

Examining the Legal Regime Governing Commercialization of Patents, Copyrights and Trademarks in Ethiopia

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Abstract

In the contemporary knowledge based economy, the contribution of intellectual property to economic growth and business enterprise value, especially in developed countries is increasing. Though the share of intellectual property rights to the country's economic growth is not paramount as of today, the Ethiopian intellectual property system has prescribed and protected patent, copyright and trademark. Assignment, securitization and licensing are the usual legal vehicles to commercialize intellectual property. There are rules that meant to govern such vehicles in the existing Ethiopian laws. The paper critically examines the adequacy of the existing rules on assignment, licensing and securitization of intellectual property rights in Ethiopia. On the basis of the investigations, it concludes that the rules on commercialization of intellectual property rights in Ethiopia are inadequate in terms of existence, clarity or tenability.

Keywords: commercialization, intellectual property, patents, copyrights, trademarks, assignment, licensing, securitization.

1. Introduction

Intellectual property (IP) can be commercialised, undergo a process to produce marketable services or goods, either by the owner or third party. Third party commercialization of IP is commonly conducted through the tool of assignment and licensing.¹ IP laws of different countries determine the transferability, licensing (franchising) and securitizing of IP. Prescriptions are made on the form, scope, duration, geographical limit, grounds of termination of assignment and licensing of copyrights, patents, trademarks, and soon. Licensing of IP is also policed to protect and promote fair competition in the market. Certain licensing agreements or provisions of a license are indefensible if they restrict or affect fair competition.

Effective enforcement of IP rights is one condition for commercialization of IP apart from providing the appropriate legal vehicles that enable to identify the owner, recognise and regulate assignment of the rights, govern licensing of the rights, and allow the use of IP for raising funds by the owner, licensor, and licensee. Ethiopia is one of the countries with high rate of piracy of IP. Preliminary studies on the rate of piracy in the creative industry in Ethiopia estimated 90%.² Commercialization of IP right by the owner, assignee or licensee is unthinkable in a situation of rampant piracy. The availability of funds is the other important factor for the commercialization of IP. Though assessment of the availability of finance and examination of effective enforcement of IPRs are relevant issues for commercialization of IP, this paper mainly concerned examining legal issues on tools of commercialization of IP. The rules governing transferability of patents rights, copyrights and trademarks through assignment and license contracts under the respective laws; the interaction of competition and IP law in relation to IP licensing; and legal infrastructure of using IP as a security for raising finance are some of the main focuses of investigation.

2. Preconditions for Commercialization

The commercialization of IP right is dependent, among others, on the existence of rules that clearly establishes acquisition of ownership and freedom to operate what is owned. As a foundation it is not unimportant to ponder on some of the rules in the Ethiopian main IP laws governing such preconditions. Here main IP laws refer copyright, patent and trademark laws.

2.1. Ownership of Intellectual Property Right

Ownership is imperative precondition that must be determined before concluding IP commercializing contracts. Consulting and examining of relevant rules which prescribe the identity of IP owner shouldn't be neglected.³ Any act of commercialization performed without ownership right or without the owner's authorization may entail infringement suits. The Ethiopian main IP laws have rules on original and derivative ownership over IP.

¹ European Commission, Commercialization of Intellectual Property: Assignment Agreement (September 2013), p. 2 <https://www.iprhelpdesk.eu/sites/default/files/newsdocuments/Assignment_Agreements_0.pdf> accessed 30/08/2015.

² Getachew Mengistie, The Contribution of Creative Industry for Economic Development (October, 2013) <[file:///C:/Users/user/Downloads/The%20contribution%20of%20creative%20industry%20for%20economic%20development%20\(1\).pdf](file:///C:/Users/user/Downloads/The%20contribution%20of%20creative%20industry%20for%20economic%20development%20(1).pdf)> accessed 28/06/2015.

³ ACIPA, Intellectual Property and Commercialization of Research and Development: A Guide for Horticulture Industries (October 2006), p. 45 <<http://acipa.edu.au/pdfs/intellectual-property-for-commercialisation-of-research-and-development.pdf>> accessed 5/09/2015.

In principle, the author of a copyrightable work is the original owner of economic rights.¹ When a work is created with the participation of two or more persons, they become co-authors and original joint owners of the economic rights.² In the case of collective work, original ownership of economic rights is entitled to the person that initiated and directed authoring the work.³ The proclamation doesn't define collective work neither it has guidelines to determine an act of 'initiation' and 'directing' which may impede the exploitation of the work using varying modes. Unless agreed otherwise, the employer or person who commissions the work is granted original ownership of economic rights on a work created in the course of employment or contract of service, respectively.⁴ The law doesn't describe course of employment or contract of services which may create difficulties to determine ownership over creations by employee or commissioned worker when it is remotely related with their duties.⁵ This default rule hardly allows determining original ownership of economic rights on copyrightable works of students created in a university. The relationship of the student and the university can't be characterised as employment or independent contract but teaching-learning relationship. The student authors the work in the umbrella of her relation with the university that the latter has an interest in the work. Such a gap may create ownership conflict that hinders the commercial exploitation of the work. The producer of audio-visual work is the original owner of economic rights while other co-authors are entitled to authorship right in their respective work and the right to receive remuneration based on a contract with the producer unless the works can be exploited separately.⁶

Original ownership of an invention is, in principle, given to the inventor.⁷ When more than a person invents, they become joint owners of patent rights.⁸ Patent rights over an invention by an employee or commissioned worker invented in the course of their duties under contract of employment or service are conferred to the employer or commissioner unless agreed otherwise.⁹ The patent law suffers the same gap as the copyright law regarding original ownership of inventions of students in a university with the use of the latter's facilities since the relationship can't fall within contract of commission work or employment.

Original ownership of trademark rights is granted to the first registrant.¹⁰ Despite co-ownership of trademark by several persons is indicated, the use of the mark without confusing the public is undetermined.¹¹ To promote distinctiveness of traders' goods and services and avoid consumer confusion, co-ownership of trademark is not accepted in some systems.¹²

As discussed, co-inventors and co-authors are entitled original joint ownership. Joint ownership of an invention or creation can also arise from assignment agreement if assigned for several persons. The Ethiopian copyright and patent laws don't provide default rules on the management of joint ownership of IP right.¹³ If assignment or licensing is concluded only by a co-owner, others may bring an infringement action against the assignee or licensee which in effect hinders the commercial exploitation of the rights. Similarly, whether one of the co-owners can renounce her share in the IP right without consulting others and if so the fate of the IP right afterwards is not regulated.

The Ethiopian copyright and patent laws suffer gap concerning ownership of IP rights arising from the course of overlapping employment relations of an employee or from overlapping relation of employment and contract of services or from overlapping contract of services. This is highly probable for university teachers who possibly conduct research for another institution. Inventions by a professor with using the facilities of the university and the person who commissioned the work attract multiple interests that ownership clash would appear unless the

¹ Copyright and Neighbouring Rights Proclamation, Art. 21(1).

² *Id.*, Art. 21(2)

³ *Id.*, Art. 21(3)

⁴ *Id.*, Art. 21(4).

