

Comparative Study of Patent Holder's Obligations in Licensing Agreements

Bahram. Alizadeh¹, Adel. Abbasi^{2*}, Yousef. Molaei²

¹ PhD Student, Department of Private Law, Urmia Branch, Islamic Azad University, Urmia, Iran

² Assistant Professor, Department of Law, Urmia Branch, Islamic Azad University, Urmia, Iran

* Corresponding author email address: adelabbasi23@yahoo.com

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Patent holders grant the right to exploit their inventions to others through various agreements, one of which is the licensing agreement. In Iranian law, this is known as the "licensing agreement" or the "technology transfer or sales license agreement." The obligations of the parties in such contracts are of significant importance. The aim of the present article is to conduct a comparative study of the obligations of the patent holder in licensing agreements. This article is descriptive-analytical and employs a library research method to examine the subject. The results suggest that obligations regarding the novelty, utility, and non-obviousness of the invention are inherent to the invention itself and are among the patent holder's duties. Other obligations are established by law or through explicit agreement and implied consent of the parties. These include obligations related to the exploitability and technical feasibility of the invention, legal validity, the right to grant sublicenses, and guarantees against interference and infringement. Furthermore, in many advanced legal systems, additional obligations, such as the duty to maintain the confidentiality of information and the transfer of improvements to the patent, are included. The adaptation of these provisions could address gaps and ambiguities in domestic law.

Keywords: Patent holder, licensing agreements, implied obligations, foreign law.

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1. Introduction

Patent rights are exclusive rights granted to the inventor of a new, innovative, and useful idea, providing a solid barrier against the copying of innovative ideas. This right allows the holder to exclusively use, produce, sell, or license the invention for a specified period of time. In simpler terms, registering a patent enables one to protect their creative idea and profit from it. One way to use patent rights is by transferring and licensing them to others. The transfer of patent rights is done through licensing agreements (Afshari Poor, 2015, p. 36). One of the most important

issues in the transfer of patent rights through licensing agreements is the impact these agreements have on the parties involved, including the patent holder. The patent holder can, within the scope of the agreements provided, grant permission for the exploitation of their invention under specified conditions, for a defined period, and within a designated geographical area (Salehi Zahabi, 2009). Licensing agreements are one of the direct technology transfer agreements. In legal terminology, "a license is the granting of official permission to perform an action that would otherwise be prohibited without such authorization" (Hekmatnia, 2017). According to Article 40 of the Patent Law, when a patent is transferred



voluntarily to another individual, all requirements and documentation of the transfer must be done officially and legally, a process that is carried out by notary offices. Therefore, the patent and its document must first be transferred in notary offices, and then the notarized document must be sent to the Intellectual Property Office for any necessary changes. In any case, licensing agreements impose obligations on the patent holder, which they must adhere to and fulfill. Based on the above, the question of this article can be formulated as: What obligations does the patent holder have in licensing agreements? To address this question, the article first examines the substantive obligations, followed by the guarantee obligations and primary obligations of the patent holder through a comparative analysis.

2. Substantive Obligations of the Patent Holder

Substantive obligations are essentially the fundamental conditions for patent registration. "In Iranian law, three conditions for patent registration are recognized: novelty, inventiveness, and industrial applicability (utility), which must also be present in licensing agreements for the transfer of patents" (Mirhosseini, 2016). "In American law, these conditions are reflected in various forms in international documents and the laws of different countries" (Petherbridge & Wagner, 2017). Among these, Articles 1 and 2 of the Iranian Patent Law address these substantive conditions for patent registration.

2.1. Obligation of Novelty and Inventiveness

Novelty refers to the requirement that the subject matter of the claimed patent has not been disclosed in any written document before the invention. As this definition suggests, disclosing the innovation even by the inventor outside of the patent document eliminates the novelty of the invention (disclosure refers to publication in a paper, conference, lecture, poster, etc.). The inventive step in patents means that the claimed invention is not predictable by a person with ordinary skill in the relevant field of technology, given the current body of knowledge. The inventive step is of significant importance to the qualitative development of industries and economies, as it drives innovation (Fromer, 2018). As a result, this condition is explicitly stated in the laws and regulations of both domestic and international legal

systems. According to Paragraph 1 of Article 27 of the TRIPS Agreement, which is the most comprehensive international document on intellectual property protection and is integral to the World Trade Organization, it is stated, "Patent rights shall exist for products and manufacturing processes in all technological fields, provided that they are new, involve an inventive step, and are capable of industrial application." Similarly, the inventive step condition is emphasized in the laws and regulations of most countries.

