms in such contracts should be interpreted in favor of the licensor.[114]

By contrast, in most jurisdictions, the vast majority of established IP canons of construction have a narrower scope, confined to agreements that involve a particular form of IP. This is especially apparent in the realm of copyright. For example, in France,[115] Belgium,[116]

perspective *see* Reinhard Zimmermann & Simon Whittaker, *Good Faith in European Contract Law Surveying the Legal Landscape*, in GOOD FAITH IN EUROPEAN CONTRACT LAW 1-25 (Reinhard Zimmermann & Simon Whittaker eds., 2000); Martijn W. Hesselink, *The Concept of Good Faith*, in TOWARDS A EUROPEAN CIVIL CODE 619 (Arthur Hartkamp et al. eds., 2010). For an EU perspective NORBERT REICH, GENERAL PRINCIPLES OF EU CIVIL LAW 189-213 (2014). For the United States law perspective *see* Summers, *supra* note 93; Burton, *supra* note 93. In the context of the CISG see Paul J. Powers, *Defining the Undefinable: Good faith and the United Nations Convention on the Contracts for the International Sale of Goods*, 18 J.L. COM. 333 (1999); Alexander S. Komarov, *Internationality, Uniformity and Observance of Good Faith as Criteria in Interpretation of CISG: Some Remarks on Article 7(1)*, 25 J.L. COM 75 (2005); Nathalie Hofmann, *Interpretation Rules and Good Faith as Obstacles to the UK's Ratification of the CISG and to the Harmonization of Contract Law in Europe*, 22 PACE INT'L. REV.145 (2010). In the ambit of the Principles of European Contract Law *see* Ole Lando, *Is Good Faith an Over-Arching General Clause in the Principles of European Contract Law?*, 15 EUR. REV. PRIV. L 841 (2007).

111. *See* Vogenauer, Burrows, and Peel, *supra* note 106 at 129–36; BURTON, *supra* note 97 at 1.

112. For a thorough explanation of this topic and a comparative analysis across jurisdictions *see* Vogenauer, Burrows, and Peel, *supra* note 106 at 129–30; D.C.F.R, *supra* note 40 at II-8:101 (providing a comparative overview of European jurisdictions).

113. In the United States, alongside contract law principles of individual states, the Uniform Commercial Code Art. 2 has also influenced the interpretation of IP licenses; *see* GOMULKIEWICZ, *supra* note 9 at 5–6; NIMMER AND DODD, *supra* note 8 § 4:2.

114. Notably, in the United States, contract law of individual states typically holds that ambiguous terms must be construed *contra proferentem*; *see* Restatement (Second) of Contracts § 206 (1981). However, this canon is often disregarded in IP licenses following the principle that such stipulations should be construed in favor of the licensor, *see* GOMULKIEWICZ, *supra* note 9 at 12–13 analyzing this principle of construction and the relevant case law.

115. Article L122-7(-4 French Intellectual Property Code; notably, the Cour de Cassation Cass. 1re.civ., 30 Sept. 2010, CCE, 2010, comm: 199, held that this interpretation rule is non-derogable for the parties.

116. Article XI.167 Code de droit économique (version consolidée de 2016) [henceforth Belgian Code of Economic Law].

Luxembourg[117] and Spain,[118] ambiguous terms must be interpreted in favor of the author (*in dubio pro autore*).[119] In France,[120] Belgium[121] and, to a lesser degree, the United States,[122] the scope of copyright licenses is interpreted strictly and limited to the rights expressly mentioned in the agreement. Germany,[123] Greece[124] and Italy[125] have established a construction rule according to which the scope of copyright licenses must be determined in light of the purpose of the transaction.[126] In Hungary,[127] if stipulations on this matter are unclear, licenses to produce a copyright-

117. Article 12 Luxembourg Copyright and Related Rights Act.

118. Articles 43, 76 Texto Refundido de la Ley de Propiedad Intelectual, Regularizando, Aclarando y Armonizando las Disposiciones Legales Vigentes Sobre la Materia (aprobado por el Real Decreto legislativo Nº 1/1996 de 12 de abril, y modificado hasta la Ley N° 12/2017, de 3 de julio de 2017) [henceforth Spanish Copyright Law].

119. On this principle of interpretation, *see generally* Strowel and Vanbrabant, *supra* note 9 at 40; for a detailed analysis in Belgium, France, and Spain respectively *see* Guibault and Hugenholtz, *supra* note 9 §§ 4.2.6, 4.3.6, & 4.7.6.

120. Article L122-7(4) Code de la propriété intellectuelle (version consolidée au 17 mars 2017) [henceforth French Intellectual Property Code]; notably, the Cour de Cassation Cass. 1re.civ., 30 Sept. 2010, CCE, 2010, comm: 199, held that this interpretation rule is non-derogable for the parties.

121. Article XI.167 Belgian Code of Economic Law; *see generally* Alain Strowel, *Belgium*, § 1 *in* INTERNATIONAL COPYRIGHT LAW AND PRACTICE (Melville B. Nimmer & Paul E. Geller eds., 1993).

122. This canon of construction stems from 17 USC § 201(d)(2) (1978). Ginsburg, *supra* note 5. However, commentators have observed that United States courts have not always adopted a consistent approach to the interpretation of the scope of copyright licenses; *see generally* Stacey M. Byrnes, *Copyright Licenses, New Technology and Default Rules: Converging Media, Diverging Courts*, 20 LOY. L.A. ENT. L. REV. 243 (2000) (suggesting that there are no clearly affirmed rules of construction followed consistently).

123. *See* § 31(5) Gesetz über Urheberrecht und verwandte Schutzrechte (Urheberrechtsgesetz) [henceforth German Copyright Act]. For an explanation in English of the *Zweckübertragungstheorie*, *see* Guibault and Hugenholtz, *supra* note 9 § 4.4.6; in German *see generally* STEFAN SCHWEYER, DIE ZWECKÜBERTRAGUNGSTHEORIE IM URHEBERRECHT (1982).

124. Articles 15(4),) & 34(1)-(2) Law No. 2121/1993 on Copyright, Related Rights and Cultural Matters (as amended up to Law No. 4281/2014) [henceforth Greek Copyright Law]; *see generally* LAMBROS E. KOTSIRIS, GREEK COPYRIGHT LAW (2012); Dionysia Kallinikou, *License Contracts, Free Software and Creative Commons in Greece*, *in* FREE AND OPEN SOURCE SOFTWARE (FOSS) AND OTHER ALTERNATIVE LICENSE MODELS 227–34 (Axel Metzeger ed., 2016); GEŌRGIOS KOUMANTOS & IRINI A. STAMATOUDI, GREEK COPYRIGHT LAW (2014).

125. *See* Article 119 Law No. 633 of April 22, 1941, for the Protection of Copyright and Neighboring Rights (Legislative Decree No. 154 of May 26, 1997) [henceforth Italian Copyright Law]; see ALESSANDRO COGO, I CONTRATTI DI DIRITTO D'AUTORE NELL'ERA DIGITALE 200-20 (2010) (for a detailed analysis of these canons of construction).

126. According to Guibault and Hugenholtz, *supra* note 9 §§4.1.6 & 4.7.6. this principle of construction is also be judicially accepted in Portugal and Austria; *see* Für Katalog und Folder OGH 21, March 2000, GRUR Int. 2001/2, p. 186-87; OGH, 23 March 1993 (Corporate Identity Programm), GRUR Int. 1994/08-09, p. 758. Interestingly, though Dutch law recognizes this canon of construction for copyright assignment contracts it does not extend it to copyright licenses; *see* Frederik W. Grosheide, *Dutch Report on individual contracts of authors & performers*, 253-81 *in* ALAI CONFERENCE 1997 MONTEBELLO, CONFERENCE PROCEEDINGS COWANSVILLE (QUÉBEC) (Gildas Roussel ed., 1998).

