



Licensing

in 30 jurisdictions worldwide

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2011



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Davet Hyland

Editor-in-chief

Callum Campbell

Publisher

Richard Davey

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London, W11 1QQ, UK
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Fax: +44 20 7229 6910
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France

Delphine Touboul and Emmanuel Schulte

Bersay & Associés

Overview

- 1 Are there any restrictions on the establishment of a business entity by a foreign licensor or a joint venture involving a foreign licensor and are there any restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office? Whether or not any such restrictions exist, is there any filing or regulatory review process required before a foreign licensor can establish a business entity or joint venture in your jurisdiction?

No specific restrictions, filing or regulatory review process applies to the establishment in France of a business entity or a joint venture by a foreign entity, except in restricted areas where a prior authorisation from the French administration is required (for example, the defence sector). Therefore, a foreign licensor or a joint venture involving a foreign licensor can freely establish a business entity in France, provided that it complies with the corporate rules applicable to the establishment of any business entity, including, without limitation, a registration with the Trade and Companies Registry of the commercial court with jurisdiction over such business entity's corporate office. Additional formalities must be fulfilled if the legal representative of the business entity is not a citizen of the European Economic Area or Switzerland (declarations to the prefectural authorities or obtaining a resident permit, depending on whether this person resides in France).

There are no restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office in France. A licence agreement can freely be entered into between a foreign licensor and a French licensee, and be governed by French law.

Kinds of licences

- 2 Identify the different forms of licence arrangements that exist in your jurisdiction.

There is no legal definition of licence under French law but a licence arrangement is usually defined as the authorisation granted by the owner of an intellectual property right (IPR) to a third party to use, reproduce, represent or modify such right on an exclusive or non-exclusive basis. Such authorisation is generally granted in exchange for compensation and subject to limitations (with respect to the geographical scope, the duration, the nature of the rights licensed, etc).

The French Intellectual Property Code (the IPC) expressly refers to licences over trademarks, patents, designs and models and databases. With respect to copyright, the IPC (article L122-7) only refers to the assignment of the patrimonial rights of the author (ie, performance right and reproduction right). However, provided that the exploitation of the assigned rights must be delimited with regard to its scope, destination, location and duration (article L131-3), the applicable rules and effects will often be similar to those of a licence. With respect to software in particular, the term 'licence' is commonly used.

In addition, although know-how does not constitute a proprietary right benefiting from specific protection under the IPC, a licence of know-how is a usual practice recognised by the courts.

Law affecting international licensing

- 3 Does legislation directly govern the creation, or regulate the terms, of an international licensing relationship? Describe any such requirements.

French legislation does not directly govern the creation or regulate the terms of an international licensing relationship. The parties remain free to set forth the terms and conditions of their relationship, whether the licence is national or international, subject however to applicable general contract rules.

- 4 Are there any pre-contractual disclosure requirements imposed on a licensor in favour of its licensees, or any requirements to register a grant of international licensing rights with authorities in your jurisdiction? If so, do these requirements still apply if your jurisdiction forms part of a multi-jurisdictional territory in respect of which rights are being granted?

No such requirements exist specifically for international licensing as compared to national licensing.

Article L330-3 of the Commercial Code provides for pre-contractual disclosure obligations that are incumbent upon any person that makes available to another person a corporate name, trademark or trade name and requires from such other person an exclusivity or quasi-exclusivity undertaking with respect to its activity. The pre-contractual information must be disclosed in a document provided at least 20 days prior to the signature of the agreement. Such document must contain truthful information allowing the licensee to commit to the contract with full knowledge of the facts.

The grant of licensing rights, whether international or national, must be registered either for validity purposes or for enforceability purposes (see question 12).

- 5 Are there any statutorily or court-imposed implicit obligations in your jurisdiction that may affect an international licensing relationship, such as good faith or fair dealing obligations or the obligation to act reasonably in the exercise of rights?

An international licensing relationship that is governed by French law is subject to the general contract law principles, including performance in good faith (article 1134 of the Civil Code), which leads to an obligation of loyalty, cooperation and consistency. In the case of breach of the good faith principle, the contract may be terminated and damages potentially awarded.