"The novelty condition is the first requirement for registering and transferring any invention. Paragraph 1 of Article 27 of the TRIPS Agreement explicitly states this condition as one of the substantive requirements for patent registration. Although Article 4 of the Iranian Patent Law blends the novelty condition with the inventive step, it recognizes the inventive step as a necessary substantive condition for the registration and transfer of patents" (Jafarzadeh & Mahmoudi, 2016). "Novelty means that the invention has not been disclosed to the public through publication, oral disclosure, public use, or any other means before the filing date or the priority date of the patent application. Therefore, an invention is considered new if, at that time, it was not part of the existing state of the art. It should be noted that novelty is not something that can be proven; rather, the absence of this condition must be proven" (WIPO, 2004).

2.2. Obligation of Utility

An invention must be economically and practically usable immediately, as scientific theories that may lead to important results later do not hold immediate economic value. From an industrial perspective, an invention is considered useful if it can be made or used in a particular branch of industry. The term "industry" is used in its broad sense and includes areas such as handicrafts, agriculture, fishing, and services. This feature excludes abstract concepts and ensures that only inventions that can be manufactured or used in an industrial field are protected. This condition is also outlined in Article 27 of the TRIPS Agreement as a substantive requirement for patent registration. National and regional laws and practices regarding this condition vary widely. In some countries, the claimed invention must be able to be made in an industry regardless of its industrial application, while in other

countries, the focus is on the usefulness of the invention, not necessarily its industrial application (WIPO, 2004). In Iranian law, Article 2 of the Patent Law considers inventions with industrial applicability as eligible for registration. In some cases, the inability to register an invention due to the lack of this condition may overlap with matters outside the scope of patent protection as outlined in Article 4 of the Patent Law (Jafarzadeh & Mahmoudi, 2016).

3. Guarantee Obligations of the Patent Owner

This obligation can be related to two issues: 1- Hidden defects and 2- Guaranteeing uninterrupted use. In the first case, the patent holder must guarantee its validity in terms of substance (meeting the legal protection conditions) and form (having validity for the specified duration). In the second case, the patent holder must ensure that the assignee can use the patent without concern about the exclusive right that creates a monopoly on exploitation. This section could also involve the assignee. According to section 2 of article 3:201 of the Industrial Property Law, the assignor is obligated to take reasonable efforts to ensure the continuous and uninterrupted use of industrial property rights by the assignee, so that third parties do not challenge their use through lawsuits or threats to industrial property rights. According to this obligation, the assignor must provide an appropriate defense against lawsuits filed by third parties and take the initiative in any legal action. Lawsuits related to industrial ownership can be divided into two categories: first, lawsuits arising from the infringement of industrial property rights of the assignee or during the term of the licensing agreement, which are filed against the infringer; and second, lawsuits filed by third parties against the assignee, claiming that their rights have been violated. In both cases, third parties challenge industrial property rights. Therefore, the assignor's obligation to guarantee continuous and uninterrupted use of industrial property rights can be applied to both scenarios. The obligation to ensure continuous and uninterrupted use may have different implications depending on national regulations, such as the necessary extension of validity according to national laws or re-registration.

The main guarantee obligations of the patent owner to the licensee are as follows:

3.1. Guarantee of Commercial Exploitability

According to section 1 of article 3:202 of the Industrial Property Law, the patent assignor must provide the assignee with the necessary technical knowledge to carry out the business of the licensing agreement throughout the duration of the contract, and section 2 stipulates that the parties cannot deviate from this provision. Technical knowledge plays a central role in the licensing agreement and, along with the permission to affix a trademark to products or offer services under that trademark, is the most valuable offering the assignor can provide to the assignee. As a result, even inexperienced founders can embark on complex business ventures (Ansari, 2015). Furthermore, the assignor and other assignees benefit from ensuring that the assignee is initially provided with relevant technical knowledge because the transfer of technical knowledge aims to maintain the standard and reputation of the entire network. In other words, when the assignees are provided with technical knowledge and use it, the usual form and reputation of the network is preserved, which, in turn, ensures the ultimate benefits of the parties in the licensing agreement. If the technical knowledge is transferred incompletely or the assignor fails to fulfill this obligation, the credibility of the network may decrease and the desired uniformity of the network will be lost.