127. Article 47(4) Act No. LXXVI of 1999 on Copyright (consolidated text of January 1, 2007) [henceforth Hungarian Copyright Act].

protected work are construed expansively to include permission to distribute copies. Conversely, there are also jurisdictions in which no such special canons of construction have emerged for IP license contracts and general contract law principles and rules of construction apply almost unwaveringly.[128]

Thus, the international legal landscape regarding the interpretation of IP license agreements displays a distinct lack of uniformity, which can be a source of costly uncertainty. To some extent, market participants can overcome this obstacle by way of dexterous drafting and by taking advantage of choice of law rules, yet such workarounds are inherently suboptimal.

The Project may consider exploring this nuanced facet of the legal framework governing IP licenses. It would be for Member States to develop bespoke hermeneutical rules and principles that would be conducive to reconstructing the intention of parties to IP licenses. Regrettably, in light of the profoundly diverging national approaches to contract construction generally and IP licenses specifically, it is submitted that agreeing both the approach and substance of such canons would be challenging. Additionally, Member States would face one particularly significant conceptual obstacle: any rule or principle of interpretation developed would need to be compatible or at least not at odds with general contract law canons of interpretation from across a vast number of jurisdictions.

Notably, the scope of Project would decisively affect endeavors addressing canons of construction for IP licenses. If its remit were broad, Members States would face a uniquely demanding challenge, as they would have to elaborate high-level construction principles, focusing on the interpretation of the functional core of IP licenses. If the scope of the Project were narrow, Member States might encounter fewer difficulties in crafting canons of interpretation that target precisely-delimited issues of construction germane to the type of license under consideration.

F. Registration

Registration systems are a staple of most legal orders. Typically, they record information such as the existence of goods deemed to be of elevated socio-economic importance,[129] the identity of persons, both legal

128. *See generally*, Guibault and Hugenholtz, *supra* note 9 § 4.9.6; COPINGER AND SKONE JAMES ON COPYRIGHT, *supra* note 9 §§5-233-5-240.

129. For example, throughout history, ship registration systems have been ubiquitous, owing to their economic, commercial and military importance; *see generally* ROBERT DAWSON CAMPBELL, THE SHIP'S REGISTER: A HISTORY OF BRITISH SHIP STATUS AND REGISTRATION PROCEDURES INCLUDING THEIR ADOPTION IN NEW ZEALAND (1980); Ray Bergsma, *Shipping Registrations*, 3 AUSTL. NZ. MAR.

and natural,[130] and systemically relevant transactions.[131] Their social, economic and political purposes,[132] can be immensely diverse, as can be their legal nature and function.[133]

IP legislation has a long history of establishing registration systems, tailored to the needs of the intangible goods in question.[134] These systems have not remained static over the course of time, as the policy objectives and legal function attributed to registration have evolved. New registers have been created to accommodate novel forms of intellectual property and technologies,[135] whereas registers that were once pivotal have been

L.J. 5 (1985); BENJAMIN WOODS ET AL., AMERICA AND THE SEA: A MARITIME HISTORY (1998); *Registration and Documentation of Ships*, THE OXFORD ENCYCLOPEDIA OF MARITIME HISTORY (John B. Hattendorf ed., 2007). Registration systems have been instrumental to the development of marine insurance, *see generally* John H. Baker, *The Law Merchant and the Common Law before 1700*, 38 CAMB. L.J. 295 (1979); HOWARD N. BENNETT, THE LAW OF MARINE INSURANCE 1 (2 ed. 2007); GUIDO ROSSI, INSURANCE IN ELIZABETHAN ENGLAND: THE LONDON CODE (2016) (for a recent contribution and an exhaustive bibliography). Similarly, land registers have existed for centuries in numerous legal orders; for the history of land registration in England *see generally* R. R. A. Walker, *The Genesis of Land Registration in England*, 55 L. Q. REV. 547 (1939); Alan Pemberton, *HM Land Registry: An Historical Perspective*, HM LAND REGIST. LOND. (1992); STUART J. ANDERSON, LAWYERS AND THE MAKING OF ENGLISH LAND LAW: 1832-1940 (1992).

130. For natural persons, beyond the obvious example of birth registers, it should be noted that registration systems have been instrumental to operating *ad hoc* legal regimes for special groups of individuals; outlaws registers are a pertinent example, *see* Ralph B. Pugh, *Early Registers of English Outlaws*, 27 AM. J. LEG. HIST. 319 (1983); Jane Y. Chong, *Targeting the Twenty-First-Century Outlaw*, 122 YALE L.J. 724, 743–50 (2012) (for a schematic and precise historical account).

131. For example, secured transactions registers, see Giuliano G. Castellano, *Reforming Non-Possessory Secured Transactions Laws: A New Strategy?*, 78 MOD. L. REV. 611 (2015) (for a rich bibliography on secured transactions registers, their systemic function and relevance for secured transactions law reform); Marek Dubovec, *UCC Article 9 Registration System for Latin America*, 28 ARIZ. J. INT'L. COMP. L. 117 (2011) (expounding the cardinal elements of the UCC 9 registration system); Charles W. Mooney Jr., *The Cape Town Convention's Improbable-but-Possible Progeny Part One: An International Secured Transactions Registry of General Application*, 55 VA. J. INT'L. L. 163 (2014) (explaining the core elements of the registration system of the Cape Town Convention).

132. For a socio-economic analysis of the effect of transaction registers *see* BENITO ARRUÑADA, INSTITUTIONAL FOUNDATIONS OF IMPERSONAL EXCHANGE: THEORY AND POLICY OF CONTRACTUAL REGISTRIES (2012); Benito Arruñada, *Registries*, 1 MAN AND THE ECONOMY 209 (2014); for the legal function of registers in the property-contract dichotomy *see* Giuseppe Dari-Mattiacci, Carmine Guerriero & Zhenxing Huang, *The Property–Contract Balance*, 172 J. INSTITUTIONAL THEOR. ECON. JITE 40 (2014); for a systemic study of land registration systems *see* JAAP ZEVENBERGEN, SYSTEMS OF LAND REGISTRATION: ASPECTS AND EFFECTS (2002).

133. Even limiting comparisons to IP, the differences in legal nature and function of patents and trademarks international registration systems are stark. For a systematic comparative analysis, *see* FREDERICK M. ABBOTT ET AL., INTERNATIONAL INTELLECTUAL PROPERTY IN AN INTEGRATED WORLD ECONOMY 2–3 (3rd ed. 2015); PAUL GOLDSTEIN & MARKETA TRIMBLE LANDOVA, INTERNATIONAL INTELLECTUAL PROPERTY LAW: CASES AND MATERIALS (4th ed., 2015).

134. In the United States for copyright *see generally* RICKETSON AND GINSBURG, *supra* note 12; for patents *see generally* ROBERT P. MERGES & JOHN F. DUFFY, PATENT LAW AND POLICY: CASES AND MATERIALS (6th ed., 2015); SCOTT F. KIEFF ET AL., PRINCIPLES OF PATENT LAW: CASES AND MATERIALS (6th ed., 2016); for trademarks GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY (4th ed., 2014).

