

LICENSING, CHARGING, AND TRANSFER OF OWNERSHIP IN INTELLECTUAL PROPERTY

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A. Introduction

It is trite law to state that intellectual property rights are property and as such at the disposition of their owner; they are his to hold and to employ for his own purposes, or, against remuneration, to let others have them or share in them in one form or another. The differences between intellectual property on the one hand, and tangible property (land or chattels) on the other, are less marked in this respect than when it comes to defining and defending intellectual property, given its non-exclusionary, non-possessory nature. If there are differences between the modes of transferring tangible and intellectual property, respectively, they stem from the fact that the law was generally slower in recognising intangibles of any kind as property, and in devising rules for proprietary transactions in such assets. Financing techniques since the industrial age, with its huge and permanent demand for working capital, depend heavily on the use of contractual claims as collateral. Lately, intellectual property has emerged as a store of wealth, too. The value of some companies, not only in the software industry, lies primarily in their intellectual assets. Nevertheless, it was only in the nineteenth century that the law in this area took the shape still recognisable today. Much intellectual property legislation is of even more recent vintage. Land law, by contrast, developed much earlier and has been stable for much longer.

In the following, we shall consider the rules for proprietary transactions in patents, trade marks, and copyright in two countries, England and Germany. These countries are paradigm cases of two very different patterns of legal development. English politics and English law enjoyed a continuous development, free from any violent external interference, since the last successful invasion into the country, by the Normans in 1066. Germany, by contrast, was the battlefield of most major European conflicts, saw several profound upheavals in her political and legal system, had weak central authorities for most of her history, and only in the late nineteenth century achieved modern statehood and the unified legal system that goes with it. On the positive side, the late adoption of the Civil Code (*Bürgerliches Gesetzbuch* or BGB) meant that the code's provisions on the transfer of intangibles were adapted to modern needs. The code specifically encompasses intellectual property rights as „other rights“ and makes the

regime for the assignment of contract claims applicable to them, §413 BGB.

The book (sub-set of rules) of the BGB on property law also makes provision for the use of intangibles as security. As with regard to chattels, these proved less geared towards the needs of business practice. This is because they require the transfer of possession (if constructive) for chattels, and notification of the third party debtor in the case of contract debts. Intellectual property rights, however, are not affected by this drawback as they do not involve a bi-partite relationship. Their use as security for debts is instead hampered by the fact that the typical financier has no need for, and little experience in dealing with, intellectual property rights. Such lenders instead prefer more easily realisable security like book debts, shares, or stock-in-trade.

English law, by comparison, has to this day retained many of the institutions that developed over its long history. Its pragmatism has, however, largely ensured that they did not become a hindrance for trade and industry. For a meaningful discussion of proprietary transactions involving intellectual property rights in English law, the distinction between law and equity (with medieval roots) has to be borne in mind. *At law*, an assignment of choses in action (as opposed to choses in possession or „tangibles“) was in principle not possible.¹ It was permissible only *in equity*. This changed only with the Victorian reforms (Supreme Court of Judicature Acts) of 1873/1875. A further distinction that was necessary before then was that between legal and equitable choses in action. To put it simply, in the context of intellectual property there is a legal chose in action if a statute recognises an interest in an invention, creation, etc., as enforceable. If there is no statutory recognition, such as when the parties have failed to comply with all the statute’s conditions for such recognition, there can still be an equitable chose in action. The distinction between legal and equitable assignments thus refers to the way the assignee acquires rights in an intangible, and to the nature of these rights; the distinction between legal and equitable choses in action, by contrast, focusses on the object of the transaction and of the resulting rights.

Vis-à-vis debtors of the assignor, the position of the acquirer of an interest in the intangible has also changed as a consequence of the 1873/1875 reform. Previously, the assignee could sue in his own name only on an equitable chose in action. By contrast, if he wanted to enforce a legal chose in action he required the assignor’s consent. The assignor was bound in equity to

¹For a short overview, see *Holt v Heatherfield Trust*, [1942] 2 KB 1 (KBD), 3 f. (Atkinson J); *Colonial Bank v Winney*, (1885) LR 30 Ch D 261 (CA), 276 f. (Cotton LJ), 284 (Lindley LJ), 286 f. (Fry LJ).

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allow the assignee to use his (the assignor's) name to bring the action.² In order to obtain this consent if it was not volunteered, the assignee had to turn to the court of equity which would compel the assignor to allow the action in the court of law to go ahead.³ This clumsy necessity of proceedings in two different courts for the realisation of a single claim⁴ is today dispensable under s136 of the Law of Property Act 1925 which replaced the provision of s25 Nr. 6 of the Judicature Act 1873.⁵ It enables the assignee to realise his rights without having to involve the assignor as either co-plaintiff or defendant.⁶

Most statutes on intellectual property now contain specific provisions for the assignment of items of the type of intellectual property governed by the statute. These provisions apply with precedence over the general rule in s136 LPA 1925. The latter provision comes to apply only in the absence of specific rules on assignment in the individual statutes. For present purposes, two limitations apply: first, s136 applies only to presently existing choses in action; the provision does not allow for the assignment of future intangibles. Secondly, s136 allows only for an assignment of the chose in action as a whole. The assignment of parts of an intangible is not possible under that provision – £500 out of £1000, say, or of a trade mark for footwear only, not also for spectacle frames and other goods it is registered for.

² *Glegg v Bromley* [1912] 3 K.B. 474 (CA), 489 (Parker J).

³ *Holt v Heatherfield Trust* [1942] 2 KB 1 (KBD), 3 (Atkinson J).

⁴ *Torkington v Magee* [1902] 2 KB 427 (Divisional Court), 430.

⁵ The provision reads: “*Legal assignments of things in action* – (1) Any absolute assignment by writing under the hand of the assignor (not purporting to be by way of charge only) of any debt or other legal thing in action, of which express notice in writing has been given to the debtor, trustee or other person from whom the assignor would have been entitled to claim such debt or thing in action, is effectual in law (subject to equities having priority over the right of the assignee) to pass and transfer from the date of such notice –

- (a) the legal right to such debt or thing in action;
- (b) all legal and other remedies for the same; and
- (c) the power to give a good discharge for the same without the concurrence of the assignor:

Provided that, if the debtor, trustee or other person liable in respect of such debt or thing in action has notice–

- (a) that the assignment is disputed by the assignor or any person claiming under him; or
- (b) of any other opposing or conflicting claims to such debt or thing in action;

he may, if he thinks fit, either call upon the persons making claim thereto to interplead concerning the same, or pay the debt or other thing in action into court under the provisions of the Trustee Act 1925.

(2) ... (3) ...”. For a transfer of equitable interests as opposed to debts or legal things in action, s53(1)(c) LPA 1925 requires only writing.

⁶ *Tolhurst v The Associated Portland Cement Manufacturers (1900), Ltd.* [1903] A.C. 414 (HL), 424 (Lord Lindley); *Holt v Heatherfield Trust* [1942] 2 KB 1 (KBD), 4 (Atkinson J).

An assignment that complies with the requirements of the various statutes on intellectual property is known as a „legal assignment“ or, more precisely, an assignment *at law*. If the assignment fails to comply with these requirements, it may still be valid *in equity*. For this to be the case, however, the conscience of the proprietor must be bound by the interest of the would-be assignee. To this end, it is necessary that the acquirer of the interest has given valuable consideration, typically by paying the agreed price. Otherwise, there is a mere *nudum pactum* whose breach will give rise to a claim in damages, but not to any interest in the intellectual property right that was the object of the transaction. Furthermore, if the acquirer is not on notice of any older or stronger competing rights („equities“) held by third parties in the same item of intellectual property, he takes his interest free from these higher-ranking interests. If the acquirer has notice, he takes the interest „subject to equities“.

Lastly, some intangibles do not permit any transfer because they are personal in nature. This can be said in two respects: first, the relationship between the parties to a contract can be so close, economically or personally, that the debtor would not have contracted with another person but his present creditor, or the nature or extent of the obligation would change significantly with the different needs of the assignee.⁷ Secondly, some intellectual property rights (or aspects thereof) are so intimately linked to the personality of the owner, and to his creativity, that an assignment to a third party is not conceivable, at least not if it purports to encompass these aspects.

From these premises follow five theses that will be explained in turn: first, intellectual property is transferable in principle; secondly, inchoate and future intellectual property can be the subject of proprietary rights (interests); thirdly, however, moral rights of the creators of intellectual property cannot be transferred; fourthly, proprietors may limit the (further) transferability of their (former) intellectual property and rights therein; fifthly, security interests can be taken over intellectual property.

⁷ For an example, see *Tolhurst v The Associated Portland Cement Manufacturers (1900), Ltd.* [1902] 2 K.B. 660 (CA), 668 f. (Collins M.R.): duty of the owner of a quarry to supply the demand in chalk of a cement factory whose former owners had assigned their rights to their successor, who now wanted to expand the facilities.

B. Intellectual Property is transferable in principle.

I. Patents and patent licences

1) Patents

a) Germany

Pursuant to §15(1), 2nd sentence PatG (Patents Act 1980, as subsequently amended),⁸ the patent right (that is, the legal position as defined in §23(1)) can be transferred to an unlimited or to a limited extent. By contrast with the provision of §15(2) on licences, subs. 1 does not define the differences between limited and unlimited transfers. Usufruct (§§1068 ff. BGB) and pledge (§§1273 BGB) certainly count as limited transfers;⁹ an assignment by way of security, on the other hand, is an unlimited transfer although it imposes on the secured creditor obligations as defined in the credit agreement.¹⁰ In doubt it will be assumed that the patent proprietor ceded only as few of his rights as necessary,¹¹ a general principle of German intellectual property law that has found legislative expression in §31(5) UrhG (Copyright Act).

b) England

S30(1), (2) PA 1977 declares the patent personal property. This means that it can be transferred by way of sale or of security (mortgage). A co-owner needs the other co-owners' consent to the sale of his share in the patent (s36(3)(b)); in every other respect the proprietor of a patent is free to deal with it as he sees fit.¹² The object of the transfer is the patent as a whole. A partitioning of patents is not provided for in the Act. Every patent application must describe one invention (only), or several that are so closely connected as to form a single inventive concept (s14(5)(d)). This is meant to prevent the inventor from obtaining, as it were, „two patents for the price of one“.¹³ These rules, however, only exclude a partial assignment *at*

⁸ For the consolidated German text, see <http://bundesrecht.juris.de/bundesrecht/patg/gesamt.pdf>.

⁹ Kraßer, *Patentrecht*, 5th ed., § 40 III 1 (p. 951); Benkard/Ullmann, *PatG*, 10th ed., § 15 no. 42; Götting, *Gewerblicher Rechtsschutz*, 8th ed., § 25 no. 19.

¹⁰ *Contra*, but without reasons, Mes, *PatG*, 2nd ed., § 15 no. 10.

¹¹ BGH of 11.4.2000, X ZR 185/97, II 1 c = GRUR 2000, 788 (789) – „Gleichstromsteuerschaltung“ – applies this to the transfer of a patent application.

¹² *National Carbonising Co., Ltd., v British Coal Distillation Ltd.* [1936] 2 All ER 1012 (CA), *4 (Slesser LJ), *7 (Romer LJ) [LexisNexis].

¹³ Cornish & Llewelyn, *Intellectual property*, 6th ed., no. 4-15.

law. The Act, in ss8(8) and 37(6), recognises equitable interests in patents. In the same vein, the Court of Appeal has held that while trusts may not be entered in the register (s32(3)), equitable assignments may be so entered as „transactions ... affecting rights in ... patents“, s32(2)(a),¹⁴ even if the transaction creates a trust in favour of the assignee.¹⁵

The transition of the right takes place outside the register as s30 does not make the transfer dependent on an entry in the register.¹⁶ The provisions on the proprietor's rights against infringers (ss60, 61) do not refer to the „registered proprietor“ but to the proprietor *simpliciter*. These rights may therefore be exercised by whoever is legitimated as the proprietor by an unbroken chain of assignments, regardless of whether the same person appears as proprietor in the register.¹⁷ Nevertheless, as the register is *prima facie* evidence of ownership, s32(9), *bona fide* acquisition from a non-owner is possible, but vulnerable to a rectification of the register at the behest of the true owner, either before (s8(2)(a)) or after the granting of the patent (s37).