3.2. Guarantee Regarding the Technological Capabilities

"In the case of a patent-only license, given that one of the conditions for the validity of a patent is its industrial applicability and usefulness, and that the information should not be merely theoretical, it is naturally implied that the patent holder guarantees this aspect. Typically, the licensee lacks sufficient information and experience about the technology's effectiveness and requests the patent holder to guarantee that the technical information is useful in order to reduce investment risks. In France, the guarantee of the technology's efficiency and usefulness is considered an implicit term of the contract, and its failure is seen as a legal defect rather than a technical flaw, unless explicitly excluded according to article 1627 of the Civil Code" (Devlin, 2010).

In contracts that involve the licensing of technical knowledge, an implicit guarantee regarding the usefulness of the information, industrial applicability,

and maintenance of quality is conceivable. In other words, "the patent holder guarantees the accuracy of the information and commits to ensuring that the technical knowledge provided does not contain flaws, errors, or mistakes. The only aspect that the patent holder must guarantee in the licensing agreement is this issue" (Lennon, 2017). As article 9 of the aforementioned agreement states: "Article 9 of the Licensing Agreement: Performance Guarantees for Processes: 1.9 The assignor guarantees that the industrial unit, in the testing guarantee performed according to clause 2-1-9, achieves the following performances: a) Daily production of the product according to the specifications determined in appendix 6 and in the specified quantities; b) Consumption of raw materials and ancillary products in the quantities determined in appendix 13; c) Conformity of waste and materials disposed of from the industrial unit with the specifications in appendix 13; d) Compliance with safety, environmental, and quality standards as outlined in appendix 17, with adherence to higher standards" (Durham, 2019).

Article 39 of China's Commercial Law stipulates that in technology licensing agreements, the guarantee of the "applicability" of technology and its reliability is required (Miao, 2017). However, whether the exploitation of technology leads to the results expected by the licensee is a separate issue. In this context, guarantees should be obtained from the patent holder that the technology will function exactly according to the conditions set out in the contract and that "it is suitable for the licensee's purpose, capable of meeting their technological needs, and its use will lead to specific results" (Byrne & McBratney, 2015).

3.3. *Guarantee Regarding the Legal Validity of the Technology*

According to section 1 of article 3:201, section 2 of the Industrial Property Law, the patent assignor must grant the assignee the right to use the industrial property rights associated with the licensing agreement. In fact, the core of this licensing agreement is intellectual and industrial property, and it is essential that the patent assignor holds legal ownership or rights to grant the license, with no third-party claims. The ownership or registration of such rights is a prerequisite for their transfer or granting of usage rights. Therefore, the patent assignor is obligated to provide permission to use

industrial property rights, which could be a trademark, patent, or industrial design. "It is evident that the exploitation of technology depends on its continued validity. By entering into the license agreement, the licensor implicitly guarantees the legal validity of the technology, meaning that the invention or other intellectual property is under legal protection, either having a certificate of validity or being in the process of registration, or its application has been submitted to the relevant authorities. Regarding technical knowledge, the licensee must guarantee that the trade secrets have not entered the public domain. Of course, one cannot expect the licensee to know whether others have legally obtained these trade secrets, but they must guarantee that the information has not been disclosed to third parties, as this is within their power and responsibility" (Mackentz, 2014). "In China, this is one of the guarantees mandated by law, and any agreement contrary to this lacks validity" (Miao, 2017). The assignor is obligated to transfer the knowledge, technology, or intellectual property to the receiving party. This includes determining the type and extent of the information to be transferred. "It is worth noting whether such an obligation applies to the time of contract formation or also extends to the period of contract execution. Given that the patent certificate can be invalidated after the agreement is made, such as if it is discovered that the invention was previously patented in another part of the world and lacks novelty, this obligation implicitly does not apply to the patent holder, unless they explicitly accept it" (Petherbridge & Wagner, 2017).