135. For example, registration systems for plant varieties have been introduced worldwide over the

shuttered.[136]

In the 19th and 20th centuries, multilateral conventions both ushered in the creation of international IP registration mechanisms and promoted the harmonization of fundamental aspects of national registers. Notably, these initiatives did not extend to the rules governing the registration of contracts involving IP rights and,[137] thus, the international landscape remains profoundly disjointed.[138] These discrepancies are especially evident when comparing the legal regimes applicable to license agreements.[139] In some jurisdictions, registration of these contracts is optional and purely carries a function of public notice.[140] In others,

past thirty years, *see* MARGARET LLEWELYN & MIKE ADCOCK, EUROPEAN PLANT INTELLECTUAL PROPERTY (2006) (for the EU legal framework); Mark D. Janis & Jay P. Kesan, *U.S. Plant Variety Protection: Sound and Fury...?*, 39 HOUST. L. REV. 727, 739–45 (2002) (for the United States registration system); Sanjeet K. Verma, *TRIPS and Plant Variety Protection in Developing Countries*, 17 EUR. INTELLECT. PROP. REV. 281 (1995) (for a comparative international perspective).

136. A pertinent example is the copyright register that used to be held at Stationers' Hall in England. It ceased to function in its legal capacity in February 2000, after almost three centuries of service. On its history *see generally* CYPRIAN BLAGDEN, THE STATIONERS' COMPANY. A HISTORY 1403-1959 (1960); JOHN FEATHER, A HISTORY OF BRITISH PUBLISHING (1988); SHERMAN AND BENTLY, *supra* note 41 at 71, 181, 184. Notably, for a brief time, Stationers' Hall also served as a "quasi-official" register for trademarks, see TRUEMAN WOOD, THE REGISTRATION OF TRADE MARKS 21-22 (1875).

137. However, the recent World Intellectual Property Organization (WIPO), *Joint Recommendation Concerning Trademark Licenses*, (Sep. 25 to Oct. 3, 2000), http://www.wipo.int/edocs/pubdocs/en/marks/835/pub835.pdf) might signal a change of direction.

138. On these international conventions see RICKETSON AND GINSBURG, *supra* note 12; REINBOTHE AND VON LEWINSKI, *supra* note 12; VON LEWINSKI, *supra* note 12; RICKETSON, *supra* note 12; STAUDER, *supra* note 12; NELSON, *supra* note 12; WINNER AND DENBERG, *supra* note 12; BEIER AND SCHRICKER, *supra* note 12; MALBON, LAWSON, AND DAVISON, *supra* note 12; for a recent systemic overview CALBOLI AND WERRA, *supra* note 12; for critical reflections on the harmonization of substantive IP law in the European Union see PILA AND OHLY, *supra* note 12.

139. For a rich comparative analysis *see* AIPPI, *Contracts regarding Intellectual Property rights (assignments and licenses) and third parties*, (Q190) [henceforth Q190], http://aippi.org/committee/contracts-regarding-intellectual-property-rights-assignments-and-licenses-and-third-parties-2/ and AIPPI, *Summary Report*: *Question Q190*, http://aippi.org/wp-content/uploads/committees/190/SR190English.pdf. This disharmonized international legal landscape has also been analyzed by the International Trademarks Association *see* International Trademarks Association, *Board Resolutions: Elimination of Mandatory Trademark License Recording Requirements*, (Mar. 28, 1995), http://www.inta.org/Advocacy/Pages/EliminationofMandatoryTrademarkLicenseRecordingRequirements.aspx, which references the "Trademark Licensing Requirements in the EC and EFTA Countries," ; "Licensing Recordal Requirements in Asia and the Pacific"; and "Licensing Requirements in Latin America- Caribbean" reports. *See generally* Andrea Tosato, *Secured Transactions and IP licenses: comparative observations and reform suggestions*, 81 LAW & CONTEMP. PROBS. 155 (2018) (providing an exhaustive comparative analysis of the registration regime for IP licenses across jurisdictions).

140. For example, this is the case in the United Stated for patent, and trademarks licenses; *see* 35 U.S.C. § 261 (2002); 15 U.S.C. § 1060 (2002); this principle has deep roots tracing back to Story v. Byam 2 Story, 525, 538,539, 542. Licenses can be recorded for public notice, as detailed in C.F.R., Title 37 — Patents, Trademarks, and Copyrights. Copyright Office regulations codified in the Code of Federal Regulations (CFR) – Part 3 (2014).

registration is required for licenses to be effective against third parties[141] and may also serve as a priority point in the resolution of conflicts between competing *ayants cause*.[142] In others still, registration is required for a licensee to be able to bring actions against infringers.[143] Adopting yet another normative approach, a small number of jurisdictions establish that a sub-set of licenses with defined attributes must be registered to be effective between contracting parties.[144]

Academics, practitioners, and international organizations concur that this legislative discord is a source of both uncertainty and elevated transaction costs. However, opinions are deeply divided regarding the legal function that should be attributed to the registration of IP contracts generally, and of license agreements in particular.

One view is that registration should be required in order for IP licenses to be effective against third parties. The rationale is that documenting these transactions and the associated interests enhances legal certainty systemically; moreover, it promotes the commercial exploitation of IP rights, by enhancing the amount of information available to the public and facilitating regulatory supervision.[145]

A different view is that registration of IP licenses should be optional. Proponents of this thesis suggest that such filings are time-consuming, costly and a source of administrative complications. They suggest that

141. For example, this is the case in the United Kingdom for patents and trademarks licenses under UK PA § 33 and UK TMA § 25. The same is true in Spain under article 79 Spanish Patent Law, article 46 Spanish Trademarks Law, article 59 Ley 20/2003, de 7 de julio, de Protección Jurídica del Diseño Industrial [henceforth Spanish Design Law], and in Italy articles 138-140 Codice della proprietà industriale (decreto legislativo 10 febbraio 2005, n. 30, as modified by decreto-legge 24 gennaio 2012, n. 1, and adopted by legge 24 marzo 2012, n. 270) [henceforth Italian Industrial Property Code].

142. An important distinction needs to be drawn between two different approaches. Some legal systems set the priority point at the time of registration; for example, this the case under articles 138-140 Italian Industrial Property Code. Other jurisdictions establish that the priority point for third party effectiveness is the moment when the license agreement was concluded, provided that the agreement in question has been subsequently registered; this is the case under section UK PA § 33 and section UK TMA § 25. In the United States, there is no mandatory registration for copyright licenses, both non-exclusive and exclusive; however, under 17 U.S.C. § 205 (2010) recording of an exclusive license serves as constructive notice to third parties; moreover, under 17 U.S.C. § 205(d) (2010) it is held that between conflicting transferees (including exclusive licensees) a later recorded interest prevails over a prior unrecorded interest, provided that the latter has not been registered within one month after its execution. *See generally* NIMMER AND DODD, *supra* note 8 § 5:59; Tosato, *Secured Transactions and IP licenses*, *supra* note 139 at 164-167.

143. For example, registration is required in Spain, *see* AIPPI, *Spain: Report Q 190*, https://aippi.org/download/commitees/190/GR190spain.pdf.

144. In Japan, this is the case for "Senyojisshiken–type exclusive licenses", as detailed in AIPPI, *Japan: Report Q190*, http://aippi.org/wp-content/uploads/committees/190/GR190japan.pdf. The same is true in the Philippines for specific types of technology transfer licenses as detailed in AIPPI, *Philippines: Report Q190*, http://aippi.org/wp-content/uploads/committees/190/GR190philippines.pdf.

