

## INTELLECTUAL PROPERTY LICENSES AND ASSIGNMENTS IN IRANIAN LAW: FROM TRADITIONAL RULES OF CONTRACT LAW TO NEW NECESSITIES OF MODERNISATION

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### ABSTRACT

Assignments and licenses of intellectual property rights have become very common and important in the Iranian economy. Due to this development, the legal system needed to undergo reforms to cater to the specific characteristics of these types of contracts. To achieve this, the Iranian legislator has attempted to provide a number of articles in the main laws concerning intellectual property agreements. Two bills concerning industrial property and literary and artistic property have been drafted which include several provisions in this regard. This descriptive-analytical article intends to introduce licenses and assignments of intellectual property rights in Iran and explain the rules applicable to them in order to provide a basis for further studies on this topic. The findings of this study show that the attempts made by the Iranian legislators to regulate the assignments and licenses of intellectual property rights, although valuable, are not perfect and thus, it is recommended that specific provisions are enacted to deal with different aspects of those contracts. Until the legislator takes that step, where necessary, such contracts are governed by the general rules of traditional contracts which originate from the rich sources of *Imamah* jurisprudence and legal doctrine.

**Keywords:** Assignment, license, intellectual property rights, Iranian law, *Imamah* jurisprudence.

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## **LESEN DAN PENYERAHHAKAN HARTA INTELEK DALAM PERUNDANGAN IRAN: DARI PERATURAN TRADISIONAL UNDANG-UNDANG KONTRAK KEPADA KEPERLUAN PEMODENAN BAHARU**

### **ABSTRAK**

Hak penyerahhakan dan lesen harta intelek sudah menjadi suatu kebiasaan dan penting dalam ekonomi Iran. Disebabkan pembangunan, sistem perundangan memerlukan perubahan untuk menyelesaikan jenis-jenis kontrak ini. Bagi mencapai hasrat tersebut, penggubal undang-undang Iran telah cuba untuk melaksanakan tugas ini dengan menyediakan beberapa fasal di dalam perundangan utama mengenai perjanjian harta intelek. Dua rang undang-undang berkaitan harta industri, sastera dan harta artistik telah didrafkan yang mana melibatkan beberapa peruntukan dalam hal ini. Artikel penerangan-analitikal ini berniat untuk memperkenalkan hak lesen dan penyerahhakan harta intelek di Iran dan menerangkan tentang peraturan yang terpakai kepada mereka, dalam menyediakan asas kepada kajian lanjutan tentang topik ini. Hasil dapatan kajian menunjukkan bahawa percubaan yang dibuat oleh penggubal undang-undang Iran untuk mengawal selia hak penyerahhakan dan lesen harta intelek adalah bernilai, namun tidak sempurna dan oleh sebab itu, penggubal disyorkan untuk menggubal peruntukan spesifik bersesuaian dengan beberapa aspek kontrak tersebut. Sehingga penggubal undang-undang mengambil langkah tersebut, kontrak tersebut bernaung di bawah peraturan awam kontrak tradisional yng berasal dari kepelbagaian sumber falsafah dan doktrin undang-undang Imamiah.

**Kata kunci:** Penyerahhakan, lesen, hak harta intelek, perundangan Iran, perundangan Imamiah.

### **Introduction**

With the rapid movement of Iranian society toward modernisation, intellectual property has become more significant. Consequently, the Iranian legislator has attempted to adapt the laws and regulations to the necessities of a society in which literary, artistic, and industrial creations and innovations are considered valuable. Therefore, important laws have been enacted in Iran to deal with different aspects of intellectual property, namely the Act on the Protection of Writers, Authors and Artists of 1970 (the 1970 Act) and the Act on the

Registration of Inventions, Industrial Designs and Trademarks of 2008 (the 2008 Act).<sup>1</sup> These laws have attempted to address the concerns raised by owners of intellectual property rights. For example, to a large extent, the conditions of protecting and granting the rights are clearly outlined. Yet, an aspect that has not been adequately regulated is the issue of licenses and assignments of intellectual property rights. This is despite the fact that such contracts play an important role in a country like Iran which is attempting to move away from an oil economy and move towards intellectual assets as stable sources of income. In practice, not all owners of intellectual property rights can exploit them directly; this is due to problems such as lack of financial resources. Even those with enough resources may be interested in assigning or licensing their rights as a strategy in exchange for earning money. Therefore, providing appropriate rules for those contracts is a necessary task. In recent years, two decisive bills on literary and artistic property and industrial property have been introduced, namely the Bill on the Protection of Literary and Artistic Property and Related Rights of 2016 and the Industrial Property Bill of 2019. While these bills include specific provisions on assignments and licenses of intellectual property rights, they are not completed yet. In contrast to intellectual property contracts, there are comprehensive rules concerning traditional contracts like sale, hire, agency etc.

The drafters of the Iranian Civil Code relied on the Iranian sources of *Imamah* jurisprudence<sup>2</sup> in order to respect the values of Iranian society. Under Iranian law, if there is a lack of specific laws and regulations on intellectual property, it is common to refer to the general rules of contracts provided in the Iranian Civil Code in order to deal with the gaps. A question arises on whether the rules applicable to such contracts are inherently different from those applied to traditional contracts? In order to answer this question, the article has selected important issues concerning those contracts and examined them in the following order: the subject matter of intellectual property contracts, future rights, formation of intellectual property contracts, quality control in trademark licenses, nature of intellectual property contracts,

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<sup>1</sup> These are main laws dealing with intellectual property rights in Iran.

<sup>2</sup> For more information about *Imamah* jurisprudence, see. Sayyed Mohammad Hadi Ghabooli Dorafshan, "Interface between Competition Law and Intellectual Property Licenses in Iran", *Queen Mary Journal of Intellectual Property*, no.8, (2018), 232.

the licensee's right to sub-license, the licensor's right to grant new licenses, duration of a license agreement, change of circumstances and unauthorised contracts as to intellectual property rights.

It should be noted that although some of the topics discussed in this article may be obvious in other legal systems, they are new and sometimes controversial in Iranian law and interested stakeholders including researchers and businessmen need to be aware of them before initiating a project related to intellectual property rights in Iran. Accordingly, the present paper has included both theoretical and practical aspects.

### A. Subject matter of intellectual property contracts

In order to discuss the subject matter of licenses and assignments of intellectual property rights in Iranian law, it is necessary to refer to the main laws enacted in this field, i.e. the Act on the Protection of Writers, Authors and Artists of 1970 (the 1970 Act) and the Act on the Registration of Inventions, Industrial Designs and Trademarks of 2008 (the 2008 Act).

According to Article 5 of the 1970 Act:

“The author of works protected by this Act may *transfer* the *use* of his economic rights to third parties in all cases, including the following...”<sup>3</sup>

It is not clear whether this article is declaring a right to *assign* economic rights conferred on the author or a right to license them. This is due to the application of two terms: *transfer* and *use*. The former evokes an assignment while the term “use” evokes a license agreement. The Bill on the Protection of Literary and Artistic Property and Related Rights of 2016 (the 2016 Bill), which has been prepared about 40 years after the 1970 Act,<sup>4</sup> has attempted to remove this ambiguity. Article 42 states as follows:

“The owner of economic rights of a work may *transfer* the whole or part of his economic rights to a third party by contract or *authorise*

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<sup>3</sup> Emphasis added.