The duration of the contract depends on the negotiations and agreements between the parties. The following approaches can be used to define the contract duration:

a) **Fixed Term:** In this scenario, the contract specifies a particular and defined period for the technology transfer. In other words, the start and end dates of the contract are explicitly stated.

b) **Indefinite Term:** In this scenario, the contract does not specify a definite end date, and its execution continues as long as the conditions outlined in the agreement are met. These contracts are usually referred to as "as long as necessary" or "indefinite term."

In some cases, the transferor may commit to cooperating in the development and commercialization of the technology. In such cases, the transferor is obligated to

conduct developmental research, provide technical support, and create new products and services.

"Regarding technical knowledge, it is always possible that information might be obtained and disclosed through reverse engineering or independent discovery. Guaranteeing its validity until the contract's termination seems unreasonable unless the licensor explicitly accepts this risk" (Mirhosseini, 2016).

3.4. *Guarantees Regarding Ownership or the Right to Grant Rights*

The agreement must clearly and precisely state the type of knowledge, technology, or intellectual property being transferred. This issue includes details such as the type of information or technology, the date of transfer, and the scope of the transfer. "This guarantee means that the holder of the patent, legally, due to ownership, representation, or other means, has the right to grant the license. Such a concern is usually explicitly stated in the contract, but even if not, the patent holder should be implicitly bound by this commitment. In France, this obligation is justified by Article 643 of the Civil Code, which guarantees the inventor's lack of concealed defects, both legal and technical, and also, by analogy with leases, Article 1721 of the Civil Code justifies the obligation of the patent holder to inform of any defects in ownership" (Afshari Poor, 2015). "According to the regulations of China's foreign trade law, the patent holder is required to provide sufficient guarantees regarding ownership or legal rights over the technology being transferred" (Doak, 2015).

3.5. *Guarantees Regarding Non-Interference and Infringement*

"The licensee potentially faces two concerns regarding infringement of the granted rights: it may encounter a third-party claim asserting that the use of the license constitutes an infringement of their rights, or that a third party may infringe upon the rights of the licensee" (Saunders, 2020). "The patent holder is implicitly obligated and must be aware of whether the licensing agreement infringes upon the exclusive rights of a third party, which may involve another licensee. Furthermore, if the patent holder is aware of any prior rights regarding the invention, they must explicitly state this and cannot claim ignorance of such matters" (Jafarzadeh & Mahmoudi, 2016).

"In French law, this obligation is imposed on the patent holder under Article 1719 of the Civil Code. In fact, one of the guarantees provided by the patent holder is that the technology is not already the subject of a similar agreement belonging to someone else. However, since the patent holder cannot know everything, they cannot guarantee that the licensee's use of the technology will never constitute an unauthorized use, and therefore, they cannot claim ignorance of such a situation" (Saunders, 2020).

"The potential licensee may request that the patent holder guarantee that the license will not infringe upon the rights of third parties in relation to the technology covered by the agreement, or they may go further and demand a guarantee that the use of the technology will not infringe upon the rights of any third party. However, the latter guarantee is challenging and unreasonable since it is difficult to have complete knowledge of all prior art and the global scope of the technology to confidently assert that no such risks exist for the licensee" (Poltorak & Lerner, 2018).

"Since the patent holder cannot fully predict and control the scope of the licensee's activities in using the technology, they cannot guarantee that the licensee's actions will not infringe upon third-party rights, unless the licensee uses the technology strictly according to the contract terms. In such cases, the licensee is obligated to defend against any infringement claims brought by third parties and to take necessary protective actions in case of a lawsuit against the licensee" (Ansari, 2015).

4. Main Obligations of the Patent Holder

The main obligations of the patent holder are as follows:

4.1. *Obligation to Deliver*

The transfer of technical knowledge is a key element of licensing agreements. In order to enable the effective use of the invention, the transferring party must provide the receiving party with the necessary technical information. The obligation to transfer technical knowledge resembles the commitment of the transferor to provide information during the contract period, but with the difference that the technical knowledge is part of the trade secrets of the transferor and is confidential. According to Article 3:202 of the Intellectual Property Law, the transferor is required to provide the necessary

technical knowledge to the receiving party throughout the duration of the licensing agreement, and the law stipulates that neither party may deviate from this provision.

