The need to harmonize intellectual property licensing law: a European perspective

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1. INTELLECTUAL PROPERTY LICENSING AS A KEY ELEMENT OF INNOVATION POLICY

The key role of intellectual property in the shaping of a successful innovation policy has been duly identified in Europe as well as in many other parts of the world: intellectual property constitutes an important component of the regulatory architecture supporting a competitive knowledge-based economy. This role was confirmed in numerous official EU documents and statements, particularly in the Communication of the EU Commission of May 24, 2011, which states that “European IPR legislation must provide the appropriate ‘enabling framework’ that incentivizes investment by rewarding creation, stimulates innovation in an environment of undistorted competition and facilitates the distribution of knowledge.”

The European Commission even expressed the view that “IP is the capital that feeds the new economy”. This focus on intellectual property should however not hide the fact that intellectual property rights, as well as the intellectual property regulations which protect them, cannot make miracles by themselves and cannot fully achieve the declared goal of feeding the new economy if intellectual property rights as commercial assets cannot be put to efficient use by third parties with the authorization of the IP owner. This was duly confirmed by the European Commission which stated that a “better use of IP portfolios by means of licensing and commercial exploitation is central to successful business models”.

1 A previous version of this chapter was published in Jan Rosen (ed.) containing the proceedings of the ATRIP Conference 2011 IP Law at the Crossroads of Trade (Edward Elgar 2012).

2 Single Market for Intellectual Property Rights Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe (COM(2011) 287 final).

3 Ibid.
This consequently requires that the stakeholders (intellectual property owners and users) shall be in a position to rely on and have trust in a clear and predictable regulatory framework which shall not only define and protect intellectual property rights as such but shall also enable and facilitate intellectual property transactions and most particularly intellectual property license transactions.

In other words, an efficient intellectual property policy, which shall generate equitable benefits for all stakeholders, must not be limited to the definition of the exclusive intellectual property rights and of their limits (which are the classical issues governed by intellectual property regulations), but shall also include policies on the commercialization of such intellectual property rights by way of contracts: such policy must also regulate intellectual property commercial law.4

Even if the central role of intellectual property transactions as well as the need to facilitate and promote them have been duly identified (particularly by the European Commission), there are at present no global or even European policies governing intellectual property commercial law, and specifically intellectual property licensing law. Indeed as of today there is no uniform body of law governing intellectual property licensing transactions within Europe, even if complex intellectual property licensing issues have been recently litigated up to the European Court of Justice.

On this basis, the goal of this chapter is to discuss certain aspects of European intellectual property licensing law in the light of recent case law and regulations to show that there is a need to develop a more unified framework governing intellectual property licensing law in Europe.

4 Reference should be made here to the remarkable project (proposed at the UNCITRAL Third International Colloquium on Secured Transactions, March 1–3, 2010, Vienna, http://www.uncitral.org/uncitral/en/commission/colloquia/3rdint.html, last accessed May 2, 2012) for a “Concept Proposal for a Model Intellectual Property Contracting Law” (drafted by L. Brennan and J. Dodd) who rightly state that “intellectual property (‘IP’) assets have become important in everyday global commerce. […] The world economy has experienced profound changes, with information products and services now driving increased productivity and growth. Contracts support both the creation and distribution of such information. As a result, there is a growing need to develop common legal rules to guide and support commercial contracting practices involving IP”; one specific area which shall not be addressed in this paper is the issue of the treatment of license agreements in bankruptcy proceedings, and particularly in the bankruptcy of the licensor in which scenario local bankruptcy rules significantly diverge which can lead to important difficulties; for a recent illustration, see in Re Qimonda AG, 2011 WL 5149831 (Bankr. E.D.Va. 2011) (protecting U.S.-based licensees of a German bankrupt licensor under the protective U.S. bankruptcy rules which are favorable to licensees).
2. THE PRESENT STATUS OF EUROPEAN INTELLECTUAL PROPERTY LICENSING LAW

While intellectual property licensing agreements are not regulated at the European level even if they are succinctly mentioned in certain European regulatory instruments, licensing contract law issues have been at the heart of several recent decisions rendered by various courts (particularly the ECJ). As these decisions tend to show the difficulties which result from the unharmonized present status, the goal of the following paragraphs will be to present them in some detail. This case law illustrates the difficulties faced by the courts when confronted with: the application of the principle of exhaustion anchored in European intellectual property law in a licensing context (see below Section 3), the characterization of licensing agreements from the perspective of private international law (see below Section 4) and the issue whether a licensee shall have standing to sue for infringement (see below Section 5).


Two recent decisions of the ECJ show the complex interaction between the European and well-established concept of exhaustion of rights and the

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5 For a review of the relevant regulations (which shall not be enumerated here in view of the focus made on the relevant provisions at stake in the recent case law), see Peter Stiel, Leistungstörungen bei Lizenzverträgen aus Sicht des europäischen Rechts (Herbert Hutz Verlag 2009), at 5 et seq.; it is worth noting that beyond intellectual property regulations as such, intellectual property licensing is also regulated under competition law, particularly under a technology transfer perspective, as resulting from the Commission Regulation (EC) No 772/2004 of April 7, 2004 on the application of Article 81 (3) of the Treaty to categories of technology transfer agreements (with the accompanying Guidelines on the application of Article 81 of the EC Treaty to technology transfer agreements) and also from the Commission Regulation (EU) No 330/2010 of April 20, 2010 on the application of Article 101 (3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices; this aspect will not be further analyzed in this chapter.
nation-based scope and reach of license agreements and the consequences of their breach. These cases discuss the thorny issue of whether the owner of intellectual property rights can exercise its exclusive rights and sue for infringement when a (former) licensee and/or a third party commercialize products which were initially manufactured and distributed under the framework of the relevant license agreement (the recent decision of the ECJ in the case Oracle v. Ubisoft C-128/11 (July 3, 2012) will not be analyzed here, as it raises additional issues).