2) Patent licences

a) Germany

Licences under §15(2), 1st sentence PatG, are temporary transfers of some of the rights of the patentee except for the right to dispose of the patent altogether.¹⁸ They are a sub-division of transfers under sub-sec. 1¹⁹ and, hence, limited transfers of the patent.²⁰

The *Bundesgerichtshof* (Federal Court – Germany's highest court in civil matters) has left open the question whether licences are mere „negative“ licences, whereby the licensor only promises not to invoke his rights as against the manufacture and marketing by the licensee of products embodying the protected invention; or whether the licensor has „positive“ duties to allow the

¹⁴ *In Re Casey's Patents, Stewart v Casey* [1892] 1 Ch. 104 (CA), 110 f. (Lindley LJ), 113, 116 (Bowen LJ): “[i]f it is an equitable assignment, it is a document which affects the proprietorship of the patent. It does not alter the proprietorship, but it affects it because it gives a man a right in equity to have it altered at law”; 119 (Fry LJ).

¹⁵ *Performing Rights Society, Ltd., v London Theatre of Varieties* [1922] 2 KB 433 (CA), 454 f. (Younger LJ), on copyright.

¹⁶ Clark/Cornish, *Encyclopedia of UK and European Patent Law*, no. 8-104 by and in fn. 10.

¹⁷ *Xtralite (Rooflights) Ltd. v Hartington Conway Ltd.* [2004] RPC 7 (ChD) = [2003] EWHC 1872 (Ch), para. 25 (Pumfrey J).

¹⁸ Lindenmaier/Weiss, *PatG*, 6th ed., § 9 no. 28, 1st para.

¹⁹ Benkard/Ullmann, *PatG*, 10th ed., § 15 no. 57.

²⁰ Götting, *Gewerblicher Rechtsschutz*, 8th ed., § 26 no. 1.

licensee to use of the invention, and to support him against infractions by third parties.²¹ The latter view appears preferable,²² not least because the former cannot explain why the licensor should not be allowed to turn against the customers of the licensee, against whom he has not undertaken any obligation to let them exploit his invention undisturbed.²³ Nevertheless, licences are transferable according to either view.²⁴ Despite the silence of the law, licences may in principle be transferred or made the subject of further (i.e. sub-) licences.

b) England

A patent licence constitutes a limited transfer of a patent. The parties are largely at liberty to define their mutual rights and obligations,²⁵ the Act offering pointers rather than compulsory provisions.²⁶ The Act does, however, draw a distinction as to the rights of exclusive and non-exclusive licensees, respectively, see ss38(3), 46(4), 67. The exclusive licensee has the same right as the proprietor of the patent to bring proceedings in respect of any infringements of the patent (s67). He prevails even as against the proprietor himself (ss67(3), 130).

3) Comparative conclusion

Despite differences in the technical details, patents and patent licences are fully marketable property rights in both jurisdictions.

II. Copyright as a partial exception

1) Germany: The non-transferability of copyright

Since its reform in 1965,²⁷ copyright in German law is subdivided in several respects. At its

²¹ BGHZ 83, 251 (256) = KZR 5/81 of 23.3.1982, 2 a – „Verankerungsteil“.

²² Kraßer/Schmid, GRUR Int. 1982, 324 (328 f. at II 1 a).

²³ Kraßer, GRUR Int. 1983, 537 (542 f. at 4–6, 547 at 5–7); *idem*, GRUR Int. 2002, 381 (383 at b).

²⁴ Bartenbach, Mitt. 2002, 503 (514 at i aa, bb).

²⁵ Cornish & Llewelyn, Intellectual property, 6th ed., no. 7-19.

²⁶ Clark/Cornish, Encyclopedia of UK and European Patent Law, no. 8-406.

²⁷ Gesetz über Urheberrecht und verwandte Schutzrechte (Urheberrechtsgesetz - UrhG) of 9.9.1965, as subsequently amended; consolidated German version under <http://bundesrecht.juris.de/bundesrecht/markeng/gesamt.pdf>.

core is the author's personality right (*Urheberpersönlichkeitsrecht*) which manifests itself in three rights: the right to make the work known to the public (*Veröffentlichungsrecht*, §12 UrhG), to be recognised as the author (§13), and to turn against distortions (*Entstellung*: „derogatory treatment“ in English parlance) of the work, §14.²⁸ As a consequence, the author may at any time and under any circumstances renounce his earlier works and revoke any rights over them that he has granted to third parties, §42(1), (2) UrhG. In another category are the author's rights to derive economic benefit from his works (*Verwertungsrechte*), with several sub-divisions such as the right to make copies, to distribute, to exhibit, and to perform and broadcast the work.²⁹ In an innominate category (*sonstige Rechte*) are the right to have access to the physical original of the work, to be remunerated for the renting and leasing of the work, and the *droit de suite*.³⁰ Juxtaposed to the author's economic rights (*Verwertungsrechte*) are the rights to exploit the work which the author can grant to third parties (*Nutzungsrechte*, §29(2) UrhG) and which allow these third parties to copy, distribute, exhibit, broadcast etc. the work.³¹ The provision of §31(1), 2nd sentence (*Nutzungsrechte* may be granted on an exclusive or non-exclusive basis, they may be restricted as to their territory, duration, and content) reveals them to be akin to licenses over other types of intellectual property.³²

The foundation of this conceptual edifice is the idea that the work is an expression of the author's personality (*persönliche geistige Schöpfung*, §2(2) UrhG). From this follows the goal of the law, as expressed in §11, namely to protect the tie between the author's personality and his work, and to ensure that the author receives adequate remuneration for his creativity. As a consequence, the author's personality rights and his economic rights are inalienable, §29(1). This is known as „monism“: the author's idealistic and his economic interests are unseverably intertwined.³³ In this sense, the recognition by the law of *Urheberpersönlichkeitsrecht* is not purely

²⁸ §§ 12–14 UrhG.

²⁹ § 15 Abs. 1, §§ 16–18 UrhG; § 15 Abs. 2, §§ 19–22 UrhG. The enumeration of *Verwertungsrechte* in § 15 is, however, not exhaustive: Schrickler/v. Ungern-Sternberg, UrhR, 3rd ed., § 15 nos 18, 22, 23.

³⁰ §§ 25–27 UrhG.

³¹ Wandtke/Bullinger/Wandtke/Grunert, UrhG, introduction before §§ 31 nos 19, 20; Dreier/Schulze/Schulze, UrhG, 2nd ed., § 15 no. 6; Schrickler/Schricker, UrhR, 3rd ed., introduction before §§ 28 ff. no. 20, according to whom the various designations mark a functional difference (funktionalen Unterschied).

³² Schrickler/Schricker, UrhR, 3rd ed., introduction before §§ 28 ff. no. 21, who prefers to use the term „licences“ for those rights that are derived from *Nutzungsrechte*; likewise Dreier/Schulze/Schulze, UrhG, 2nd ed., § 31 no. 4. The differences in terminology do not result in different outcomes.

³³ The literature on this point abounds; see, e.g., Schrickler/Schricker, UrhR, 3rd ed., Introduction no. 21; *idem*, § 11 no. 2; Schrickler/Dietz, UrhR, 3rd ed., introduction before §§ 12 ff., no. 6; Dreier/Schulze/Schulze, UrhG,

idealistically motivated, nor is that of the *Verwertungsrechte* exclusively economically.³⁴ Instead, these two strands are integrated into one another.³⁵

The *Nutzungsrechte*, by contrast, are not subject to the same restrictions. Nevertheless, they too always retain a link with the author's personality rights. This is despite the fact that according to §97, an exclusive 'licensee' (for want of a snappy English translation of *Nutzungsberechtigter*) may prohibit even the author to make such uses of the work as are allowed to the licensee and not expressly retained by the author. The granting of the *Nutzungsrechte* must be conceived of as 'constitutive' act that creates these rights from scratch, rather than a 'derivative' or 'translative' grant by which the author assigns some of his rights to another person, as the latter would go against the inalienable nature of the author's rights.³⁶

These distinctions, anxious to maintain the intimate link between the author and his work,³⁷ may appear obscure enough already.³⁸ What is more, they create a paradox: on the one hand, the author and his creative personality is exalted and given far-reaching control over any dealings involving the work. On the other hand, monism is meant to protect the author against unforeseen consequences of his own ill-considered transactions concerning the work.³⁹ No other group of persons is afforded such protection, although it is not obvious that authors are more vulnerable than other adults of full capacity.

2nd ed., § 11 no. 2; Möhring/Nicolini/Ahlberg, UrhG, 2nd ed., Introduction, no. 12; Wandtke/Bullinger/Bullinger, UrhG, § 11 no. 1; Dreier/Schulze/Schulze, UrhG, 2nd ed., introduction before § 28 no. 1; Schricker/Dietz, UrhR, 3rd ed., introduction before §§ 12 ff., no. 11; Ulmer, UrhR, 3rd ed., p. 113, 114; Reh binder, UrhR, 14th ed., no. 92. On the development of this doctrine, see Reh binder, UrhR, 14th ed., no. 31; Ann, GRUR Int. 2004, 597 (598–600); Hilty, Festschrift für Reh binder 2002, 259 (261–267).

³⁴ Götting, Festgabe für Schricker 1995, 53 (65).

³⁵ Dietz, Festschrift für Erdmann 2002, 63 (65).

³⁶ Again, there is ample literature on this; see, e.g., Reh binder, UrhR, 14th ed., no. 559; v. Gamm, UrhG, § 31 no. 6; similarly Loewenheim/Loewenheim/Jan Bernd Nordemann, § 26 no. 1: a disposition that does split off part of the author's right but that gives rise to a new right in the person of the authorised to exploit the work („...Verfügung über das Urheberrecht, die nicht nur das Mutterrecht belastet, indem sie einen Teil von ihm abspaltet, sondern auch in der Person des Nutzungsrechtsinhabers ein neues Recht (das Nutzungsrecht) entstehen läßt“); Schricker/Schricker, UrhR, 3rd ed., introduction before §§ 28 ff. no. 18, 43; § 29 no. 7, 8, each with further references.; Dreier/Schulze/Schulze, UrhG, 2nd ed., § 29 no. 3, 15; Möhring/Nicolini/Spautz, UrhG, 2nd ed., § 29 no. 5.

³⁷ Schack, UrhR, 4. Ed., no. 531, calls this an elaborate dogmatic construction („aufwendige dogmatische Konstruktion“).

³⁸ Reh binder, UrhR, 14th ed., no. 598 even calls this a single big obscurity („eine einzige große Unklarheit“).

³⁹ Schricker/Schricker, UrhR, 3rd ed., § 29 no. 4.

This is not to say that authors' creativity does not deserve special protection. This protection should, however, be tailored to this specific goal, that is, the link between the author's personality and its manifestation in the work. To this end, *Dietz* has suggested a distinction between the author's personality rights in the narrow and in the wide sense.⁴⁰ The former, as laid down in §11 UrhG, gives the author the right to respect of said link, and is inalienable;⁴¹ the latter comprises the author's *Verwertungsrechte* which would be assignable⁴² as long as the conditions of the assignment ensure this respect.⁴³ This purpose is served by those provisions in the law which protect the author and which are not at the disposition of the parties (*ius cogens*). In particular, authors are protected against rash decisions by the requirement of writing, in conjunction with a guaranteed notice period for the author (§40(1), (2) UrhG), for any transactions concerning future works. In the same vein are provisions which ensure authors' adequate remuneration (§§ 26, 27, 32, 32a, 54, 54a). Another example is the requirement of consent by the author to any creditor's execution into the copyright or into unpublished originals of work protected by copyright, §§113, 114 UrhG.