145. This is the view espoused in AIPPI, *Resolution: Q190,* (Oct. 8-12, 2006), http://aippi.org/wp-content/uploads/committees/190/RS190English.pdf.

registration often fails to provide reliable information, as parties limit their disclosures or take steps to conceal their identity to keep their dealing confidential. Furthermore, they argue that the negative effects stemming from innocent failure to register IP licenses vastly outweigh the alleged benefits of compulsory registration.[146]

The Project should consider formulating recommendations to harmonize this legal framework. It is submitted that conventional thinking is unlikely to garner consensus among Member States, as existing views are profoundly divergent and deeply entrenched. The Project should be mindful of the history of registration systems, yet should strive to look beyond the orthodoxy surrounding this topic. The operation and legal function of IP license registration would have to be considered prospectively. Crucially, in an increasingly digital economy, transaction-recording systems could be built on decentralized, automated ledgers populated by self-executing contracts.[147] This type of registration system would introduce dynamics and mechanisms that differ profoundly from those associated with paper and electronic registers presently in operation. Legal thinking should not lap erratically at the coat-tails of technological innovation, but rather harness it resolutely to leverage its potential.

G. Private international law: applicable law rules[148]

Across jurisdictions, domestic laws that establish private international law rules are largely influenced by multilateral conventions.[149] In the past,

146. This is the view championed by the International Trademarks Association in its *Board Resolution: Elimination of Mandatory Trademark License Recording Requirements*, *supra* note 139.

147. Legal scholarship on blockchain technology, smart contracts and decentralized ledgers is growing exponentially; *see generally* Kevin Werbach, *Trust but Verify: Why the Blockchain Needs the Law*, 33 BERKELEY TECH. L.J. 487 (2018); PRIMAVERA DE FELIPPI & AARON WRIGHT, BLOCKCHAIN AND THE LAW: THE RULE OF CODE 72-88 (2018); Trevor I. Kiviat, *Beyond Bitcoin: Issues in Regulating Blockchain Transactions Notes*, 65 DUKE L.J. 569 (2015); Larissa Lee, *New Kids on the Blockchain: How Bitcoin's Technology Could Reinvent the Stock Market*, 12 HASTINGS BUS. L.J. 81 (2016); Angela Walch, *The Bitcoin Blockchain as Financial Market Infrastructure: A Consideration of Operational Risk*, 18 N. Y. UNIV. J. LEGIS. PUB. POL'Y 837 (2015); Garry Gabison, *Policy Considerations for the Blockchain Technology Public and Private Applications*, 19 SMU SCI. TECHNOL. L. REV. 327 (2016); Joshua A. T. Fairfield, *BitProperty*, 88 SOUTH. CAL. L. REV. 805 (2015); Carla L. Reyes, *Moving Beyond Bitcoin to an Endogenous Theory of Decentralized Ledger Technology Regulation: An Initial Proposal*, 61 VILL. L. REV. 191 (2016); Konstantinos Christidis & Michael Devetsikiotis, *Blockchains and Smart Contracts for the Internet of Things*, 4 IEEE ACCESS 2292 (2016).

148. This paragraph focuses exclusively on private international law rules that are relevant to the law of obligations and IP law. Private international rules regulating branches of the law that are tangential to the Project, such as criminal law, are not considered.

149. Primarily, the conventions developed and adopted by member states of The Hague Conference on Private International Law; *see generally* Hans Van Loon, *The Hague Conference on Private International Law*, 2 HAGUE JUST. J. 3 (2007); M. L. Saunders, *The Hague Conference on Private International Law*, AUST . INT'L. L. 115 (1966); Erin A. O'Hara & Larry E. Ribstein, *From Politics to*

these international instruments did not dedicate special attention to IP contracts, including licenses; by contrast, in recent times, legislatures, legal scholars, governmental and non-governmental organizations have reversed this trend, striving to develop the private international law legal framework for these agreements.[150]

IP licenses are not ontologically transnational. The licensor, licensee, licensed IP rights, and contract performance can all be tied to a single jurisdiction and thus subject to its law. Historical sources indicate that the overwhelming majority of transactions adhered to this paradigm throughout the 18th and 19th centuries.[151] However, the past fifty years have heralded a progressive internationalization of these agreements. Increasingly, IP licenses involve parties located in distant jurisdictions, multiple IP rights protected by different States, and cross-border performance.[152] The concurrence of these features breeds conflicts of laws, the disentanglement of which can be laborious.

Efficiency in Choice of Law, 67 UNIV. CHI. L. REV. 1151 (2000) (theorizing a normative approach to craft choice of law rules alternative to that adopted by The Hague Conference). Regional instruments can also have a relevant influence, as is the case in the European Union with Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) and Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), and Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters; *see generally* MICHAEL MCPARLAND, THE ROME I REGULATION ON THE LAW APPLICABLE TO CONTRACTUAL OBLIGATIONS (2015); ANDREW DICKINSON, THE ROME II REGULATION: THE LAW APPLICABLE TO NON-CONTRACTUAL OBLIGATIONS (2010); CHESHIRE, NORTH & FAWCETT: PRIVATE INTERNATIONAL LAW, (Paul L.C. Torremans et al. eds., 15 ed. 2017).

150. For a detailed analysis *see* Paul L.C. Torremans, *Licenses and assignments of intellectual property rights under the Rome I Regulation*, 4 J. PRIV. INT'L. LAW 397 (2008); Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?* 51 WM. & MARY L. REV. 711 (2009) (highlighting the different speed at which public international IP law and private international IP law have developed); Pedro Alberto De Miguel Asensio, *Applicable law in the absence of choice to contracts relating to intellectual or industrial property rights*, *in* YEARBOOK OF PRIVATE INTERNATIONAL LAW: VOLUME X (Andrea Bonomi & Paul Volken eds., 2008); CHESHIRE, NORTH & FAWCETT: PRIVATE INTERNATIONAL LAW, *supra* note 149 at 1; Paul L.C. Torremans, *Questioning the principles of territoriality: the determination of territorial mechanisms of commercialisation in* COPYRIGHT LAW: A HANDBOOK OF CONTEMPORARY RESEARCH (Paul L.C. Torremans ed., 2007); Pedro Alberto De Miguel Asensio, *The Law Governing International Intellectual Property Licensing Agreements (A Conflict of Laws Analysis)*, *in* RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY LICENSING 312–336 (Jacques de Werra ed., 2013); Paul L.C. Torremans, *Private International Law Issues on the Internet*, *in* THE FUTURE OF COPYRIGHT: A EUROPEAN UNION AND INTERNATIONAL PERSPECTIVE 369–396 (Irini A. Stamatoudi ed., 2016).

151. *See generally* SEVILLE, *supra* note 41 (providing insights into copyright licenses); Oren Bracha, *United States Copyright*, *1672-1909*, in RESEARCH HANDBOOK ON THE HISTORY OF COPYRIGHT LAW 335–72 (Isabella Alexander & H. Tomás Gómez-Arostegui eds., 2016) (offering an insight into copyright and licensing in the United States, prior to the twentieth-century).

152. *See generally* SHERMAN AND BENTLY, *supra* note 41; SEVILLE, *supra* note 41; Granstrand, *supra* note 41; Aoki, *supra* note 41; William R. Cornish, *The International Relations of Intellectual Property*, 52 CAMB. L.J. 46 (1993); David, *supra* note 41.