In the Dior-Copad case, the ECJ had to decide for the first time on the question of the effect of a trademark license agreement on the exhaustion of the right of the owner of the licensed trademark. The dispute arose out of a trademark license agreement entered into between Christian Dior couture SA (“Dior”) and Société industrielle de Lingerie (“SIL”) for the manufacture and distribution of luxury corsetry goods under the Dior trademark. Clause 8.2 (5) of the license agreement provided that “in order to maintain the repute and prestige of the trade mark the licensee agrees not to sell to wholesalers, buyers’ collectives, discount stores, mail order companies, door-to-door sales companies or companies selling within private houses without prior written agreement from the licensor, and must make all necessary provision to ensure that that rule is complied with by its distributors or retailers”. After bankruptcy proceedings were initiated against SIL, SIL sold goods bearing the Dior trademarks to Copad International which operates a discount store business. Dior subsequently initiated legal proceedings for trademark infringement against SIL and Copad before French courts.

The French Cour de Cassation ultimately referred the following questions to the ECJ for a preliminary ruling:

1. Must Article 8 (2) of [the then in force 89/104 Directive now consolidated in Directive 2008/95/EC] be interpreted as meaning that the proprietor of a trade mark can invoke the rights conferred by that trade mark against a licensee who contravenes a provision in the licence agreement prohibiting, on grounds of the trade mark’s prestige, sale to discount stores?
2. Must Article 7 (1) of that directive be interpreted as meaning that a licensee who puts goods bearing a trade mark on the market in the [EEA] in disregard of a provision of the licence agreement prohibiting, on grounds of the trade mark’s prestige, sale to discount stores, does so without the consent of the trade mark proprietor?

6 Copad SA v. Christian Dior couture SA, Vincent Gladel, as liquidator of Société industrielle lingerie (SIL) and Société industrielle lingerie (SIL), Case C-59/08 (April 23, 2009).

7 See the opinion of the Advocate General Kokott of December 3, 2008.
3. If not, can the proprietor invoke such a provision to oppose further commercialisation of the goods, on the basis of Article 7 (2) of [the Directive]?

The ECJ answered these questions as follows:

1. Article 8 (2) [...] is to be interpreted as meaning that the proprietor of a trade mark can invoke the rights conferred by that trade mark against a licensee who contravenes a provision in a licence agreement prohibiting, on grounds of the trade mark’s prestige, sales to discount stores of goods such as the ones at issue in the main proceedings, provided it has been established that that contravention, by reason of the situation prevailing in the case in the main proceedings, damages the allure and prestigious image which bestows on those goods an aura of luxury.

2. Article 7(1) [...] is to be interpreted as meaning that a licensee who puts goods bearing a trade mark on the market in disregard of a provision in a licence agreement does so without the consent of the proprietor of the trade mark where it is established that the provision in question is included in those listed in Article 8(2) of that Directive.

3. Where a licensee puts luxury goods on the market in contravention of a provision in a licence agreement but must nevertheless be considered to have done so with the consent of the proprietor of the trade mark, the proprietor of the trade mark can rely on such a provision to oppose a resale of those goods on the basis of Article 7(2) of Directive 89/104 [...] only if it can be established that, taking into account the particular circumstances of the case, such resale damages the reputation of the trade mark.

Even if this decision raises many interesting issues which would call for a closer analysis, the goal here is to focus on certain findings made by the ECJ relating to the limits of the power of control of a trademark owner on goods which have been initially manufactured and commercialized under a trade-mark license in the light of the exhaustion principle.

The ECJ found in this respect that where a licensee puts goods bearing the licensed trademark on the market, this shall be viewed, as a rule, as an act done with the consent of the trademark owner so that this shall trigger the application of the exhaustion principle pursuant to Art. 7 para. 1 of Directive 2008/95.8

However, the ECJ also held that a license agreement does not offer an unrestricted protection to third parties having acquired the relevant goods from a licensee under the shield of the exhaustion principle while a “licence agreement does not constitute the absolute and unconditional consent of the proprietor of the trade mark to the licensee putting the goods bearing the trademark on the market”.9 In this respect, as stated by the ECJ, Art. 8 (2) of...
The Directive 2008/95 expressly enables the trademark owner to invoke its trademark rights against a licensee in case of breach of certain contractual conditions listed in this provision.\textsuperscript{10} Art. 8 (2) indeed provides that:

[t]he proprietor of a trade mark may invoke the rights conferred by that trade mark against a licensee who contravenes any provision in his licensing contract with regard to:

(a) its duration;
(b) the form covered by the registration in which the trade mark may be used;
(c) the scope of the goods or services for which the licence is granted;
(d) the territory in which the trade mark may be affixed.
(e) the quality of the goods manufactured or of the services provided by the licensee.

An important finding made by the ECJ in this case is to confirm that the list of contractual provisions of Art. 8 (2) (as listed above) is exhaustive.\textsuperscript{11} This consequently means that trademark infringement remedies shall not be available to a trademark owner against its licensee except in the specific circumstances listed in Art. 8 (2).