2) The transferability in German law of third parties' rights to exploit works protected by copyright

As we have seen the author cannot, according to the dominant monistic interpretation of German copyright law, transfer his economic rights, but he may grant third parties the right to exploit works that are protected by his copyright, so-called *Nutzungsrechte*. These rights, in their turn, are transferable, but any assignment requires the author's consent (which may also be given to future assignments on the right's first grant), §34(1), (5). The grantee of an exclusive *Nutzungsrecht* requires the author's consent for the granting of further (that is, non-exclusive) licences, §35(1), 1st sentence. No consent is required only if the right has been granted not in

⁴⁰ Schricker/Dietz, UrhR, 3rd ed., introduction before §§ 12 ff. no. 6 ff.; concurring, Dreier/Schulze/Schulze, UrhG, 2nd ed., introduction before § 12 no. 2, 3.

⁴¹ Schricker/Dietz, UrhR, 3rd ed., introduction before §§ 12 ff. no. 26.

⁴² Likewise Schricker/Schricker, UrhR, 3rd ed., § 29 no. 4.

⁴³ BGHZ 126, 245 (249) = I ZR 3/92 of 16.4.1994, II 2 a, second-to-last para. – „Namensnennungsrecht des Architekten“: „general clause“; similarly Schricker/Schricker, UrhR, 3rd ed., § 11 no. 4, who argues that the provision gives orientation and guidelines („Normzweckbestimmung mit Leitbildfunktion“); Schricker/Dietz, UrhR, 3rd ed., introduction before §§ 12 ff. no. 8: to be drawn on whenever required for the protection of the intellectual and personal concerns of the author („immer dann heranzuziehen, wenn es der Schutz der geistigen und persönlichen Interessen des Urhebers erfordert“).

the interest of the licensee, but only of the author (2nd sentence); this is the case with collecting societies.⁴⁴ Again, the parties may agree otherwise, §§ 35(2), 34(5), 2nd sentence.

3) England: Copyright and copyright licences

a) Copyright

The English law of copyright originates in the right of publishers („stationers“ in old usage) to prevent third parties from producing reprints („copies“) of works in which they had acquired the rights from authors.⁴⁵ Copyright is, in this sense, „the right to make copies“.⁴⁶ From the perspective of the author, it is the right to determine whether and how to derive economic benefit from the publishing of the work. The starting point is, hence, the gainful exploitation of the work, not the creative process. In this, *Cornish* and *Llewelyn* identify an „old strain of common law thought which sees no difference of kind between true creators and investors in the creation of others; and which is inclined to prefer the latter to the former.“⁴⁷

The categories of protected works as the subject-matter of copyright are, in ss1–8 CDPA 1988, defined largely in similar terms to German copyright law. Nevertheless, s1(1) expressly classifies copyright as a property right in the types of work subsequently listed. As a consequence, copyright can be transferred by assignment, s90(1), either in whole and for its entire duration or, by virtue of sub-s(2), as to individual acts reserved to the author in accordance with s16, or for a shorter duration; a subdivision by place of exercise, however, is not possible.⁴⁸ These are all instances of legal assignments:⁴⁹ the partial right becomes the

⁴⁴ Schricker/Schricker, UrhR, 3rd ed., § 35 no. 3, 10.

⁴⁵ *Cornish & Llewelyn*, Intellectual property, 6th ed., no. 10-01 ff.; for details, see *Copinger & Scone James on Copyright*, no. 2-09–2-39; *Davies*, Copyright and the Public Interest, 2nd ed., no. 4-001–4-023.

⁴⁶ *Bainbridge*, Intellectual Property, 6th ed., p. 30.

⁴⁷ *Cornish & Llewelyn*, Intellectual property, 6th ed., no. 11-01; weniger scharf *Copinger & Scone James on Copyright*, no. 2-05 und *Bently & Sherman*, Intellectual Property Law, 2nd ed., p. 30: “The common law copyright model is said to be primarily concerned with the production of new works. This is reflected in copyright law’s emphasis on economic rights, such as the right to reproduce copies.”

⁴⁸ *Copinger & Scone James on Copyright*, no. 5-99.

⁴⁹ *Chaplin v Leslie Frewin (Publishers), Ltd., & anor.* [1966] Ch 71 (CA), 93 (Danckwerts LJ): “The statutory method of assignment of copyright is by writing signed by the copyright owner, and so *that form of transfer is fully effective at law*” (emphasis added).

assignee's without any residual interest in the assignor.⁵⁰ The assignee is henceforth capable to enforce the copyright independently of the assignor.⁵¹

The (self-employed) author is, hence, only the first owner of the copyright, s11(1) CDPA 1988,⁵² ownership and authorship can subsequently become separated.⁵³ Nevertheless, the author always retains his right to an equitable remuneration. He may assign this right only to a collecting society, s93B(2), 1st para. Once any of the author's rights are assigned, they can no longer be acquired from the author by a third party acting in good faith.⁵⁴

The author's moral rights, by contrast, are not assignable, s94. Among these are the right to be identified as the author („paternity right“),⁵⁵ s77, which must, however, be asserted, s78. Conversely, it is a moral right of the author not to have someone else's work attributed to himself, s84.⁵⁶ Another moral right is the right to object to derogatory treatment of the work, s80 („integrity right“).⁵⁷ The legal position is, thus, what German law might look like, were it not for its monistic approach to copyright. In practice, however, and in accordance with the code of conduct of the British publishers' association,⁵⁸ exclusive licences occur more often

⁵⁰ *Performing Rights Society, Ltd., v London Theatre of Varieties* [1924] AC 1 (HL), 28 f., 37 (Lord Sumner): “partial assignments do not mean incomplete assignments but assignments of part...”

⁵¹ *Jonathan Cape Ltd. v Consolidated Press Ltd.* [1954] 1 WLR 1313 (QBD), 1317 (Danckwerts J).

⁵² See already *University of London Press, Ltd., v University Tutorial Press, Ltd.* [1916] 2 Ch. 601 (Ch.D.), 612 (Peterson J).

⁵³ Bainbridge, *Intellectual Property*, 6th ed., p. 78.

⁵⁴ *Ward, Lock & Co., Ltd., v Long* [1906] 2 Ch. 550 (Ch.D.), 559 (Kekewich J) – this remains valid despite the criticism of the judgment in *Performing Rights Society, Ltd., v London Theatre of Varieties* [1922] 2 KB 433 (CA), 457 f. (Younger LJ).

⁵⁵ Thus Laddie, Prescott & Vitoria, *Copyright and Designs*, 3rd ed., para. 13.1, 13.6 ff.; Bently & Sherman, *Intellectual Property Law*, 2nd ed., p. 234; Bainbridge, *Intellectual Property*, 6th ed., p. 111.

⁵⁶ Bently & Sherman, *Intellectual Property Law*, 2nd ed., p. 239: “... this right is effectively the flip side of the attribution right.”

⁵⁷ Laddie, Prescott & Vitoria, *Copyright and Designs*, 3rd ed., para. 13.1, 13.17 ff.; Bently & Sherman, *Intellectual Property Law*, 2nd ed., p. 242; Bainbridge, *Intellectual Property*, 6th ed., p. 117.

⁵⁸ English law has no rules specifically on publishing contracts, such as the German Gesetz über das Verlagsrecht of 1901 (subsequently amended). Instead, general contract law applies, Bently & Sherman, *Intellectual Property Law*, 2nd ed., p. 272. In this context, the principle is recognised that „if there is one thing which more than another public policy requires it is that men of full age and competent understanding shall have the utmost liberty of contracting, and that their contracts when entered into freely and voluntarily shall be held sacred and shall be enforced by courts of justice“, *Printing and Numerical Registering Co. v Sampson* (1874-75) L.R. 19 Eq. 462 (Ct. of Chancery), 465 (Sir George Jessel MR) on the assignment of a patent; virtually identical for copyright Bently & Sherman *ibidem*.

than assignments.⁵⁹ The opposite might have been expected in light of the weaker position of a licensee compared to that of an assignee.⁶⁰

b) Copyright licences

S90(4) CDPA 1988 does not itself give, but presupposes, the proprietor's right to grant licences in the copyright. Remarkably, although the licence confers a legal right (because the Act in principle attributes it binding force against successor in title of the licensor's), a licence can be overcome by a purchaser in good faith and for valuable consideration, as if the licence were a mere equity. The Act is silent on whether licences may be transferred. This will be for the licensing agreement to stipulate. If the parties have not made any provision in this respect, the nature of the respective rights and duties will determine whether the bond between the parties is so close that it must not be severed by substituting another person for the licensee without the licensor's consent. Nevertheless, if the licence is assignable, the assignment will, in the absence of specific provisions in the CDPA, be governed by s136 LPA 1925.

4) Comparative conclusion

Copyright displays most differences between the two jurisdictions. The deviation arose from the German copyright reform of 1965 which re-modelled the Copyright Act along monistic lines. Nevertheless, much as German lawyers (and on this occasion, law makers, too) revel in sophisticated conceptual constructs, the practical results are not too far apart.

⁵⁹ Bently & Sherman, *Intellectual Property Law*, 2nd ed., p. 255, fn. 35.

⁶⁰ See on this question *Frisby v British Broadcasting Corporation* [1967] Ch 932 (ChD), 948 (Goff J); Copinger & Scone *James on Copyright*, no. 5-201; Bently & Sherman, *Intellectual Property Law*, 2nd ed., p. 255; on the distinction between partial assignment and licence, see *In Re Jude's Musical Compositions* [1907] 1 Ch. 651 (CA), 661 (Fletcher Moulton LJ), 662 f. (Buckley LJ).

III. Trade marks and licences therein

1) Trade marks

a) Germany

§ 27(1) MarkenG (Trade Marks Act 1994, as subsequently amended)⁶¹ allows the proprietor to assign his rights in the trade mark to third parties; the mark can also be transmitted by, for instance, succession.⁶² Assignment is governed by the provision in the Civil Code on the transfer of claims, §§398 BGB, which are applicable to „other“ (that is, debtor- and creditor-less, i.e. „absolute“) rights by virtue of §413 BGB.⁶³ Trade marks are, thus, fully mercantile. Before the partial reform of 1992,⁶⁴ under the old §8 WarenzeichenG (Designation of Goods Act), trade marks were inseparable from the proprietor's place of manufacture of the goods that bore the mark. The mark could not be transferred independently of the production plant.⁶⁵ Still of such accessory nature are business designations (*Unternehmenskennzeichen*), which German law protects specifically (§5 MarkenG),⁶⁶ whereas in English law, these would be subject only to the law on passing-off. The owner may transfer the mark for any or all goods or services for which it is registered. Partial assignments are according to classes of goods or services, whereas the graphic representation of the mark as such is indivisible.⁶⁷

Transfer of ownership through assignment takes place outside the register,⁶⁸ which subsequently only records the change, §27(3).⁶⁹ For this reason, there can be no *bona fide*-acquisition of a trade mark from a registered non-owner: the register has no substantive effect

⁶¹ For the consolidated German text, see <http://bundesrecht.juris.de/bundesrecht/markeng/gesamt.pdf>.

⁶² „Transmission“ refers to a transfer by operation of law, such as by succession, BGH GRUR 2004, 868 = I ZR 31/02 of 9.6.2004, II 1 a (p. *8) – „Dorf Münsterland II“; Starck, WRP 1994, 698 (700 at 5).

⁶³ OLG Stuttgart NJWE-WettbR 1999, 260 (261 at b).

⁶⁴ Gesetz über die Erstreckung von gewerblichen Schutzrechten of 23.4.1992, BGBl. I p. 398, §47; on the background, see Götting, Gewerblicher Rechtsschutz, 8th ed., § 50 no. 4.

⁶⁵ The situation under English law was similar, which additionally allowed a partial assignment if the production plant to which the mark referred was equally divided along products or categories of products, *Sunbeam Motor Co's Application* (1916) 33 RPC 389.

⁶⁶ OLG Stuttgart NJWE-WettbR 1998, 183, headnote 3; Götting, Gewerblicher Rechtsschutz, 8th ed., § 50 no. 2; critical remarks at § 55 no. 26, 28.