"Article 37 of China's Foreign Trade Law regards the obligation of the patent holder to deliver necessary information for utilizing the technology and providing technical guidance. The delivery process varies depending on the nature of the contract subject matter. For example, in a patent license agreement, information about the invention is typically transferred in the form of documents, drawings, instructions, etc. Some forms of technical knowledge may also be delivered through training or providing technical services" (Miao, 2017). "Delivery must be done in a way that ensures the conditions for legal use and exploitation of the technology" (Byrne & McBratney, 2015).

"Therefore, one of the consequences of delivery is that the invention subject to the contract must be protected within the territory of the agreement. Without international or domestic registration, there can be no exploitation without interference, and the technology and its receiver will not be legally protected. Moreover, in cases where the contract must be enforceable against third parties, registration by the patent holder will be necessary" (Stim, 2018).

"In agreements where technical knowledge is also part of the subject matter, delivery is a more complicated process. Article 39 of China's Foreign Trade Law not only requires the patent holder to provide technical information in a licensing agreement but also mandates that they provide guidance on how to use that information" (Miao, 2017).

"A question that may arise in this context is whether the patent holder must deliver information in a way that considers the specific experiences and technical abilities of the licensee, so that the licensee is able to fully benefit from the technology (personal standards), or whether the patent holder's obligation to deliver extends only to ensuring that an average licensee can use the technology" (Saber, 2008).

"Certainly, focusing on the personal standards of the licensee and considering the specific environmental and technological conditions of the contracting party may be more appropriate in the context of developing countries, where more information and services may be needed compared to the licensee" (Jacob et al., 2017).

"In general, the validity of delivery is based on achieving the goals of the licensee and enabling them to use the technology as stipulated in the contract (Article 367 of the Civil Code). Another important question is whether the patent holder is obligated to deliver technical knowledge in a pure patent license agreement?"

"To put it more precisely, is technical knowledge considered part of the invention's rights? In French law, some believe that the obligation to deliver technical knowledge extends to the invention itself because it may be inferred from the circumstances that failing to deliver the technical knowledge constitutes a violation of the obligation to act in good faith, as access to such information is indispensable for the full use of the invention" (Lennon, 2017). Some court rulings have supported this view in cases of contractual silence.

The transfer of technical knowledge may occur at various times, such as before the commencement of activities, or at the beginning, when it is provided as part of the initial package to enable the licensee to begin commercial operations. During the term of the licensing agreement, technical knowledge is fully transferred to allow for complete use of the technology. If the knowledge changes or is updated during the contract, the transferor must provide the licensee with the necessary updated knowledge throughout the contract period.

4.2. *Commitment to Training and Support*

The invention transferor must ensure that the invention transferee has the necessary information to use the intellectual property rights and related know-how of the transferor's business method. This information is provided through training sessions (Jafarzadeh & Mahmoudi, 2016). This commitment is required for necessary support at the beginning of business operations as initial assistance and throughout the execution of the contract as ongoing support to resolve any issues that may arise during the business execution, typically provided through the dispatch of personnel (Mirhosseini, 2016). The invention transferor is not only obligated to provide support but is also responsible, upon the transferee's request, for providing assistance if it is necessary to enable the transferee to implement the business. This support is provided without any additional cost to the transferee. It is assumed that the payment for assistance is included in the payments made by the transferee for the right to implement the

transferor's business method (Hekmatnia, 2017). However, for additional support beyond what is necessary, the transferor may charge reasonable additional costs. Article 3:203 of the Model Law on the Disclosure of Information stipulates: 1. The invention transferor must support the transferee through training sessions and advice as necessary to execute the licensed business. 2. The invention transferor must provide further support as requested by the transferee at reasonable costs.

