

**PROBLEMS OF LEGAL REGULATION OF CONTRACTS FOR THE  
TRANSFER OF INTELLECTUAL PROPERTY IN PRIVATE  
INTERNATIONAL LAW**

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**ABSTRACT**

*This research paper discusses the concept of intellectual property, what intellectual property transfer contracts are and their types, as well as the legal systems used in the field of intellectual property and their significance. Also, this article discusses the problems related to conflict of laws arising in the transfer of intellectual property law objects, problems related to the choice of jurisdiction, challenges related to payments in IP transfer contracts. Issues related to intellectual property trusts are considered in transfer agreements with comparing in different legal systems. After the researching legislation of foreign countries, normative legal documents, practical judicial cases, are given proposals for further development of national legislation.*

**Key words:** *Intellectual property law, conflicts of law, intellectual property transfer agreement, taxes, royalties, IP trust agreement, box regime.*

**ПРОБЛЕМЫ ПРАВОВОГО РЕГУЛИРОВАНИЯ ДОГОВОРОВ  
ПЕРЕДАЧИ ОБЪЕКТОВ ИНТЕЛЛЕКТУАЛЬНОЙ СОБСТВЕННОСТИ  
В МЕЖДУНАРОДНОМ ЧАСТНОМ ПРАВЕ**

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## **АННОТАЦИЯ**

*В данной научной статье рассматривается понятие интеллектуальной собственности, что такое договоры о передаче интеллектуальной собственности и их виды, а также правовые системы, используемые в сфере интеллектуальной собственности, и их значение. Также в данной статье рассматриваются проблемы, связанные с коллизией законов, возникающие при передаче объектов права интеллектуальной собственности, проблемы, связанные с выбором юрисдикции, проблемы, связанные с платежами в договорах о передаче ИС. Вопросы, связанные с трастами интеллектуальной собственности, рассматриваются в договорах о передаче с сопоставлением в различных правовых системах. После изучения законодательства зарубежных стран, нормативных правовых документов, практических судебных дел даются предложения по дальнейшему развитию национального законодательства.*

**Ключевые слова:** *право интеллектуальной собственности, коллизионное право, договор передачи интеллектуальной собственности, налоги, роялти, договор доверительного управления интеллектуальной собственностью, коробочный режим.*

## **ULUSLARARASI ÖZELHUKUKTA FIKRI MÜLKİYET NESNELERİNİN DEVİRİNE İLİŞKİN SÖZLEŞMELERİN YASAL DÜZENLEME SORUNLARI**

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## **ÖZET**

*Bu araştırma makalesinde fikri mülkiyet kavramı, fikri mülkiyet devir sözleşmelerinin neler olduğu ve türleri, fikri mülkiyet alanında kullanılan hukuk sistemleri ve bunların önemi öğrenilir. Bu makalede ayrıca fikri mülkiyet haklarının devrinde ortaya çıkan kanunlar ihtilafı sorunları, yargı seçimine ilişkin sorunlar ve fikri mülkiyet devir sözleşmelerindeki ödemelerle ilgili konular incelenir. Fikri*

*mülkiyet tröstlerine ilişkin hususlar, devir sözleşmelerinde farklı hukuk sistemlerinde karşılaştırma yapılarak konuşulur. Yabancı ülke mevzuatı, normatif yasal belgeler ve pratik davalar incelendikten sonra, ulusal mevzuatın daha da geliştirilmesi için teklifler verilir.*

**Anahtar Kelimeler:** *Fikri mülkiyet hukuku, ihtilaf hukuku, fikri mülkiyet devir sözleşmesi, vergiler, telif hakları, fikri mülkiyet tröstü, kutu modu.*

The term "intellectual property law" is considered a relatively younger area of law rather than other areas of law and has entered the legal system since the 19th century. Intellectual property is a category of property, which is a model of intangible creation resulting from human intelligence<sup>i</sup>. There are many types of intellectual property, including selection achievements, trademarks, inventions, utility models, copyrights, trademarks, industrial designs, patents and other similar types of property. When we think about what is intellectual property right, we must firstly understand the ownership of property, and then we need to realize the intangible intellectual property right, which is the right that protects and encourages innovation and creative development.<sup>ii</sup>

If we talk about intellectual property transfer contracts, this is the right, which we have discussed above, is comprehend a property right in intellectual property and it is a signed document of transfer of intellectual property right from one party to another parties. There are several types of this agreement depending on the type of intellectual property, namely the following:

**1. Assignment Agreement.** As a type of agreement that defines the ownership of intellectual property, companies often use assignment agreements for inventions and developments, and to transfer ownership of intellectual property.<sup>iii</sup>

**2. License Agreement.** A contract granting permission (privilege) for the use of intellectual property without transferring any type of intellectual property objects.<sup>iv</sup>