<sup>4</sup> According to Article 118 of the 2016 Bill, in case of enactment, that bill would abrogate the 1970 Act.

the exclusive or non-exclusive exploitation of the whole or a part of them to a third party”.<sup>5</sup>

Therefore, a distinction has been made between two types of contracts: assignments and licenses of literary and artistic rights. In both texts, economic rights are subject matter of intellectual property contracts. This fact shows that the Iranian legislator regards moral rights as inalienable. Here is the text of Article 4 of the 1970 Act:

“The author's moral rights are not limited to time and place nor are they transferable”.

Article 13 of the 2016 Bill has adopted a similar attitude:

“The author's moral rights are not limited to time and place and none of the author's moral rights are transferable”.

Therefore, any agreement to transfer moral rights is void under Iranian law. For example, if an author enters into a contract with a third party to publish a book written by him and agrees with the publisher to publish the book in the name of another person, this agreement is not valid under Iranian law. This is due to the fact that in Iranian intellectual property law, moral rights are a kind of non-pecuniary rights which are defined as those rights whose subject is something other than property or benefit<sup>6</sup> or whose purpose is to meet the author's emotional and moral needs<sup>7</sup> and relate to his personality and are set out in order to protect it.<sup>8</sup> Although the Iranian laws have not specified the relation between moral rights and the author's personality, given the fact that a literary and artistic work is derived from the expression of his personality and considering that originality is a condition for protection under Iranian law, there is no doubt that such a relationship exists in the Iranian law.<sup>9</sup> Taking into account the above-said issue, this

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<sup>5</sup> Emphasis added.

<sup>6</sup> Ansari, Masoud, and Taheri, Mohammad Ali, *Encyclopedia of Private Law*, vol.2, 3<sup>rd</sup> ed. (Tehran: Jungle, 2008), 835.

<sup>7</sup> Katouzian, Naser, *Civil Law, Properties and Ownership*, first ed. (Tehran: Dadgostar, 1996), 11.

<sup>8</sup> Safaei, Sayyed Hossein, *Civil Law and Comparative Law* 2<sup>nd</sup> ed. (Tehran: Mizan, 2006), 84.

<sup>9</sup> Mohseni, Saeed, and Ghabooli, Sayyed Mohammad Mahdi, *Literary and Artistic Rights, Comparative Study in Iranian, French and Egyptian Laws*, first ed. (Mashhad: Publishing Institute of the Research Institute of Islamic Studies in Humanities, 2016), 167.

type of contract is against public order and good behavior, and under Article 975 of the Iranian Civil Code the court cannot enforce such contracts.

Although Iran is not a member of the Berne Convention for the Protection of Literary and Artistic Works of 1886, protection of moral rights is in line with this Convention which in Article 6bis protects moral rights.

“...independently of the author’s economic rights, and even after the transfer of the said rights...”.

The prohibition and invalidity of any agreement to transfer moral rights of work, in addition to Article 4 of the 1970 Act, is supported by another reason. Under the Iranian general rules of contracts, the subject matter of a contract must be some property. This rule is declared in Article 215 of the Iranian Civil Code: “the object of a transaction must be capable of being owned and have reasonable legitimate benefit”. Only property may be owned. The Iranian Civil Code has not defined property. Instead, this concept has been defined by doctrine: ‘property is something which is useful and meets a need and may be owned by a person or a nation’;<sup>10</sup> according to another definition, ‘property is something which has reasonable, legitimate benefit and may be owned’.<sup>11</sup> In fact, the property must be something that, according to the custom, is of economic value. No doubt moral rights are not considered as having economic value. In addition, the Act on Prevention and Control of Fraud in Preparation of Scientific Works of 2017 has prohibited and penalized the preparation, offering, or transfer of works such as theses, dissertations, papers, research projects, books ... by any natural or legal person for profit and as a profession or occupation with the aim that a third party presents the whole or a part of the work as his own work. Although the purpose of this provision is to eliminate any fraud from scientific centres including universities, it indicates, at the same time, that the importance of non-transferability of moral rights is to an extent that the Iranian legislator has attempted to combat it very severely.

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<sup>10</sup> Katouzian, *Civil Law, Properties and Ownership*, 9.

<sup>11</sup> Parsa pour, Mohammad Bagher, a *Concise Treatise on Property Law*, 2<sup>nd</sup> ed. (Tehran: Shahre Danesh, 2011), 17; Jafari Langroudi, Mohammad Jafar, *Encyclopedia of Elementology*, first ed. (Tehran: Ganje Danesh, 2002), 495-496.

Under the second part of Article 42 of the 2016 Bill:

“The above-said contract [an assignment or license] shall cover any right expressly mentioned therein”.

This means that if there is doubt about whether a right has been assigned or licensed, it would be judged that the parties have not intended it to be assigned or licensed. In addition, the first note of the same article states that:

“the assignment and license contracts as to a work shall mention type, method, place, and purpose. Otherwise, the assignee or licensee is only allowed to exploit the work, on a reasonable basis at the time the contract was concluded, from the viewpoint of the above-said factors”.

Under Article 15(a) of the 2008 Act,

“Exploitation by third parties of an invention registered in Iran is subject to the inventor's consent”.

Exploitation is defined in Article 15(b) and involves economic rights to do acts of making, exporting, importing, offering for sale, selling, and using the patented product.

One moral right<sup>12</sup> i.e., the attribution right has been declared in Article 4 of the Paris Convention on the Protection of Industrial Property of 1883:

“The inventor shall have the right to be mentioned as such in the patent”.

The reason behind providing only one moral right in the industrial property area is the dominance of economic and commercial incentives and motives in this area.<sup>13</sup> It is obvious that the nature of this right differs from the right under the same nomination in the field of literary and artistic rights.<sup>14</sup>

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<sup>12</sup> Georg Hendrik Christiaan Baudenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property*, (Geneva: BIRPI, 1968), 64.

<sup>13</sup> Mahmoud Hekmatnia, *the Theoretical Foundations of Intellectual Property*, (Tehran: Research Institute for Islamic Culture and Thought, 2007), 47.

<sup>14</sup> Lee Nari, *Inventor's Moral Right and the Morality of Patents* (October 21, 2020) in *Research Handbook on Intellectual Property and Moral Rights*,

The Iranian law of industrial property has also recognised the above said moral right. Article 5(f) of the 2008 Act states that:

“the inventor's name shall be mentioned in the patent unless he has asked, in writing, the industrial property office not to mention his name. *Any statement or commitment by the inventor to mention a third party's name as the inventor in the patent is void*”.<sup>15</sup>

As is understood from the last phrase of the article, the Iranian legislator has prohibited any contract whose subject matter is the transfer of the moral right of attribution by the inventor. Therefore, if an inventor transfers all the rights enumerated in Article 15(b), the assignee would be the new patent owner, but he may not claim to be the inventor. Even if the parties to the assignment have agreed to name the assignee as the inventor, the patent office would not give effect to this agreement and would deny it. In addition, even if there is no contract and the inventor commits himself by a unilateral act to mention another person's name instead of his name, the same rule applies, and such an act is of no legal effect.

Under Article 5(b) of the 2008 Act,

“if two or more individuals jointly invent something, the rights deriving from the invention belong to them jointly”.<sup>16</sup>

In other cases, two or more persons may acquire intellectual property rights through assignment or even by way of will or inheritance. All parts of such a property are subject matter of each party's ownership. Accordingly, under the Iranian general rules of property, any exploitation of the joint property, including its license or assignment, is subject to each party's consent. This rule is applicable to literary and artistic works too.

