

# LICENSING OF INTELLECTUAL PROPERTY RIGHTS

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The licensing of intellectual property rights is a lucrative endeavour; therefore, it is important that licences are dealt with correctly. While parties are free to draft their licences as they see fit, they should not assume that all types of IP are the same. Given the different purposes and rights underlying different types of IP, they must be dealt with appropriately otherwise parties may find their licences voidable or the underlying IP negatively affected.

Recent changes to the Canadian Competition Act, Bankruptcy and Insolvency Act and Companies' Creditors Arrangement Act have a direct impact on IP licences in Canada.

## Competition Act

Prior to the 2009 amendments, it was a criminal offence to restrict a licensee's determination of a price for its product. Persons with exclusive rights conferred by a patent, trademark or copyright were prohibited from attempting to influence upward or downward the price of products within Canada, whether by agreement, threat or promise. While price maintenance is now decriminalised, it remains a complaint in civil court.

## Bankruptcy and Insolvency Act / Companies' Creditors Arrangement Act

In 2009, the Bankruptcy and Insolvency Act (BIA) and the Companies' Creditors Arrangement Act (CCAA) received a common amendment: protection of licensees against disclaimers by reorganising debtors.

As long as licensees meet all obligations imposed by the licence in relation to the use of the IP, any disclaimer of the licensee by the licensor/debtor may not affect the licensee's right to use the IP—including the party's right to enforce an exclusive right—during the term of the licence.

Neither the BIA nor the CCAA define 'use' or 'intellectual property'. It should not be taken for granted that the BIA or the CCAA refers to all kinds of IP. Given this ambiguity, it is advisable that licensees address the fate of the IP licence in the case of bankruptcy or insolvency.

These amendments affect licences currently in place. Therefore, it is highly advisable that parties look at their Canadian licences to ensure that they reflect their intentions. While a licence agreement need not be detailed, licensors and licensees are strongly encouraged to consider also the manner in which they deal with the following:

## Formalities of licence agreements

**Patents:** Exclusive patent licences shall be registered with the Canadian

Intellectual Property Office (CIPO). The CIPO will accept the registration of non-exclusive patent licences, but there is no requirement to do so.

**Trademarks:** There is no requirement to register trademark licence agreements. The CIPO, however, will record the licence if filed. While it is preferred that trademark licences be in writing, oral trademark licences have been recognised in Canada.

**Copyright:** Licences or assignments of copyright are only valid if the grant is in writing and signed by the owner (or the owner's duly authorised agent). While there is no requirement to do so, the CIPO will register a copyright licence if filed. If the owner licenses the copyright to a second party for value and that party registers the licence, the licence of the first licensee will be considered void unless it was registered.

## Responsibilities for third-party infringement

Canadian IP statutes have allowed licensees to stand against infringers in particular circumstances.

**Patents:** If the licence does not assign responsibility to enforce the licensed patent, the infringing party is liable to the patentee and others claiming rights under the patentee for damage sustained. Therefore, a licensee—whether exclusive or not—has the right to claim damages from an infringer; however, the patentee must be brought in as a party to the action.

**Trademarks:** Unless there is an agreement otherwise, the licensee may request that the owner of the trademarks deal with the infringement, and if the owner 'refuses or neglects' to take action against the infringement within two months after the licensee's request, the licensee may unilaterally initiate an infringement action and make the owner a defendant.

**Copyright:** Exclusive licensees have the right to act unilaterally against infringers, but non-exclusive licensees must include the owner of the copyright as a party.

These few points show the different considerations that apply with each type of IP and highlight the need to carefully review each licence agreement in that context.

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