4.3. *Commitment to Providing Goods Required by the Invention Transferee*

In typical contracts, the parties agree on an exclusive purchase condition in favor of the invention transferor, thereby limiting the transferee's freedom of purchase. Under this commitment, which contradicts the independence of the invention transferee, the transferor is obliged to provide the necessary goods for the transferee, and the transferee must purchase them from the transferor or a designated third party (Lennon, 2017). Paragraph M of Article 6 of the Model Law on the Disclosure of Information stipulates that the invention transferor must clarify the transferee's obligations regarding the source of goods and services in the disclosure document, specifying whether the goods or services must be sourced from the transferor or a designated third party. The transferee may also suggest qualified third parties to the transferor for approval. The Model Law on Intellectual Property and Technology Transfer (3:204) makes two assumptions regarding this commitment: one assumption is that the invention transferee is obliged to buy goods from the transferor or a third party designated by the transferor (additional purchase condition), and the other assumption is that the parties have not explicitly or implicitly agreed on such a condition. In the first case, the transferor must guarantee supply and, in both cases, must ensure that goods and orders are delivered to the transferee within a reasonable and customary time frame. Article 1:302 of the European Principles of Contract Law defines reasonable time most clearly. In the second case, this commitment arises in the following situations: where practical monopoly exists, or the transferor cannot procure from another supplier, or goods from other suppliers do not meet the quality standards expected by the transferor, or the transferor offers the best price and

attracts the transferee, or the transferee has been buying from the transferor from the start of the contract, thereby establishing an exclusive buying relationship (Habibian, 2014).

If the transferor is contractually obligated to procure raw materials from the transferor or a source designated by the transferor, the transferor must act in good faith to guarantee at least the minimum quality, as it is a method of controlling the transferee's quality of raw materials and supplies used in business implementation (Moradi, 2009). Orders should not be unreasonable for the transferor or their designated party, and their practical resources must be taken into account. If the transferor faces insurmountable obstacles in fulfilling this commitment or it causes inconvenience or additional costs, the request is not practicable, and they are only obligated to ensure the delivery of supplies necessary for enabling the transferee to execute the licensing agreement, considering the capacity of the supplier. The exclusive purchasing commitment is justified by the transferor's desire to ensure that the final products or services offered, produced, and distributed meet the network's quality standards. This clause is significant when the transferor or their designated source causes delays or has limited capacity without commercial justification, as it may negatively impact the transferee. Therefore, the transferor must ensure timely delivery and the actions of third parties.

4.4. *Commitment to Confidentiality*

This commitment is particularly crucial when the subject of transfer is an invention. As the economic and financial value of an invention lies in its confidentiality, the invention transferor enters into a confidentiality agreement to maintain secrecy. Under this agreement, one party commits to keeping the other party's information confidential and not using it for personal benefit or for the benefit of others. This contract plays a protective role and replaces protective laws. Good faith requires that if information provided by one party contains trade secrets, the other party is not entitled to use or disclose this information for personal purposes (Article 2-16, Commercial Contracts Principles). Confidentiality in preliminary negotiations is considered one of the principles governing pre-contractual relationships. However, as previously mentioned, information can be divided into two categories. Each

party is typically free to decide which matters related to the ongoing transaction can be disclosed. Information that can be disclosed to third parties if the contract does not conclude is generally considered non-confidential. However, if one party indicates that the information is confidential, the other party implicitly agrees to treat it as confidential. Regarding the enforcement of this commitment, Article 16-1-2 of the Commercial Contracts Principles stipulates: "If necessary, one of the ways to compensate for the breach of this duty is compensation based on the benefits gained by the other party. Another criterion for compensation could be the damage caused by the disclosure of the information."

In cases where the subject of the contract involves technical knowledge, one of the main duties of the patent owner is to maintain the confidentiality of the information and take conventional measures to keep it secret. It could be argued that the patent owner has the right to disclose trade secrets, thus no obligation exists for them in this regard. However, this viewpoint is flawed because by entering into the contract, the grantor implicitly forfeits this right during the contract's duration (Ansari, 2015).

Furthermore, such actions could severely harm the licensee, who has invested large amounts in technology and its use. Moreover, the patent owner is likely unable to financially compensate for the damages, making such actions unacceptable under legal norms (Doak, 2015).

Additionally, "during negotiations or the execution of the contract, particularly in calculating the royalty payments, the patent owner becomes aware of the licensee's commercial secrets and is in a fiduciary position, obligated to protect the licensee's competitive interests and maintain the confidentiality of such information" (Baqeri & Godarzi, 2019).

4.5. *Commitment to Transfer of Technical Advancements and Technological Improvements*

The transferor of the invention, in addition to providing information under a pre-contractual commitment, must also continue to provide information during the execution of the contract in alignment with the contract's objectives, even without the recipient's explicit request. Article 3:205 of the Civil Code of Iran (2005) enumerates examples of such information, including market conditions, commercial outcomes of the license agreement, product characteristics, product prices, sales

conditions, recommended prices and conditions for resale, any relationship between the transferor and the customers in the territory, and any competitive advertising related to the execution of the license agreement. These examples are not exhaustive but are merely illustrative.