⁵ Australian courts considered the following factors to determine whether copyrightable work is created in the course of the contract: extent of the creation during ordinary working hours; whether the employee is engaged and directed to apply his mind for the purpose of creating a copyrightable material or invention; the nature of the employee's position in the company or business (senior employees may be considered authored or invented the work for benefit the employer). ACIPA, cited above at note 3, P. 55.

⁶ *Id.*, Art. 21(5).

⁷ Inventions, Minor Inventions and Industrial Designs Proclamation, Arts. 7 (1), 45 & 48.

⁸ *Id.*, Art. 7 (2).

⁹ *Id.*, Art. 7(3). Unlike the copyright and neighbouring right law, our patent law has provided default rules regarding original ownership of patent rights over an invention that is the result of the material contribution of an employer and employee or commissioner and commissioned worker. In such situation joint ownership in equal shares is presumed.

¹⁰ Trademark Registration and Protection Proclamation, Art. 4

¹¹ See Art. 28(3). The rules on collective trademarks under the Proclamation shouldn't be considered as prescription of co-ownership of a trademark by two or more registrants or traders but by a single entity like trade unions. The proclamation doesn't expressly describe any default rule on the rights of registrant nor it sort out the guidelines for rights and obligations in the statute that the collective trademark based on. *Id.*, Arts. 18-23 cum 26-33.

¹² S. Chakravarty, "Importance of Assignment Agreements under Intellectual Property Law of India", *J. Intellect Prop Rights*, Vol. 14 (November 2009), p. 517.

¹³ In USA a co-owner of copyright is entitled to exploit his creation in any way subject to duty to account for the other co-owners while co-owners of patents are allowed to exploit the invention without any restriction, even with no duty to provide an account to others. Joint Ownership and Assignments of Intellectual Property Rights: Part II –Copyrights (May 27, 2011) <<http://www.lexology.com/library/detail.aspx?g=6cf9c2fd-fc6c-4495-bce1-eff6921ee4aa>> accessed 4/09/2015.

contracts manage it.¹

2.2. Freedom to Operate Intellectual Property

*Freedom to operate refers to the ability to conduct research and development, commercialise a research outcome or use another person's intellectual property in your business without infringing intellectual property owned by a third party.*²

Seeking authorization from the IP owner is the primary way-out to secure freedom to operate (FTO) once IP right, in addition to, utilization of any exceptions and limitations to IP right by law and applying for compulsory licensing.

It is said that issues of FTO are more frequent to patent and plant breeder's rights than other IP rights³ that examining the Ethiopian patent law on limitations to rights and compulsory licensing is commendable as authorised enabling ways for FTO. The use of patent rights without the consent of the owner for non-commercial purposes, solely to carry out scientific research and experiment or use of patent incorporating products which have been put in the market in Ethiopia by the owner or with his consent (exhaustion of patent rights) are permitted.⁴ With the exception of the exhaustion of rights, the limitations can't allow the use of third party owned IP to conduct research and development (R&D)⁵ or for otherwise commercial exploitation of IP right. The prohibition may adversely affect the commercial exploitation of once IP right. In this case, licensing in or buying of the patent seems the only option to exercise FTO. If the owner of such necessary patent refuses to licence or assign her IP rights, the FTO may be exercised through applying the procedurally entangled way-out, compulsory licensing.

FTO earlier and later inventions are some grounds for issuance of compulsory licensing in Ethiopia.⁶ Compulsory licensing is not an effective way to exercise FTO owing to several procedural conditions⁷ and the limitation on further licensing without the consent of compulsory licensor.⁸ The compulsory licensee can't exploit her IP rights by licensing since it amount as authorisation of other persons for use of the compulsorily licensed IP.

Copyright exceptions and limitations may enable to exercise FTO once IP rights in commercial settings by exploiting copyrighted works without authorization of the owner. For copyrights, FTO is most likely an issue regarding software than other works since exploitation of the latter can be effectively made by taking ideas from copyright protected works. An owner of software may need the use of other software owned by third party to efficiently work her rights. For commercial purpose, FTO seems available only in two limitations-reproductions for teaching; and reproduction and adaptation of computer programs.⁹ If such limitations are not fit for exploitation of software owned by third parties and voluntary licensing is refused, the owner of software may apply for non-voluntary licensing.¹⁰ Non-voluntary licensing is effective based on implementation regulation that is not yet enacted.¹¹ This constrains the commercial exploitation of dependent creations, such as software.

Circumstances may command the use of an invention by the owner of a creation or the use of a creation by the owner of an invention for commercial operation. As noted above the limitations to patent rights seem unfit to use an invention for commercial purpose which is almost true for limitations to copyrights. Compulsory licensing of patent rights is available to exploit another dependent invention but not for utilizing creations like software irrespective of the level of dependence.¹² In the copyright law, non-voluntary licence can be applied by anyone but it is dysfunctional currently since the implementing regulation isn't enacted. To exercise FTO over a creation, authorization of the patentee seems necessarily required which her refusal may highly limit the commercial exploitation of once IP right.

3. Modes of Commercializing patents, copyrights and trademarks

The commercial transfer of IP right without infringement generally takes place via assignment, licensing or franchising of the right.¹³ Determining commercialization of IP rights in any of such modes and the associated conditions are the functions of IP and IP related laws. In this regard IP related laws encompass among others

¹ ACIPA, cited above at note 3, p. 53.

² *Id.*, p. 59.

³ *Ibid.*

⁴ Inventions, Minor Inventions and Design protection proclamation, Art. 25(1)

⁵ Using a patented invention to carry out research and experiment by the operation of the limitation is possible if the purpose is *solely scientific* (emphasis added) (25(1(b))). The point is that conducting research and experiment using a patented invention to commercialize another IP forming party of the property of a business enterprise has the sole purpose of profit.

⁶ Inventions, Minor Inventions and Industrial Designs, Art. 29(1) & (2).

⁷ *Id.*, Arts. 29(1) & (2), 30, 31 & 32.

⁸ *Id.*, Art. 32.

⁹ Copyright and Neighbouring Rights Proclamation, Arts. 11 & 14. The rest of the limitations and exceptions are allowed either for personal, private, free of charge purpose which oust commercial purpose (see Arts. 9, 12, 15, 16) or they are not as such relevant to exercise freedom to operate (see Art. 13).

¹⁰ *Id.*, Art. 17.

¹¹ *Id.*, Art. 17(2).

¹² Inventions, Minor Inventions and Industrial Designs Proclamation, Art. 29 (1) & (2).

¹³ WIPO, *Intellectual Property Handbook* (2nd ed., 2004), p. 171.

competition law, bankruptcy law, security law and investment law. The laws are expected to provide mandatory and permissive rules about commercialization. The ensuing parts address the sufficiency of the rules under such laws in relation to the modes of commercialization i.e. assignment, licensing and securitization of IP right in Ethiopia.

3.1. Assignment

Assignment is the transfer of ownership of IP rights from one party (assignor) to another (assignee).¹ The concept of assignment is recognised in the laws of many countries and is required to be in writing.² Assignment can be outright transfer of ownership by sell or donation of IP or conditional transfer by perfection of security interest against the IP. Outright sale of IP can be made in lieu of monetary consideration or in exchange for proprietary interests like share. Transfer of ownership over IP may also happen by the operation of the law through succession upon death of the owner.