In this case, the ECJ held that Art. 8 (2) (e) could be applicable subject to the decision to be made by the national (French) courts in the light of the circumstances of the case.\textsuperscript{12}

The second and more recent decision of the ECJ was rendered about Community plant variety rights under Regulation 2100/94 as amended by Regulation 873/2004 on Community plant variety rights in the Greenstar-Kanzi Europe NV v. Hustin and Goossens case.\textsuperscript{13}

The issue at stake was whether the owner of the exclusive right could bring an infringement action against a third party which had obtained material from a former licensee who had breached certain conditions resulting from the license agreement entered into with the owner. Similarly to the Dior-Copad case, this required to assess whether and to what extent the principle of exhaustion (as anchored in Art. 16 of Regulation 2100/94) could protect the third party having legitimately acquired the relevant goods.

\textsuperscript{10} Para. 48.
\textsuperscript{11} Para. 49.
\textsuperscript{12} See the decision rendered by the French Cour de Cassation on February 2, 2010, ref. 06-16202 (following the decision of the ECJ), Bulletin 2010, IV, no 25.
\textsuperscript{13} Greenstar-Kanzi Europe NV v. Jean Hustin and Jo Goossens, C-140/10 (October 20, 2011); for a comment, see Gert Würtenberger, “Plant variety rights and breach of licence”, Journal of Intellectual Property Law & Practice (first published online January 20, 2012) doi:10.1093/jiplp/jpr208.
from an ex-licensee against infringement claims raised by the owner of the right in spite of the breach of the license agreement committed by the former licensee.

The former licensee (Nicolaï) in this case had obtained the exclusive right to grow and market apple trees of a given protected new variety (Nicoter) provided that (as per the condition set forth in the license agreement) Nicolaï “will not dispose of or sell any product covered by the license unless the other party signs in advance the grower’s licence referred to in Annex 6 (where the other party is a grower) or the marketing licence referred to in Annex 7 (where the other party is a trader).”

Art. 27 of Regulation 2100/94 provides in this respect that (under the title: “Contractual exploitation rights”):

1. Community plant variety rights may form in full or in part the subject of contractually granted exploitation rights. Exploitation rights may be exclusive or non-exclusive.
2. The holder may invoke the rights conferred by the Community plant variety right against a person enjoying the right of exploitation who contravenes any of the conditions or limitations attached to his exploitation right pursuant to paragraph 1.

In spite of the very broad wording of Art. 27 para. 2 of Regulation 2100/94 (referring to “any of the conditions or limitations attached to his exploitation right”), the ECJ adopted a more restrictive approach in order to limit the right of control of the rights holder.

By invoking the principle that the “protection enjoyed by the holder is not to be excessive”, the ECJ decided that the rights holder could not invoke its right against a licensee (or a third party having acquired the relevant goods from the licensee) for the types of breach of the license agreement which would not affect and vitiate the consent of the holder to the placing of the goods on the market and thus would have no effect on the exhaustion of the holder’s right. As expressed by the Advocate General, “an infringement of the conditions attached to prior authorisation cannot be treated in the same way, in law, as an absence of authorisation enforceable on others”. In other words, the ECJ essentially held that the exhaustion principle can apply in case of a breach of the license agreement by the

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14 Para. 12.
15 Para. 41 referring to Recital 14 of the Directive which provides that “the introduction of the principle of exhaustion of rights must ensure that the protection is not excessive”.
16 Para. 41.
licensee because in such case the holder had basically authorized the marketing of the relevant products by the licensee and has also been remunerated for the commercialization of such goods. By contrast, in the situation in which the holder has not authorized at all the marketing of the relevant products, no exhaustion can take place.

In the light of this reasoning, the ECJ held that the holder is entitled to bring an action for infringement against a third party (having obtained materials from a licensee who has breached certain obligations of the license agreement entered into with the holder) only if the contractual obligations violated by the licensee would “relate directly to the essential features of the Community plant variety right” at issue. Given that the relevant contracts and clauses that were at issue in this case were not submitted to the ECJ, the ECJ stated that it could not characterize the provisions of the license agreement in order to decide whether the relevant provisions would meet this condition and stated that it was for the referring court to make such an assessment.

It consequently results from this decision that the exhaustion principle can apply unless the breach committed by the licensee relates to the “essential features” of the plant variety right, whereby the definition of what would constitute an essential feature of such right remains quite uncertain.

What is the impact of these two decisions on the European intellectual property licensing landscape?

One first comment which is striking in the light of these decisions is that the relevant rules which define the conditions under which an owner of an intellectual property right (and licensor) can sue for infringement against a licensee or against a third party having acquired goods from the licensee are not identical and can even significantly diverge, as this results from a comparison between Art. 8 para. 2 of the 2008/95 Directive and Art. 22 para. 2 of Regulation 207/2009 (for national and Community trademarks respectively), Art. 22 of Regulation 6/2000 (for Community trademarks).

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18 Para. 44.
19 Art. 32 para. 2 of Regulation 6/2002 provides “Without prejudice to any legal proceedings based on the law of contract, the holder may invoke the rights conferred by the Community design against a licensee who contravenes any provision in his licensing contract with regard to its duration, the form in which the design may be used, the range of products for which the licence is granted and the quality of products manufactured by the licensee”.
This divergence of regimes is quite problematic to the extent that it seems hardly conceivable that an owner of various intellectual property rights which can of course (as is frequently done in practice) be licensed together in the same license agreement shall have different remedies depending on the type of right at issue and on the type of contractual conditions which would have been breached. It seems equally inappropriate that regulations shall define standards only for industrial property rights without doing so for unregistered rights and particularly for copyrights, as experience shows that the interaction between copyright infringement remedies and contractual remedies can also be quite delicate.