French or EU competition rules (or both) will also apply to an international licensing relationship that produces effects in French territory and will penalise an abuse of its dominant position by the

licensor or an agreement that can be viewed as restricting competition or as a restrictive practice.

With respect to assignment of copyright, the author is entitled to make a claim for revision of the contractual price where he or she suffered a prejudice valued at more than seven-twelfths of the consideration he or she should have received for such assignment. This claim may be filed only where the work has been assigned against a fixed compensation (as opposed to a proportional consideration).

- 6 Does the law in your jurisdiction distinguish between licences and franchises? If so, under what circumstances, if any, could franchise law or principles apply to a licence relationship?

Insofar as there is no legal definition of either a franchise or a licence, French law does not expressly distinguish between licences and franchises.

In practice, those two types of arrangement do not have the same scope and purpose. Pursuant to the European Code of Ethics for Franchising (to which the French Franchise Federation now refers), the rights granted by the franchisor to the franchisee entitle and compel

the individual franchisee, in exchange for a direct or indirect financial consideration, to use the franchisor's trade name, and/or trademark and/or service mark, know-how, business and technical methods, procedural system, and other industrial and/or intellectual property rights, supported by continuing provision of commercial and technical assistance, within the framework and for the term of a written franchise agreement, concluded between parties for this purpose.

A franchise agreement therefore necessarily includes a licence of use of IPR owned by the franchisor but the purpose of the franchise agreement is not limited to such licence.

Intellectual property issues

- 7 Is your jurisdiction party to the Paris Convention for the Protection of Industrial Property? The Patent Cooperation Treaty (PCT)? The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Yes, France is party to:

- the Paris Convention for the Protection of Industrial Property (since 7 July 1884);
- the PCT (since 25 February 1978); and
- the TRIPs (since 1 January 1995).

- 8 Can the licensee be contractually prohibited from contesting the validity of a foreign licensor's intellectual property rights or registrations in your jurisdiction?

In principle, clauses by which the licensee agrees not to contest the validity of the licensed IPR are valid in France. However, they do not prevent the licensee from challenging the validity of his or her own licence agreement by invoking a prior decision invalidating the right upon a third party's request.

Nonetheless, the validity of such clauses may be contested under European and French competition law where they constitute a restriction of competition, as they could possibly procure an undue competitive advantage and protection to the licensor.

- 9 What is the effect of the invalidity or expiry of registration of an intellectual property right on a related licence agreement in your jurisdiction? If the licence remains in effect, can royalties continue to be levied?

Where a trademark, patent, design or model registration is declared invalid, all licences granted over such registered right automatically become null and void.

If the registration of the IPR expires, the object of any related licence agreement disappears and the agreement becomes therefore null and void, and the licensor may no longer levy royalties. However, except for trademarks that can be indefinitely renewed, the licence must not be granted for a term that extends beyond the expiration of the term for which the underlying right is legally protected. If the trademark expires before the end of the licence agreement as a result of a failure of the licensor to renew the trademark, the licensee may claim for damages.

- 10 Is an original registration or evidence of use in the jurisdiction of origin, or any other requirements unique to foreigners, necessary prior to the registration of intellectual property in your jurisdiction?

No, a foreigner can register an IPR in France without original registration or evidence of use in the jurisdiction of origin.

- 11 Can an unregistered trademark be licensed in your jurisdiction?

A trademark does not exist unless it has been duly registered and cannot therefore be validly licensed if unregistered. Nothing would prevent the parties from entering into a licence agreement for a trademark application (ie, a trademark that has been applied for but not yet registered), but such licence will be effective only once the trademark has been registered, meaning that no third party has opposed the registration of the trademark within two months from the publication of the trademark application. It is therefore highly inadvisable.

- 12 Are there particular requirements in your jurisdiction: for the validity of an intellectual property licence; to render an intellectual property licence opposable to a third party; or to take a security interest in intellectual property?