It is an established private international law tenet that a distinction must be drawn between proprietary and contractual matters when determining the law applicable to IP contracts.[153] Proprietary matters are those that concern the IP right itself, including its existence, validity, scope of protection, duration, whether it can be assigned and licensed, and the registration requirements for these dealings. The orthodox position is that the law applicable to these issues is that of the State protecting the IP right object of the contract ("*lex loci protectionis*"); parties are not at liberty to postulate otherwise.[154]

Contractual matters are those that concern the mutual rights and obligations stipulated by the parties, and the constituent elements of their agreement, including formation,[155] interpretation, performance, breach, nullity and remedies.[156] It is generally accepted that the law applicable to these facets is that governing the contract ("*lex contractus*"). Save for international mandatory provisions,[157] parties can elect for their contract to be governed by their law of choice.[158]

In the absence of such a designation, *lex contractus* is established

153. Specifically on the challenges of characterization in IP license contracts *see* De Miguel Asensio, *supra* note 150 at 323–25; Torremans, *Licenses and assignments*, *supra* note 150 at 397–400; Carmen Otero García-Castrillón, *Choice of law in IP: Rounding off territoriality*, *in* RESEARCH HANDBOOK ON CROSS-BORDER ENFORCEMENT OF INTELLECTUAL PROPERTY 421–68, 424–25 (Paul Torremans ed., 2014).

154. *See generally* CHESHIRE, NORTH & FAWCETT: PRIVATE INTERNATIONAL LAW, *supra* note 150 at 10; Torremans, *Licenses and assignments*, *supra* note 150 at 400–402; De Miguel Asensio, *supra* note 150 at 320. Notably, *lex loci protectionis* does not apply ubiquitously to the taking of security in IP licenses. The private international law framework governing these transactions varies across jurisdictions and raises a variety of complex issues; *see* Tosato, *Secured Transactions and IP licenses*, *supra* note 139 at 167-172 (highlighting the deficiencies of approaches currently adopted across jurisdictions and suggesting legal reform strategies).

155. Formal validity of the contract must be distinguished from form requirements specifically established by IP law. The former is a matter for contract law governed by *lex contractus*, the latter is an IP law issue to which *lex loci protectionis* applies.

156. The remedies referred to here are those available for breach of an IP license under contract law; they are ulterior and distinct from the remedies available for infringement, under IP or criminal law. Notably, contract law remedies fall under *lex contractus*, whereas remedies stemming from IP law and criminal law, are subject to *lex loci protectionis*.

157. Examples of such provisions include rules stemming from labor law, consumer law, competition law and restrictions on trade in dual-use technology, *see* Haimo Schack, *Internationally Mandatory Rules in Copyright Licensing Agreements*, *in* INTELLECTUAL PROPERTY IN THE CONFLICT OF LAWS 115 (Jürgen Basedow et al. eds., 2005).

158. The principle that parties are free to choose the law applicable to their contract is acknowledged across jurisdictions. For example, in the United States *see* the Restatement (Second) of Conflicts § 187; in the EU, *see* Article 3 Rome I; in Japan Article 7 of the Japanese Private International Law Act (2006). For a detailed critical analysis in the context of IP licenses *see* Torremans, *Licenses and assignments*, *supra* note 150 at 399–401; De Miguel Asensio, *supra* note 150 at 318–19; INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW: COMPARATIVE PERSPECTIVES (Toshiyuki Kono ed., 2012); SYMEON C. SYMEONIDES, AMERICAN PRIVATE INTERNATIONAL LAW §§ 484–85 (2008).

pursuant to the presumptive rules of the jurisdiction in question.[159] Crucially, this is a source of divergences internationally, as shown by the following examples.

In the United States, private international law rules are established at the federal level.[160] Thus, the law applicable to a contract in which the parties have not stipulated a choice-of-law clause is determined pursuant to the rules of each individual state. States do not share a unitary approach in regulating this issue. A minority of states[161] adhere to the *lex loci contractus* rule,[162] largely following the principles established in sections 325-326 of the Restatement (First) of Conflicts.[163] By contrast, a larger group of states[164] have adopted rules that follow section 188 of the Restatement (Second) of Conflicts.[165] This provision establishes that the applicable law to determine the rights and obligations of the parties "with regard to contractual issues" is governed by the law of the state which has "the most significant relationship" with that issue.[166] Such a relationship should be assessed taking "into account" the following non-exclusive list of "contacts": "(a) the place of contracting; (b) the place of negotiation of a contract; (c) the place of performance; (d) the location of the subject matter of the contract; and (e) the domicile, residence, nationality, place of incorporation, as well as place of business of the parties."[167] As a final principle, this section provides that if a contract is negotiated and performed in one state "the local law of this state will usually be

159. *See* Torremans *Licenses and assignments*, *supra* note 150 at 401–04; De Miguel Asensio, *supra* note 150 at 320–21; SYMEONIDES, *supra* note 158 at §§ 484–85; INTELLECTUAL PROPERTY, *supra* note 158 at 13.1.2.

160. Symeon C. Symeonides, *American Federalism and Private International Law*, 62 HELL. J, INT'L. L. 537 (2010).

161. For the complete list and a granular analysis of the approach of each state *see* SYMEONIDES, *supra* note 158 § 485.

162. Under Restatement (First) of Conflicts of Laws § 332, the scope of the *lex loci contractus* rule covered the following issues: the form of a contract, contractual capacity, mutual assent, consideration, fraud, illegality and other grounds for avoiding the contract; in depth *Id.* at § 485; INTELLECTUAL PROPERTY, *supra* note 158 at 13.1.2.

163. For an analysis of these sections and the process that led from the Restatement (First) of Conflicts to the Restatement (Second) of Conflicts *see* Symeon C. Symeonides, *The Judicial Acceptance of the Second Conflicts Restatment: A Mixed Blessing*, 56 MD. L. REV. 1248 (1997) (providing an exhaustive bibliography on this topic); SYMEONIDES, *supra* note 158 §§ 484-485.

164. For the complete list *see* SYMEONIDES, *supra* note 158 §§ 488-97.

165. For the complete list, *Id.*§§.at §§ 498-99.

166. Section Restatement (Second) of Conflicts of Laws § 1881(1). Notably, this section also states that this assessment must be generally guided by the principles listed in § 6(2): "the needs of an interstate system; the relevant policies of the forum and other interested forums; the justified expectations of the parties; the basic foundational principles of the area of law at issue; the uniformity and predictability of the result; and the ease in determination and application".

167. Restatement (Second) of Conflicts of Laws § 188(1).

applied."[168]

In the European Union, the relevant rules are found in the Rome I Regulation. Art 4(1) establishes fixed rules to ascertain the applicable law for a list of nominate contracts.[169] Art 4(2) holds that the applicable law to all other contract archetypes is that of the country where the party required to effect the characteristic performance has its habitual residence. Art 4(3) completes this provision, establishing an escape route: if the contract manifestly exhibits a "closer connection" with another country, its law will apply.[170] In practice, the intricate nature of modern IP licenses results in the frequent application of the closest connection rule.[171]

In Switzerland, the law applicable to IP contracts is that of the "place of habitual residence" of the transferor or licensor.[172] In Japan, absent a choice-of-law clause agreed by the parties, the law applicable to an IP license agreement is that of the state with which there is the closest connection;[173] however, neither rules nor guidance are supplied for the execution of this assessment.[174]

In light of this fragmented international legal framework, the Project may consider examining conflict of law rules applicable to IP license contracts.[175] Member States would indubitably accept axiomatically the

168. Restatement (Second) of Conflicts. of Laws § 188(3). Notably, §§ 189-99 & 203 of the Restatement (Second) of Conflicts of Laws establish special rules applicable to nominate contracts. However, IP license contracts are not included.