More fundamentally, these regulations tend to hide the basic principle that the owner of an intellectual property right should have the right to invoke the infringement of its intellectual property rights which would allegedly be committed by its licensee if and only if such licensee commits an act which falls within the scope of the exclusive right granted to the owner under the relevant intellectual property regulations and which is not covered by the license.

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21 Even though the European patent regulatory environment is still moving and uncertain (also from a jurisdictional perspective in view of the opinion of the ECJ 1/09 of March 8, 2011), it can be noted that certain draft documents also regulated this issue (in a still different manner/wording); see art. 19 para. 2 of the Proposal for a Council Regulation on the European Union patent (approved at the European Union’s Competitiveness Council of December 4, 2009): “The rights conferred by the EU patent may be invoked against a licensee who breaches any restriction in the licensing contract.”

22 It being noted that the Greenstar-Kanzi case which essentially deals with Community plant variety right, also has a trademark side (the apples are marketed under the “Kanzi trademark”).

23 For a recent example (for an open source software license), see Jacobson v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008); for a discussion of this case and of the subtle distinction between contractual covenants and license conditions, see Robert B. Gomulkiewicz’s chapter in this book.

Viewed in this light, the existing regulations, and particularly the ones which have been adopted with respect to trademarks, are not appropriate to the extent that they do not (fully) comply with this basic principle that intellectual property infringement remedies shall only be available in case of infringement of the relevant rights. A quick review of the individual conditions set forth in Art. 8 para. 2 of Directive 2008/95 can confirm this analysis.

This provision first provides that the owner of the trademark can invoke its trademark right against a licensee who contravenes any provision in his licensing contract with regard to its duration (a). This wording does not constitute a proper standard to the extent that it is possible (at least theoretically) that a license agreement shall be entered into for the term of the trademark (assuming that the trademark owner does not want to extend the protection of the trademark after the term of the license agreement) and that the licensor shall contractually impose on the licensee the prohibition to use the trademark after the termination of the license agreement. In such a case, it is obvious that at the term of the license agreement which would then coincide with the term of protection of the trademark, the trademark owner shall not be in a position to invoke an alleged infringement of its trademark right which would not exist anymore (even if it may potentially invoke a contractual breach of the licensee’s obligations). For this reason, this first condition as it is presently drafted does not appear appropriate. The same argument goes – even more blatantly – with respect to Art. 22 para. 2 of Regulation 6/2002 (for Community designs) for which this scenario appears more likely than for trademarks in view of the limited duration of protection of designs. In addition, the wording of Art. 8 para. 2 (a) does not clearly address the complex issue whether infringement remedies shall be available in case of an early termination of the license: indeed this provision only refers to a contractual provision relating to the “duration” of the license. It appears most doubtful that a licensor shall benefit from infringement remedies in case of an early termination of the license agreement if such termination is not justified, whereby this shall be assessed under the national contract law governing the license agreement at issue.25 It is consequently only if the early termination of the license is legitimate that

succeed as ‘… copyright infringement does not arise out of a breach of contract’; see Corel Corp. v. Guardian Insurance Co. of Canada (2001), 26 C.C.L.I. (3d) 39 (O.S.C.I.) at para. 22. As I have explained, copyright is violated only if the defendant has performed, or authorized, an act that only the owner can do within the confines of the Copyright Act.”

the licensor shall be in a position to invoke the infringement of its intellectual property rights against the licensee.

Art. 8 para. 2 (b) then provides that the owner of the trademark can invoke its trademark right against a licensee who contravenes any provision of the license agreement with regard to the “form covered by the registration in which the trade mark may be used” (b). Even if it is conceivable that disputes arise frequently between licensors and licensees regarding the ways that licensed trademarks can be used, it is doubtful that the wording of Art. 8 para. 2 (b) is adequate. The reason is that it could (at least in theory) be that the form / graphical appearance of the trademark is so different from the initially licensed trademark that the new form would not infringe the trademark right by applying the standard test of trademark infringement, i.e. the similarity of the signs. Here again, it appears questionable that this provision shall change the standard test resulting from the application of substantive trademark law principles.

A similar reasoning can also be made about Art. 8 para. 2 (c) which makes it possible to invoke trademark infringement remedies in case of breach of the contractual provisions relating to “the scope of the goods or services for which the licence is granted”. It is indeed conceivable that a licensee shall unduly use the trademark in connection with products or services which would hypothetically be totally unrelated to the ones claimed in the licensed trademark. In such circumstances, the application of standard trademark law principles would not allow the trademark owner to prevent the use of the licensed trademark by the licensee in connection with products or services which would not be similar to those claimed in the trademark (subject to the protection of well-known trademarks).

Along the same lines, the condition set forth under Art. 8 para. 2 (d) under which the trademark owner shall be in a position to sue for trademark infringement a licensee who contravened any provision in his licensing contract with regard to “the territory in which the trade mark may be affixed” can be problematic. This can be illustrated by the scenario in which a multi-territorial trademark license would cover different European Union countries (W, X, Y, in each of which valid national trademarks would be

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26 For a recent illustration, see *Sunstar, Inc. v. Alberto-Culver Co.*, 586 F.3d 487 (7th Cir. 2009) (addressing the question whether a Japanese licensee [Sunstar] is authorized to use *variants* of the licensed trademark under a “Senyoshiyoken license”).

27 Art. 5 para. 1 (b) of the Directive 2008/95 provides that “[t]he proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade: [...] any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public”.