Validity

Patent licences must be established in writing to be valid (article L613-8 IPC).

With respect to copyright, the IPC expressly mentions specific kinds of agreement that must be established in writing (performance, publishing and audio-visual production agreements, as well as free performance authorisations) (article L131-2 IPC). In addition, the transfer of copyright is subject to each of the assigned rights being separately mentioned in the assignment agreement and the field of exploitation of the assigned rights being defined as to its scope, purpose, place and duration (article L131-3 IPC). Lastly, the assignment of audio-visual adaptation rights must be established in writing in an instrument separate from the contract relating to publication of the printed work (article L131-3 IPC).

For other kinds of intellectual property licences, there are no particular legal validity requirements, but it is advisable to enter into a written licence agreement to set forth the conditions under which the licence is granted and for evidence purposes.

Opposability to third parties

Licence agreements relating to trademarks (article L714-7 IPC), patents (article L613-9 IPC), designs and models (article L513-3 IPC) must be registered with the National Institute for Industrial Property (INPI) to be opposable to third parties. However, before its registration, a licence is nevertheless opposable to third parties that acquired

rights after the date of the licence and that were aware of such licence when they did.

Security interest

Legal rules govern pledges over patents, trademarks, designs and models, software and cinematographic works. Pledges must be established in writing to be valid, and registered with the INPI (and, for films, with the public register of cinematography and audio-visual works) to be opposable to third parties.

- 13** Can a foreign owner or licensor of intellectual property institute proceedings against a third party for infringement in your jurisdiction without joining the licensee from your jurisdiction as a party to the proceedings? Can an intellectual property licensee in your jurisdiction institute proceedings against an infringer of the licensed intellectual property without the consent of the owner or licensor? Can the licensee be contractually prohibited from doing so?

Those issues will generally be agreed between the parties in the licence agreement. In the absence of specific provision to that effect, the following rules are applicable.

The IPC confers the right to institute infringement proceedings to the owner of the infringed intellectual property right. Therefore, a foreign licensor that has granted a licence in France can institute infringement proceedings in France without joining the French licensee.

Unless otherwise set forth in the agreement, the licensee that has been granted an exclusive right may institute infringement proceedings if, after prior written notice to the owner of the infringed right, the owner does not institute such proceedings. With respect to patents specifically, the same rule applies to the holder of a compulsory or automatic licence.

In any case, each party to a patent, trademark, design or model licence agreement remains entitled to intervene in the infringement proceedings instituted by the other party to obtain compensation for its own prejudice.

- 14** Can a trademark or service mark licensee in your jurisdiction sub-license use of the mark to a third party? If so, does the right to sub-license exist statutorily or must it be granted contractually? If it exists statutorily, can the licensee validly waive its right to sub-license?

The right to sub-license does not exist statutorily and must necessarily be granted contractually to the licensee.

- 15** Is your jurisdiction a 'first to file' or 'first to invent' jurisdiction? Can a foreign licensor license the use of an invention subject to a patent application but in respect of which the patent has not been issued in your jurisdiction?

France is a 'first to file' jurisdiction. However, if a patent application has been filed either for an invention that has been stolen from the inventor or in breach of a legal or contractual provision, the injured party may claim the ownership of the application or the patent (article L611-8 IPC).

The exclusive right of exploitation over a patentable invention is effective as from the filing of the patent application and the use of an invention in respect of which a patent application has been filed but the patent has not been issued yet may be licensed (articles L613-1 and L613-8 IPC).

A non-patented or non-patentable invention can nonetheless be protected through the rules applicable to know-how as long as it meets the requested conditions (see question 17).

- 16** Can the following be protected by patents in your jurisdiction: software; business processes or methods; living organisms?

New inventions that are the product of an inventive activity and are capable of industrial application are patentable in France, in all technological domains (article L611-10 IPC).

Plans, principles and methods for the performance of intellectual activities, for games or economic activities, as well as computer programs, are not considered as patentable inventions, to the extent that the patent application or the patent concerns only one of these elements as such.