In Ethiopia exclusive rights over copyright are transferable by assignment agreement.³ The copyright law requires the assignment agreement to be in writing.⁴ Questions may be raised on the effect of assignment not concluded in writing. The general contract provisions of the civil code should be called to make such assignment as mere draft since it is an agreement which create obligations of proprietary nature.⁵ Assignment isn't defined by the proclamation that if it includes conditional transfer of economic rights through enforcement of pledge is unclear. An assignment shall terminate after ten years if the agreement is silent on the duration.⁶ Should the assignment that assigns the right/s for formation of business organization terminate if it says nothing on the duration of the agreement despite the existence of the organization? This kind of utter time fixation may cause such kinds of absurdities. There is no default rule in the proclamation that fixes the geographical limit of assignment.⁷ The assignment should expressly specify the subject exclusive right/s otherwise only the rights cited in the agreement considered as assigned.⁸ No default rule exist which determine the inclusion of subsequent improvements on copyrighted work by the assignor or assignee that make obsolete or reduce the utility of the assigned exclusive rights. The author has a right to revoke the assignment if the assignee failed to exercise her right in a manner that prejudices the interest of the former that can't be waived in advance.⁹ Revocation is not allowed earlier than three years from the date of assignment or if the work supplied subsequently from the date of delivery.¹⁰ This is also the case if the failure is due to acts expected to be conducted by the author.¹¹ Here the law uses the term "author" that the right to revocation seems reserved only to author assignor than non-author owner assignor. This is very difficult to justify since the interest of the latter is also equally at stake when the assignee fails to exploit the work.

Writing and registration of assignment agreement of patent rights are validity conditions in the patent laws of many countries.¹² The Ethiopian patent law requires changes in ownership of patent rights to be in writing, registered and publicised.¹³ Registration is conducted upon the request of interested parties and has third party effect.¹⁴ However, there is no further illustration on the phrase "changes in ownership" in the regulation and if it includes conditional transfer like security interest in patent rights is uncertain. Whether the patent office can evaluate the terms of the contract is unstipulated. It seems that the office is required to register the agreement even if there are terms that require the payment of prices after the expiry of the rights or restricts output of the assignee. It is noted that there is no pledge agreement requested for registration as of the writing of thesis and argued if requested, Ethiopian Intellectual Property Office (EIPO) would register considering it as changes in ownership.¹⁵ Duration, territorial limit, subsequent improvements on the assigned right and grounds for revocation of the assignment agreement aren't regulated by our patent laws which may create uncertainty on the commercial exploitation of rights.

An application for the assignment of trademark rights with written assignment agreement must be filed to the

¹ European Commission, cited above at note 1, p. 3.

² WIPO, cited above at note 29, p. 172 & 173.

³ Copyright and Neighbouring Rights Proclamation, Arts. 23-25.

⁴ *Id.*, Art. 23 (2).

⁵ Civ. C. Art. 1675, 1676(1), 1720(1) cum. Copyright and Neighbouring Rights proclamation, Art. 23(2).

⁶ *Id.*, 24 (3).

⁷ In India, in the absence of otherwise provision in the copyright assignment agreement, the geographical limit of exploitation of the exclusive rights is presumed to be within the territory of India. The Institute Of Company Secretaries of India, IP Rights- Law and Practice (2013), p. 155 < www.icsi.edu > accessed 30/08/2015.

⁸ Copyright and Neighbouring Rights Proclamation, Arts. 23 (3) & 24 (2).

⁹ *Id.*, Art. 25.

¹⁰ *Id.*, Art. 25(3).

¹¹ *Id.*, Art. 25(2).

¹² WIPO, cited above at note 29, p.173, Patent Law of the Republic of China (December, 2008), Art. 10, & Consolidated Patent Act (Denmark, January 28,2009), part 6.

¹³ Inventions, Minor Inventions and Industrial Designs Regulation, 1997, Art. 47(1), Reg. No. 12, *Fed. Neg. Gaz.*, Year 3, No. 27.

¹⁴ *Ibid.*

¹⁵ Interview with Admasu Arega, Patent Search and Examination Expert at EIPO, October 9, 2015.

relevant organ.¹ Upon examining the request, the office must register and cause publication of the transfer.² A trademark can be assigned separately from the business.³ The separate transfer may be refused if the office finds that such an act may mislead the public.⁴ The refusal should have been mandatory to protect consumers from confusion. Whether the refusal is appealable isn't clear. The transfer of trademark separately from goodwill is not treated by the Ethiopian trademark law. The effect of registration and publication of transfer of trademark is not articulated unlike licence that has only an effect on third parties.⁵ The time limit for requesting registration isn't determined. The assignment of trademark subject to co-ownership can't be transferred without consent of co-owners.⁶

IPRs may form part of transfer of technology (TOT) agreement which may take the mode of assignment or licensing. TOT is understood as the transfer of systematic knowledge, technology or technical knowhow from one person to another which enables the recipient to manufacture products.⁷ Patents, software or other IPR may become part of TOT agreement that additional conditions may be provided by investment laws in the interest of protecting fair trade, public health, interest of once nationals, etc. The Ethiopian investment proclamation makes registration of an authenticated TOT agreement a validity condition when any investor concludes the agreement for undertaking her investment.⁸ The TOT agreement, be it in the form of assignment or licensing, which is not registered bears no legal effect for the interest of this law.⁹ It is worth noting that TOT agreements that include IP right to an investor operating in Ethiopia should comply with this condition apart from the requirements of assignment or licensing of the rights under the specific relevant IP laws provided the laws are applicable. For instance, TOT agreement for the assignment of software to conducted investments based in Ethiopia should be in writing according to the copyright law and should be registered by the Ethiopian Investment Commission in accordance with the investment proclamation. There is no provision in this proclamation that enables the Agency to put its say on searching and choosing technologies or evaluating the TOT agreement in light of protecting public health, fair trade, adequacy and reasonability of payments for the technology and soon. Quite to the contrary, the repealed TOT regulation No. 121/93 had provisions that discipline TOT agreement between an Ethiopian recipient and a foreign supplier of technology that covers from searching the technologies to evaluation, approval and follow up of TOT agreements in light of these factors.¹⁰ The investment proclamation is very much fragile for protecting national interests especially when the TOT in Ethiopia is from a foreign supplier. It may be to heel this that the Ministry of Science and Technology of Ethiopia prepared draft regulation on TOT.¹¹ It is said that the draft regulation is basically similar with the repealed regulation except variances on certain issues, such as it omitted regulating the price and mode of payments for the technology.¹² It is recommended that the draft must be enacted by the government.¹³ The writer supports this but it must be underlined that the draft must include rules on payments for the technology since it has paramount significance to quash inappropriate transfer prices which further may have an effect on income tax and national foreign currency reserves.

No provision exists in the Ethiopian copyright, patent and trademark laws that regulate the determination of the value of rights in the assignment agreement. This implies that the parties are autonomous to determine the value of IP using any of the methods of valuation, i.e. cost, income or market methods. No default rule exists that enables fixing the consideration for assignment of the right/s if the agreement is silent. Whether the agreement is maintainable in such cases is unstated.