⁶⁷ Starck, WRP 1994, 698 (699 at 2 b); Klaka, GRUR 1995, 713 (716 at 3 b).

⁶⁸ Rauch, GRUR 2001, 588 (589, second-to-last para.).

⁶⁹ Fezer, MarkenG, 3rd ed., § 27 no. 20, 35 reaches the same result; likewise Ingerl/Rohnke, MarkenG, 2nd ed., § 27 no. 11.

on the ownership of the mark.⁷⁰ There is only the presumption for the purpose of any proceedings, before the patents office or in court, that the person on the register is entitled to the mark; third parties are not bound by this, but they bear the burden of proof that they are the true proprietor.⁷¹

b) England

According to 22 TMA 1994, a registered trade mark is personal property. Accordingly, it may be assigned, either with or without the business' goodwill, s24(1). This has been possible since the Trade Marks Act 1938.⁷² Non-registered marks, by contrast, can still not be transferred independently of the goodwill of the business that uses the mark.⁷³ As the statute expressly allows the assignment of registered trade marks, the assignment is a legal one. With regard to unregistered marks, the Act expressly abstains from making any rules on their assignment (s24(6)), so that their transfer is possible only in equity. In view of their low significance, no further attention appeared warranted.⁷⁴ What is more, because the Act has no other rules on unregistered marks, either, but makes them subject to the law of passing off only (s2(2)), such marks merely exist in equity. Their assignment is, hence, governed by the provision of s53(1)(c) LPA 1925, which requires writing and signing by both parties and, like s136, does not allow partial assignment.

Registered trade marks may also be assigned by way of security (mortgaged) or encumbered with a charge, s24(4), (5). The mortgage gives rise to an equity of redemption in the assignor, s26(2). This allows the assignor, as long as the assignor fulfils his side of the bargain, i.e. repays his debt as provided, to prevent in particular a surrender of the mark (s45(1)) by the assignee.

⁷⁰ BGH GRUR 1998, 699 (701) – „SAM“; HK-MarkenR/Pahlow, § 28 no. 2.

⁷¹ BGH GRUR 1999, 498 (499) = I ZR 176/96 of 5.11.1998, II 1 a – „Achterdiek“; BGH GRUR 1998, 699 (701) = I ZR 113/95 of 22.1.1998, III 2 b – „SAM“; Fezer, MarkenG, 3rd ed., § 28 no. 7; Rauch, GRUR 2001, 588 (593 at 6). – The situation is different regard Community Trade Marks: according to Art. 17(6) Reg. 207/2009, as long as the transfer has not been registered, the successor in title may not invoke the rights arising from the registration of the Community trade mark, unless the third party had knowledge of the transfer, Art. 23(2).

⁷² On the development of English trade mark law in this respect and regarding licences, see *Scandecor Development AB v Scandecor Marketing AB & ors.* [2001] ETMR 74 (HL), para. 20–35 (Lord Nicholls); Kerly's Law of Trade Marks, 14th ed., no. 13-004–13-008.

⁷³ Bently & Sherman, Intellectual Property Law, 2nd ed., p. 949.

⁷⁴ Morcom/Roughton/Graham, Trade Marks, 2nd ed., para. 11.4.

This equity may, however, be overcome by a purchaser in good faith and for valuable consideration⁷⁵ who acquires the mark before the mortgage is entered in the register. The assignor-debtor can protect himself against this by means of a forfeiture clause in the security agreement. According to such a clause, the trade mark reverts to the assignor as soon as the assignee-creditor purports to assign it free from the equity of redemption to a third party; alternatively, payment of the loan to be secured can be made conditional on the mortgage being evident from the register. Moreover, as the assignment transfers the right to use the mark, too, the assignor needs a licence to carry on using the mark.⁷⁶

By derogation from s136 LPA 1925, s24(2) TMA 1994 allows a partial assignment of the trade mark by way of legal assignment. The partition can take place along the classes of goods or services for which the mark is registered, as well as according to the manner or place of its use. Such a partition is possible also in case the assignment is by way of security, s24(4).

Any change of proprietor takes place outside the register;⁷⁷ the register only records the transaction that led to the change, s25(1), (2). The trade mark cannot be acquired *bona fide* from a registered non-owner, as the registration is prima facie evidence of his ownership only „in all legal proceedings relating to a registered trade mark“, s72. That is, this rule of evidence does not apply to the situation in which a third party purports to acquire the property from a non-owner by virtue of a contractual stipulation.

2) Trade mark licences and their *in rem*-nature

a) Germany

A trade mark's proprietor is not restricted to transfer the mark definitively, be it in whole or in part. §30(1) MarkenG allows him to grant licences in the mark, that is, temporarily to transfer all or some of his rights.⁷⁸ This provision is inspired by Art. 17 of the Community Trade Mark Regulation,⁷⁹ whereas the German Trade Marks Act otherwise transposes the Trade Marks Directive,⁸⁰ which does not contain any provisions on licensing. Licences, too, may refer to any

⁷⁵ Morcom/Roughton/Graham, Trade Marks, 2nd ed., para. 11.6.

⁷⁶ Kerly's Law of Trade Marks, 14th ed., no. 13-018.

⁷⁷ Kerly's Law of Trade Marks, 14th ed., no. 13-021.

⁷⁸ Ingerl/Rohnke, MarkenG, 2nd ed., § 30 no. 27.

⁷⁹ Reg. (EC) no. 207/2009, [2009] OJ L78/1, replacing and repealing Reg. (EC) no. 40/94.

⁸⁰ Directive 2008/95/EC, [2008] OJ L299/25, codifying the amendments to Dir. 89/104/EEC.

or all goods or services for which the mark is registered, and they may be limited to designated territories.

There is a controversy (and some confusion, too) about the *in rem*-nature (*Dinglichkeit*) of trade mark licences. Under the previous trade mark legislation, as we have seen, the trade mark was bound to the physical organisation of its proprietor for the production or provision of the goods or services for which the trade mark was registered. This was meant to ensure that the trade mark truthfully indicate the origin of goods and services from that particular source.⁸¹ For the same reason, the trade mark could only be transferred as whole and in permanence.⁸² Licences were inconceivable: they would have entailed the appearance on the market of goods that bore the same mark but did not originate in the same production facility.

From an economic point of view, this was awkward in case the proprietor wanted to penetrate new markets but lacked the means to extend its own production plant, and could not obtain credit or did not want to incur debt to this end. Nevertheless, a contractual way around these limitations was found. The proprietor would grant third parties a „permission to use the trade mark“ (*Gebrauchsüberlassung*), carefully distinguished from an outright licence. This meant that the proprietor would still tackle those who used the mark without authorisation, while he had promised his grantees that he would tolerate their use – even if as a consequence, several independent operators used the same mark for the same type of product.⁸³ The grantees, in turn, had no rights of their own vis-à-vis third parties using the mark without the proprietor’s permission. Since the entry into force of the present Trade Marks Act, the parties may stipulate that the licensee shall have such powers.⁸⁴

Seen in this light, it is a mere question of taste whether one wants to refer to a licence as *dinglich* if it grants the licensee powers as against third party violators of the mark. This label alone, not least because it is not used in the Act, is of no consequence. What is alone relevant is whether the licensee is to be allowed of his own volition to enforce, against violators, the rights that the trade mark confers in accordance with the provisions of §§14, 17–19, 146, 147

⁸¹ v. Gamm, WZG, § 1 no. 2, § 8 no. 23, 25, with further references.

⁸² v. Gamm, WZG, § 8 no. 4.

⁸³ v. Gamm, WZG, § 8 no. 14, 19, 20.

⁸⁴ Lange, Marken- und Kennzeichenrecht, no. 1414, emphasises that the law does not determine the character of a licence but that this depends on the agreement of the parties, who free mould the licence as they see fit („Das Gesetz enthält ... keine Vorgabe für den Charakter einer Lizenz. Da im Rahmen von § 30 MarkenG Vertragsfreiheit gilt, kommt es auf die Regelung der Rechtsnatur der Lizenz im jeweiligen Lizenzvertrag an“).

MarkenG (prohibition of use, damages, delivery-up etc.).⁸⁵ The *Bundesgerichtshof* recognises the possibility to grant such a licence, and cites with apparent approval the prevailing opinion to the effect that exclusive licences are *dinglich* in that sense.⁸⁶ This may well be usual practice. Nevertheless, it is not inconceivable that a sole licensee (i.e. the only one at present, but who has not been promised by the proprietor that no further licences will be granted) is expressly granted any or all of these rights.⁸⁷ This would depend on the economic importance of that licensee for the business strategy of the licensor.⁸⁸

b) England

The Trade Marks Act 1994 does not expressly allow the proprietor to grant licences, but recognises such a right by listing the grant of a licence as a registrable transaction, s25(2)(b), and by making provisions about licences in s28 ff. In particular, the Act distinguishes between general licences, allowing the licensee to use the mark for all goods or services covered, and for all manners and localities of use, and limited licences, which do not, s28(1). Exclusive (and by implication, non-exclusive) licences are defined in s29 similarly to a patent licence. Any combination of licences is possible, including a limited exclusive⁸⁹ and a non-exclusive general licence.

The Act contains no provisions on the assignment of licences. It does, however, allow the licensee to grant sub-licences (only) where the licence agreement so provides, s28(4). This must apply in equal measure to an assignment of the licence: here, too, the proprietor must be allowed to retain the right to assess for himself the suitability of anyone who is to use the mark. The same would follow from s31(1) according to which the licence „may“ provide that the licensee shall have all the rights of the assignor, including the right to assign the respective interest in the trade mark. The assignment of a licence, if permitted, is governed by s136 LPA

⁸⁵ Götting, Gewerblicher Rechtsschutz, 8th ed., § 25 no. 17 at 3 on patents, § 41 no. 8 on designs, § 51 no. 9 on trade marks.

⁸⁶ BGH, I ZR 93/04 of 19 July 2007, para. 29 = BGHZ XXX, YYY – „Windsor Estate“; strictly speaking, however, this was an *obiter dictum* not relevant to the outcome of the case, and para. 34 might be read to call into question whether anybody other than the proprietor may claim damages for violations of the trade mark.

⁸⁷ Schanda, GRUR 1994, 275 (286 before d).

⁸⁸ Rosenberger, GRUR 1983, 203 (203 f. at 2 b).

⁸⁹ Thus expressly s29(1): „In this Act an ‚exclusive licence‘ means a licence (*whether general or limited*)...“ (emphasis added).

1925.

S31(1) also holds the key to the question whether a trade mark licence has effects *in rem*, that is whether the licensee can turn against any third parties' infringement of the trade mark. The Act leaves this to the parties to determine. According to sub-s(7), the licensee may in the agreement (sub-s(8)) be granted the right to take action against infringements of the mark. In taking such action, the licensee acts in his own name, s31(1), 2nd para. Nevertheless, the licensee's powers are limited in that he cannot go after infringements of the licensee's rights by the proprietor himself (*ibidem*) and, by implication, by those who act by authority of the proprietor. This is because the licensee's and the proprietor's rights are, according to s31(2), „concurrent“. Regardless of the rights of the licensee, the licensor may therefore continue to exercise his rights as before. As much as he cannot violate his own rights, neither can he violate those of the licensee. Conversely, as both licensee and licensor act in the same sphere (and the legality of their actions can only be assessed uniformly),⁹⁰ an action by the licensee against the licensor would be an action against himself. Such an action is inadmissible: the licensee is „not entitled to bring infringement proceedings against ... the proprietor“, s31(1), 2nd para. *in fine*.

3) Comparative conclusion

Trade marks and licences therein are largely freely marketable in both jurisdictions, with some limitations as to the transferability of exclusive licences.

C. Inchoate and future Intellectual Property can be the subject of proprietary rights.

Patents and trade marks undergo an application and examination procedure before they are entered on a public register and thus become fully enforceable against third parties. Copyright, by contrast, is not registered but arises out of the very creation of a protected work. With copyright, only future rights can be the object of proprietary transactions; with patents and trade marks, apart from the future (registered) rights, the rights flowing from the application can also be transferred or encumbered.