## B. Future Rights

If an intellectual property owner transfers all or part of his future rights, is such a contract valid under Iranian law? There is no specific

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Ysolde Gendreau (ed) (Cheltenham: Edward Elgar, 2020), 5, (Forthcoming), Available at SSRN: <https://ssrn.com/abstract=3716247> (12/5/2021)

<sup>15</sup> Emphasis added.

<sup>16</sup> Article 34(1) of the 2016 Bill contains a similar rule.



provision in this regard in the current Iranian law. Hence, there is a need to find the answer to this question in the general rules of contracts. Future rights, as the expression denotes, are rights to the intellectual property which have not yet come into existence. In fact, neither the subject matter of rights nor the rights themselves exist at the time the license or assignment is concluded. It may be said that the contract is void due to the lack of subject matter; since Article 190 of the Iranian Civil Code, when enumerating the essential conditions of a contract, has mentioned among them, the ascertained thing which constitutes the subject matter of the transaction (clause 3) and it is impossible to make a contract as to a nonexistent thing.<sup>17</sup> Nevertheless, this opinion should be modified. The Iranian Civil Code recognises a type of property called “unascertained”,<sup>18</sup> meaning goods of a general nature. Article 351 of the Iranian Civil Code states as follows:

“When the subject matter of sale is unascertained (having numerous examples), the sale is valid only where the quantity, kind, and description of the subject matter are specified”.<sup>19</sup>

An assignment or license of future intellectual property rights may be compared to a sale with the unascertained subject matter. In this type of assignment and license, the owner’s legal act is to transfer his ownership of an intellectual property right or the right to exploit it to another person. But given the fact that the rights are not still existent, their quantity, kind and description should be specified in the contract according to Article 351 of the Iranian Civil Code.

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<sup>17</sup> Sayyed Mohammad Mahdi Ghabooli Dorafshan and Saeed Mohseni, *General Theory of Nullity in Contracts (Comparative Study in Iranian and French Laws*, first ed. (Tehran: Jungle, 2014), 65.

<sup>18</sup> Katouzian, *Civil Law, Properties and Ownership*, 37, Jalil Ghanavati, Sayyed Hassan Vahdati Shobeiri, Ibrahim Abdi pour, Supervised by: Sayyed Mostafa Mohaghegh Damad, *Contract Law in Imamia Jurisprudence*, first ed. (Tehran: Samt Publications, 1999), 53.

<sup>19</sup> This article may be compared to rule 5(1) of Article 18 of the UK Sale of Goods Act 1979: “Where there is a contract for the sale of unascertained or future goods by description, and goods of that description and in a deliverable state are unconditionally appropriated to the contract, either by the seller with the assent of the buyer or by the buyer with the assent of the seller, the property in the goods then passes to the buyer; and the assent may be express or implied, and may be given either before or after the appropriation is made”.

However, as a practical matter, it seems impossible to determine all future rights that a person will own in relation to intellectual assets including patents, copyrights or other kinds of intellectual property. For example, it is unknown the number of inventions to be invented by an inventor in the future as well as the nature of such inventions. If the number and description of intellectual property creations are not exactly specified, contracts relating to them may be void; the reason is that under the general rules of contracts if the subject matter of a contract is not specified, it is confronted with a significant problem. According to Article 232(2) of the Iranian Civil Code if the condition of a contract is unknown to the parties and as a result, the subject matter of the contract becomes unknown to them, the contract becomes void. Such a contract is called *Gharari* by the Iranian law and *Imamah* jurisprudence. The term *Gharar* translates to “risk”;<sup>20</sup> therefore, a risky ignorance concerning the subject matter of a contract makes it void.<sup>21</sup>

Another problem arises here: is the bargaining power of the individual inventors as strong as other parties to the contract who are usually companies with high bargaining power? The answer is in most cases negative. The same applies to authors of literary and artistic works who are typically the weaker party to intellectual property contracts. Suppose a young writer has merely written one novel and published it recently. Typically, such writers are not known by lots of people. However, a talented and skilled writer will become widely known in society through his works. As a result, people will be interested in buying his great works and reading his novels. This, naturally, affects the price paid for such works. If the writer has transferred whole or part of his works to a contracting party, for example, a publisher, and received a given consideration instead, he will be deprived of a considerable amount of money.

In addition, this type of contract involves deprivation of liberty dealt with in Article 960 of the Iranian Civil Code.<sup>22</sup> Under that article:

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<sup>20</sup> Mohammad bin Mukarram Ibn Manzour, *Lisan al-Arab*, v.5 (Qom: Adab al-Hawzah, 1986), 13.

<sup>21</sup> Sayyed Mohammad Mahdi Ghabooli Dorafshan and Mahdie Latif Zade, “a Jurisprudential and Legal Reflection on Article 401 of the Civil Code”, *Teachings of Civil Jurisprudence*, 11, no.20 (Autumn & Winter 2019), 29.

<sup>22</sup> See Sayyed Hossein Safaei, *Persons and Properties*, (Tehran: Mizan, 2018), 43.

“Nobody can deprive himself of his freedom or deprive himself of the exercise of his freedom so long as such deprivation is against laws or good behavior”.

In fact, under Iranian law, when an author makes a contract with another person e.g., a publisher and transfers the rights of all his future works to him, he is depriving himself of his freedom to conclude new contracts with appropriate terms and conditions. Under Article 131-1 of the French Intellectual Property Code:

“Total transfer of future works shall be null and void”.<sup>23</sup>

Unless an agreement with clear terms and conditions is concluded, the assignor’s interests will not be adequately protected and if this type of contract is poorly drafted, it would contradict the basic objective of the intellectual property i.e., promoting creativity and innovation.<sup>24</sup>

A way to remove any doubts about the validity of the above-said contracts is to consider them as commitments to do something in the future. It should be noted that under the Iranian law of contracts, contracts are divided into two kinds: those which transfer ownership of something such as a sale and those which oblige the parties to do some act, for example, to make a contract like the sale of goods in the future or refrain from doing an act.<sup>25</sup> Committing oneself to transfer ownership of future intellectual property rights may be considered an example of the second type of contract. This solution is acceptable in cases where the elements mentioned earlier i.e., quantity, kind, and description of the works are specified in the contract. However, an important issue that should not be ignored is that in many cases, such commitments may be considered as a general deprivation of liberty which, as was observed, is forbidden under Iranian law.

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<sup>23</sup> “La cession globale des oeuvres futures est null”. English translation available at: <https://www.wipo.int/edocs/lexdocs/laws/en/fr/fr467en.pdf> (4/25/2021).

<sup>24</sup> As regards the transfer of future IPRs in the U.S law, see. Stephen T Black, “Psst! Wanna Buy a Bridge? IP Transfers of Non-Existent Property”, *Georgia State University Law Review*, 31, issue. 3, (2015), 566, Available at: <https://readingroom.law.gsu.edu/gsulr/vol31/iss3/2> (12/5/2021).

<sup>25</sup> Mahdi Shahidi, *the Formation of Contracts and Obligations*, (Tehran: Hoghooghdan, 1999), 85.

Considering the above-said discussion, the Iranian legislator is recommended to include in both the 2019 Bill and the 2016 Bill, specific provisions dealing with the assignment and licensing of future intellectual property rights. It is noteworthy that the initial edition of the 2016 Bill contained an article in this regard.