The laws don't provide any implied rule of warranty that protects the assignee from defective ownership of the assignor.¹⁴ These frustrate the commercial exploitation of IP right with the apparatus of assignment.

3.2. Licensing

Licensing is a contract whereby the holder of IP (licensor) allows the use of the IP to another person (licensee), within the limits of agreed terms.¹⁵ It is essentially a contractual process that enables exploitation of IP by third

¹ Trademark Registration and Protection Proclamation, Art. 28 (1) & (2).

² *Id.*, Art. 28(6).

³ *Id.*, Art. 28(4). But, the transfer of the business transfer trademark unless the assignment provides the otherwise.

⁴ *Id.*, Art. 28(5).

⁵ *Id.*, Art. 29(2).

⁶ *Id.*, Art. 28(3).

⁷ Yohannes Hailu, *Legal and Institutional Framework for Transfer of Technology in Ethiopia* (LL.M thesis, Unpublished, April 2015), P. 13.

⁸ Investment Proclamation, 2012, Art. 21, Proc. No. 769, *Fed. Neg. Gaz.*, Year 18, No. 63.

⁹ *Id.*, Art. 21(4).

¹⁰ Yohannes Hailu, cited above at note 51, P. 88-94.

¹¹ *Id.*, p. 94.

¹² *Id.*, p. 97.

¹³ *Id.*, p. 146.

¹⁴ Note; the repealed TOT regulation No. 121/93 requires the supplier of technology to guaranty the recipient against defective title. The point is that had it been this law were active the supplier should have the duty to guaranty against defective title for IPRs that form part of TOT agreements. Currently, there is no active law that plays this role. See, Transfer of Technology Council of Ministers Regulation, 1993, Art. 11, Reg. No.121 *Neg. Gaz.*, Year 52, No. 53.

¹⁵ European Commission, Commercialising Intellectual Property: Licensing Agreement (June 2013), p. 3

party without relinquishing ownership. The forthcoming discussion examines licensing of IP right in Ethiopia by categorizing into general and special issues.

3.2.1. General Legal Issues on Licensing

The provisions of IP licensing contracts not just rely on the parties' agreement but also on the relevant law and the types of the IP.¹ The Ethiopian copyright law has some rules on licensing of economic rights. The licensing agreement is required to be in writing.² It must respect the validity conditions for the conclusion of contracts under the Ethiopian civil code. The licence terminates after five years from conclusion unless agreed otherwise.³ Failure to adequately exercise the rights by the exclusive licensee that prejudices the legitimate interest of the author could be revoked by the latter.⁴ Here, the use of the word 'author' may imply exclusive licensors or non-author owners can't exercise revocation however, difficult to justify as examined above in relation to assignment. There is no provision that defines exclusive or non-exclusive licences and contrary to our trademark law⁵ which provides a default rule in case the licence agreement remains silent on the issue.

The Ethiopian patent law has no lucid provision on voluntary licensing of patent rights. The form and nature of licence contract, grounds and procedures to revoke the contract, and duration of the licence aren't all regulated. These make the law not only behind the equivalent copyright and trademark laws of Ethiopia but also ineffective to guarantee confidence and avoid possible conflicts in licensing of patent rights. The law indicates the possibility of registration of licensee regarding surrender of patent rights unless the reference implies compulsory licensee.⁶ The details of registration of voluntary licensing are not regulated by the law.

Based on the English version of the proclamation, a licence contract for the use of trademark is enforceable if concluded in writing.⁷ Licensing contracts, modification and termination thereof are required to be registered and publicised.⁸ Registration is not a validity condition but has an effect on third parties.⁹ It is mandatory to expressly indicate whether it is for all or part of the goods or services covered by the trademark the licence concerns.¹⁰ In default of this the licensee has the right to use the trademark for all the goods or services covered by it.¹¹ Unless agreed otherwise, the right extends during the duration of registration, including renewals.¹² The license contract is void if it has no provision that indicates an effective control on the quality of goods or services by the licensor.¹³ The proclamation prescribes the nullity of restrictions in the contract which are not derived from the rights of registration of trademark or unnecessary to safeguard the rights.¹⁴ Trademark licence is presumed as non-exclusive.¹⁵ Collective trademark or an application to collective trademark can't be the subject of licensing contract.¹⁶

Parties to the agreement are free to determine the amount and nature of royalties using any of the methods of valuation. There is neither a provision that guides the determination of royalty for licensing nor exists any default rule which enable determination in the Ethiopian IP laws on voluntary licensing of IP. The laws don't prescribe implied warranty that rescues a licensee from defective title. There is no provision in the patent and copyright laws that govern subsequent improvements of licensed rights in relation to the contract of license. The absence of such gap filling rules may create fears on the expectation of the parties.

3.2.2. Some Special Issues on Intellectual Property Licensing

3.2.2.1. Assignability of Intellectual Property Licences

An IP licence contract is expected to provide provisions on the transferability of rights of the licensor and licensee.

<https://www.iprhelpdesk.eu/sites/default/files/newsdocuments/Licence_agreements_0.pdf> accessed 23/08/2015, Trademark Registration and Protection Proclamation, Art. 2(7).

¹ *Id.*, p. 5.

² Copyright and Neighbouring Rights Proclamation, Art. 23(2).

³ *Id.*, Art. 24(3).

⁴ *Id.*, Art. 24.

⁵ Trademark Registration and Protection Proclamation, Art. 32.

⁶ Inventions, Minor Inventions and Industrial Designs Proclamation, Art. 35(3) and 30(3).

⁷ Trademark Registration and Protection Proclamation, Art. 29(1). One should note that the Amharic version of this provision is silent on the writing requirement of licence contracts and the mandatory condition of stating the goods or services in which the licensee could use the trademark. The subsequent sub-article talks about registration and publication of the licence contracts, modification and termination thereof. The English version seems more tenable than the Amharic version seen in light of such acts and underpinning clarity of the terms of the licence.

⁸ *Id.*, Art. 29(2).

⁹ *Ibid.*

¹⁰ *Id.*, Art. 29(1).

¹¹ *Id.*, Art. 33.

¹² *Ibid.*

¹³ *Id.*, Art. 30.

¹⁴ *Id.*, Art.31 (1).

¹⁵ *Id.*, Art. 32. According to this provision a trademark licence can be exclusive, non-exclusive or sole. In the case of non-exclusive licence contract, which is the rule, the licensor can grant further licence contracts for the use of the trademark. On the other hand, if the contract is an exclusive contract, the trademark owner can't grant further licences but she can use the trademark. If the agreement expressly proscribes the licensor not to use the trademark and not to grant further licences, then it is a sole licence contract. The Trademark Registration and Protection Proclamation neatly articulated the rules and exceptions on all of these issues unlike that of the Ethiopian copyright and patent laws.

¹⁶ *Id.*, Art. 29(3).