As a general rule, living organisms are not patentable. More specifically, the human body and the discovery of one of its elements, including the sequence or partial sequence of a gene, cannot be patented. Only an invention consisting of the technical application of a function of an element of the human body may be protected by a patent. This protection covers the element of the human body only to the extent necessary to the conception and the exploitation of this specific application (article L611-18 IPC). Animal pedigrees and plant varieties (as defined in article 5 of Regulation No. 873/2004) cannot be patented either. However, inventions relating to plants or animals are patentable if the technical feasibility of the invention is not confined to a particular plant or animal variety (article L611-19 IPC).

- 17** Is there specific legislation in your jurisdiction that governs trade secrets or know-how? If so, is there a legal definition of trade secrets or know-how? In either case, how are trade secrets and know-how treated by the courts?

There is no legal definition of trade secrets or know-how (*savoir faire*) in France.

No specific legislation governs know-how in France but, know-how is enforceable as long as it is original, secret, economically valuable and protected from any form of involuntary disclosure. Although the wrongful use or disclosure of know-how to third parties does not constitute a proprietary right infringement, resulting damages may be claimed before courts through the general mechanisms of civil liability and, more specifically, unfair competition proceedings.

Reference is also made to the Commission Regulation 772/2004 of 27 April 2004 on the application of article 101(3) of the Treaty on the Functioning of the European Union (ex article 81 of the EC Treaty) to categories of technology transfer agreements.

In addition to the protection afforded to ordinary know-how, specific criminal provisions relate to the disclosure of trade secrets: a manager or employee of a company who communicates or attempts to communicate to a third party a trade secret owned by the company may be sentenced to two years of prison and a €30,000 fine. Such employee may also be deprived of certain civic and civil rights (article L621-1 IPC).

- 18** Does the law allow a licensor to restrict disclosure or use of trade secrets and know-how by the licensee or third parties in your jurisdiction, both during and after the term of the licence agreement? Is there any distinction to be made with respect to improvements to which the licensee may have contributed?

A licensor is entitled to contractually restrict disclosure or use of trade secrets and know-how by the licensee, both during and after the term of the agreement.

Such restrictions may however be sanctioned both under French and European competition law if the protected elements are no longer secret (through no fault of the licensee) and as long as they restrict competition.

It is up to the parties to the licence agreement to decide whether to include improvements to which the licensee may have contributed in the non-disclosure obligation. In practice, it will generally depend

on the fact that the improvements may or may not be used independently from the initial know-how or trade secrets.

- 19** What constitutes copyright in your jurisdiction and how can it be protected?

French copyright (*droit d'auteur*) protects intellectual works of any kind, as long as they are original and expressed in a medium (whatever the medium). The IPC provides a non-exhaustive list of works that are entitled to copyright protection: books, brochures and other literary, artistic or scientific writings, conferences, speeches, pleadings, dramatic works and musicals, choreographic works, musical compositions with or without lyrics, cinematographic and other audio-visual works, designs, paintings, architectural works, sculptures, graphic and typographic works, photographs, illustrations, maps, software, and creations of the seasonal fashion industry.

Without prejudice to the rights of the author of the original work, translations, adaptations, transformations or arrangements of original works also benefit from copyright protection, as well as anthologies or collections of works or data, including databases, which constitute intellectual creations by virtue of the choice or presentation of their contents.

The title of an intellectual work is protected by copyright in the same way as the work itself, as long as it is original.

The author of an intellectual creation automatically benefits from the copyright protection as from the creation of the work. No registration, publication or other formality is required as copyright is a *sui generis* right.

Copyright is protected through the legal provisions that sanction copyright infringement and allow the injured party to initiate infringement proceedings against any copyright infringer.

- 20** Is it advisable in your jurisdiction to require the contractual assignment of copyright by the licensee to the licensor for any artwork, software improvements and other works that the licensee may have contributed to?