Under Article 69 of that text:

“If the subject matter of the contract is the transfer of all future works of the author, the contract would be void, unless the characteristics of works are adequately mentioned in the contract and the term of the contract is shorter than 5 years”.<sup>26</sup>

## C. Formation of Intellectual Property Contracts

### Principle of Consensualism

Another significant question concerns the formation of intellectual property licenses and assignments in Iranian law: are there any formalities required for the formation of such contracts? Before answering this question, it is necessary to explain the principle that applies to all kinds of contracts regardless of their subject matter i.e., the principle of consensualism. According to this principle, for contracts to be formed, nothing other than the mutual consent of parties is required.<sup>27</sup> There are a few cases where the legislator has provided some formality. For instance, Article 772 of the Iranian Civil Code has declared, as a condition for the validity of a mortgage contract, that in a mortgage contract the mortgaged property must be delivered to the mortgagee; otherwise, the contract is not completed.<sup>28</sup> It should be

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<sup>26</sup> Sayyed Hassan Shobeiri Zanjani et al, *Draft Bill on the Protection of Literary and Artistic and Neighboring Rights*, (Tehran: Secretary of Supreme Council of Information, 2000), 37.

<sup>27</sup> Ali Rafei Moghaddam, the *Principle of Consensualism*, (Tehran: Imam Sadegh University Publications, 2012), 32; Naser Katouzian, *Introductory Course of Civil Law, Juristic Acts, Contract, Unilateral Juristic Act*, 11<sup>th</sup> ed. (Tehran: Sahamie Enteshar Company Publications, 2005), 36.

<sup>28</sup> For a detailed discussion on this topic see. Naser Katouzian, *Specific Contracts, Permissive Contracts, Securities*, 7<sup>th</sup> ed. (Tehran: Ganje Danesh, 2014), 452-454.

noted that under Iranian law, intellectual property rights cannot be mortgaged.<sup>29</sup>

Given the principle of consensualism, there is no legal barrier to making contracts, including intellectual property contracts, via electronic devices.<sup>30</sup>

### Formation of Literary and Artistic Contracts

As regards the form of contracts for literary and artistic rights, there is no provision in the 1970 Act. Therefore, the principle of consensualism applies to such contracts and their validity is not dependent on any formalities such as a written document. Therefore, all rights conferred to an author may be assigned or licensed orally.

The 2016 Bill has dealt with this issue in Article 43:

“Contracts covered by this Act must be in writing”.

As a remedy to this requirement, the second part of the article states as follows:

“Oral contracts, in case they are proved, shall be governed by terms of the contract or the applicable law at the time of contract formation”.

Therefore, oral contracts, even if proved, would not be governed by this potential law and, in fact, are deprived of being protected by it and, depending on each case, may be governed by the terms of the contract or the Iranian Civil Code and other related laws.

A question arises on why the drafters of the Bill have deviated from the principle of consensualism in the field of literary and artistic contracts. The presumed reason is that the drafters believed that written contracts provide more protection for authors, due to authors being the weaker party in most cases of license or assignment contracts. If such

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<sup>29</sup> For a detailed discussion see: Abbas Karimi and Mohammad. Moein Islam, “Mortgage of Intellectual Assets”, *Private Law Quarterly*, 38, no.2, (2008), 315.

<sup>30</sup> The Electronic Commerce Law has been enacted in 2003 in Iran to deal with electronic transactions. This law recognizes the validity of electronic writings, signatures and evidence respectively in Articles 6, 7 and 12.

agreements are in writing, their rights would be protected better than when they conclude oral contracts.<sup>31</sup>

### Formation of the Industrial Property Contracts

In the industrial property area, Article 48 of the 2008 Act states as follows:

“Any changes in the ownership of an invention, the registration of an industrial design or a trademark ... *shall be done* at the written request of any interested party, submitted to the Industrial Property Office and recorded and ... announced by the aforementioned Office. Such changes would affect third parties only if that request is submitted”.<sup>32</sup>

As far as license agreements are concerned, Article 50 of the same Act states:

“Any license contract concerning an invention, registered industrial design or registered trademark ... shall be submitted to the Industrial Property Office. The Industrial Property Office shall keep the contract contents confidential but record and publish the license. Such contracts shall affect third parties only if the above said formalities are complied with”.

It is clear from the text of both articles that the Iranian legislator has required assignments and licenses of industrial property rights to be notified to the Industrial Property Office (presently the Intellectual Property Center).<sup>33</sup> But the question is whether such agreements are required to be in writing.

Under Article 48, any assignment shall be done only if it is notified in writing to the Industrial Property Office and recorded by it. Nothing in the article is in favour of the idea that an assignment itself should be in writing. Does this mean that such contracts are governed by the principle of consensualism? A literal interpretation of the phrase “shall be done”, suggests the negative answer; without certain formalities (written notification and recording), changes in the

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<sup>31</sup> Mohseni and Ghabooli Dorafshan, *Literary and Artistic Rights*, 209, Sattar Zarkalam, *Literary and Artistic Property Law*, first ed. (Tehran: Samt, 2009), 262.

<sup>32</sup> Emphasis added

<sup>33</sup> <https://iripo.ssaa.ir/> (12/5/2021).

ownership of industrial rights are not done and therefore are not valid. Nevertheless, the last phrase of Article 48 is against this interpretation because it has provided for a different remedy and states that if the above-said request is not submitted to the Industrial Property Office (and subsequently not recorded and published), the change would not affect third parties i.e., they may not be invoked against them.

Article 50 is more obvious; since it has required that license agreements be delivered to the Industrial Property Office. It is clear that oral contracts are not covered by this article since it cannot be delivered to another entity e.g., an official authority. Therefore, license agreements in the field of industrial property must be in writing. Another important text relating to industrial property licenses is Article 51 of the Executive By-law of the 2008 Act (the By-law) which states that:

“The license agreement [concerning an invention] shall be recorded in the registration authority”.

Among the documents required by the By-law is a copy of the license agreement containing the certified signature of the parties. In addition, under the subparagraph of this article, revocation, or termination of license contracts shall be capable of being recorded. Such expressions confirm the idea that the By-law requires the license agreements to be in writing. However, Articles 93 and 94 of the By-law are not as clear as the above said articles, since they have merely required that the owner notifies the registration authority, in writing, of the assignment and license of a registered industrial design.

Under Article 143 of the By-law, among the documents which must be submitted to the registration authority to record a trademark license is a legal document signed by both parties indicating the grant of license. Again, this article is not clear on the necessity of preparing a written license agreement. However, Article 178 of the By-law has required that assignments and licenses of patents, industrial designs, and trademarks be done by official documents before the notary public. This means that under the By-law, assignments, and licenses are void unless they are authenticated by a notary. Yet, as it was observed earlier, Articles 48 and 50 of the 2008 Act do not require any official documentation.

A question arises whether under Iranian law, an executive by-law has the capacity to establish a substantive rule according to which

licenses and assignments must be in writing. The purpose of an executive by-law is to determine the formalities and procedures to apply the law. Establishing a rule against a widely accepted principle in the Iranian law i.e., the principle of consensualism, is not within the authorities of such by-laws.<sup>34</sup> In addition, the By-law has created an implied remedy: contracts other than those signed before notary publics are void. Such a remedy has not been provided in the relative substantive law i.e., the 2008 Act. As a result, the authors believe that it is not necessary for licenses and assignments of intellectual property rights to be in written form. However, as a precautionary measure, it is highly recommended that the parties conclude such contracts in writing and have them notarized.