Concerns arise if this is not the case. Default common law rules in USA prescribe non-transferability of non-exclusive licences on copyrights, trademarks and patents.¹ While exclusive patent license is treated similarly, rules on exclusive copyright and trademark licences aren't well developed.² The licensor is free to assign her rights.³ Regarding copyright and patent licence this is to enable the owner to exercise control over the identity of the licensee for effective exploitation of exclusive rights whereas for trademark licence to allow the owner protect and maintain the goodwill, quality and value of its products and its trademarks.⁴ Statutory provisions prohibit the assignment of IP license by the licensee in some other countries.⁵

In Ethiopia, contractual rights and obligations can be transferred to non-contracting persons unless prohibited by the contract, nature of transaction or law.⁶ Services contracts are examples of non-assignable contracts by law.⁷ No provision and court jurisprudence exist in the Ethiopian IP laws that address the assignment and sub-licensing of IP license by the licensee or the assignment of rights of the licensor.⁸ Whether the personal exploitation of IP license by the licensee is important for the licensor isn't determined. One may say if the license contract doesn't prohibit assigning the license or granting sub-license, the licensee is free to perform the acts. However, this may damage the interest of licensor since that may let a competitor to control the copyright or the patent or the quality and goodwill of trademark may be affected. To curb possible controversies on assignment of licences and to give clear warning for the parties, the laws should have addressed the issues.

3.2.2.2. Intellectual Property Licenses in Bankruptcy

Law of bankruptcy focuses on maximising the value of bankrupt estate and equitable treatment of creditors with equal level of rights.⁹ The law grants trustees liberal powers to manage property of the estate including accepting, rejecting or otherwise exploiting different unperformed contracts like IP licenses. IP laws are interested on guarantying adequate incentive for the right owners. Licensing of IP is one leeway to reap the incentives from exclusive IP rights. The incentive may be damaged in the state of bankruptcy of the licensor or the licensee unless saving rules are prescribed. If the licensor goes bankrupt, the trustee of the estate may reject the licence before due date in pursuit of negotiating better terms.¹⁰ This dismantles the investment made by the licensee on the bases of the IP which in the long run discourages the exploitation IP by licensing.¹¹ The bankruptcy of the licensee may harm the interest of the licensor since the trustee may transfer the license to persons undesired by the licensor such as competitors or unskilled licensees.¹² This daunts the exploitation of IP through licensing.¹³

The Ethiopian main IP laws don't provide any rule on IP licenses in the state of bankruptcy of the licensee. Whether the trustee can assume and assignee the licenses or the licensor can terminate the agreement isn't regulated in the laws. The Ethiopian bankruptcy law prescribes the management of the estate. The trustee can generally sell any property with the oversight of the commissioner.¹⁴ However, there are special rules on the management of lease contracts regarding immovable property in lessee bankruptcy case.¹⁵ The provisions safeguard the interest of the estate since it voids any contractual clauses that provide an outright termination of the lease in the state of bankruptcy of the lessee and empowers the trustee to continue or cancel the contract.¹⁶ The rules protect the interest of the lessor by authorizing to end the contract of lease with the estate.¹⁷ There are no equivalent rules on the cancellation or assumption of IP license contracts by the trustee in licensee bankruptcy scenario and the equivalent protection for the licensor. One may argue the trustee can choose to utilize or sell them. This may harm the licensor by letting the IP fall in the hand of competitors or inexperienced licensee. There should have been rules in the

¹ E. Ziff and J. Deming, IP Licenses: Restrictions on Assignment and Change of Control (2012), p. 3 & 4 <http://www.skadden.com/sites/default/files/publications/Publications2679_0.pdf> accessed 30/08/2015.

² *Ibid.*

³ *Ibid.*

⁴ *Id.*, p. 2 & 4.

⁵ See For Example, Consolidated Patent Act (Denmark, January 28, 2009), Part 6.

⁶ Civ. C., Arts. 1740, 1741, 1962 & 1976

⁷ *Id.*, Art. 1740(1).

⁸ Note that only one provision exists that proscribes granting sub- licences by the compulsory licensee in relation to compulsory licensing of patent rights. However, this provision seems problematic since it doesn't allow any room to contract around the prohibition by the compulsory licensor and compulsory licensee. The provision simply says the compulsory licensee can't authorise others to use the licence. Inventions, Minor Inventions and Industrial Designs Proclamation, Art. 32(1).

⁹ S. Moskowitz, "Intellectual Property Licenses in Bankruptcy: New "Veto Power" for Licensees under Section 365(n)," *The Business Lawyer*, Vol. 44, No. 3 (May 1989), p. 771 <<http://www.jstore.org>> accessed 14/09/2015. Note that these two pillar principles of bankruptcy law are reflected in a number of provisions of the Ethiopian bankruptcy law. Com. C., Such as Arts. 1019 -1040, 1002 and 1003 with 1058-1080.

¹⁰ P. Menell, "Bankruptcy Treatment of Intellectual Property Assets: An Economic Analysis," 22 *Berkeley Tech. L.J.* p.768 (2007) <<http://scholarship.law.berkeley.edu/facpubs/485>> accessed 15/06/2015.

¹¹ *Ibid.*

¹² *Id.*, p. 769.

¹³ *Ibid.*

¹⁴ Com. C., Arts.1035& 1036. Note that the sale of business by the trustee should be approved by court in addition to the approval of the commissioner (Art. 1037 of the Com. C.)

¹⁵ *Id.*, Art. 1040.

¹⁶ *Id.*, Art. 1040(1), (2) & (3).

¹⁷ *Id.*, Art.1040(5).

bankruptcy law on the management of IP licenses which balance the interest of the licensor and creditors of the estate.

The Ethiopian IP and bankruptcy laws are silent on the outcome of IP licenses when the licensor bankrupts.¹ No provision governs the interest of the licensee when the licensor undergo bankruptcy. An investment made by the licensee could be damaged if the trustee freely rejects the IP license. Whether the licensee can continue exploitation despite rejection of the licence or sale of the IP by the trustee is undetermined. Our bankruptcy law doesn't regulate whether the parties to IP license can contract around the bankruptcy law. Such non-regulation of the outcome of bankruptcy of licensee or licensor on IP licenses may create uncertainty which discourage exploitation of IP rights by licensing.

3.2.2.3. Competition Law Issues in Intellectual Property Licensing

IPR exclusivity is given in return for the presumed benefits of society from the disclosure of creations and inventions or quality of goods and services designated by trademarks. However, states that have endorsed the free market economic thinking prefer open and fair market competition for transaction in goods and services.² To balance the aims of IP laws to entitle the owner exclusive rights for the exploitation of IP and competition laws to foster open and fair competition, countries have enacted specific guidelines governing IP licenses in their competition law regime.³ In USA, IP licenses that fix the price of the goods or services incorporating the IP by the licensee, mandate output reduction by the licensee, allocate customers and soon are treated anti-competitive *per se* while tying arrangements for the supply of none-patented products from the licensor, cross-licensing, patent pooling, and improvement grant backs are considered on rule of reason basis.⁴ Excessive rate of royalty, royalty after the expiry of the terms of protection of IP right, restrictions on the selling price of the licensee and tying arrangements are considered licensing practices that may restrain competition and could be invalid in the Japanese competition law.⁵