169. Interestingly, under Article 4(1) of an early draft proposal of the Rome I Regulation (COM (2005) 650 final) IP contracts were subjected to the law of the country in which "the person who transfers or assigns the rights has his habitual residence". For an exegesis of this provision, *see* Torremans *Licenses and assignments*, *supra* note 150 at 403–04.

170. Article 4(4) of the Rome I Regulation establishes that the "closer connection" criterion also applies if the applicable law cannot be determined pursuant to either article 4(1) or 4(2).

171. In depth *see* Torremans *Licenses and assignments*, *supra* note 150 at 404–20; De Miguel Asensio, *supra* note 150 at 322–25; CHESHIRE, NORTH & FAWCETT: PRIVATE INTERNATIONAL LAW, *supra* note 150 at 11; Yuko Nishitani, *Contracts Concerning Intellectual Property Rights*, *in* ROME I REGULATION: THE LAW APPLICABLE TO CONTRACTUAL OBLIGATIONS IN EUROPE, 51–85, 74–80 (Franco Ferrari & Stefan Leible eds., 2009); Peter Mankowski, *Contracts Relating to Intellectual or Industrial Property Rights under the Rome I Regulation*, *in* INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW 39–60, 42–47 (Stefan Leible & Ansgar Ohly eds., 2009); Axel Metzeger, *Transfer of Rights, License Agreements, and Conflict of Laws: Remarks on the Rome Convention of 1980 and the Current ALI Draft*, *in* INTELLECTUAL PROPERTY IN THE CONFLICT OF LAWS 60–89, 65–69 (Jürgen Basedow et al. eds., 2005).

172. Article 122 Switzerland's Federal Code on Private International Law; for an exhaustive analysis *see* Adam Samuel, *The New Swiss Private International Law Act*, INT'L. COMP. L. Q. 681, 686–87 (1988).

173. Article 8 Japanese Private International Law Act (2006).

174. In depth *see* INTELLECTUAL PROPERTY, *supra* note 158 at 13.2.2.

175. Historically, UNCITRAL has primarily focused its efforts on modernizing and harmonizing substantive rules. Nevertheless, in recent past, Member States have shown growing sensitivity towards private international law profiles. For example, *see* UNCITRAL "Supplement on Security Rights in

principle that proprietary matters are governed by *lex loci protectionis*, while contractual issues are regulated by the *lex contractus*. Similarly, they would accept unquestioningly that the parties are free to designate a law of their choosing for their agreement. Attention may instead be gainfully directed to two contentious problems that beset the application of these principles.

First, the Project could elaborate guidelines to streamline and rationalize the process of characterization required to distinguish between matters that are deemed proprietary and those which are deemed contractual in IP license contracts. Though this distinction appears pellucid in theory, its clarity can be fatally wounded in the maws of a complex transaction.[176]

Secondly, Member States could consider developing a special rule for IP license agreements to determine the law governing contractual matters, absent a choice-of-law clause. In this task, they would have the opportunity to benefit from the conceptual arsenal developed by several academic endeavors that have already preceded them on this journey over the past two decades: the American Law Institute ("ALI") Intellectual Property Principles,[177] the European Max Planck Group on Conflict of Laws in Intellectual Property ("CLIP") Principles,[178] the Korean Private International Law Association (KOPILA) Principles,[179] the Joint Japanese-Korean ("J-K") Principles and the Transparency Proposal.[180]

Intellectual Property" Recommendation 248, Adopted by UNCITRAL in July 2010, Report of UNCITRAL on the work of its forty-third session, A/65/17, para. 227. This was a supplement to the UNCITRAL "Legislative Guide on Secured Transactions", adopted by UNCITRAL in December 2007, Report of UNCITRAL on the work of its resumed fortieth session, A/62/17 (Part II), paras. 99–100.

176. *See* Torremans *Licenses and assignments*, *supra* note 150 at 398–402; De Miguel Asensio, *supra* note 150 at 314–18; Otero García-Castrillón, *supra* note 153 at 424; INTELLECTUAL PROPERTY, *supra* note 158 at 11–13 (discussing the issue of characterization exhaustively).

177. THE AMERICAN LAW INSTITUTE (ALI), INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW AND JUDGMENTS IN TRANSNATIONAL DISPUTES (2008); *see generally* Rochelle Dreyfuss, *The ALI Principles on Transnational Intellectual Property Disputes: Why Invite Conflicts?*, 30 BROOK J. INT'L L. 819 (2005); François Dessemontet, *A European Point of View on the Ali Principles-Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgements in Transnational Disputes*, 30 BROOK. J. INT'L. L. 849 (2005); Rochelle Dreyfuss, *The American Law Institute Project on Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes*, *in* INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW 15–31 (Stefan Leible & Ansgar Ohly eds., 2009).

178. PRINCIPLES ON CONFLICT OF LAWS IN INTELLECTUAL PROPERTY (CLIP) (2011). For detailed commentary *see* EUROPEAN MAX PLANCK GROUP ON CONFLICT OF LAWS IN INTELLECTUAL PROPERTY, CONFLICT OF LAWS IN INTELLECTUAL PROPERTY: THE CLIP PRINCIPLES AND COMMENTARY (2013).

179. PRINCIPLES ON INTELLECTUAL PROPERTY LITIGATION ON INTELLECTUAL PROPERTY approved by KOPILA on March 26, (2010). For commentary *see* INTELLECTUAL PROPERTY, *supra* note 158 at 11–16 (comparing these principles to the Waseda, CLIPs and ALI Principles).

180. *Commentary on Principles of Private International Law on Intellectual Property Rights (Joint Proposal Drafted by Members of the Private International Law Association of Korea and Japan)*, Waseda University Global COE Project, CGOE Quarterly Review of Corporation Law and Society, 112 (2010).

Each one of these academic endeavors contains a bespoke provision for the determination of the law applicable to IP contracts bereft of a choice-of-law clause. On the surface, they all accept the closest connection rule as the solution best suited to resolve the private international law conundrum under consideration.[181] Alas, for the operation of this principle they rely on presumptions and interpretative factors that are not aligned and thus can yield diverging outcomes.[182]

Ultimately, it would be for Member States to decide whether to espouse one of the approaches developed by any of these academic endeavors or ambitiously attempt to craft an alternative ruleset that bridges the chasms dividing them. It is submitted that this would not be a challenging decision in terms of its process; all attention could be devoted to substantive discussion. Regrettably, it is hard to imagine that consensus would be easily won on a battlefield upon which positions have been entrenched for the past two decades.

Notably, the scope of the Project would decisively influence the approach to the present topic. An applicable law rule for IP licenses would not even be considered if private international law issues were out of scope. Furthermore, if the Project had a narrow scope, the palatability of this topic would be significantly reduced, as the notion of developing an applicable law rule restricted to a sub-group of all IP license agreements would imply additional fragmentation in an area where harmonization is desired above all.

III. THE FORM OF THE PROJECT

The preceding discussion on scope and substance offers a robust foundation from which to consider the form that the Project might assume and the associated implications.

Over the past fifty years, UNCITRAL has developed and adopted "texts" that can be divided into three distinct form-categories: legislative, contractual and explanatory. The first, UNCITRAL texts in legislative form, are addressed to legislatures and are designed to be adopted by states through the enactment of domestic legislation. The three most common incarnations of UNCITRAL texts in legislative form are: conventions, model laws and legislative guides.[183] The trait that

See Id. INTELLECTUAL PROPERTY, *supra* note 158 at 11–16. (comparing these principles to the CLIPs and ALI Principles); Otero García-Castrillón, *supra* note 153.