⁹⁰ Similarly, Copinger & Scone James on Copyright, no. 5-205.

I. Patents

1) Germany

The German Patents Act distinguishes three rights: the inventor's right to be awarded a patent (*Recht auf das Patent*, §6); the applicant's right against the Patent Office to conclude the procedure for the award of a patent (*Anspruch auf Erteilung des Patents*, §8); and the patentee's exclusive right as flowing from the (granted) patent (*Recht aus dem Patent*, §9). §15 PatG declares all of these rights transferable. The right pursuant to §6 arises as soon as the invention is complete, i.e. when no further trials are required to solve the technical problem that is the subject-matter of the invention, and when the invention is capable of commercial or industrial application („gewerbliche Anwendung“, §1(1)).⁹¹ The right to a patent is transferable,⁹² even before completion of the invention, if the invention can be unambiguously determined to which the future patent is to relate.⁹³ On the same condition, the patent can be assigned,⁹⁴ even its belonging to a clearly defined technical field may be sufficient to this end.⁹⁵ The inventor may see the application process through; as soon as the patent is entered in the register, it belongs to the assignee,⁹⁶ who can have the register rectified in accordance with §30(3) PatG. Alternatively, the inventor can allow the assignee to apply for the patent in his own name or to take over an application already lodged with the patent office.

2) England

S18(4) PA 1977 provides that the comptroller shall grant the applicant a patent if the application meets all conditions therefor (sub-ss(1), (2), (4)). This right is akin to that granted by §8 PatG. S30(1), (2) PA 1977 declares the application personal property and, hence, assignable and capable of being mortgaged. In light of the length of the patent examination,

⁹¹ Benkard/Melullis, PatG, 10th ed., § 6 no. 7.

⁹² BGH of 20.2.1979, X ZR 63/77, III 1 = GRUR 1979, 540 (541) – „Biedermeiermanschetten“; OLG Frankfurt a.M. GRUR 1987, 886 (890) – „Gasanalysator“.

⁹³ Kraßer, Patentrecht, 5. Ed., § 19 II 6 (p. 337).

⁹⁴ Kraßer, Patentrecht, 5. Ed., § 40 III 2 (p. 951); Busse/Keukenschrijver, PatG, 6th ed., § 6 no. 28.

⁹⁵ Benkard/Ullmann, PatG, 10th ed., § 15 no. 13.

⁹⁶ RGZ 139, 52 (56) – „Kunst Darm“; BGH of 24.3.1994, X ZR 108/91, III 2 c = GRUR 1994, 602 (604) – „Rotationsbürstenwerkzeug“; Busse/Keukenschrijver, PatG, 6th ed., § 6 no. 28; Götting, Gewerblicher Rechtsschutz, 8th ed., § 25 no. 5.

which often takes years, this is a sensible rule,⁹⁷ enabling the inventor to derive income from the invention even before patent protection becomes fully effective. Licences and sub-licences in an application are also possible, as is their assignment and mortgaging, s30(4). Licences in the application may continue in existence as know-how licences if the application is withdrawn or refused before it is published, see s16(1). Licences granted in the patent lapse if the court orders the transfer of a patent that was granted to a person that was not entitled to it, s38(2). In that case, however, the licensees are entitled as against the new proprietor of the patent to a non-exclusive licence if they had, at the time of the transfer order, already worked the patent *bona fide* or had made serious preparations to do so, s38(3).

These are rules for the *legal* assignment and licensing of patents, patent applications, and licences therein. Even before the lodging of a patent application, assignments and licences are possible, but as transactions in future property, these will take effect in equity only.⁹⁸

II. Trade marks and licences therein

1) Germany

Future trade marks may be assigned even before an application for their registration is lodged if they are described with sufficient detail in the agreement to assign.⁹⁹ Sufficient determinants are the time or period during which an application is to be lodged, the goods or services that are to bear the mark, or particular words or sequences of signs. On registration, the right arises in the assignee,¹⁰⁰ who can have the register recitified, §27(3) MarkenG.

Even before then, the applicant for registration of a trade mark has a right to have the mark entered on the register (*Anspruch auf Eintragung*) against the Patents and Trade Marks Office (*Deutsches Patent- und Markenamt*) as soon as he has lodged a formally correct application and there are no absolute grounds to refuse registration of the mark, §33(2) MarkenG. This point in time also determines the priority of the mark over one whose registration is applied for later but that is entered on the register earlier, §§47(1), 6(1), (2) MarkenG. The right against the Office can also be assigned, §§31, 27(1). The assignee will prefer this option over an assignment of the future mark after registration. This is because the assignee of the rights from

⁹⁷ Bainbridge, *Intellectual Property*, 6th ed., p. 429.

⁹⁸ Terrell on Patents, no. 9.15.

⁹⁹ Ingerl/Rohnke, *MarkenG*, 2nd ed., § 27 no. 9.

¹⁰⁰ BGH NJW-RR 1998, 1057 (1058).

the application will appear on the register as soon as the mark is entered therein.

Nevertheless, the assignee of the rights that flow from the application for registration would not be protected in case the assignor had already assigned his rights in the future mark (rather than in the application). Entry on the register is a condition for the protection of the mark, but it does not determine the ownership of the mark. The property in the mark arises in the first assignee (that is, the assignee of the future mark) as soon as the mark is registered. The assignor has by the first assignment exhausted his rights in regard to the mark, including the rights in the subsequent application for registration of the mark. He has nothing left to transfer to subsequent assignees. Should the second assignee be entered on the register, the first has a claim in unjust enrichment (§812 BGB) for the consent of the second assignee to a rectification of the register. Should the second assignee, once entered on the register, surrender the mark, such impairments of the first assignment would be void in accordance with §161(1), 1st sentence BGB. If the rights in the application were first assigned, it is the other way round. Both assignments are ultimately meant to transfer the mark to the assignee; only one such assignment (namely the first) is in the power of the assignor.

§31 MarkenG declares not only the provision on assignment applicable to the rights flowing from an application for registration, but also that on licensing (§30 MarkenG). There is no provision on the licensing of purely future marks (i.e. those whose registration has not even been applied for). Nevertheless, it is a fundamental principle of German civil law that future rights can be assigned (§§398, 413 BGB),¹⁰¹ and as a *minus*, that partial assignments and encumbrances of such rights are also possible (§1273 BGB).¹⁰² Licences in future rights can, hence, also be granted. These are more common than licences in applications for registration of a trade mark: the examination period for trade marks is usually shorter than that for a patent, so that not much time would be gained.

As much as the proprietor can grant licences in his future mark, so can a licensee in principle transfer those licences to third parties. There is, however, no *bona fide* acquisition of licences in a mark that is subsequently denied registration. The same is true if the licensee grants sub-licences in a future mark. This also applies if the purported exclusive licensee of a future mark only acquires a non-exclusive or no licence at all, because the proprietor had previously granted someone else an exclusive licence. On registration of the mark, that person has an exclusive licence of which there can be only one in the same respect. The second

¹⁰¹ Palandt/Grüneberg, BGB, 68th ed., §398 no. 11.

¹⁰² Palandt/Bassenge, BGB, 68th ed., §1273 no. 1.

exclusive licensee acquires nothing if the proprietor, under the terms of the first exclusive licence, must not grant even simple licences anymore.

2) England

According to s27(1) TMA 1994, the Act's provisions on trade marks as objects of property (ss22–26) apply likewise to applications for the registration of trade marks. Trade mark applications may, hence, be assigned absolutely or by way or security, and be encumbered by charges, ss27(1), 24(1), (4), (5). These transactions become effective against all third parties on registration, s25(2), (3). Because of the reference to s24(2) in s27, partial assignments of applications and licences in parts of an application are possible *at law*. Such assignment will result in several identical marks of different scope being entered on the register for different proprietors pursuant to s40. An alternative to the partial assignment of the undivided application is the division of the application into several independent applications in accordance with s41(1)(a) TMA 1994, r19(1) Trade Mark Rules 2000,¹⁰³ and the assignment of these new applications.

Apart from assigning or licensing the trade mark application, the future proprietor can do the same with the future trade mark. Because this is not, however, provided for in the Act, these transactions will be effective in equity only. As said transactions are, like trusts (s26), not registrable, the assignment etc. of the future trade mark can be superseded by the assignment of the application to a purchaser without notice and for valuable consideration. This risk will not be present, of course, where the assignor is a subsidiary of the assignee company. Nevertheless, the assignment and licensing of the application remains the more secure and hence more attractive variant when the parties want to grant (sub-)licences to third parties.

III. Copyright

1) Germany

For want of an examination or entry in a register, copyright subsists in a work as soon as the work is created. §40 UrhG allows the author to grant third parties rights to exploit (*Nutzungsrechte*) future works. These rights, too, can be transferred if the author consents, §34(1), and if they are exclusive rights, allow their holder to grant further rights to third parties, again with

¹⁰³ Statutory Instruments 2000 no. 136, <http://www.opsi.gov.uk/si/si2000/20000136.htm>.

the author's consent, §35(1). Authors can grant *Nutzungsrechte* in future works (§40), but no further rights accrue in regard to such works if the agreement is terminated. The assignee of these rights (§34) can in that case have no more permanent rights than his assignor.¹⁰⁴ The same is true of sub-„licensees“ (§35). After termination of the original agreement conferring *Nutzungsrechte* in future works on their licensor, they do not on creation of further works become sub-licensees of those who have in the meantime acquired rights in these works. In relation to these new „licensees“, there is no contractual stipulation to that effect.¹⁰⁵

2) England

§91(1) CDPA 1988 governs the transfer of future copyright. The expression „purports to assign“ encompasses both the case that the parties want the present transfer of a future right, which is to become effective as soon as the right arises; and the case that the parties want a future assignment of the right once it has arisen (agreement to assign).¹⁰⁶ As we have seen, future rights can not be assigned *at law* under §136(1) LPA1925. On a cursory reading, §91(1) CDPA 1988 allows just this because it provides that copyright shall automatically vest in the assignee. In equity, the right would vest in the assignor, who would, however, be bound to transfer it to the assignee.¹⁰⁷ §91(1) saves the assignee having to enforce his equity.¹⁰⁸ Nevertheless, the Act stops halfway. The automatic vesting occurs only „if ... the assignee ... would be entitled as against all other persons“ to the copyright. This he will not be if a third person has a better equity, such as a prior assignee, the author's employer (see §11(2) CDPA 1988), or the holder of a crystallised floating charge, the latter even having the legal right to sell the copyright under §101(1)(i), (iii), (4) LPA 1925.¹⁰⁹ §91(1) CDPA 1988 is, thus, a peculiar hybrid of law and equity.

¹⁰⁴ Schricker/Schricker, *UrhR*, 3rd ed., § 34 no. 22, § 35 no. 11 with references to the opposite view.

¹⁰⁵ Similarly Schricker/Schricker, *UrhR*, 3rd ed., § 35 no. 11, with further references, who points to the limitations of a licence in accordance with its purpose („Zweckbindung der Übertragung, § 31(5), see above), which an isolated sub-right must not exceed.

¹⁰⁶ Laddie, Prescott & Vitoria, *Copyright and Designs*, 3rd ed., para. 23.6; Copinger & Scone James on *Copyright*, no. 5-73, 5-179.

¹⁰⁷ *Performing Rights Society, Ltd., v London Theatre of Varieties* [1922] 1 KB 539 (KBD), 549 (Branson J); [1922] 2 KB 433 (CA), 454 (Younger LJ); *Wah Sang Industrial Co. v Takmay Industrial Co. Ltd.* [1980] FSR 303 (CA of Hong Kong), 309 (Roberts CJ).

¹⁰⁸ Laddie, Prescott & Vitoria, *Copyright and Designs*, 3rd ed., para. 23.5.

¹⁰⁹ Laddie, Prescott & Vitoria, *Copyright and Designs*, 3rd ed., para. 23.59.