Ethiopian competition law bans, on rule of reason bases, acts of a business person/s such as which impose excessive selling or resale price by dominant trader, vertical or horizontal agreements that fix selling or resale price, merger of business.⁶ The law applies to any commercial activity or transaction in goods or services conducted or having effect in Ethiopia.⁷ Goods refer movable commodities which can be sold, purchased, leased or other commercial activity can be conducted other than monies and securities while service refers commercial rendering of services other than in lieu of salary and wage.⁸ These don't provide clear reference to IP which is challenging to determine if the law applies to IP transactions and categorize the licensing of IP either transaction in goods or services. Questions arise on the interplay of the competition law and IP laws though one assumes the applicability of the former to IP licence. Should IP licenses that fix selling or resale price of IP incorporating goods or services, allocate customers, impose excessive royalty or pools IP right be considered a restraint of competition under the law? One may argue the very nature of exclusive enjoyment of IP right empowers to perform the acts. The argument may be underpinned that IP laws are interested in the adequate working or use of IP in Ethiopia which default is sanctioned by compulsory licensing for copyrights and patents or cancellation for trademarks but not in the manner of using or adequately working.⁹ However, the concern of competition law for open and fair market is another equally important issue that can't be simply left to the mercy of traders which IP licences should be cognizant of. This is why other countries and EU have prescribed specific guidelines in their competition law regime that governs permitted and prohibited acts in IP licenses for protecting competition.¹⁰ The Ethiopian competition regime doesn't specifically refer IP in the provisions and doesn't have rules that guide the application of competition law to IP licenses.

3.2.3. Security Interest in Intellectual Property

The opportunity of effectively using IP for raising money by owners presupposes the existence of proper legal infrastructure and awareness in the relevant stakeholders.¹¹ Generally, security interest over property arises pursuant to the agreement between the creditor and the debtor if the former requires more than just commitment

¹ Note: even the protection afforded to lease contracts on an immovable when the lessee bankrupts is absent when the lessor bankrupts. Article 1040 of the Ethiopian commercial code concerns the continuation or cancellation of lease contracts over immovable in the state of the bankruptcy of the lessee but not the lessor.

² C. DesForges, *The Commercial Exploitation of Intellectual Property Rights by Licensing* (2001), p. 58.

³ *Ibid.*

⁴ *Id.*, p. 60.

⁵ ABA, Antitrust Issues in International IP Licensing Transaction (2012), p. 513ff <http://www.jurists.co.jp/publication/tractatedocs/International_IP_Licensing%20Handbook_Japan_chapter.pdf> accessed 26/09/2015.

⁶ Trade Competition and Consumer Protection Proclamation, Arts.5-13.

⁷ *Id.*, Art.4(1).

⁸ *Id.*, Art. 2(1) & (2).

⁹ Copyright and Neighbouring Rights Proclamation, Art. 17, Inventions, Minor Inventions and Industrial Designs Proclamation, Arts. 29-33, and Trademark Registration and Protection Proclamation, Art. 35.

¹⁰ C. DesForges, cited above at note 94, p. 58-60.

¹¹ WIPO, WIPO Questionnaire on Security Interest in Intellectual Property, P. 129 <http://www.wipo.int/edocs/mdocs/copyright/en/wipo_ip_fin_ge_09/wipo_ip_fin_ge_09_7_annex.doc> accessed on 1/12/2015.

of performance or repayment.¹ Clear rules on the creation, perfection, priority, management and enforcement of security interest in IP are essential for effective commercialization. Before embarking on examining the existing rules in Ethiopia, it is crucial to consult the experience of some countries.

In China, assignable exclusive right of copyright, patent or trademark can be pledged to secure performance of obligation.² The contract of pledge is required to be in writing and registered.³ The pledge becomes effective as of the date of registration against all subsequent assignees, licensees or secured creditors.⁴ The pledgor can't assign or license the rights pledged unless with the consent of the pledgee and the fees or royalty arising from this is required to satisfy the obligatory right of the pledgee or deposited in agreed third party.⁵ In the case of copyrights, the secured creditor can bring a legal action to preserve the value of the secured rights and claim damages.⁶

In South Africa, security interest in IP is governed by the combination of contract and IP law provisions.⁷ The security rights must be registered in IP specific register for it to be effective against third parties.⁸ The security interest includes proceeds from the exploitation of charged right/s such as license fees, royalties or other compensation.⁹ In certain circumstances the secured creditor is allowed to lodge legal action to preserve the value of the security and claim damages.¹⁰

In USA, security interest in IP is governed by the uniform commercial code (UCC) and specific IP laws.¹¹ The UCC governs the creation of collateral over general intangibles which are understood by courts and the official comment as including patents, trademarks and copyrights.¹² The US Copyright Act has specifically referred security interest over copyrights whereas the patent and trademark laws are interpreted to include security interest since they consider the rights as personal movable property.¹³ Accordingly, security interest in IP is created by properly authenticated written agreement and becomes effective through registration in the relevant government organ which confers the secured creditor priority over competing assignments, licenses and secured creditors.¹⁴ The security interest includes proceeds arising out of the encumbered IP right such as royalty price, fees or infringement damages and the secured creditor can take legal action independently of the owner when right is infringed.¹⁵

The Ethiopian main IP laws don't mention security interests in IP. As discussed above, the laws regulate the requirements and form for assignment of exclusive rights. Assignment isn't defined in these laws and it is unclear whether it includes security interest over IP. The laws don't specifically refer secured creditors while they cite licensees during invalidation and termination of the rights which may show the law maker has no intention to regulate security interest in IP.¹⁶ None of the laws specifically allow secured creditors to lodge legal action to protect the value of the secured exclusive rights. These succinctly prove that the laws failed to govern the issue.

The provisions of the Ethiopian civil code on pledge apply for movable property, claims and other intangibles whereas on mortgage and antichresis generally apply to security interests in immovable property.¹⁷ Any of these provisions nowhere specifically refer security interest in IP. The code doesn't define the scope of "other intangibles" and it is vague if it includes exclusive right to use copyrights, patent and trademarks. From this, two lines of argument may surface. The first argument is the civil code doesn't address security interest in IP because there is no clear reference to copyrights, trademarks or patent rights or judicial understanding of the phrase "other intangibles" to include such rights. This can be supported by the failure of code on pledge of "other intangibles" to govern perfection of security interest over the rights, priority of secured creditor against competing licensee, assignee and secured creditor, administration of the proceeds of the secured rights and lodging of legal action to protect the value of the security. These may be the reason World Intellectual Property Organization (WIPO) questionnaire considered the absence of any law that cover security interest in IP and related issues in Ethiopia.¹⁸

¹ A. Mills, "Perfecting Security Interests in IP: Avoiding The Traps," (September 2008 Issue), *Banking Law Journal*, p. 747.

² Guarantee Law of the People's Republic of China, Art. 79. <<http://www.asianlii.org/cn/legis/cen/laws/glotproc373/>> accessed 1/12/2015.

³ *Ibid.*

⁴ WIPO, cited above at note 103, p. 143.

⁵ Guarantee Law of the People's Republic of China, Arts. 79 & 80.

⁶ WIPO, cited above at note 103, p. 143.

⁷ *Id.*, p. 154. See also Practical Law Company, Lending and taking security in South Africa: overview <www.practicallaw.com/finance-mjg> accessed 1/12/2015.

⁸ WIPO, cited above at note 103, p. 154.

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ *Id.*, p. 157. See also *J. Hornick*, Security Interests in Intellectual Property <<http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=4c698bab-7284-48a2-a8bd-12e04b5bf9ef>> accessed 1/12/2012.