It is noteworthy that the 2019 Bill has required in article 57 that all contracts transferring the rights derived from a patented invention or their licenses be authenticated in a notary public office. Such contracts are invocable against third parties only if article 57 is complied with. Under articles 94 and 116 of the 2019 Bill, the same rule applies to assignments and licenses of industrial designs and trademarks.

In the Iranian law, a contract with an illegal purpose is void. Under article 217 of the Iranian Civil Code:

“It is not necessary to declare the purpose of a transaction, but if declared, it should be legitimate; otherwise, the transaction is void”.

Therefore, if an invention patent is licensed for an illegal purpose, for example, to perform an activity that destroys the environment, the license agreement is void.

#### **D. Quality Control in Trademark Licenses**

According to Article 44 of the 2008 Act,

“A trademark license agreement shall contain the effective control of licensor over the quality of goods and services delivered by licensee. If such control is not effectively carried out, the license contract shall not be valid”.

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<sup>34</sup> Naser Katouzian, *Introduction to the Legal Science and the Iranian Legal System*, (Tehran: Sherkate Sahamie Enteshar, 2006), 129.



This article is an important step towards a more effective consumer protection in Iran. In fact, the reason behind the requirement is that since consumers rely on trademarks when selecting goods and services, if a trademark is licensed, consumers still expect to receive the same quality as that provided by the licensor. Suppose that the licensee produces goods or delivers services of a lower quality than that known by consumers. In such a case, the consumers' expectation has not been met. This is a violation of consumer's rights which the legislator does not tolerate. Hence, the duty to incorporate a quality control clause in any trademark license agreement under which the licensor shall inspect the quality of goods or services provided by the licensee. If such a clause is not included in the contract or despite its inclusion, it is not fulfilled adequately, the contract would not be valid.

A significant question arises on how this remedy is applied. Two situations should be distinguished. First, where the contract lacks the duty; in such a case, it is reasonable to say that the contract is not valid in the narrow sense i.e. the contract is void. Second, where the quality control is provided for in the contract, but the licensor does not fulfill it effectively; as was observed, the remedy provided in the second part of Article 44 is the invalidity of the license contract. Nevertheless, this remedy is ambiguous regarding license agreements with a quality control duty clause. In fact, invalidity is a term applied to contracts that lack at least one of the essential elements of a contract listed in Article 190 of the Iranian Civil Code. Invalid contracts are divided into two categories: void and ineffective. Void contracts have no legal effects and there is no way to change their status. On the other hand, ineffective contracts come into existence, but they lack an element; unlike void contracts, they have the capacity to become effective in case the absent element is attached to them.<sup>35</sup> Given the above-said explanation, licenses with quality control clauses may not be considered invalid contracts. Hence, there is the need to interpret the legislator's will in a correct manner. It is obvious that the licensor's

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<sup>35</sup> Sayyed Mohammad Mahdi Ghabooli Dorafshan and Saeed Mohseni, *General Theory of Invalidity in Contracts (Comparative Study in Iranian and French Laws)*, first ed, (Tehran: Jungle, 2013) 16-17; Ghanavati, Vahdati Sobeiri, Abdi pour, *Contract Law*, 107-108; Mohammad Jafar Jafari Langroudi, *Terminology of Law*, 7<sup>th</sup> ed. (Tehran: Ganje Danesh, 1996), 456; Sayyed Hossein Safaei, *General Rules of Contracts*, 22nd ed. (Tehran: Mizan, 2016), 68.

failure to fulfill his duty cannot have retroactive consequences; since before such failure, there had been no problem with the validity of the license contract. If the quality control duty is not satisfied, the contract, which was valid before the licensor's failure, becomes automatically canceled and will have no legal effects.

In the United States, quality control is a condition for the valid licensing of trademarks. Under section 5 of the U.S. Lanham Act, a trademark may be used by 'related companies'. Section 45 of that Act defines a related company as

“Any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used”.

Accordingly, quality control is a *sine qua non* for the validity of trademark licensing.<sup>36</sup>

### **E. Legal Nature of Intellectual Property Assignments and Licenses**

An important question concerning assignments and licenses of intellectual property rights concerns their legal nature: are such contracts of a specific nature with new characteristics or can they be considered as examples of traditional contracts with minor differences? The importance of this question is because if these contracts are examples of traditional contracts, the same rules that apply to such contracts would be applicable to them. On the other hand, if assignments and licenses of intellectual property rights are new contracts that are distinct from traditional ones, it would be necessary to elaborate new appropriate rules for them. To determine the legal nature of intellectual property contracts, it is suitable to begin by comparing them to those contracts which may seem similar to them.

The first contract in this regard is the contract of sale. Article 338 of the Iranian Civil Code defines sale as follows:

“Sale is transferring ownership of the physical subject matter to another against known consideration”.

In a contract of sale, ownership is transferred to the buyer; therefore, it is comparable to the assignment of intellectual property

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<sup>36</sup> Irene Calboli, “The Sunset of “Quality Control” in Modern Trademark Licensing”, *Am. U. L. Rev.*, 57, issue 2, (2007), 355.

rights. In order to determine whether assignment is in fact a contract of sale, the subject matter of these two contracts should be compared. The famous opinion is that under Iranian law, the subject matter of a contract of sale should be visible.<sup>37</sup> If this opinion is accepted, assignment of intellectual property rights may not be considered as sale, since the former is concluded as to an intangible subject matter while the latter is concluded as to a tangible property. The same reason may be applied to refuse the idea that licenses of intellectual property rights are sale contracts. In addition, there is another significant difference between a license and a contract of sale: in a license agreement, ownership remains with the licensor and only the right to exploit is granted to the licensee.

Another contract that may be compared to assignments and licenses of intellectual property rights is the hire contract. According to Article 466 of the Iranian Civil Code:

“Hire is a contract whereby the hirer becomes the owner of the profits resulting from the leasehold.”

Under Iranian law, in a hire contract, the hirer continues to be the owner of the leasehold while there is a newparty, the hiree, who owns the profits derived from the leasehold for a specific period of time.<sup>38</sup> Therefore, an assignment of intellectual property rights may not be considered as a hire. On the other hand, licensing of such rights is similar to hiring: after a license is concluded, the licensor is still the owner of the intellectual property right while the licensee has been granted a right to exploit that right. Yet, there is an important difference between these two contracts: profits are owned by the hiree while, taking into account the definition of profit in Iranian law, no profit may be imagined in the case of intellectual property rights.

For a better understanding of this comparison, it is necessary to define profit. Profit has been defined as follows: something which is

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<sup>37</sup> Sayyed Mohammad Hadi Ghabooli Dorafshan, *Sale as Distinct from other Contracts in the Iranian Law a Contrastive Analysis with the British Law*, first ed. (Tehran: Majd, 2017), 80 et seq.

<sup>38</sup> Naser Katouzian, *Specific Contracts, Translative Contracts, Sale, Barter, Rent, Loan*, 4<sup>th</sup> ed. (Tehran: Sherkate Sahamie Enteshar, 1992), 347; Mohammad Jafar Jfari Langroudi, *Alfaregh, General Encyclopedia of law*, v.1, 2<sup>nd</sup> ed. (Tehran: Ganje Danesh Publications, 2013), 71 et seq.

derived gradually from the object.<sup>39</sup> Therefore, one may ask if there is an object when intellectual property rights are concerned. The answer to this question seems to be negative. The reason is that intellectual property rights have no physical existence. As their name indicates, they are rights in nature while an object has a different nature. According to the famous opinion among the Iranian law scholars and the *Imamiah* jurists, an object is something which if entered into the physical world, involves length, width and heights<sup>40</sup> or 'some property which has physical existence and may be perceived by tactile sensation'.<sup>41</sup> If this definition is adopted, properties of an intangible nature such as intellectual property rights may not be classified as objects. Consequently, these rights may not be the subject matter of a hire contract because there is no object from which profits can be derived.