181. *See* § 315(2) ALI Principles, Article 3:502 (1) CLIP Principles, Article 23.1 Kopila Principles, Article 306 (3) Transparency Proposal, and Article 20.2 Waseda Principles.

182. For a detailed analysis *see* De Werra, *supra* note 8 at 332–33; Otero García-Castrillón, *supra* note 153 at 442–45 (accepting De Werra's analysis and expanding it).

183. UNCITRAL has also adopted model provisions, albeit infrequently; *see* for example

distinguishes them is their manner of interaction with the legal order of states.

If the Project were conceived as a convention, it would be configured as a multilateral instrument establishing a set of binding rules across ratifying states. Its function would be to repeal the rules currently governing IP license agreements at national level, replacing them with an internationally uniform legal regime.[184]

If Member States opted for a model law instead, the Project would be developed as a soft law instrument setting out a "pattern"[185] for a domestic statute.[186] It would serve as a prefabricated template that states could unilaterally inject into their legal orders, according to their own timetable and priorities. Even for states not interested in adopting the entirety of this hypothetical model law, such a document would yield useful points of reference for less ambitious reform interventions.[187]

Alternatively, the Project could take the form of a legislative guide. Such a text would table a reasoned commentary on the legal issues presently affecting IP license agreements, consider alternative normative approaches, and articulate principles and recommendations to overcome them. If the Project were realized as a legislative guide, it would serve as

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Provisions on a universal unit of account and on adjustment of the limit of liability in international transport conventions (1982), Official Records of the General Assembly, Thirty-Seventh Session, Supplement No. 17 and corrigenda (A/37/17 and Corr.1 and 2), para. 63.

184. For example, such a text would follow the steps of The Convention on Contracts for the International Sale of Goods (CISG), The United Nations, *United Nations Convention on the Assignment of Receivables in International Trade* (2004), http://www.uncitral.org/pdf/english/texts/payments/receivables/ctc-assignment-convention-e.pdf, The United Nations, *The United Nations Convention on Independent Guarantees and Stand-by Letters of Credit* (1996), http://www.uncitral.org/pdf/english/texts/payments/guarantees/guarantees.pdf, and recently The United Nations, *The United Nations Convention on Transparency in Treaty-based Investor-State Arbitration* (2014), http://www.uncitral.org/pdf/english/texts/arbitration/transparency-convention/Transparency-Convention-e.pdf.

185. As described by UNCITRAL, *FAQ – UCITRAL Texts*, http://www.uncitral.org/uncitral/en/uncitral_texts_faq.html.

186. Notably UNCITRAL mode laws are frequently accompanied by guides to enactment that provide extensive explanatory information. For example*, see* UNCITRAL, *UNCITRAL Model Laws on Electronic Commerce*; *with Guide to Enacement* (1996), https://www.uncitral.org/pdf/english/texts/electcom/05-89450_Ebook.pdf;UNCITRAL, *UNCITRAL Model Law on Electronic Signatures*; *with Guide to Enactment 2001* (2002), https://www.uncitral.org/pdf/english/texts/electcom/ml-elecsig-e.pdf; UCITRAL, *UCITRAL Model Law on Cross-Border Insolvency* (1997), http://www.uncitral.org/uncitral/en/uncitral_texts/insolvency/1997Model.html; UNCITRAL, *UCITRAL Model Law on Secured Transactions* (2016), http://www.uncitral.org/uncitral/en/uncitral_texts/security/2016Model_secured.html, were all supported by *ad hoc* guided to enactments.

187. For example, such a text would follow the steps of *UNCITRAL Model Law on Electronic Signatures supra* note 186 and recently UNCITRAL, *UNCITRAL Model Law on Electronic Transferable Records* (2017), http://www.uncitral.org/pdf/english/texts/electcom/MLETR_ebook.pdf.

a comprehensive source of information for states considering legal reform initiatives and facilitate international harmonization.[188]

Looking to the second form-category, UNCITRAL texts in contractual form are addressed to contracting parties, providing them with model contract clauses or special rules.[189] Texts in this form rely entirely on party autonomy: they offer model terms or rules that can be directly or indirectly incorporated into contracts without modification.

If Member States chose this form for the Project, they would craft model clauses, based on recognized international best practices, which licensors and licensees could include in their contracts to govern specific issues.[190]

The third form-category, UNCITRAL texts in explanatory form, expressly target contracting parties and aim to provide them with actionable indications regarding select international trade law transactions. Texts in this form typically appear in one of two[191] possible embodiments: legal guides or practice guides. The primary difference between them lies in the type of information that they include.

If the Project were structured as an explanatory legal guide, it would offer a comprehensive analysis of the negotiation, drafting and performance of IP license agreements based on the extant legal framework. By contrast, if it were fashioned as a practice guide, the emphasis of the Project would be on elucidating practical aspects of these transactions, such as detailing conduct that parties can follow to expedite negotiations and simplify contract performance.

Having reviewed the different forms that can be assumed by UNCITRAL texts, attention can turn to the process for their selection. Member States are not bound by established rules or a mandatory procedure; their decision is customarily based on a plethora of considerations that includes social, political, economic and legal factors.

188. For example, such a text would follow the steps of the UNCITRAL, *Legislative Guide on Insolvency Law*, Parts I and II (2005), http://www.uncitral.org/pdf/english/texts/insolven/05-80722_Ebook.pdf, and UNCITRAL, *Legislative Guide on Insolvency Law: Part three: Treatment of enterprise groups in insolvency* (2012), http://www.uncitral.org/pdf/english/texts/insolven/Leg-Guide-Insol-Part3-ebook-E.pdf, and UNCITRAL, *Legislative Guide on Insolvency Law: Part four: Directors' obligations in the period approaching insolvency*, (2013), http://www.uncitral.org/pdf/english/texts/insolven/Leg-Guide-Insol-Part4-ebook-E.pdf.

189. UNCITRAL, *A Guide to UNCITRAL Basic facts about the United Nations Commission on International Trade Law*, para 50 (2013), http://www.uncitral.org/pdf/english/texts/general/12-57491-Guide-to-UNCITRAL-e.pdf.

190. For example, such a text would follow the steps of UNCITRAL, *UNCITRAL Arbitration Rules (as revised in 2010)*, (2011) http://www.uncitral.org/pdf/english/texts/arbitration/arb-rules-revised/arb-rules-revised-2010-e.pdf, and UNCITRAL, *UNCITRAL Conciliation Rules* (1980), https://www.uncitral.org/pdf/english/texts/arbitration/conc-rules/conc-rules-e.pdf.

191. A third type of explanative text are interpretative declarations. These instruments provide the official interpretation of a previously adopted UNCITRAL instrument. To date, none have been adopted.

Though any prediction regarding the dynamics of this decision-making process is necessarily conjectural, one might speculate that it would break down into two stages.

Member States would be required to choose which form-category would be best suited to the Project. It is submitted that a rigorous decision-making process would be contingent on two connected factors.

First, UNCITRAL texts in legislative form differ ontologically from those in a contractual and explanatory form. The former are addressed to institutions that hold legislative power. Their purpose is to inspire law reform across jurisdictions, achieving both amelioration of national legal frameworks and international harmonization. This nature is shared by all incarnations in which UNCITRAL texts in legislative form are expressed, despite the differences in the manners in which they pursue law reform. By contrast, UNCITRAL texts in contractual and explanatory forms accept the existing national legal frameworks and refrain from attempting to amend them. Their purpose is to influence both the manner in which private parties structure and perform their transactions, and how the judiciary approaches their enforcement. The ultimate ambition is to improve and harmonies business practices.