¹² S. Lebson, Security Interests in Intellectual Property in the United States: Are They Really Secure? <http://ladas.com/security-interests-intellectual-property-united-states/> accessed 1/12/2015.

¹³ *Ibid.*

¹⁴ WIPO, Cited above at note 103, p. 157.

¹⁵ *Ibid.*

¹⁶ See for example, Inventions, Minor inventions and Industrial Designs Proclamation, Art. 35(3) & Trademark Registration and Protection Proclamation, Arts. 34(2) and 37(2).

¹⁷ Civ. C., Arts. 2829, 2865, 2866, 3047 & 3117.

¹⁸ WIPO, cited above at note 103, p. 145.

The second argument is security interest in patent, trademark or copyright is addressed in the civil code since it regulates pledge over “intangibles”, a feature of these IPRs. The protection given to literary and artistic works in the part of the civil code governing property can be produced to support this line of argument.¹ Difficulties face this argument when one examines the relevant rules of the code. The rules have left unaddressed perfection of security interest in IP, priority of secured creditor over assignee and licensee, inclusion of proceeds and lodging of actions to protect the value of the security. Even regarding creation the rules are not as such vivid. For intangible rights not established by title, copyrights and neighbouring rights can be typical example; the pledge is executed in the form prescribed for the transfer of the rights in the special law.² Irrespective of such forms, the law requires the contract of pledge to be in a document which clearly specifies date, rights pledged and the debt guaranteed.³ The status of this document, if it can be considered as a written contract, is far from clear. Regarding rights established by none negotiable instrument, the code only mandates the delivery of the instrument that establishes the rights to the pledgee or third party.⁴ Trademark and patent can be considered rights established by such instrument since they are supported by certificate. The form and content of the contract of pledge isn't determined. Delivery of the instrument is criticisable since that may hinder the exploitation of the IP in case it is only part of the rights pledged. In default of regulating such matters and clear reference to any of the IP rights, it is very difficult for me to share the second line of argument.

There is no law that address security interest in IP licence rights in Ethiopia. The transferability and creation of security interests over IP licences is the sphere of IP laws⁵ that none of the Ethiopian IP laws have prescribed them. If the relevant IP law prohibits the transfer of IP licenses, then security interest can't be created since the licence is of personal to the licensee. Such silence of the laws creates doubt on the validity of security interests over IP licenses.

The lessons of the countries discussed above are also another buttress to claim the absence of rules that addressed security interest in IP right or IP licence rights in Ethiopia. Neither the main IP laws nor the civil code have addressed the issue.

IP isn't almost used as collateral in practice in Ethiopia which isn't surprising given the absence of proper legal regime. It is remarked that Awash International Bank hasn't been concluded collateral contract using IP.⁶ The following are forwarded as a possible justification in this regard. The market for IP right and the owners of the rights are not aware of the possibility of using IP as a security.⁷ With rampant violation of copyrights owing to ignorance of the rights by the community, taking IP as collateral by the Bank considered risky.⁸ IP is one of the assets that can serve as collateral according to the commercial credit procedure of the Ethiopian Commercial Bank.⁹ Currently, the bank is negotiating to finance the commercialization of an IP as a testing case using the property as a security.¹⁰ However, low level of awareness and enforcement of IP right in the country is raised by the customer manager of the Bank as challenges.¹¹ He also noted that the law on security interest in IP isn't clear on the system of registration of IP pledge.¹² He is also concerned on the insufficiency of the law whether the assets that resulted from the financed IP right would be part of the collateral as proceeds.¹³ He summarised that theses should be addressed for the effective commercialization of IP through securitization in the country which the Bank is just starting. I buy the concerns of the interviewees that with weak enforcement of IP right and in the absence of clear system governing security interest in IP right as examined above it is highly risky to take IP as a security for performance of obligation.

3.3. Effect of Extinction of Patents, Copyrights and Trademarks on Commercialization

Patents and copyrights have temporary legal terms of protection while trademarks enjoy permanent life with periodic renewal. However, IP right may extinct before expiry of such terms of protection or renewal time due to different reasons which the subsequent discussion focuses on analysing the governing rules in the Ethiopian main IP laws with the perspective of safeguarding licensees and secured creditors.

¹ Civ. C., Arts. 1647ff

² *Id.*, Art. 2865(1).

³ *Id.*, Art. 2865(2).

⁴ *Ibid.*

⁵ United Nations, UNCITRAL Legislative Guide on Secured Transactions: Supplement on Security Rights in Intellectual Property (March 2011), p. 23 < www.uncitral.org/pdf/english/texts/security-ig/e/10-57126_Ebook_Suppl_SR_IP.pdf> accessed 29/08/2015.

⁶ Interview with Teshome Regassa, Attorney at the Head Office of Awash International Bank, September 8, 2015, Addis Ababa.

⁷ *Ibid.*

⁸ *Ibid.* According to the attorney, Banks are not even interested in using tangible property as a security let alone intangibles which is undeveloped in the country because of the problem of effectively controlling ownership interest over them.

⁹ Interview with Andualem Admasie, Customer Relationship Manager at the Head Office of Commercial Bank of Ethiopia, September 9, 2015, Addis Ababa.

¹⁰ *Ibid.*

¹¹ *Ibid.*

¹² *Ibid.*

¹³ *Ibid.*

Termination and invalidation of patent are grounds of extinction of patent rights in Ethiopia before the expiry of duration of protection.¹ The rights terminate either when the patentee surrenders them in a written declaration or the annual maintenance fee is not paid in due time.² The surrender of part or all of the patent rights must be registered and published and can't come into effect unless registered licensees consent in a written declaration.³ This protects the interest of only registered licensees. The interest of secured creditors of the rights is not protected. If the patentee can surrender without the consent of secured creditors, the potential of garnering money using patents as a security would be adversely affected. The law doesn't specify the details of registration of patent licenses that the effectiveness of licensees consent would be minimal. The consent of unregistered licensees is not a requirement for the surrender of patent rights which may affect their interest. Termination of the patent rights can also arise from failure to pay annual maintenance fees within due time. The law requires payment of the fee in advance starting one year after filing an application for the grant of the patent.⁴ Six months grace period are allowed for let payment with additional penalty.⁵ It isn't plain when the grace period for late payment starts. According to EIPO, this is creating problems in the administration of annual maintenance fees.⁶ No exceptions prescribed that allow late payment of fees after the grace period if the failure is undeliberate and owing to force majeure. Whether licensees (exclusive) and secured creditors of the patent rights can save the rights from termination by paying the annual fees is undetermined. Such ambiguities may hinder the commercialization of patent rights with the vehicles of securitization and licensing. A patent can be invalidated by the court upon the application of interested party if it doesn't fulfil the requirements of patentability or the description is not clear and complete for the invention to be practiced by a person skilled in the art.⁷ Invalidation of the patent entirely or partially makes void the patent or part of the claims from the date of grant, respectively.⁸ The effects of the invalidation on licensees are not spelt out by the patent law. Whether the licensees may require return of royalties paid to the licensor is undecided though the regulation requires informing them.⁹