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registered and licensed) and in the course of which the licensee would breach the license agreement by using the licensed trademark in another European Union country (Z, in which no trademark had been registered by the owner/licensor). Based on the wording of Art. 8 para. 2 (d), this could constitute a situation in which the trademark owner could invoke its trademark right against the licensee, while in reality this would of course not be possible in view of the absence of trademark protection in the relevant country (Z).

Finally, the last condition provided under Art. 8 para. 2 (e) relating to “the quality of the goods manufactured or of the services provided by the licensee” is problematic in view of the difficulty of perceiving its scope of application as revealed by the Dior-Copad case. It is quite obvious that courts will have a difficult time in assessing to what extent the relevant breach of the license agreement which is at issue “damages the allure and prestigious image which bestows on those goods an aura of luxury”.  

In addition to these specific issues relating to each of the conditions of Art. 8 para. 2, the wording of this provision is problematic for additional and perhaps more fundamental reasons.

Firstly, the fact of enumerating in a limitative manner the types of contractual provisions which can trigger infringement remedies if they are breached is dangerous for the interests of the licensor. The reason is that many different types of breach of a trademark license agreement can lead to the early termination of such agreement as a result of such a breach. By focusing on the identified provisions, Art. 8 para. 2 seems to exclude the availability of infringement remedies for any other types of breaches. Take for example the case of a trademark licensee who is late paying the contractual royalties and who does not pay them in the extra cure period that the licensor has granted to the licensee (for instance 30 days). In such a scenario, it is possible that the licensor shall be entitled to terminate the agreement upon what would be considered a material breach of the license agreement committed by the licensee. This termination would take away all justifications for the use of the trademark given that such use would no longer be justified by the license agreement. It is of course again up to the substantive contract law at issue to define what shall constitute a material breach of the license agreement.

28 First finding of the ECJ.

29 It is of course again up to the substantive contract law at issue to define what shall constitute a material breach of the license agreement.
appears legitimate to hold that a licensee cannot be threatened by infringement actions in case of minor breaches of the license agreement. However, the question arises whether the parties shall be free to decide that any breach of the license agreement shall trigger the availability of infringement remedies for the benefit of the licensor. This could potentially be implemented by making the grant and maintenance of the license to use the relevant intellectual property rights subject to the compliance by the licensee to the terms of the license agreement so that the license (i.e. the right of use) would be conditional on the compliance with the terms of the license.

Even if this could be justified by the principle of freedom of contract, it still appears that a good argument could be made to protect the licensee against such a risk and consequently to limit infringement remedies to cases of material breaches of the license agreement. This may be the underlying rationale of Art. 8 para. 2 of Directive 2008/95 and of the ECJ decision in the Greenstar-Kanzi case (discussed above) which held that the holder was entitled to bring an action for infringement against a third party (having obtained materials from a licensee who has breached certain obligations of the license agreement entered into with the holder) only if the contractual obligations violated by the licensee would “relate directly to the essential features of the Community plant variety right”.\footnote{Para. 44.}

Secondly, Art. 8 para. 2 of Directive 2008/95 limits the availability of trademark infringement remedies against a licensee to cases in which the licensee “contravenes any provision in his licensing contract”. This wording (at least on the basis of other languages: “clause” or “Bestimmung”\footnote{In German: “[…] gegen einen Lizenznehmer geltend machen, der in Bezug auf Folgendes gegen eine Bestimmung des Lizenzvertrags verstößt” in French: “[…] à l’encontre d’un licencié qui enfreint l’une des clauses du contrat de licence […]”; the case law of the ECJ confirms that a EU regulatory provision must not be interpreted in a single language but must rather be interpreted and applied in a uniform manner in the light of all its versions in all the languages of the Union, as reminded by the ECJ in its decision in the trademark-Internet domain name dispute in the matter Internetportal und Marketing GmbH v. Richard Schlicht, C-569/08 dated June 3, 2010.}) seems to imply that such conditions should be expressly regulated in the license agreement. The question consequently arises: what happens if there is no contractual clause defining the relevant condition and the scope of the licensed right of use? To take one example (in the light of Art. 8 para. 2 (b)), shall the trademark owner be in a position to invoke its trademark right for a violation by the licensee “of the form covered by the registration in which the trade mark may be used” even if the license agreement contains no provision whatsoever on this specific issue? In the affirmative – and
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potentially against the wording of Art. 8 para. 2 – this issue would need to be explored under the relevant contract law governing the trademark license agreement, which can prove complex (in the lack of European-wide harmonized solution). In the negative, it would seem somehow surprising (to say the least) that the regulation could create an unequal treatment between trademark owners who have included the relevant clauses in their license agreements and those who have failed to do so: it indeed appears awkward that the availability of non-contractual remedies (i.e. trademark infringement remedies) should depend on the presence or absence of certain contractual clauses in the relevant trademark license agreement.

A third area of concern of Art. 8 para. 2 results from the reference made in this provision to the rights of the “proprietor of a trademark” to invoke its trademark rights against a licensee. In view of this wording, the question is whether this provision can also apply in a sublicensing scheme so that a licensee and sublicensor shall benefit from the rights granted under Art. 8 para. 2. In view of the wording of this provision which clearly and exclusively refers to the trademark owner (“proprietor of a trademark”), it appears uncertain that a trademark licensee (even an exclusive licensee) could be in a position to invoke such protection even if this would appear legitimate.

As a result of these developments, the present regulation raises intricate questions of delineations and interactions between contract remedies and intellectual property remedies which have not yet been solved. It is consequently important to ensure a sufficient degree of consistency and harmony between the regulations which apply to the different types of intellectual property rights with respect to the conditions and the consequences of the breach of intellectual property license agreements within Europe.