Another contract that may be comparable to intellectual property contracts discussed in this paper is the contract for partnership. A partnership is defined in Article 571 of the Iranian Civil Code as

"The combination of the rights of several owners in one single thing by way of joint ownership".

Since in an assignment, the relationship between the assignor and the intellectual property right comes to an end, assignment and partnership may not be of the same nature. On the opposite, a license agreement, especially when the consideration is in the form of royalty, may resemble a partnership because the licensor and the licensee are dependent on the same property and expect to earn money therefrom. Nonetheless, depending on the same property is not a sound reason to consider licenses as contracts for partnerships. In partnership, there are at least two owners but, in a license, only the licensor is the owner of intellectual property and the licensee is authorised to exploit it. On occasion, intellectual property rights are presented as contributions by partners and therefore, they may authorise their partners to use their rights. However, this kind of license is also different from the partnership contract.

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<sup>39</sup> Ghanavati, Vahdati Shobeiri, Abdi pour, *Contract Law*, 53; Katouzian, *Civil Law, Properties and Ownership*, 37.

<sup>40</sup> Sayyed Abou al Ghasem Khoei, *Mesbah al Feghaha*, first ed. v.2 (Qom: Dar al Hadi), 312.

<sup>41</sup> Katouzian, *Civil Law, Properties and Ownership*, 35.

Agency is another contract that deserves to be compared to the licenses of intellectual property rights. It is defined in Article 656 of the Iranian Civil Code as follows:

“An agency is a contract whereby one of the parties appoints the other as his agent for the accomplishment of some matter”.

Since in a license agreement the licensee exploits the rights owned by the licensor, one may ask whether the former is the latter's agent. In answering this question, attention should be paid to the relationship between the agent and the principal. After an agency contract is concluded, the agent is authorised to act on behalf of the principal. Therefore, the legal acts accomplished by the agent have legal implications for the principal. For example, if the subject matter of agency is to sell goods and the agent sells them to a third party, the principal becomes the owner of money paid by the buyer. To be an agent, the licensee should act on the right holder's behalf. However, it is clear that a licensee acts on his own account: he has entered into a contract to use an intellectual property right for gaining profit; on the other hand, the licensor has authorised the licensee to use the right in exchange for some consideration. Therefore, such a relationship cannot be considered as an agency.

It is evident that an assignment of intellectual property rights is not an agency; since in the former, ownership of a right is transferred to the assignee while in an agency there is no transfer of rights. In conclusion, it should be said that assignments and licenses of intellectual property rights are unprecedented contracts with new natures that may not be completely governed by traditional rules of contracts under Iranian law.

#### **F. The licensee's Right to Sub-license**

As the term license denotes, after a license agreement is concluded, the licensee is authorised to exploit the subject matter. A question arises whether a licensee may, in turn, sub-license the licensed right to (a) new licensee(s)? At first sight it may be said that as any other owner, a licensee may do whatever he considers appropriate with his property. Article 30 of the Iranian Civil Code confirms this idea. This article states as follows:

“Every owner is entitled to exploit his property in all conceivable ways except those excluded by law”.

This is in fact a principle called *AsleTaslit* meaning the absolute legal authority of owner to exercise control over property. It is a well-established principle in the Iranian positive law<sup>42</sup> and in *Imamah* jurisprudence.<sup>43</sup>

On the other hand, if the nature of the licensor-licensee relation is taken into account and analysed in answering the above said question, a different conclusion may be reached. When the owner of an intellectual property right decides to license it, the main issue is the selection of a reliable person among the would-be licensees. In such a situation, the personality of the licensee and his reputation and financial conditions are important; the original licensor must be sure that his intellectual property (say a trademark) will be exploited in a way not damaging his reputation in the market. Therefore, he does his best to find a licensee who protects his interests and is committed to maintain the licensor's reputation during the license period.

But what happens if the first licensee is free to sublicense the licensed right to anyone he desires? A second agreement could then be concluded between the first licensee and an entity that does not meet the approval of the licensor. Consequently, it is reasonable to subject the conclusion of any sublicenses to the original licensor's approval. In case a sublicense is concluded without such an approval it would be reasonable to let the first licensor decide on its approval or annulment. Additionally, if the first licensee has an obligation to sell goods or deliver services of a specific quality and the sub-licensee fails to do

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<sup>42</sup> Imami, *Civil Law*, 49; Katouzian, *Civil Law, Properties and Ownership*, 102.

<sup>43</sup> A Abedi Sarasia, “the Taslit Rule and its Role in Correcting the new Contracts (with a view to Imam Khomeini’s Opinions)”, *Matin Research Journal*, 19, no. 75, (2017), 125 et seq. Abou al Ghasem Alidoust and Mohammad Ibrahim Rad, “Studying the Tasallot Rule and its Scope”, *Islamic Law*, no.24, (2010), 7 et seq. Sayyed Mostafa Mohaghegh Damad, *the Rules of Islamic Jurisprudence*, v.2. (Tehran: Islamic Sciences Publishing Center, 1995), 125, Sayyed Mohammad Kazem Mostafavi, *Hundered Islamic Jurisprudential Rules*, (Qom: Islamic Publications Office, n.d), 136, Shaikh Tousi, *al Mabsout fi Fegh al Imamia*, v.3 (Qom: al Maktaba al Mortazavia, 1986), 272.

this, the former would be in breach of his license agreement. This is a measure to protect the first licensor's rights.

### G. The Licensor's Right to Grant New Licenses

Another question is whether the licensor is allowed to license the same right to a new licensee. The question has not been answered in the main Iranian laws on intellectual property. Therefore, it should be answered by taking into account the type of the license. If the license is exclusive, the licensor cannot exploit the right. In addition, no other licenses may be granted by the licensor as to the same right to third parties. In fact, when a person is not allowed to exploit a right owned by him, *a fortiori* he will not be allowed to grant new licenses. If, in spite of the exclusiveness of the license, the licensor grants new licenses, the new agreements may be considered void because the licensor has deprived himself of the right to grant other licenses.

However, in a non-exclusive license, not only the licensor may exploit its subject matter, but he is also allowed to conclude new license agreements with different licensees. The parties, normally, specify the type of the license in the agreement itself; but in case they have not agreed on this issue, what would be the type of the license? The 2008 Act is silent on this issue. However, Article 51 of the By-law has declared that any license which is recorded is presumed to be non-exclusive unless it is proven that the license is exclusive. The 2019 Bill includes a similar provision with a note to Article 56 stating that

“In case of silence, the license agreement is non-exclusive unless otherwise is proven”.

This rule has been favoured by some authors because exclusive licenses have different implications and contain more burdensome obligations than non-exclusive licenses.<sup>44</sup> As far as literary and artistic rights are concerned, there is no provision in the 1970 Act. The 2016 Bill has no general rule in this regard. Nevertheless, note 1 of Article 54 states that the

“Conclusion of the publication contract means that the publisher has an exclusive right to publish [the work] unless otherwise is agreed”.