Both parties have an interest in having information regarding the facts and developments of the execution, which can facilitate the business's success and lead to continuous improvements in business methods. This commitment ensures that the execution of business by the licensee is in accordance with the transferor's intent. The information must be provided to the recipient in a timely manner. Licensees act as intermediaries in the network; they are committed to delivering the goods either directly or from the transferor to the customer. Information regarding such products is held by the transferor of the invention. In practice, fulfilling the contractual commitment by the licensee requires possessing adequate and precise knowledge about the products and services offered to third parties while performing their duties as a distributor. Therefore, the transferor must provide up-to-date information about the characteristics of the goods or services to be distributed.

"The licensee in less-developed societies needs updated technologies to improve the quality of their products or find cheaper ways to produce. The licensee is concerned that the licensor may enhance the technology during the term of the agreement, and in order to protect their interests and avoid the obsolescence of the received technology, the licensor explicitly commits to making improvements and ensuring that the licensee benefits from these technological advancements during or even after the agreement" (Sidorova & Brown, 2018). "Thus, the patent holder is obligated to provide the licensee with these improvements within a specific period, such as one month after achieving the improvements, for the licensee's use or non-use, at the licensee's discretion. According to Article 43 of the Foreign Trade Law of China, unless otherwise specified, the other party does not have the right to participate in technological advancements and will not benefit from them" (Miao, 2017).

"It is important that the contract clarifies the meaning of technological advancements or derivative and adapted works, and specifies the scope. Generally, advancements

refer to any progress in technology, which may include improvements in methods, process performance, or the quality and durability of products, as well as methods that help reduce production costs. However, a narrower interpretation might be given, limiting it to technological advancements directly related to the subject matter of the contract" (Fromer, 2018).

"In French law, some scholars refer to the general duty of good faith under Article 1165 of the Civil Code, which obligates parties to accept the customary and legal results of their agreements. The patent holder is obligated to deliver any complementary inventions, and according to the French Supreme Court's approach in enforcing license agreements and exercising rights derived from them, even the cancellation of the agreement requires adherence to good faith as part of the obligations of the parties" (Devlin, 2010). However, in practice, complementary inventions are registered as independent achievements separate from the original agreement's subject matter.

4.6. Commitment to Granting Better Conditions

"The licensee seeks to ensure that if better conditions are offered to other licensees, they too will at least receive equal conditions. Sometimes, the patent holder explicitly guarantees that the conditions of the offered license will be equal to or better than those granted to others" (Fine, 2016). "Under the principle of mutual goodwill, the patent holder is obligated, if offering the same subject matter under better conditions to another licensee, to offer the same benefits to the first licensee, if they so desire. However, receiving such benefits depends on accepting the terms specified in the respective contracts" (Dashti, 2007). Article 41 of the licensing agreement concerning access to the best conditions states: "If the transferor offers rights or licenses for the use of a process under better conditions than those stated in this agreement, the recipient will automatically benefit from the better conditions once they are offered" (Sidorova & Brown, 2018).

5. Conclusion

The conclusion of a licensing agreement or the granting of a license for the transfer or sale of technology imposes obligations on the patent holder. These obligations may either be inherently related to the nature of the invention

or the licensing agreement or may be implicitly inferred from the terms of the agreement, or established as explicit conditions within the contract. In some cases, the law also provides for specific requirements. In any case, the licensor is obligated to comply with these obligations. The most significant implied obligations, arising from the law, explicit conditions, or mutual agreements, include commercial viability, technical and technological capability, legal validity of the technology, the right to grant licenses, and ensuring non-infringement and non-violation. Additionally, this includes obligations such as providing the necessary information for the utilization of the technology, assisting in the defense against third-party interference, paying for patent renewal fees, maintaining confidentiality, transferring technical advancements, and ensuring better conditions for the licensee. Modern legal systems in countries such as China, France, the U.S., and Germany, which are active in acquiring inventions and technical advancements, share common obligations and requirements in this area. However, the Iranian legal system has certain gaps and ambiguities in this regard, which could be addressed by adopting lessons from advanced legal systems.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

The authors report no conflict of interest.

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