As long as the licensor has authorised the licensee to improve, adapt or otherwise modify the licensed work, and provided that the work created by the licensee on the basis of the licensor's original work (the 'derivative work') is subject to copyright, the licensee will benefit from an independent copyright on the derivative work. Therefore, the licensor shall not be entitled to use the derivative work unless the licensee assigned its copyright to it. Provided that the assignment of copyright is established in writing (see question 12) it is indeed advisable, from the licensor's point of view, to require the contractual assignment of copyright by the licensee for any derivative work. The licensee may request adequate compensation for such assignment.

Software licensing

- 21** Does the law in your jurisdiction recognise the validity of 'perpetual' software licences? If not, or if it is not advisable for other reasons, are there other means of addressing concerns relating to 'perpetual' licences?

Perpetual commitments are prohibited under French law. Therefore, perpetual software licences are considered as invalid.

Another way of addressing such concern is to grant a licence for the duration of the protection of the IPR under applicable law. Also, licences entered into for an indeterminate period of time are valid, provided however that they may be terminated at any time for convenience subject to reasonable prior notice.

- 22** Are there any legal requirements to be complied with prior to granting software licences? In particular, are there import or export restrictions on software?

There are no general legal requirements to be complied with prior to granting software licences.

Export of software may be subject to prior authorisation where the software is considered as a 'dual-use item' under Council Regulation No. 1334/2000 of 22 June 2000, namely items, including software and technology, that can be used for both civil and military purposes, including all goods that can be used for non-explosive purposes and participate in any manner in the manufacture of nuclear weapons or other nuclear explosive devices. These export rules apply to physical exports as well as transmission of software or technology by electronic media, fax or telephone to a destination outside the EU. This Regulation sets forth a list of dual-use items that are subject to prior authorisation when exported outside the European Union. In addition, certain sensitive items may also be subject to prior authorisation for intra-Union transfers.

France has adopted specific rules with respect to the provision, transfer from a member state of the European Union or import from a non-EU country of encryption means that do not exclusively ensure authentication and control of integrity functions, and the transfer to a member state of the European Union and export to a non-EU country of encryption means that do not exclusively ensure authentication and control of integrity functions. Such operations are subject to prior declaration to, or prior authorisation of, the prime minister.

- 23** Who owns improvements and modifications to the licensed software? May a software licensee obtain bug fixes, upgrades and new releases from the licensor in the absence of a contractual provision to that effect?

The right to perform or authorise any translation, adaptation, arrangement or any other modification to a software and the reproduction of a software resulting therefrom, belongs to the author of the software (article L122-6, 2° IPC). The licensee may perform those acts without the authorisation of the author only where they are necessary for the use of the software in accordance with its intended purpose, including for correction of errors; subject, however, to the author's freedom to contractually reserve the right to correct errors himself or herself and determine the specific conditions under which the licensee will be authorised to perform those acts (article L122-6-1, I. IPC).

As long as it has been duly authorised by the licensor to modify the licensed software, the licensee will have a copyright over the modified or improved version of the software if the resulting software constitutes a work protectable under copyright, meaning that it substantially differs from the original software and is personal to the licensee. However, case law generally considers that software is an evolving product by nature and that successive versions of this product that must be compatible with the previous version are not new original works. In any case, the use of the modified or improved software by the licensee shall be made without prejudice to the rights of the author of the original software. It is specified that, unless otherwise provided by statutory or contractual provisions, the patrimonial rights in the software and related documentation created by one or more employees in the execution of their duties or following their employer's instructions are the property of the employer, which is exclusively entitled to exercise such rights.

A software licensee will not obtain upgrades and new releases from the licensor in the absence of a contractual provision to that effect (ie, a maintenance commitment). With respect to bug fixes, provided that the licensor did not expressly exclude them in a warranty disclaimer and provided that they prevent the licensee from using the software in accordance with its intended purpose and in compliance with what has been agreed between the parties (ie, the

specifications, the software documentation, etc), the licensee should be entitled to obtain corrections or modifications from the licensor and, if not obtained, request the termination of the agreement, reimbursement of the price paid, damages, or a combination thereof. This will be decided by courts on a case-by-case basis (see question 25).