S91(3) allows the proprietor of future copyright or his assignee (see the definition in (2)) to grant licences in that copyright. As in the case of assignments just discussed, these licences are vulnerable because a *bona fide* purchaser for valuable consideration can acquire the copyright unencumbered. Once the licences have lapsed in this way, they are not revived on the transfer of the right to a subsequent purchaser who had notice of them.¹¹⁰ Although the Act does not say so, it follows from general equitable principles, not abrogated by the Act, that an assignee of a licence in future copyright can, on the same conditions, acquire the licence without any sub-licences granted previously by the assignor.

IV. Comparative conclusion

Inchoate intellectual property rights are well-integrated into both jurisdictions' system of rules for proprietary transactions in those rights. Nevertheless, German law again displays some peculiarities involving copyright, and English law has moved (only) one step further away from its traditional unease regarding future intangibles.

D. Moral rights of the creators of Intellectual Property cannot be transferred.

I. Moral rights of inventors

1) Germany

The right of the inventor to the patent (§6 PatG) has a dual nature.¹¹¹ On the one hand, it is a transferable property right. On the other hand, the invention is also a manifestation of the inventor's personality,¹¹² so that it has been dubbed „technical copyright“.¹¹³ For this reason, the inventor has to be identified in the patent application (§37), and the application will be refused if he is not (§48). The inventor must also be identified in the patent (§63), unless he specifically wishes to remain anonymous (§63(1), 3rd and 5th sentences). This right to be

¹¹⁰ Bainbridge, *Intellectual Property*, 6th ed., p. 99.

¹¹¹ Busse/Keukenschrijver, *PatG*, 6th ed., § 6 no. 11.

¹¹² Benkard/Melullis, *PatG*, 10th ed., § 6 no. 16; Kraßer, *Patentrecht*, 5. Ed., § 19 I 1 (p. 333); Götting, *Gewerblicher Rechtsschutz*, 8th ed., § 17 no. 3, 8; Schulte, *GRUR* 1985, 772 (775 at 6.): an act of creative creativity („Akt schöpferischer Kreativität“) (*sic*).

¹¹³ BVerfG of 10.5.2000, 1 BvR 1864/95, II 1 = *GRUR* 2001, 43 (43) – „Klinische Versuche“; likewise already BVerfGE 36, 281 (298 f.).

identified is inseverable from the inventor and cannot, therefore, be assigned.¹¹⁴

2) England

S13(1) PA 1977 gives the inventor the right to be mentioned as such in any patent granted for the invention, and already the application must contain this identification, sub-s(2). These provisions mark the right to be identified as the inventor as a subjective right of the person concerned. At the same time, however, any person alleging that somebody has been wrongly mentioned as the inventor (or one of several) can turn to the comptroller for rectification of the register, sub-s(3). Respect for the truth about who is the inventor is thus not only a subjective right but an objective principle; the inventor's right is merely a means to the end of helping the truth to be established. From this it follows that the right to be mentioned as the inventor cannot be assigned: in the hands of the assignee, it would lead to a falsehood appearing on the register.

II. Authors' moral rights (*Urheberpersönlichkeitsrecht*)

1) Germany

As we have seen, the author's personality rights comprise the rights to make the work known to the public (§12 UrhG), to be identified as the author (§13), and to prohibit derogatory treatment of the work (§14).

The right pursuant to §12 is not assignable. It enables the author to determine how he is perceived by the public; his reputation rests on the content and quality of the works that appear under his name. The definition of his own identity as a writer, composer, architect, academic, etc., depends on ultimate control over the first release into the public of his work. The same is true of the other two rights under §12, namely to communicate the contents of the work and to describe it.¹¹⁵ The right under §14 complements that under §12. It enables the author to protect the creative uniqueness of his work,¹¹⁶ rather than the physical integrity of its

¹¹⁴ BGH of 20.6.1978, X ZR 49/75, III 2 = GRUR 1978, 583 (585), with a concurring annotation by Harmsen – „Motorkettensäge“; Kraßer, Patentrecht, 5. Ed., § 19 II 5 (p. 336); Benkard/Melullis, PatG, 10th ed., § 6 no. 17a, with further references.

¹¹⁵ Schricker/Dietz, UrhR, 3rd ed., § 12 no. 28.

¹¹⁶ Dreier/Schulze/Schulze, UrhG, 2nd ed., § 2 no. 11.

embodiments. The creator's renown with the audience and his peers rests on his works as put out to the public. If the decision about the initial publication cannot be left to someone else, neither can his discretion which alterations to his works to tolerate and which not. Third persons cannot by assignment acquire the right to be identified as the author, and neither can they become the authoritative interpreters and guardians of his works' character. The right to be identified as the author (§13), finally, cannot be assigned for the simple reason that someone else would not thereby become the author of the work; to claim to be identified as such would be to insist on a lie.

2) England

Authors' moral rights to be identified as the author, and to prohibit derogatory treatment of his works, ss77, 80 CDPA 1988, are not assignable, s94.

III. Trade marks and licences therein

1) Germany

A trade mark is supposed to make the goods and services recognisable for which it is registered. It is meant to allow the consumer to distinguish these goods or services from competing offers, and to give assurance that the goods or services are of a tried and tested quality because they originate from the same source or are made under unitary control.¹¹⁷ Trade marks thus identify things, not persons; in principle, therefore, personality rights do not come into play.

Nevertheless, an overlap can occur in that names of persons and their images can also serve as trade marks, §§3(1), 13(2) nos. 1, 2 MarkenG. There may also subsist copyright in the mark or some of its aspects, no. 3. The personality rights thus implicated must be respected in the course of assignment or licensing of such trade marks. At the same time, however, the holder

¹¹⁷ BGH GRUR 2002, 1070 ((1071 at 1, 1st para.) = I ZB 1/00 of 13.6.2002, III 1 – „Bar jeder Vernunft“; for details on the functions of trade marks, see Fezer, MarkenG, 3rd ed., Introduction, nos 30–34a, and on the MarkenG especially at nos 39–41: product-differentiating distinguishing mark („produktidentifizierendes Unterscheidungszeichen“); Ingerl/Rohnke, MarkenG, 2nd ed., Introduction, no. 66; introduction before §§ 27–31 no. 1; Götting, Gewerblicher Rechtsschutz, 8th ed., § 47 nos 1–6, 17; Cornish & Llewelyn, Intellectual property, 6th ed., no. 16-28; Wilkof & Burkitt, Trade Mark Licensing, 2nd ed., nos 2-04–2-41.

of these rights has voluntarily employed them for commercial purposes and in the expectation of some gain from such employment; trade marks originated in industrialists using their „good name“ to warrant for the quality of their wares („nominative mark“).¹¹⁸ For this reason, personality rights will only rarely hinder proprietary transactions in those trade marks. On the contrary, the person concerned, by commercialising aspects of his personality, has placed the marketability of the goods and services offered under the mark above other concerns.¹¹⁹

The *Bundesgerichtshof* initially took a different stance. On the question whether a liquidator could sell a firm (the name under which a partnership trades) containing the family name of the person controlling the insolvent company, it held in *Vogeler* that the person by the use of that firm had „not released his name from the sphere of his personality“. His personal interest in hindering others from using his name was, therefore, not subordinate to the interests of those who might wish to acquire the mark; the mark was, hence, unassignable.¹²⁰

This seems unconvincing: there are too many goods and services and their respective trade marks, and the legal and economic relations between their producers and/or distributor to little transparent for the public to associate any specific person with a name that might occur in a trade mark. On the contrary, the more famous the name becomes as a trade mark, the more it subsumes the real person that might have (or once have had) that name. „Dr. Oetker“, to use a famous example, has assumed a meaning against which the historic person whom the mark originally conjured up has almost completely paled. The invocation of personality rights in this context misses the reality of an increasingly indifferent, even cynical public.¹²¹ More realistically, the House of Lords held in 1863 already that a mark or a trade name can be protected even though the producer is not known to the public, which rather understands the mark as an indication of a trade source and hence as a quality seal.¹²²

¹¹⁸ Götting, Festgabe für Beier, 233 (234 f.); Fezer, MarkenG, 3rd ed., Einl. no. 2; HK-MarkenR/Klippel, Einl. 1 no. 3. In England, the firm's name was one of the few marks that were at all registrable according to s10 Trade Marks Registration Act 1875.

¹¹⁹ Similarly, HK-MarkenR/Pahlow, § 29 no. 3 on attachment.

¹²⁰ BGHZ 32, 103 (111, 113) = I ZR 159/58 of 26.2.1960, I 1 d, II – „Vogeler“.

¹²¹ Friedrich, annotation to *Vogeler*, GRUR 1960, 490 (495) calls this false romanticism („falsche Romantik“); this jurisprudence may be a belated echo of the view that the trade mark was an emanation of the personality of its owner („Ausfluß der Persönlichkeit“), which prevailed until the 1920s and which was only overcome by RGZ 118, 76 (81) – „Springendes Pferd“; see also v. Gamm, WZG, Introduction, no. 45, and Götting, Festgabe für Beier, 233 (234), with further references.

¹²² *Hall v Barrows* (1863) 4 De G.J. & S. 150 (HL), 157 (Lord Westbury LC).

The legal context of the *BGH's* judgment has also changed: German law no longer requires sole traders or partnerships to indicate the names of one or more natural persons involved in the business; pure „phantasy firms“ have been permissible since 1994,¹²³ which renders the use of one's real name entirely voluntary. Remarkably, the *BGH* acknowledged as much in a later judgment involving a German private limited company's (*GmbH's*) name containing a personal name, which also served as the trade mark for the company's products.¹²⁴

The same principles apply to the licensing of a mark that contains a person's name, and to assignments of such a mark.

2) England

S1(1), 2nd para. TMA 1994 allows the use of personal names as trade marks. The Act does not make special provisions for the assignment or licensing of marks of that kind. Such rules are dispensable when it comes to phantasy names that do not designate a real living or dead person. Arguably, none are required either for names that do. Someone who has commodified his name by using it as a trade mark cannot complain if others continue to do so after an assignment. The granting of mere licences allows him to retain control over who uses his name and how; this is of no help, however, in liquidation or administration of a company, when the relevant office holder seeks to realise the economic value of the mark in the interest of a company's creditors.

IV. Comparative conclusion

Predictably after the above discussion of copyright law, German law places strong emphasis on personality rights. English law, nevertheless, is not entirely averse to this concept. Not so much with the idea, but with the treatment of authors' moral rights, it offers a viable compromise that takes it close to the German solution but avoids the latter's conceptual rigour in the area of copyright.

¹²³ Baumbach/Hopt, HGB, 32nd ed., § 17 nos 2, 3, § 19 no. 8.

¹²⁴ BGHZ 109, 364 (367 f.) = I ZR 17/88 of 14.12.1989, three last paras. – „Benner“.

E. Proprietors may limit the (further) transferability of Intellectual Property and Rights therein.

I. Patents and patent licences

1) Patents

a) Germany

The limitations of a transfer under §15(1), 2nd sentence, 1st alternative PatG can refer not only to the right transferred, but to the result of the transfer, the power of the assignee to enter into further transactions involving the patent. There is a limited transfer if the new owner is not given the power to assign the patent, or is bound to seek the assignor's consent when purporting to do so. According to §30(3) only changes in the person of the proprietor are registrable. Later assignees cannot, hence, acquire the patent free from the restriction. The content of the register (and the absence of any notice of the restriction) is immaterial for the substantive relations between the first proprietor and his assignee,¹²⁵ and likewise between the parties to later transactions involving the patent.¹²⁶ The transfer is brought about solely by the assignment,¹²⁷ outside and independent of the register.¹²⁸ Entry in the register merely confers on the person entered therein procedural legitimation in accordance with §30(3), 2nd and 3rd sentence.¹²⁹

The *Reichsgericht* (Imperial Court, the predecessor of the *Bundesgerichtshof*, 1871–1945), by contrast, argued that such restrictions were effective in contract only, i.e. between assignor and assignee, not between the assignee and third parties. This was because the provision in the Civil Code allowing restrictions of assignability (§399 BGB) did not apply to absolute rights without a debtor.¹³⁰ It is certainly true that the provisions of the code that protect the debtor against having to perform twice over in case of an assignment (§§407 ff. BGB) are not applicable to

¹²⁵ Busse/Keukenschrijver, PatG, 6th ed., § 15 no. 29, 37; Benkard/Schäfers, PatG, 10th ed., § 30 no. 8a.