Trademarks become extinct if cancelled or invalidated. Cancellation arises from failure to renew registration of the trademark in due time, the application of the owner for renunciation or the application of any interested person.¹⁰ Registration of trademark is valid for seven years and must be renewed within three months from the expiry of this duration.¹¹ Late renewal is allowed within six months from the lapse of the three months.¹² Renewal is possible by the request of the owner that exclusive licensees and secured creditors are excluded. This may cause uncertainties on licensing and securitization of trademarks. Cancellation of trademark by the application of the owner to renounce totally or partially takes effect upon the written consent of licensees of the trademark and registration of the decision to cancellation.¹³ Unlike the patent law, the consent of licensees is required when renunciation is pleaded regardless of registration of the licenses. This affords a better protection for all licenses which in turn encourages licensing of trademark. The consent of pledgees of the trademark isn't stipulated as a precondition for renunciation which endanger their interest. A trademark can be cancelled on the application of any interested party for non-use in Ethiopia for continues period of three years without legitimate reason.¹⁴ If the licensee or the owner can show that the non-use is resulted from force majeure, the registration can't be cancelled.¹⁵ Whether the pledgee can make such a proof to save her interest in the trademark is unstated. Any interested party can apply in writing for invalidation of trademark registration owing to non-fulfilment of the conditions for registration.¹⁶ EIPO decides on the invalidation upon informing the owner in writing and the decision takes effect from the date of registration.¹⁷ The position of the law in disallowing licensees who paid a fee to the licensor from claiming repayment following invalidation is difficult to justify.¹⁸ Whether the parties can contract around this prohibition is undetermined. The position of the law is perilous to licensees who paid lump sum royalty and don't benefited from the trademark. There are no provisions in the Ethiopian trademark law that govern the appeal or review of the decision of the EIPO both on invalidation and cancellation for non-use.

The Ethiopian copyright law doesn't govern the grounds for extinction of exclusive economic rights before

¹ Inventions, Minor Inventions and Industrial Designs Proclamation, Arts. 34-37.

² *Id.*, Art. 34.

³ *Id.*, Art. 35(3).

⁴ *Id.*, Art. 17(1).

⁵ *Ibid.*

⁶ Interview with Admasu Arega, Patent Search and Examination Expert at EIPO, October 9, 2015.

⁷ *Id.*, Art. 36(1).

⁸ *Id.*, Art. 36(2) & Inventions, Minor Inventions and Industrial Designs Regulation, Art. 38 (1).

⁹ Inventions, Minor Inventions and Industrial Designs Regulation, Art. 38 (2).

¹⁰ Trademark Registration and Protection Proclamation, Arts. 25(5), 34 & 35.

¹¹ *Id.*, Art. 25(3).

¹² *Id.*, Art. 25(5).

¹³ *Id.*, Art. 34.

¹⁴ *Id.*, Art. 35.

¹⁵ *Id.*, Art. 35(4).

¹⁶ Trademark Registration and Protection Proclamation, Art. 35.

¹⁷ *Id.*, Arts. 36(2) & 37 (1).

¹⁸ *Id.*, Art. 37(2).

the terms of protection. Whether the right owner can renounce the exclusive economic rights and the effect of renunciation on the licensees and pledgees are uncertain.¹ The effect of invalidation of copyright protection on licensees is not decided. These gaps in the law may cause uncertainty in the commercial exploitation of copyrights and neighbouring rights.

4. Concluding Remarks

Examination of the relevant Ethiopian laws on commercialization of IP in the preceding parts portrayed the inadequacy of rules in terms of existence, clarity and tenability. The ensuing discussion specifically presents such findings.

Clear systems on ownership of and FTO IP right are critical for commercialization. The copyright proclamation neither defines “collective work” nor describes “directing” and “initiation” which is the base for entitlement of ownership over such works. The patent and copyright proclamations don’t clearly set IP right ownership on inventions or creations from university-student relation. IP right ownership over inventions or creations from overlapping contracts of employment or contracts of employment and service or contracts of service isn’t determined. Assignment, licensing and renunciation of IP right subject to joint ownership aren’t regulated in the main IP laws.

The exceptions in the Ethiopian copyright and patent rights aren’t adequate to commercially enjoy FTO a dependent IP right. In the patent proclamation compulsory licensing is insufficient to guaranty FTO IP right since it prohibited the licensee to grant licenses without the consent of the licensor and excluded the owner of dependent creations. Involuntary licensing implementation regulation of copyright isn’t enacted that dependent invention or creations can’t be operated by using copyrighted works.

None of the main IP laws defined assignment of IP right which creates uncertainty if it includes security interest in IP. They have no rules on valuation of IP right for assignment and subsequent improvements on the assigned rights. No rule exists on the territorial limit of assignment of copyrights. The ten years duration for assignment of copyrights is rigid to accommodate circumstances when the rights contributed for formation of business organization. Territorial limit, duration and revocation of assignment of patent rights are undetermined. The effect and time of registration of transfer of trademark rights aren’t regulated.

The main IP laws have no rules on valuation of IP for licensing, subsequent improvements on licensed rights, assignability and sub-licensing of IP license. The duration, nature, revocation and details of registration of patent licence aren’t governed. The copyright proclamation doesn’t stipulate nature of licence contracts and allow non-author owner to revoke licence contracts.

Bankruptcy of the licensor may adversely affect the investment of the licensee if the trustee freely rejects the licence. IP right may fall in the hand of competitors of the licensor or unskilled persons in licensee bankruptcy case if the trustee freely assumes or transfers it. To appropriately consider such interests with balancing the interest of creditors of the estate, bankruptcy law should provide rules governing assumption and rejection of unperformed IP licences in the state of bankruptcy. The Ethiopian bankruptcy law has no rules governing the rejection, transfer and assumption of IP licences in the state of bankruptcy of the licensee and the licensor.

There are no guidelines in the Ethiopian competition law or main IP laws on the application of competition rules on IP licenses. Whether terms in IP license contracts which set excessive royalty, royalty after the extinction of IP right, limits the output of the licensee, pools different IP rights be considered anti-competitive is difficult to determine.

In Ethiopia there is no system that properly regulates security interest in IP. Neither the main IP laws nor the civil code addressed the creation, perfection, priority over licensees, assignees or secured creditors, management of proceeds and lodging of actions for injunction and damages against infringement by the secured creditor in relation to security interest in IP or IP licence rights. This with insufficient awareness of stakeholders and rampant piracy of IP right are pleaded as causes for the inexistence of IP right collateral in practice.

The main IP laws have no sufficient rule that allows secured creditor and exclusive licensee to maintain IP right, to bring infringement suits against the infringement of the rights and requires consent of the secured creditor when the right is surrendered. The starting date for late payment of annual fees to maintain patent rights is undetermined. The patent law fails to safeguard unregistered licensees when the owner decides to surrender her rights. Prohibition of repayment of licensing fees following invalidation of registration of trademark is difficult to justify. Appeal from invalidation and cancellation of trademark registration is unspecified. Renunciation and invalidation of exclusive economic copyrights are not regulated.

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¹ With respect to moral rights the law has made it clear that the author or her successors can waive them in a written application. The law doesn’t mention the organ that accepts the application. See, Art. 8(3).

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