32 The view is expressed in the economics literature that it is beneficial that intellectual property owners shall enjoy both infringement and breach of contract remedies, see Robert P. Merges, “A Transactional View of Property Rights”, UC Berkeley Recent Work, available at: http://escholarship.org/uc/item/178400jf (last accessed May 2, 2012), at 26: “A contracting party with a property right has far more options than one without. He or she can often bring suit for breach of contract, or for infringement; before or after termination of a licensing contract; for contract or infringement damages, whichever is higher; in state or federal court; against parties or non-parties to the contract; and under a shorter (contracts) or longer (patent law) statute of limitations. Collectively, these advantages give a great deal of enforcement flexibility to property holders who have entered into contracts.”
4. IS A LICENSE AGREEMENT A CONTRACT FOR THE PROVISION OF SERVICES? THE ECJ FALCO CASE

In the lack of a standard official definition or even understanding of the nature and concept of intellectual property licensing at European Union level, the relevant bodies, and particularly the courts, are forced to develop their own understanding of what constitutes the true nature of an intellectual property license, which can happen in somewhat unexpected circumstances. This is precisely what took place in the most interesting Falco case which was decided by the ECJ in April 2009.33

The ECJ had indeed to decide whether a license agreement (defined as a contract under which the owner of an intellectual property right grants its contractual partner the right to use that right in return for remuneration) constitutes a contract for the provision of services within the meaning of Art. 5 (1) (b) of Council Regulation 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

The Court answered negatively to this question by stating that “the concept of services implies, at the least, that the party who provides the services carries out a particular activity in return for remuneration”.34 In the light of this requirement, the Court decided that it cannot be inferred from a license agreement that the licensor provides such service,35 because “the owner of an intellectual property right does not perform any service in granting a right to use that property and undertakes merely to permit the licensee to exploit that right freely”,36 whereby the ECJ expressly made reference to the opinion of the Advocate General in connection with this finding.37

33 Falco Privatstiftung und Thomas Rabitsch v. Gisela Weller-Lindhorst, ECJ, C-533/07 (April 23, 2009); for a detailed analysis of this case from a private international law perspective, see Benedetta Ubertazzi, “Licence Agreements Relating to IP Rights and the EC Regulation on Jurisdiction”, International Review of Industrial Property and Copyright Law 2009: 912 et seq. (see also by the same author, “Lizenzverträge und die EG-Zuständigkeitsverordnung”, Gewerblicher Rechtsschutz und Urheberrecht 2010: 103 et seq.).
34 Para. 29.
35 Para. 30.
36 Para. 31.
37 Para. 31 referring to point 58 of the opinion of the Advocate General Trsetenjak of January 27, 2009 in Case C-533/07.
A detailed analysis of the opinion of the Advocate General which was rendered in this case is of utmost interest as it reveals and confirms the difficulties of defining what constitutes an intellectual property license agreement from a European perspective.

In order to decide whether a license agreement constitutes a contract for the provision of service (under Regulation 44/2001), the Advocate General first had to face the difficulty that license agreements are creatures of local contract law. She thus stated that the “starting point [for a definition of a license agreement] must be the definition of a licence agreement offered by the referring court [i.e. the Austrian Oberster Gerichtshof]”, 38 It is interesting to note that the Advocate General expressly relied on the terminology of the referring court who used the terms “license agreement”, 39 while noting that “the concept of a licence agreement is defined more narrowly in some Member States”. 40 However, the Advocate General confirmed that it was necessary to conduct an analysis beyond local contract law of the referring court given that the judgments of the ECJ are binding on all national courts so that the “definition of a license agreement offered by the law of other Member States and by the provisions of Community law, if any, must also be taken into account”. 41

The Advocate General thus had to face the most difficult task of finding common denominators and common features of license agreements between the diverse regulatory or judicial solutions adopted by the Member States.

Unsurprisingly, the Advocate General had to state at the very beginning of her analysis that license agreements are “regulated differently in the various Member States” 42 and that Community law only refers to license agreements in a sporadic manner without effectively regulating them, i.e.

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38 Para. 48.
39 It can be noted (and regretted) that the Opinion of the Advocate General does not identify the law which governed the license agreement which was at dispute and was entered into between Austrian-based licensors (Falco Stiftung and Thomas Rabitsch) and a German-based licensee (Gisela Weller-Lindhorst) whereby the license covered Austria, Germany and Switzerland.
40 See footnote 4 of the Opinion, whereby the Advocate General notes that in certain countries, the term “license agreement” is used only with respect to the licensing of industrial property rights and not with copyright.
41 Para. 48 in fine.
42 Para. 49.
without laying down provisions “on the conclusion of a licence agreement and [on] its characteristics”.43

While the Opinion of the Advocate General provides a quite impressive and remarkable account of the status of license agreements in the respective legal orders of the Member States,44 it cannot hide the wide diversity of ways that licensing contracts are treated in the respective national legal orders of the Member States.

This lack of a harmonized approach to licensing is confirmed by the Advocate General’s review of the scarce European intellectual property legal texts which only refer to license agreements without defining them in any way.

The Advocate General thus noted (among other references) that Recital 30 of Directive 2001/29/EC of the European Parliament and of the Council of May 22, 2001 on the harmonization of certain aspects of copyright and related rights in the information society provides that the exclusive rights of the authors may be transferred, assigned or subject to the granting of contractual licences, without prejudice to the relevant national legislation on copyright and related rights, thereby leaving it to the relevant national law to address the issue of contractual licenses.