**3. Joint intellectual property ownership agreement.** This type of contract is concluded on joint ownership of intellectual property. Basically, this contract is made by co-authors, inventors or product creators.<sup>v</sup>

**4. Work for Hire Agreement .** An employee or contractor creates Intellectual property as a part of their work for an employer they can acquire all the rights to the work of the client or publisher in with this contract. This approach is used only in certain types of work.<sup>vi</sup>

**5. Copyright agreement.** Copyright transfer agreement refers to the transfer of copyright from one person to another.<sup>vii</sup>

**6. Trademark Transfer Agreement.** Full or partial transfer of one of the parties' rights to trademarks.<sup>viii</sup>

**7. Patent transfer agreement.** Transfer of the monopoly right granted to a person who invents a new and useful product or improves an existing product or invents a new process of product preparation to another person. For example, during the validity period of the patent, the patent owner can prevent any other person from using it.<sup>ix</sup>

**8. Trade secret transfer agreement.** A trade secret itself is considered to be intellectual property of economic importance, information that is unknown to others and should be kept secret.<sup>x</sup> The transfer of such information to other persons is the subject of this agreement and is carried out in accordance with TRIPS<sup>xi</sup>.

**9. Technology transfer agreement.** This agreement is used in the process of distribution of commercial technologies.<sup>xii</sup>

**10. Franchise Agreement.** Franchise agreement mainly provides for the transfer of certain intellectual property, trademark, trade secret, business process to a franchisee (a) of another person.<sup>xiii</sup>

**11. Merger or acquisition agreement.** In cases of mergers and acquisitions, the transfer of intellectual property is often part of a general agreement, and special conditions for the transfer of intellectual property are agreed in this document.<sup>xiv</sup>

**12. Intellectual Property Trusts.** Intellectual property trusts are a type of agreement that protects patents and copyrights from infringement and ensures effective management.<sup>xv</sup>

**Problems related to choice of law in international intellectual property law.** Each country has its own legal system, which of course causes great problems when drafting a contract between countries, choosing which country's law and which country's law should to resolve a dispute under this contract. Because the legal systems of each country are structured in the same way, some countries follow the Anglo-Saxon legal system, while some countries follow the Romano-Germanic legal system. Variations are not limited to this, but each country has established various rules in its national legislation regarding the terms of the contract, the validity of the contract, their interpretation, execution, and application. According to the general rules, "the parties can freely choose the applicable law"<sup>xvi</sup> The "**lex protectionis**" rule applies to the issue of deadlines and registration. That is, "*The law of the state for which protection is requested applies to the existence, validity, registration, scope and period of validity of the intellectual property right and all other issues related to it*"<sup>xvii</sup>. There is also a rule of "**lex fori**", according to which "*the law of the state where the trial is conducted shall apply*"<sup>xviii</sup>. The problems related to the choice of the

appropriate law are certainly difficult for the judges. In order to overcome such difficulties, a number of experts suggest moving to a systematic international code of intellectual property or to globalized modes of dispute resolution<sup>xix</sup> in the field.

### **Issues in States Legislations:**

The laws of each state are not the same as those of other states. The type of contract to be concluded may not exist in the legislation of the country chosen for the legal regulation of contracts for the transfer of intellectual property objects, and even if the type exists, intellectual property may not be included in the object of the contract. In such situations, there may be cases where the contracts are recognized in one country and not recognized in another country. For example, many countries have a trust agreement. This contract is referred to as "property trust management contract" in Uzbekistan. In Article 851 of the Civil Code of the Republic of Uzbekistan, the following are the objects of the property trust management agreement: "enterprises and other property complexes, separate objects belonging to real estate, securities, separate rights and may consist of other property"<sup>xx</sup>. However, intellectual property is not included as an object of this agreement in Uzbekistan. However, in foreign countries such as the USA, Canada, Singapore, Australia, Hong Kong, and EU countries, the object of this agreement also includes intellectual property.

Or else, the copyright agreement, the legislation of some countries does not allow the copyright agreement, and transfers can be made only through license contracts<sup>xxi</sup>. Additionally, although the "Work for Hire Agreement" exists in many countries<sup>xxii</sup>, contrary to Uzbekistan, even the name of this agreement is unfamiliar to Uzbekistan. There are similar problems in patent matters, especially in parallel imports. Parallel import is a product imported from another country without the permission of the intellectual property owner<sup>xxiii</sup>. Parallel import is allowed in some countries, but not at all.<sup>xxiv</sup>