¹²⁶ RGZ 139, 52 (57) – „Kunstdarm“, adding that the acquisition of the patent is equally independent of the handing over of the patent instrument.

¹²⁷ RGZ 126, 280 (284 *in fine*) – „Lampenschirm“.

¹²⁸ BGHZ 82, 13 (17) = X ZR 57/80 of 6.10.1981, II 2, 2nd para. – „Pneumatische Einrichtung“; Busse/Schwendy, PatG, 6th ed., § 30 no. 32; no. 88: the patents and trade marks office only checks the legal plausibility (*rechtliche Evidenzprüfung*) of the transfer as evident from the documents submitted.

¹²⁹ Rauch, GRUR 2001, 588 (590).

¹³⁰ RGZ 127, 197 (205 at c) – „Hakenschraubenmuttern“; concurring, Benkard/Ullmann, PatG, 10th ed., § 15 no. 12.

intellectual property rights.¹³¹ Nevertheless, §413 BGB on the assignability of rights other than those resulting from a debtor/creditor relationship declares all provisions on assignment applicable to such rights *mutatis mutandis* („entsprechend“). The Court fails to explain what these necessary adaptations might be.¹³² Today, with the applicability of §§413, 399 BGB to intellectual property rights accepted, §137 BGB poses no problem either. That provision prohibits restrictions of assignments of transferable rights. Nevertheless, a right is not transferable in the first place if its proprietor is only willing to assign it stripped of the right to transfer it further.¹³³ At any rate, §15(1) PatG, allowing for „limited transfers“, would take precedence as the more specific provision (*lex specialis*) over the general rules of the Civil Code.¹³⁴

b) England

S30(2) PA 1977 ordains the the assignability of patents without the addition of „to the extent that the [contract] so provides“ as in the provision on licences, sub-s(4)(a). This difference is no editorial fluke. S30(2) governs a case of legal assignment: the Act says that the assignment is permissible, and that it must be in writing to be effective. This does not render any restrictions on further assignments illegal, merely ineffective at law. In equity, they are possible,¹³⁵ but vulnerable under the usual conditions. If the assignor wants to prevent the disappearance of the equity on acquisition by a *bona fide* purchaser for valuable consideration, there are two ways open to him.

The first way to ring-fence the non-assignability clause would be to convey not the outright title but to grant the assignee a mere mortgage whose equity of redemption would be triggered by an acquisition apt to extinguish the equity. Such a mortgage would appear on the register (s32(2)(a)) so that any later purchaser would be put on enquiry as to the existing equities. Alternatively, the assignor could insist on a fixed charge over the patent. As a consequence, the assignee would be unable further to assign the patent or licence without the consent of the assignor. Such a charge and mortgage would be vulnerable only in the time between the agreement is made and its recording on the register. To guard against any risks of an acquisition in

¹³¹ BGH GRUR 1993, 822 (823) = I ZR 194/90 of 12.11.1992, II 1, 2nd para. – „Katalogbild“.

¹³² Rosenberger, GRUR 1983, 203 (208 at c).

¹³³ Palandt-Ellenberger, BGB, 68th ed., §137 no. 2.

¹³⁴ Bühling, GRUR 1998, 196 (198 f. at IV 2); Rosenberger, GRUR 1983, 203 (208 at c); Palandt-Grüneberg, BGB, 68th ed., §413 no. 2.

¹³⁵ Terrell on Patents, no. 9.15.

good faith in the meantime, the transfer of the patent can be made conditional on the publication of the charge or mortgage in the register. The absence of the property in the hands of the assignee purporting further to assign the patent cannot be overcome, as this is no mere equity.

2) Patent licences

a) Germany

The Patents Act leaves the contents of patent licences largely to the parties to the transaction. This is why restrictions on the transferability of licences are permissible.¹³⁶ The courts have held that an exclusive licence is transferable and allows the licensee to grant sub-licences,¹³⁷ whereas a non-exclusive licence, being a mere contractual permission, is inseparable from the person or enterprise to which it is granted, and does not allow the licensee to grant sub-licences.¹³⁸ This may or may not be stipulated from case to case. The proposition regarding non-exclusive licences, however, is counter-intuitive because contractual claims are generally assignable, §§398, 413 BGB,¹³⁹ and there is little by way of explanation for why patent licences should be treated differently in this respect. What is more, an exclusive licence is often granted in order to allow the patentee to penetrate new markets,¹⁴⁰ or to ensure a permanent local presence, allowing for a swift reaction to market trends. This would bring about a much closer mutual dependence of licensor and licensee, and thus militate against the general assumption that exclusive licences are assignable.

¹³⁶ Same result in Benkard/Ullmann, PatG, 10th ed., § 15 no. 103, but it is doubtful whether this follows from RGZ 134, 91 (96) – „Drahtgewebebeziegel“; like Benkard/Ullmann, Busse/Keukenschrijver, PatG, 6th ed., § 15 no. 71.

¹³⁷ RGZ 142, 168 (170) – „Loseblätterbuch“; BGH GRUR 1955, 338 (340 at 2), concurring Götting, Gewerblicher Rechtsschutz, 8th ed., § 25 no. 18; Benkard/Ullmann, PatG, 10th ed., § 15 no. 105.

¹³⁸ BGHZ 62, 272 (276 f.) = X ZR 4/71 of 23.4.1974, 3 b – „Anlagengeschäft“; concurring Benkard/Ullmann, PatG, 10th ed., § 15 nos 70, 103.

¹³⁹ Kraßer, Patentrecht, 5. Ed., § 40 V d 1 (p. 958).

¹⁴⁰ Cornish & Llewelyn, Intellectual property, 6th ed., no. 7-23; for examples, see the ECJ's judgments in Joined Cases 56/64 and 58/64 *Consten und Grundig v Commission* [1966] ECR 321, and Case 56/65 *La Technique Minière v Maschinenbau Ulm* [1966] ECR 282.

b) England

S30(4)(a) PA 1977 provides as the default rule that licences allow for sub-licences, and that any licence and sub-licence granted may be assigned or mortgaged. The assigning or mortgaging of licences or sub-licences may, however, be prohibited in the licensing agreement. If the parties have agreed that the licence shall not be assignable, this exclusion has effect vis-à-vis third parties¹⁴¹ as the licence or sub-licence, unlike the patent it is derived from, is a mere contractual relationship, to which the rule to that effect in *Linden Gardens*¹⁴² applies. Despite the fact that such a limitation on further assignments is not a registrable transaction (other than the grant of the licence itself, s33(3)(c)) does not allow the *bona fide* acquisition without the limitation. S30(4)(a) PA 1977, by expressly allowing limitations on further assignments, puts would-be acquirers of licences on enquiry whether any such restrictions apply. Leaving the possibility of outright fraud aside, few economic operators would anyway be so gullible as to buy a licence, like a cat in the sack, without first perusing the instrument that establishes it.

II. Copyright (Authors' economic rights)

1) Germany

We have seen above that the monistic approach taken by German law renders the author's personality rights and his economic rights (*Verwertungsrechte*) unassignable, but that third parties' rights to exploit the work (*Nutzungsrechte*), granted by the author, are akin to licences in all but name. In the hands of the „licensees“, these rights are ordinary property rights and as such assignable. Nevertheless, any transfer requires the author's consent. This requirement can, however, be abrogated by the parties, §§34(5), 2nd sentence, 35(2) UrhG. Alternatively, certain conditions for an assignment to be permissible may be stipulated in the licensing agreement.

2) England

Copyright, too, can be assigned in whole or in part, s90 CDPA 1988. The courts have accepted limitations on further assignment, such as the permission to assign only to the successor in the running of a particular business.¹⁴³ It has been held, however, that such negative covenants are

¹⁴¹ Clark/Cornish, Encyclopedia of UK and European Patent Law, no. 8-406.

¹⁴² *Linden Gardens Trust Ltd. v Lenesta Sludge Disposal Ltd.* [1994] 1 AC 85 (HL).

¹⁴³ *Barker v Stickney* [1919] 1 KB 121 (CA), 122 at 6.

binding only on the parties involved.¹⁴⁴ This need not give rise to any problems, as observance of this stipulation can be ensured by a forfeiture clause. This deprives the assignee of the right altogether as soon as he attempts to breach the covenant. Copyright licences follow the same principles as patent and trade mark licences.

III. Trade marks and licences therein

1) Trade marks

a) Germany

As far as restrictions of the assignment of a trade mark are concerned, §27(1) MarkenG mentions only limitations along categories of goods or services. Nevertheless, this does not rule out restrictions of the mark's further assignment, be it through a prohibition or through a consent requirement. A *bona fide* acquisition by subsequent assignees is not possible as the register does not entertain a belief in the absence of restrictions in this respect.¹⁴⁵ Only the transfer of the mark is registrable, if necessary according to different classes of goods or services, §27(3), (4), 46 MarkenG, § 32 MarkenV (Trade Mark Rules). Who wants to acquire a fully marketable trade mark must make enquiries and decline the offer of a shackled mark. This can be left to the market: trade marks do not represent scientific or cultural achievements in whose dissemination there is a public interest; on the contrary, there is no shortage of trade marks, or of goods or services.

b) England

S24(2) TMA 1994 allows the partial assignment of a trade mark. An assignment that does not give the assignee the power to make further assignments could be seen as a partial assignment. Nevertheless, such a partition is not one mentioned in letters (a) and (b) of that provision. There is no indication that this list is not meant to be exhaustive; thus, it is not preceded by „in particular“ as is the otherwise identical list in s28(1) on licences. This, however, merely means that such a restriction is ineffective at law. In equity, it can be stipulated in the agreement

¹⁴⁴ *Barker v Stickney* [1919] 1 KB 121 (CA), 132 (Scrutton LJ); positive duties such as the payment of royalties to the author are even less valid against the successors, at 128 (Warrington LJ); such obligations may only be imposed by agreement, if need be under the Contracts (Rights of Third Parties) Act 1999, sec. 1(1)–(3).

¹⁴⁵ Ingerl/Rohnke, MarkenG, 2nd ed., § 27 no. 14; HK-MarkenR/Pahlow, § 27 no. 8.

between the parties. The assignor can protect himself by means of a forfeiture clause (see above on patents) against any attempts by the assignee at transferring the mark to a purchaser in good faith and for valuable consideration.¹⁴⁶ If the assignment is merely by way of security (s20(4)) for a loan, and the assignor wants to continue using the trade mark, he will need licence to do so. As long as he repays the debt, the mortgagee-creditor must not foreclose him with his equity of redemption (see ss103, 109 LPA 1925). This equity cannot be overcome by an acquisition in good faith and for valuable consideration, as the entry of the security interest on the register (s25(2)(c)) gives notice to would-be assignees.

2) Trade mark licences

a) Germany

S30(1), (2) MarkenG allows for substantive, temporal, and territorial limitations of trade mark licences, and distinguishes between exclusive and non-exclusive licences. Again, however, this does not rule out other restrictions, particularly limitations of transfers of the licence. The question is thus left to the parties to the licensing agreement, and if not expressly stipulated, will depend on whether their mutual obligations require personal trust and co-operation on such a scale as to rule out an unfettered substitution of one licensee for another.

b) England

A trade mark licence is a mere contractual relationship, as is a patent licence. What has above been said in regard to patent licences, therefore, applies also to trade mark licences.

IV. Comparative conclusion

Both jurisdictions allow holders of intellectual property rights to limit (further) assignments of those rights or licences therein. The German idea of the proprietor's retaining, from among the bundle of rights that together make the intellectual property right, the power to assign it (further) has a convincing simplicity to it. English law manages to achieve similar results but in more complicated ways.