Similarly, Article 22 para. 1 of Council Regulation (EC) No 207/2009 of February 26, 2009 on the Community trade mark provides that a Community trade mark may be licensed for some or all of the goods or services for which it is registered and for the whole or part of the Community, whereby such a licence may be exclusive or non-exclusive.

Coming to the issue whether a license agreement can constitute a contract for the provision of services, which requires some “active conduct”,45 the Advocate General held that this was not the case because the licensor does not “perform any action that consists in active conduct”.46

The Advocate General held in this respect that the licensor “authorises the licensee to exploit the intellectual property right that is the subject of the licence” and that “the active conduct required of the licensor consists in signing the licence agreement and in making the object to which the licence relates physically available so that it can be used”, whereby those “actions cannot, in [her] opinion, be defined as a ‘service’”. As a consequence, the

43 Para. 50 stating that “Community law on the protection of intellectual property does govern the possibility of granting licences, but it does not lay down provisions on the conclusion of a licence agreement and its characteristic features”.
44 The Opinion enumerates and thoroughly discusses numerous regulatory, doctrinal and case law sources exposing the legal treatment of license agreements in the Member States (para. 48–52, and corresponding footnotes 32–49).
45 Para. 57.
46 Para. 58.
Advocate General concluded that the granting of a licence cannot be regarded as a “service” within the meaning of the second indent of Article 5 (1) (b) of Regulation No 44/2001.47

While this conclusion that licence contracts are not contracts for the provision of services can be approved, the reasoning adopted for supporting this view raises difficulties (if not concern) as it reveals the problems resulting from the lack of common understanding of the nature of licence agreements in Europe.

Even if one can share the opinion that the “active conduct” of the licensor cannot be assimilated to the provision of service by the licensor within the meaning of Article 5 (1) (b) of Regulation No 44/2001, the description of the “active conduct” of the licensor which was made by the Advocate General remains quite problematic.

As quoted above, the Advocate General described such active conduct of the licensor by two acts, i.e. the “signing the licence agreement” and “making the object to which the licence relates physically available so that it can be used”. However, the mention of these two acts raises serious doubts as to the understanding of the nature of intellectual property licences.

By referring first to the signing of the license agreement, the opinion of the Advocate General could be understood to imply that all license agreements shall be in writing. This is however not the case in all Member states and even under European law (as interpreted by national courts).48 Secondly, and more fundamentally, the statement made by the Advocate General that a licensor would adopt an active conduct by “making the object to which the licence relates physically available so that it can be used” (emphasis added) is problematic because it may imply that there would be an obligation of the licensor to deliver a physical good to the licensee under any intellectual property license agreement. This is however not the case in view of the intangible nature of the intellectual property goods which are the object of license agreements (for instance, a trademark license does not require that the licensor shall deliver any physical good to the licensee because the licensee can simply refer and use the licensed trademark as taken from the relevant publicly accessible trademark registry for this

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47 Para. 58.
48 This issue will be discussed under Section 5 below.
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purpose). This statement made by the Advocate General can thus be perceived as a revelation of a frequently encountered misunderstanding in intellectual property transactions: the issue of the transfer of physical objects which may potentially incorporate the intangible goods protected by the relevant intellectual property rights on the one hand and the assignment or licensing of the intellectual property rights as such on the other hand.

In short, even if the outcome of the *Falco* case can be approved, it still reveals (and particularly with the opinion of the Advocate General) the absence of any harmonized European concept of intellectual property license agreements, as well as the risk of misconceptions about the real nature of intellectual property licensing agreements and the difficulties which can result from this situation.

5. DOES A LICENSEE HAVE STANDING TO SUE THIRD PARTY INFRINGERS?

The lack of a harmonized solution at European level is also felt with respect to the issue of whether and under what conditions a licensee shall be able to sue third-party infringers which, in the absence of a regulatory solution, is frequently litigated around the globe. It must be noted from the outset that European intellectual property law offers some elements of solutions which however do not fully solve the issues which arise in practice as illustrated by recent case law.

This can be evidenced by the very interesting decision of the High Court of Justice rendered in May 2011 in the matter *Jean Christian Perfumes*
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Ltd/Jigsaw European Sales Ltd v. Sanjay Tharkar. The question in this case was as follows: does an oral licensee of a Community Trade Mark have locus to sue for infringement? Article 22 (3) of Regulation 207/2009 provides in this respect that unless precluded by contract, a licensee may bring proceedings for infringement if he has the consent of the trademark owner.

Regulation 207/2009 does not require any form for a CTM license, in contrast to the assignment of Community trademarks which must be made in writing under article 17 (2).

However, Section 28 (2) of the UK Trade Marks Act 1994 provides that a licence under a UK registered trade mark is not effective unless it is in writing and signed by or on behalf of the grantor and thus subjects the effective licensing of a UK trademark to the written form.

Based on the interpretation of these regulations, the High Court, Chancery Division (John Baldwin QC) held that “an oral licensee of a Community trade mark may bring proceedings for infringement if he has the consent of the proprietor of the mark”.

Thus the Court granted a privileged treatment to the oral licensee of a CTM trademark in comparison to a licensee of a UK trademark which would not have such power, given that under UK trademark law a license must be made in writing. Such privileged treatment could also apply if this were an international trademark license agreement. As a result of the favor validitatis principle, such a license could indeed be held valid even if not made in writing.

This case shows that it would seem to be appropriate to adopt a European-wide solution which would apply equally to all types of intellectual property rights and under which it would be specified when a licensee would be able to sue third-party infringers. This regulation should also define whether the ability to sue would be reserved to exclusive licensees and whether it should be seen as a default rule from which the parties could contractually derogate.