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<sup>44</sup> Mostafa Bakhtiari and Hamid Baradaran Senjedak, “Exclusive Industrial Property License Agreement”, *Legal Studies*, 7 no. 3, (2015), 34.

Therefore, publication contracts are, principally, exclusive. However, for two reasons, this rule may not be extended to other contracts: first, it may be the result of a specific custom in the publishing industry; second, as already mentioned, exclusive licenses have more onerous obligations in comparison to non-exclusive licenses.

The Iranian legislator is recommended to provide a rule according to which, licenses of literary and artistic rights are, principally, non-exclusive.

## H. Duration of a License Agreement

One of the issues not dealt with in the Iranian laws related to intellectual property rights is the duration of license agreements. Is it necessary to determine the duration of a license agreement? What happens if the parties fail to specify how long a license lasts? In order to answer these questions, reference should be made to the general rules of contracts according to which if the duration is a determining factor in the conclusion of a contract, i.e., the parties contemplate the duration during the negotiations concerning the contract, failing to stipulate the term in the contract may make it void.<sup>45</sup>

According to Article 486 of the Iranian Civil Code, if in the hiring of chattels, the period is not specified, the contract is void. This indicates that under Iranian law, the duration of a hire contract is an essential element thereof. By comparison, is it reasonable to say that a license concluded without a specified duration is void? The reason for considering such licenses as void may be that duration plays an important role therein. Therefore, if duration, as an essential element of these contracts, is not agreed upon by parties, the contract lacks a significant part and is of no legal effect.

The next question is why is the duration an essential element in a license agreement? It is because changes in the market usually affect the value of an intellectual property asset, especially in economies with rapid fluctuations. In addition, over a given period of time, society's demand for something may decrease or increase. Therefore, it is impossible to ignore the effect of the duration of a license contract on

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<sup>45</sup> Abd al Hussain Shiravi, *Contract Law*, (Tehran: Samt, 2016), 213-218.



its consideration. In fact, if a license contract is concluded without duration, the parties are unaware of the real price of their contract. Such ignorance is, in most cases, a sort of actual risk and is dangerous for their business. If ignorance is of this characteristic, as already mentioned, it is called *Gharar* and a contract involving *Gharar* is void.

Considering the nature of intellectual property licenses, it may be said that if the duration is not declared in the contract, it is concluded for the period the right involved is valid. For example, in the 2008 Act, a patent is granted for 20 years; if the subject matter of license is a patent and 5 years have passed from the issuance of the patent, the above-said contract is concluded for the rest of the validity period i.e. 15 years. But this may not be reasonable in all cases. Are all contracting parties going to conclude their licenses for the validity period of an intellectual property? For example, a trademark, after being recognised by the Trademark Office, is valid for 10 years from the date the application is submitted and may be renewed, infinitely, for consecutive ten-year periods in exchange of a fee.<sup>46</sup> Is it acceptable to consider that the parties have agreed to conclude the license forever? It is clear that the answer is negative. Another solution may be to consider that the license is valid for the minimum period of time a right is valid. In case of a patent, the minimum duration is one year, because a patent may be renewed annually<sup>47</sup> and trademark and industrial designs may be renewed, respectively, forever and for two five-year periods.<sup>48</sup> However, this solution may not match the business needs of both parties especially the licensee who seeks to profit from the subject matter of the license. In most cases, one year is too short for commercialising the products which constitute the subject matter of, for example, a patent license. Additionally, this may not accord with the intention of parties who may have been thinking of a longer duration. As far as copyright licenses are concerned, a minimum period of validity is too difficult to be imagined in most cases. For example, the author of a book is granted copyright for his life plus fifty years.<sup>49</sup> The question is how to find a minimum duration of validity in such a case? In conclusion, none of the above said theories may fit the reality of intellectual property licenses. It is recommended that for the sake of

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<sup>46</sup> Article 40(d) of the 2008 Act

<sup>47</sup> Article 16 of the 2008 Act

<sup>48</sup> Articles 28 (d) and 40 (d) of the 2008 Act

<sup>49</sup> Article 12 of the (amended) 1970 Act

avoiding ambiguity and potential disputes, the parties determine the duration of a license agreement and specify it in the contract. If the contract is silent, the appropriate solution to this problem is referring to the applicable custom in the field concerning the licensed right.

In case the parties intend the license to be perpetual or subject to automatic renewal, they should declare their intention in the agreement. Otherwise, if at a time after the conclusion of license, a conflict arises between them as to the license duration, they would be faced with problems in proving the duration. It may be said that when the parties do not specify a duration of a license, they have subjected it to termination without cause. It is of the view that under Iranian law, such a contract will not be valid due to the parties' uncertainty about the future of their relationship. In fact, in such licenses the parties are confronted with the risk of the license being terminated without cause even with a declaration made within a reasonable time. Neither the 2016 Bill nor the 2019 Bill contains any provision regarding the problem. Therefore, it is strongly recommended that the Iranian legislator fills this gap by providing a plain provision in this regard.

## **I. Change of Circumstances and its Effects on Intellectual Property Contracts**

On occasion, circumstances surrounding the conclusion of an intellectual property contract may change due to different factors. Such a change may disrupt the economic order established by the parties. Evidently, this is true for license agreements which, as a result of their nature, should be executed over time; in contrast to assignments of rights which are performed immediately. For example, in a patent license with a requirement to work the invention, the price of raw materials increases significantly; preparing the raw materials is not impossible but the licensee must pay a high price. Another example is the case of a publisher who is committed to publish the book of an author but due to considerable changes in the market, it becomes very difficult for him to buy the necessary papers. The current Iranian law of intellectual property lacks a rule in this regard. Nor has the Iranian law of contracts dealt with this important issue. There is not either an established case law on this subject. Therefore, to find an answer to this problem, recourse must be made to the doctrine. As far as this issue is concerned, there are different opposing opinions. It may be said that

because of the *pacta sunt servanda* principle,<sup>50</sup> declared in Article 219 of the Iranian Civil Code, the parties are obliged to execute the contract on the same terms agreed upon at the time of its conclusion.<sup>51</sup> In fact, forcing the parties to fulfill the obligations originated from the contract contravenes their intention at the time it is concluded. In such a case, there is a phrase in the Iranian law and *Imamiah* jurisprudence:

“What has occurred had not been intended by parties and what the parties had intended did not occur”.<sup>52</sup>

On the other hand, judicial modification of contracts due to the change of circumstances has been favoured by some writers.<sup>53</sup> In fact, one may maintain that the new circumstances have not been contemplated by parties and if they had been aware of them, they did not enter into the contract or they would have made a contract with different terms and conditions. Hence, there is a need to revise the contract according to the new circumstances.

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<sup>50</sup> Mulla Ahmad Naraghi, *Avaed Al Ayyam*, (Qom: Office for Islamic Development, 1996), 13, Hassan ibn Yusof Allame Helli, *Ghavaed al Ahkam*, v.2. (Qom: Office for Islamic Publications, 1992), 64, Hassan ibn Yusof Allame Helli, *Mokhtalaf Al Shia*, v.5, (Qom: Office for Islamic Publications, 1992), 64; Mohaghegh Damad, Sayyed Mostafa, *Ghavaed Feqh Mdani*, (Tehran: Islamic Sciences Publishing Center, 1985), 161 et seq, Abu al Hassan Mohammadi, *Ghavaed Feqh*, (Tehran: Mizan, 2009), 241; Naser Katouzian, *Civil Code in the New Current Legal Order* (Tehran: Mizan, 2016), 210; Naser Katouzian, *Introduction to the Legal Science and the Iranian Legal System*, (Tehran: Sherkate Sahamie Enteshar, 2006), 288.