¹⁴⁶ For an example of such a clause in copyright law, see *Python (Monty) Pictures Ltd. v Paragon Entertainment Co. & anor.* [1998] EMLR 640 (ChD), 685 (Rattee J); such clauses are valid, 686 f.

F. Security interests over Intellectual Property

I. Germany: the pledging of intellectual property

While in English law, pledge is a purely possessory security and can thus not apply to intangibles, German law allows the pledging of incorporeal things, too. Those intellectual property rights that are assignable in German law are also capable of being pledged: patent, §15(1), 2nd sentence PatG;¹⁴⁷ trade mark, §29 MarkenG;¹⁴⁸ but not copyright. As the latter is not assignable, §29(1) UrhG, it is not pledgeable, either. The author can, however, pledge his claims under any rights to exploit his work which he has granted third parties in accordance with §31 UrhG (*Nutzungsrechte*). This follows from §113, 1st sentence UrhG, which allows for his copyright to be levied in execution (*gepfändet*) to the extent that he can grant *Nutzungsrechte*. As these rights are amenable to execution, they may also be pledged: §§1274(2), 400 BGB.¹⁴⁹ As intellectual property rights, being absolute rights against anybody, have no specific debtor, the rule in §1280 BGB does not apply according to which the pledgor (the creditor) must inform his debtor that he has pledged his claim against the debtor to a creditor of his. In particular, the patent office is not a debtor in this sense. (Optional)¹⁵⁰ Publication in the register (§§30(2) PatG, 29(1) DPMVA,¹⁵¹ § 29(2) MarkenG acts as a substitute for this mechanism, informing third parties of the pledging.

The pledgee (creditor) is only allowed to use the intellectual property right that he took as a pledge if this is stipulated in the pledging agreement, §§ 1273(2), 1st sentence, 1213(2) BGB.¹⁵² If it is, the pledgee would, by virtue of §§100, 99(3) BGB, be allowed to grant licences in the right. At this point, however, the provision of intellectual property law supersedes those of the general civil law. The object of the pledge is the intellectual property right (or right therein) such as the pledgor is allowed to deal with it; his creditor's (the pledgee's) rights cannot extend further. If, thus, the pledgor is the proprietor, and he has not granted any exclusive licences, the pledgee is allowed to grant licences to the extent that this is necessary to satisfy him for the

¹⁴⁷ Benkard/Ullmann, PatG, § 15 no. 42.

¹⁴⁸ Ingerl/Rohnke, MarkenG, § 29 no. 6;

¹⁴⁹ Dreier/Schulze/Schulze, UrhG, § 113 no. 7.

¹⁵⁰ Fezer, MarkenG, § 29 no. 6; Lange, Marken- u. Kennzeichenrecht, no. 1384.

¹⁵¹ Benkard/Schäfers, PatG, § 30 no. 7; the seemingly opposite view by Benkard/Ullmann, PatG, § 15 no. 42 *in fine*, is due to a printer's error, as is clear from Ullmann's approving reference to Schäfers.

¹⁵² Münchner Kommentar BGB/Damrau, § 1274 no. 80.

secured debt. If the pledgor is a mere licensee, he may pledge the licence only if it is assignable, and the pledgee may only grant sub-licences if this, too, is within the gift of the pledgor.¹⁵³ If the pledgee is not allowed to seek satisfaction in this way, or to the extent that it is insufficient, he may sell the pledge as soon as the debt is payable (which, in the case of a credit repayable in instalments, requires default by the debtor), §§1273(2), 1228(1), (2) BGB. Sale normally takes place by public auction, §§1273(2), 1235(1) BGB.

II. England: charges over companies' intellectual property

English law allows the taking of two forms of security rights over intangibles: mortgage and charge as the other two security rights recognised in English law (pledge and lien) are possessory, and there can be no possession of an intangible.

A mortgage entails an assignment of the intellectual property right to the proprietor's creditor (the mortgagee), coupled with the right (so-called equity of redemption) for the proprietor (the mortgagor, who is usually but not necessarily the same person as the debtor) to redeem the right by paying the debt.

A charge leaves the legal title to the intellectual property right with the proprietor, and gives the creditor a right in equity to seek satisfaction out of the right should the proprietor default on the secured debt. Charges come as fixed or floating charges, the former binding any disposition by the debtor over the charged right to the creditor's consent, the latter allowing him to dispose over them in the normal course of his business without such consent. Only when he makes default on the secured debt (other conditions can also be stipulated) will the charge crystallise. The charged right then becomes assigned to the creditor who may seek satisfaction out of it for his claim against the proprietor.

Charges (and mortgages) granted over intellectual property rights are registrable if granted by a company formed under the Companies Act 2006, s860(7) lit. (i) CA 2006. In this context, two questions arise. The first concerns the relationship between the register of company securities under the Companies Act 2006 and the patent-, trade mark-, and other specialist registers for intellectual property rights (if such rights are registered at all). The second question is which type of security right (mortgage, fixed charge, floating charge) is best suitable to a given type of intellectual property right. This depends on whether the right is registrable (patents, trade marks, registered design) or not (copyright, unregistered design right).

¹⁵³ Münchner Kommentar BGB/Damrau, § 1274 no. 85.

1. The relationship between the register of company charges and the registers of rights pertaining to Intellectual Property

The answer to the first question follows from the different functions of the register of company securities on the one hand, and of the specialist registers, on the other. The register of company charges is meant to determine the order of priority among registrable securities in case the company becomes insolvent (see s874(1)(a), (b) CA 2006) or if two or more creditors otherwise compete for the company's assets (lit. (c)). For this reason, there is a short period of 21 days allowed for registration (s870(1)(a)), after which the charge is void (s874(1), (2)) and the secured debt becomes instantly repayable (sub-s(3)). Such deadlines are alien to the specialist registers. They are meant to make evident which intellectual property rights exist, lest competitors infringe them. They also publicise who owns these rights so that actual or potential competitors can seek licences; they may also address challenges to the validity of the right or to the ownership in the right to the person on the register. Finally, entry in the register allows the public to know whom to reckon with in case of infringements.

From this it follows that an intellectual property right cannot come into existence and enjoy protection simply by virtue of its appearance on the register of company securities. Conversely, a security right entered in one of the specialist registers does not confer priority in the company's insolvency or individual execution into its assets.¹⁵⁴ Moreover, each set of provisions is exhaustive within its scope of application. Entries on either register do not, therefore, depend for their validity on compliance with the rules for the other register.¹⁵⁵ There is one aspect, however, in which the neat separation breaks down. An assignor of a registered intellectual property right cannot take the right free from a security interest that does not appear on the specialist register but of whose existence he knows from the register or company securities.¹⁵⁶

Nevertheless, there is no obligation to consult the register of securities before an ordinary pur-

¹⁵⁴ On the last point, see I. Davies, (2006) 26 OJLS 559 (568); Law Commission, Consultation Paper no. 296, *Company security interests*, Cm. 6654 (London, TSO 2005), no. 3.231; the Commission proposed to retain this rule, nos 3.233, 3.234.

¹⁵⁵ The Law Commission, Consultation Paper no. 164, *Registration of security interests: company charges and property other than land. A consultation paper* (London TSO 2002), no. 2.50.

¹⁵⁶ Likewise, The Law Commission, Consultation Paper no. 164, *Registration of security interests: company charges and property other than land. A consultation paper* (London TSO 2002), no. 2.55.

chase of an intellectual property right, and hence no constructive notice.¹⁵⁷ As a consequence, the creditor cannot enforce his security right against the new proprietor. In practice, however, this will not matter much: if the creditor has a mortgage over the intellectual property right, the debtor cannot sell more than his equity of redemption, no matter what the registers say; if a fixed charge, the sale is void without the chargee's consent; and if a floating charge, the chargor is free to sell within the ordinary course of his business, anyway, but if he squanders his assets, the charge will crystallise.

By contrast with the situation under the specialist registers, the question of good faith is irrelevant to the order of priority pursuant to the register of company charges. An earlier chargee who registers his charge after a later one, but still within the registration period of 21 days, takes precedence because in substance, his equity is better since older. Despite his ignorance of the earlier incumbrance, the later chargee does not gain priority.

2. Types of security interests in Intellectual Property

The vulnerability of rights that exist in equity only, such as a charge, has repeatedly been discussed above. It is compounded if there is no register to notify would-be acquirers of the right's existence, so that the right perishes. For this reason, creditors will insist on a mortgage if the security on offer is copyright or a licence therein.¹⁵⁸ The absence of a register for copyright, on the other hand, makes it cheap to acquire the mortgage and to maintain the right (there are no renewal costs).¹⁵⁹ At the same time, however, the mortgagor loses his right to use and to defend the intellectual property right. For this reason, he needs a licence from the mortgagee, and the security agreement must oblige him to defend the right,¹⁶⁰ as he will know his market better than the creditor, and will better be able to assess where infringers may lurk.

With registered rights, the problems associated with the equitable nature of charges are less acute. This raises the question whether a creditor should insist on a fixed or on a floating charge. Fixed charges are a suitable form of security for intellectual property rights which are indispensable to the debtor's business or which are turned over only at long intervals, such as

¹⁵⁷ Ferran, *Company Law and Corporate Finance*, Oxford 1999, p. 543; Calnan, [2004] JIBFL 88 (90).

¹⁵⁸ Copinger/Scone James, *Copyright*, no. 5-191; Drew/Starmer, [2007] JIBFL 320 (322); Bromfield, [2006] JIBFL 182 (183 by fn. 18); Lovells, [2001] JIBFL 267 (267 *in fine*, 268).

¹⁵⁹ Bromfield, [2006] JIBFL 182 (183 by fn. 8, 184).

¹⁶⁰ Lovells, [2001] JIBFL 310 (314 by and following fn. 29); Lipton, (2001) 9 IJLIT 65 (76); Smith, *Trade marks as collateral*, p. 250.

the basic patents employed in his manufacturing process, or the franchise (licence) which provides him with his business model. Floating charges will only be taken over such rights, typically end-user licences, which are turned over in the debtor's business regularly and in some number.¹⁶¹ The fact that there is no case law on these can be taken as an indication that this is not often a viable proposition.

Know-how, finally, is an unsuitable security. This is not because it does not come within the definition of „intellectual property“ in s861(4) CA 2006 (patents, trade marks, registered design copyright, unregistered design right); it still falls within the wide concept of „the company's property or undertaking“ in s860(7)(g). It is, rather, because mere knowledge cannot be properly transferred (the giver of the security retains the securing object) but can only be shared. It can, hence, not be mortgaged („charge“ includes „mortgage“, s861(5)). What is more, for it to serve any security purpose, it would have to be sufficiently identified in the instrument that creates the security right. These instruments, however, must be kept by the company for inspection by the public, ss875(1), 876(1)(b), (2), 877(4)(b). Such publicity would destroy the very subject-matter of the security.

III. Comparative conclusion

The German Civil Code and the individual statutes governing intellectual property rights manage well to integrate those rights into the general system of property law. The difficulties of using intellectual property as security for credit are of a factual and economic rather than of a legal nature. The latter point is true of English law, too. Nevertheless, its piecemeal approach has created some problems of coordination between the regime for intellectual property rights, and that for certain types of security granted by companies. There is also a rich historic legacy of different types of security, whose workings are reasonably predictable in practice, but which make the system somewhat obscure to the outsider.

G. Overall conclusions

England and Germany approach the question of proprietary transactions in intellectual property from very different starting points, and many of the detailed solutions discussed above mirror the different historic paths that both countries' laws have taken. Nevertheless, the

¹⁶¹ Bromfield, [2006] JIBFL 182 (183 by fn. 13); Lovells, [2001] JIBFL 310 (313 *in fine*).

overall picture is one of broad convergence. German law's peculiarities lie in a strong emphasis on personality rights, particularly as regards copyright, but also in other areas. This emphasis has practical consequences, if only in creating the need for pragmatic compromises in order to accommodate the economic needs of creators, investors, and users of intellectual property. English law shows only traces of this. The most striking of its features is the omnipresence of the concept of equity, which as a long pedigree but has proven adaptable enough in its application to intellectual property rights.