Directive 2004/48/EC of the European Parliament and of the Council of April 29, 2004 on the enforcement of intellectual property rights unfortunately leaves this issue open by offering Member States the flexibility to decide whether licensees shall have the power to initiate legal actions for infringement.
protecting the relevant intellectual property rights. It indeed provides that “Member States shall recognise as persons entitled to seek application of the measures, procedures and remedies referred to in this chapter: […] b) all other persons authorised to use those rights, in particular licensees, in so far as permitted by and in accordance with the provisions of the applicable law.”

This lack of a European-wide solution addressing the conditions and consequences of standing to sue of intellectual property licensees is problematic: it means that a licensee benefiting from a multi-territorial intellectual property license covering various European Union countries would not necessarily have the right to sue third-party infringers in a uniform manner in the relevant territories. The issue of standing to sue is also evidence of the lack of a European-wide definition of basic intellectual property licensing concepts, specifically the notions of exclusive and non-exclusive licenses, whereby certain regulations grant standing to sue only to exclusive licensees.

6. CONCLUSION

By focusing on certain aspects relating to European intellectual property law, this chapter has evidenced the difficulties which result from the present unharmonized status of intellectual property licensing within the European Union. This focus shall not hide the fact that other areas would also benefit from harmonization, such as (and starting with) the very issue of the definition of a license agreement and particularly whether covenants not to sue would qualify as a license, and the issue of the conditions under which intellectual property rights jointly owned by several co-owners can be licensed out to third parties. In this respect, it must be borne in mind that, even if the European Court of Justice can valuably contribute to the debate

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55 Of course without claim to this being an exhaustive list.

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(as shown by the cases discussed in this chapter), its role is not one of a regulator. A court is not necessarily in the best position to define the key elements of a given contractual *typus*, such as license agreements.57

This lack of harmonization is regrettable at a time when there appears to be a momentum for building a European contract law (as reflected in the recent proposal for a regulation on a Common European Sales Law).58 It is therefore necessary to make sure that intellectual property licensing law aspects shall be reflected in the European contract framework which is presently being envisioned,59 given that its declared goal is – noticeably – also to regulate transactions on “digital content”60 (which must generally be viewed as licensing agreements and not as a sales contract).

As a final note, if intellectual property law shall “facilitate the distribution of knowledge”61 and feed the knowledge-based economy, intellectual property rights must be able to circulate in an efficient manner in order to maximize their use and benefits. This requires an efficient *vehicle* for this purpose, and an enabling contractual law framework governing intellectual

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57 On the process of creation of a so-called “small European contract law” (“*petit droit européen des contrats*) as resulting from the case law of the ECJ rendered in matters outside contract law (such as intellectual property law), see the interesting comment of Jean-Sylvestre Bergé, “A propos du ’petit droit européen des contrats’: de quelques exemples récents en droit de la propriété intellectuelle”, *Revue des contrats* 2010 2: 725 (commenting on the ECJ Dior-Copad (as presented in this chapter) and the FEIA C-32/08 cases (dealing with the conditions of assignment of design rights)); on the process of definition of contractual types by the ECJ, see Saskia Kümmerle, “Güter und Dienstleistungen, Vertragstypenbildung durch den EuGH”, in F.J. Andrés Santos, C. Baldus and H. Dedek (eds), *Vertragsarten in Europa, Historische Entwicklung und europäische Perspektiven* (Sellier 2011) p. 295 et seq. (commenting the Falco case at p. 317 et seq.).


59 The issues whether the basic conditions of action at the EU level are met in this context being voluntarily left aside in this chapter, see the proposal (footnote 58), p. 8 et seq.

60 Defined as “data which are produced and supplied in digital form, whether or not according to the buyer’s specifications, including video, audio, picture or written digital content, digital games, software and digital content which makes it possible to personalise existing hardware or software” (under art. 2 (j) of the proposal (footnote 58)).

61 Single Market for Intellectual Property Rights Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe (COM(2011) 287 final).
property transactions constitutes such a vehicle. It is consequently time to conceptualize and develop the contractual vehicle that shall enable the efficient commercialization and licensing of intellectual property rights within Europe.62

62 See Nicolas Binctin, “Pour un Code communautaire de la propriété intellectuelle”, in Droits de propriété intellectuelle – *Liber amicorum Georges Bonet* (LITEC-LexisNexis 2010), p. 51 et seq. at 60 (pleading for the introduction of a European intellectual property code that shall include provisions on certain intellectual property contracts); Stiel (footnote 5), p. 257 (concluding his thesis by calling for the adoption of a European intellectual property contract law – “Immaterialgütervertragsrecht” – which would define the key features of intellectual property license agreements); see more generally Ansgar Ohly, “Europäisches Grundsätze des Geistigen Eigentums”, in Matthias Leistner (ed.), *Europäische Perspektiven des Geistigen Eigentums* (Mohr Siebeck 2010), p. 190 et seq., at p. 208 (calling for a scientific contribution to the creation of common European intellectual property principles); it must be noted in this respect that efforts have recently been made to create a European framework for copyright law in the remarkable Willem Project for a European Copyright Code: see [http://www.copyrightcode.eu/](http://www.copyrightcode.eu/) (last accessed May 2, 2012); on the harmonization of European copyright contract law, see Marina P. Markellou, “Est-il nécessaire de consacrer un droit d’auteur contractuel au niveau européen?”, in *The Work of George Koumantos and the Current Issues in Copyright, Symposium in Memoriam of George Koumantos* (Sakkoulas 2011), p. 299 et seq.