It would be for Member States to appraise where the greater benefit might lie: in an UNCITRAL text addressed to legislatures and focused on legislative reform, or on one directed to private parties and aimed at influencing their market behavior. At first glance, it might be tempting to favor a form-category that does not require legislative reform, owing to the well-documented difficulties associated with such processes.[192] Nevertheless, a Project concentrated on influencing how parties structure and perform their IP licenses might have limited traction due to the varying limitations imposed by national legislations on the initiatives of licensors and licensees. Accordingly, heedful consideration of the intended scope of the Project would be paramount to any discussion on its form.

Secondly, once agreement had been reached on the form-category for the Project, it would be for Member States to assess which incarnation would be best suited for its purposes. If they opted for a text in legislative form, it is submitted that neither a convention nor a model law would be an adequate choice. These instruments do not afford the degree of flexibility that Member States would require to arrive at compromise solutions bridging the divergences that presently characterize the

192. *See* Jurgen Basedow, *Worldwide Harmonisation of Private Law and Regional Economic Integration - General Report*, UNIF. L. REV. 31, 31–36 (2003) (describing the difficulties encountered in stimulating law reform in harmony with UNCITRAL texts); Spiros V. Bazinas, *Harmonisation of International and Regional Trade Law: The UNCITRAL Experience*, UNIF. L. REV. 53 (2003) (providing the perspective of the UNCITRAL Secretariat).

international landscape for IP licensing.

Only a legislative guide would offer the necessary elasticity for a positive outcome. Notably, the legislative recommendations enshrined in instruments of this type are expressed in looser terms than those demanded by the articles of a model law or a convention; similarly, a legislative guide can recommend a range of alternative normative solutions to confront contentious policy choices, rather than having to establish a single rule, as is the case in conventions and model laws. A model law, and perhaps even a convention, might follow in the future, but a legislative guide would have to serve as a bridgehead towards consensus.

By contrast, if Member States decided that the Project should not take a legislative form, it is submitted that a text in explanatory form structured as a legal guide would be the preferable option. The rationale is similar to that previously offered in support of a legislative guide. The Project would greatly benefit from assuming a form that allowed for flexibility, favored compromise solutions and offered Member States the opportunity to explain their policy choices in accompanying commentary. Neither a contractual text nor an explanatory practice guide would satisfy these requirements.

IV. CONCLUSION

IP licenses are the leading lady of the information age. The strategic and economic significance of this contract archetype have grown exponentially over the past 40 years. Under this glaring spotlight, it has become increasingly apparent that the legal framework governing these voluntary exchanges is not supportive of the role that they play in the modern digital environment. As the world becomes ever more connected, the shortcomings of this body of rules will grow ever more apparent, and calls for reform ever louder.

UNCITRAL has been quietly appraising and evaluating the international legal framework governing IP license contracts for the past ten years, with Member States pondering the features that a project in this area of commercial law might assume.

At present, this initiative remains at an early stage of its gestation. In the hope of nurturing its growth, this paper has ventured to explore its possible scope, content and form. The objective has not been to articulate or advocate a single, concrete proposal, but rather to first identify the categories of legal issues that Member States would face in the elaboration of this project, then lend color to the types of decision-making processes required for consensus solutions.

In charting the hypothetical scope of such a project, it was submitted

that Member States should assess two legal dimensions coextensively. One would involve electing either to examine all rules governing IP licenses holistically, or to limit the ambit of the analysis to those stemming from predetermined branches of the law. The other would require choosing whether to bring all license types into scope, or merely those with a predetermined set of features.

Subsequently, attention shifted to substance. Select facets of the legal regime governing IP licenses were reviewed, ranging from the norms regulating the licensing of jointly-owned IP rights to the conflict of law rules that apply to these agreements, encountering pre-contractual negotiations, formation, content, contract construction and registration along the way.

Three issues emerged consistently. First, the body of rules governing licenses suffers from a degree of under-elaboration, as the intersections of IP and contract law frequently fail to generate norms that adequately cater to the peculiarities of these transactions. Secondly, national laws governing different types of IP rights establish licensing rules that diverge far more than can be justified by underlying distinctions in the protected immaterial goods. Thirdly, crucial aspects of IP licensing agreements are regulated heterogeneously across jurisdictions, severely hindering international transactions.

Two indications surfaced in the appraisal of the types of decision-making processes that would be conducive to the elaboration of unanimously-agreed solutions. First, the scope of the project would profoundly affect the types of issues confronted by Member States and the range of available normative solutions. Secondly, as Member States would often be grappling with issues that arise at the intersection of multiple branches of the law, substantial effort should be devoted to isolate the conceptual formants of the matters under consideration.

The lattermost element of this inquiry analyzed the possible alternative forms that this project might assume. The three form-categories developed by UNCITRAL for its texts were expounded in turn. It was posited that the main hurdle for Member States to overcome would be reaching a consensus on the angle from which they wish to approach the legal regime for IP license contracts. This issue is one of reform strategy. It would be for Member States to establish whether it would be more palatable to tackle the extant shortcomings of the framework for IP licensing by advocating legal reform, or rather through the development of model license agreements that rely on private law-making.

The preceding analysis provides fertile ground for reflection on potential future developments. It is submitted that the next step to advance the cause of an UNCITRAL project on the law of IP licensing is to articulate a concrete proposal. Ideally, it should be jointly authored by a

group of Member States; alternatively, it could be prepared by NGOs or a group of academics and practitioners, then submitted for the attention of UNCITRAL Member States.

Based on the findings of this paper, such a proposal should be built on two pillars. First, it should incisively delineate a scope that is both precisely defined from a legal perspective, and socio-economically palatable. As this would be UNCITRAL's first foray into the law of IP licensing, temptations to cast this net too broadly should be resisted staunchly. Crucially, with regard to the areas of the law to be covered, it might be advisable to focus solely on contract law, IP law, and international private law; areas such as competition law, consumer law and labor law might be best left aside, owing to the elevated number of additional variables that they would bring to the fore. Equally, it might be advisable to exclude licenses which carry features that are treated in multifarious, manifestly different ways at a national level, as to include them would create difficulties irreconcilable *a priori*.

Secondly, this proposal should state lucidly the form-category that this project should assume, and substantiate its choice robustly. Based on the level of disharmony that presently characterizes national legal framework governing IP licenses, a text in legislative form might be the preferable option. It seems unlikely that an explanatory or contractual UNCITRAL initiative would successfully circumvent the obstacles raised by the numerous mandatory rules presently characterizing the law of several jurisdiction.

This proposal should also devote attention to substance. At this stage, it would be adequate to confine discussion to simply identifying the relevant subject matter to be covered within the suggested scope. The aspiration would be to express a level of detail sufficient to describe the key matters that would be covered, yet without depriving Member States of the necessary maneuvering space during subsequent negotiations.

Finally, as ever in international legal projects of this nature, political will and conviction would be integral to the favorable reception of this proposal by UNCITRAL. Any project seeking to address the law of IP licensing would inevitably encounter thorny negotiations, as it would be impossible to circumvent historically contentious legal postulates. This may at first glance render this project unappealing, particularly for those Member States that may be bruised by past, failed attempts to reform domestic IP licensing laws. Nevertheless, complexity alone should not deter Member States from striking boldly down this path, as the anticipated benefits of a coherent legal regime in this space would by far outweigh the hardships encountered in their pursuit.