### **Problems related to the payment of transfer of intellectual property objects:**

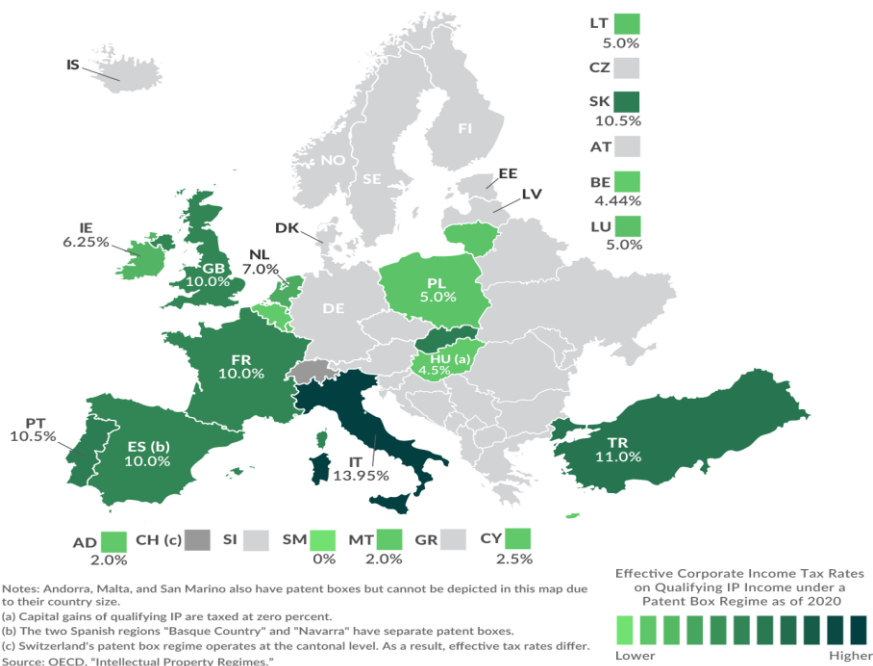
In the process of transfer of intellectual property objects, the amounts of payments in the process of transfer of intellectual property objects are different in across the jurisdictions and it could be double taxation<sup>xxv</sup>, the high costs of contract payment may cause not to sign from another party. In addition, depending on the nature of the intellectual property objects also other separate fees may apply and also royalty payments are charged for using IP. "**Royalty**" means the fee paid for the right which contains any copyright in a literary, artistic or scientific work, including cinematograph films, any patent, trademark, design, model, plan, secret formula or

process, or the use or use of any information relating to industrial, commercial or scientific expertise.<sup>xxvi</sup> There are several royalty cases, one of that is 2022 lawsuit by Sound Exchange against the Slacker platform. The Slacker signed an agreement with Sound Exchange and set a royalty of \$9.7 million for the intellectual property used. However, the Slacker platform refuses to pay this amount even though it uses the intellectual property. The court then ruled in favor of Slacker collecting \$9.7 million in royalties from Sound Exchange and permanently restricted Sound Exchange and its parent company Live One from using the license<sup>xxvii</sup>.

In addition to royalties for the transfer of intellectual property, there are other types of fees: “*capital gains tax*”, “*income tax*”, “*intellectual property valuation fee*”, “*transfer price negotiation fee*”, “*tax*”, “*authorization and amortization fee*”, “*state taxes*” may also be subject to local taxes depending on the jurisdiction selected. This, in turn, creates huge costs for the parties. To eliminate this, “**Box regimes**” were realized an effective method. Box regimes, also called “**patent box regimes**”, were implemented in 2014 by 12 European countries. This innovation is a significantly reduced corporate tax rate for intellectual property income<sup>xxviii</sup>. One of the two successes of IP boxes is to limit the corporate tax erosion that occurs when moving mobile income to low tax jurisdictions through transfer pricing<sup>xxix</sup>. If it established in countries, the taxes paid during the transfer of intellectual property will be minimized and more transfer agreements will be concluded. In addition, if unification is achieved, the legal regulation of contracts will be easier.

### How Do Patent Box Regimes Compare across Europe?

*Effective Corporate Income Tax Rates on Qualifying IP Income under a Patent Box Regime as of 2020*



Turkey also switched to the patent box regime in 2001 and developed a new approach by adapting this patent box regime. That is, Turkey provides a reduced tax only for inventions that have appeared as a result of research, production, innovation and software activities in its own country.

### **Summary**

Above, the problems that arise in the legal regulation of contracts for the transfer of intellectual property objects were studied. And in order to overcome the problems arising in the choice of law for the contract, the development of the "Unified International Code" and transition to the globalized mode of resolving disputes in the field were considered as an acceptable solution. Due to the fact that the legislation of the countries is different, in the problem arising in the definition of the types of contracts and their objects, I suggest for Republic of Uzbekistan, adding intellectual property for trust management contract. In order to solve the problems related to the minimization of high-cost payments, the establishment of the "IP box regime" by the countries, adapting it to their own legislation, would be an effective solution both in the legal regulation of contracts and in the regulation of the tax field.

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