<sup>51</sup> Mohsen Esmacili, 2002, “the Effect of Change of Circumstances on Contracts from the Perspective of Comparative Law”, *Rahnemoon*, no. 1, (2002), 144.

<sup>52</sup> Mirza Hassan Mousavi Bojnourdi, *Al Ghavaed Al Feqhia*, v.3, (Qom: Al Hadi, 1998), 116; Mir Fattah Hosseini Maraghi, *Al Anavin Al Feqhia*, (Qom: Islamic Publications Office, 1996), 190.

<sup>53</sup> Mohammad Hassan Sadeghi Moghaddam, “a Comparative Study on the Effect of Change of Circumstances on Contracts and the Iranian Law Solution”, *International Law Magazine*, no.25, (2000), 206 et seq., Abd Allah Khatib and Mohammad Reza Fallah and Ali Tavallaiei, “Jurisprudential and Legal Foundations of Modification of the Judicial Contracts in the Legal Systems of Iran and Egypt”, *Islamic Law Research Journal*, 19, no.47, (2019), 138 et seq.

In addition, *La Dharar* Rule (the rule of no harm), as a famous rule among law scholars and *Imamiah* jurists, may be cited in this regard. Under this rule, a harmful rule should be set aside. In case of contracts which, due to new conditions, are no longer beneficial and even their continuance is burdensome at least for one party, the *pacta sunt servanda* principle becomes harmful and by virtue of *La Dharar* Rule, it should not be followed anymore.<sup>54</sup> Consequently, the injured party is not obliged by such a contract. However, the question is, what will be the result of applying the above said rule? It may be said that the court may modify the contract based on the rule of no harm.<sup>55</sup> However, this study is of the view that the result would be that a party to an intellectual property license, who is being injured thereby, may terminate the contract. In other words, the contract continues to exist, but the latter has the right to put an end to it.<sup>56</sup>

## J. Unauthorised Contracts as to Intellectual Property Rights

A contracting party should be the owner of the subject matter of the contract or act on behalf of him. In case a person makes a contract as to another's property without having any authorisation, in Iranian law, the contract is concluded but it is not effective until ratified by the owner.<sup>57</sup> For example, in an unauthorised contract of sale, if the owner refuses to accept the contract, it becomes void *ab initio* and if it is ratified by the owner, it is effective from the moment of its conclusion. This is called the discovery theory, meaning that the refusal or ratification discovers that the contract has been void or valid from the moment it was concluded.<sup>58</sup> The above-said rule is among the general

<sup>54</sup> For a detailed study on the rule of no harm see: Mirza Ali Meshkini Ardabili, *Ghaeda AL Maisourva Nafi al Zararva al Ijtihad va al Tghlid*, (Qom: Loghman, 1992) 349; Sayyed Ali Sistani, *la Zararva la Zerar Rule*, (Qom: Ayatallah Sistani's Office, 1993), 9; SayyedRuh Allah Khomeini, *Badaye al Dorar fi Ghaeda Nafi al Zarar*, (Tehran: The Institute for Compilation and Publication of Imam Khomeini's Works, 1994), 73.

<sup>55</sup> Khatib, „Fallah, Tavallaei, “Jurisprudential and Legal Foundations of Modification”, 142.

<sup>56</sup> For an agreeing opinion see: MH Sadeghi Moghaddam, a Comparative Study on the Effect of Change of Circumstances, 221.

<sup>57</sup> Article 247 of the Civil Code.

<sup>58</sup> SH Safaei, *General Rules*, 193.

rules of contracts and since intellectual property assignments and licenses are not of a different characteristic from this aspect, it should be applicable to them as well. However, in respect of unauthorised contracts, there is an opposing opinion according to which such contracts are void.<sup>59</sup> It is argued that this idea should be supported because it is consistent with the needs of the society; if people are allowed to do whatever they wish to the property of other citizens, e.g., selling another's property, the society would be confronted with disorder. Therefore, it is better for the Iranian legislator to add a provision to the 2016 and 2019 Bills and prohibit unauthorised contracts involving intellectual property rights not belonging to the contractor. This opinion is favoured by another Iranian author arguing that because the aim of the intellectual property system and recognition of such rights is to encourage innovation and improve its level, allowing unauthorised persons to make contracts as to the right holder's intellectual property, contradicts the legislator's objective.<sup>60</sup>

## Conclusion

Under Iranian law, there are no essential problems with making, interpreting, and executing the intellectual property licenses and assignments and in addition to the specific laws, the doctrine of *Imamah* jurists and legal scholars in Iran and the general rules of contracts may be relied upon to settle any conflicts concerning those contracts. As a type of new contract, these contracts have specific characteristics which distinguish them from traditional contracts. For instance, while the subject matter of assignments and licenses of intellectual property rights has no visible existence, Article 338 of the

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<sup>59</sup> Yusof bin Ahmad Bahrani Ale Osfour, *Al Hadaegh Al Nazera fi Ahkam Al Etra Al Tahera*, v.18 (Qom: Islamic Publications Office, 1984), 376-378; Ahmad bin Mohammad Ardabili, *Majmaa Al Faedaval Borhan FI Sharh Ershad Al Azhan*, v.8, (Qom: Islamic Publications Office, 1982), 157-159; Sayyed Mahmoud Hashemi Shahroudi, (supervisor), *Mausoua Al Fiqh Al Islami Tinghan Le Mazhab Ahl Al Bait peace be upon them*, v.5 (Qom: Institute of Encyclopedia of Islamic Jurisprudence based on Ah Al Bait Jurisprudence, 2002), 24-26; MJ Jafari Langroudi, *Alfaregh, General Encyclopedia of Law*, v.4, 2<sup>nd</sup>ed, (Tehran: Ganje Danesh, 2013), 202-205.

<sup>60</sup> Rouh Allah Saberi, *License Agreements*, (Tehran: Shahre Danesh, 2008), 85-86.

Iranian Civil Code requires the subject matter of a contract of sale to be a physical thing. Consequently, in drafting any rules concerning such contracts, their features should be considered. Under the general rules of contracts, future intellectual property rights may be assigned or licensed if specifically mentioned in the contract. However, this rule does not protect the interests of the weaker rights holders in most cases and should be modified, for example by declaring that the rights acquired after five years may not be assigned or licensed. The formation of intellectual property contracts is not conditioned on any formalities. It is obvious that such freedom is not in line with the interests of the rights holders and form requirements are necessary. Licenses and assignments concluded with an illegal purpose are void. In order to protect consumers, trademark licenses must contain a quality control clause; the remedy of this duty is vague, and the Iranian legislator is recommended to clarify it. The licensee is not free to grant sub-licenses without the licensor's permission. In exclusive licenses, the licensor may not grant new licenses. The parties are recommended to specify the duration of their license agreement. In case of their failure, there is no specific provision dealing with the issue. Change of circumstances has no effect on intellectual property contracts. Therefore, the parties are recommended to include a specific clause in the agreement which deals with this issue. Additionally, it is necessary to include a specific provision in the Iranian intellectual property laws stating the effects of change of circumstances on intellectual property contracts. Unauthorised contracts are not effective until approved by the owner. Again, this rule is not reasonable and should be modified to comply with the requirements of intellectual property area.