- 24** May a software licensor include a process or routine to disable automatically or cause unauthorised access to disable, erase or otherwise adversely affect the licensed software?

French legal provisions relating to technical measures of protection and information, resulting from the transposition of Directive 2001/29 dated 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, expressly exclude software.

The IPC only provides that advertising or using notices relating to means which allow removing or neutralising any technical device protecting software must mention that the illicit use of such means may be sanctioned under infringement rules. The validity of technical devices protecting software is therefore implicitly admitted.

Provided however, that such devices do not restrict the rights of the software users including, without limitation, the right to make a back-up copy (although the licensor can provide the back-up copy itself to the licensee), the right to modify the software when necessary for using the software in accordance with its intended purpose (see question 23), the right to reproduce or translate the software code for interoperability purposes, etc.

Most of the time, these technical measures consist of locks that prevent the licensee from copying the software. The validity of a process or routine that, beyond a simple lock, would disable, erase or otherwise adversely affect the licensed software in the case of unauthorised access would be assessed on a case-by-case basis, but remains debatable. In any case, the licensee should be informed of its existence, and this process or routine should not restrict the licensee's normal and authorised use of the software. But the use of such a process or routine could, nonetheless, be punished if it is out of proportion with the alleged threat. In addition, specific criminal sanctions may apply if this measure adversely affects the licensee's computer system or data (articles 323-1 to 323-7 of the Criminal Code).

- 25** Have courts in your jurisdiction recognised that software is not inherently error-free in determining the liability of licensors in connection with the performance of the licensed software?

French courts generally admit the existence of bugs, provided however that the number of bugs is limited and that they are fixed progressively during the acceptance procedure and tests. However, where the error prevents the licensee from using the software in accordance with its intended purpose or in compliance with what has been agreed between the parties (ie, the specifications, the software documentation, etc), the licensor can be liable to the licensee. Such liability would be determined on a case-by-case basis, depending, in particular, on whether the licensed software is standard or specific software or whether the software licence is granted alone or in connection with a global contract for the sale of hardware or a computer system. This will have an influence on the application or non-application of the statutory hidden defects warranty and the statutory warranty of conform delivery, in addition to any contractual warranty that the licensor would have granted in the licence agreement.

- 26** Have courts in your jurisdiction restricted in any manner the enforceability or applicability of the terms and conditions of public licences for open source software (ie, GNU and other public licence agreements)? Have there been any legal developments of note in your jurisdiction concerning the use of open source software?

To the best of our knowledge, French courts have not restricted in any manner the enforceability or applicability of the terms and conditions of public licences for open source software. Very few decisions relate to free software; they have sanctioned non-compliance with the terms and conditions of the GNU GPL licence imposed an adequate information obligation on the licensor.

The legal status of free licences remains an issue which has not been definitely settled as it contravenes French copyright legislation and practices in several aspects.

Royalties and other payments, currency conversion and taxes

- 27** Is there any legislation that governs the nature, amount or manner or frequency of payments of royalties or other fees or costs (including interest on late payments) in an international licensing relationship, or require regulatory approval of the royalty rate or other fees or costs (including interest on late payments) payable by a licensee in your jurisdiction?

With respect to works other than software protected by copyright, the law provides for the proportional participation of the author in the revenues generated by the sale or exploitation of the assigned work (article L131-4 IPC). However, the author may be compensated by a fixed sum in certain situations listed in the IPC.

In other cases, the nature, amount, manner and frequency of payments of licence royalties are not governed by any specific statutory provisions.

The amount of interest on late payments is determined by the parties. Nevertheless, the recently amended article L441-6 of the Commercial Code stipulates a minimum rate of three times the legal interest rate. Where no rate is specified in the agreement, the applicable rate is 10 per cent over the official interest applied by the European Central Bank to its most recent financing operation.

- 28** Are there any restrictions on transfer and remittance of currency in your jurisdiction? Are there any associated regulatory reporting requirements?

There are no restrictions on transfer and remittance of currency in France, nor is there any reporting requirement. However, payments in excess of €3,000 when the debtor has its fiscal domicile located in France or acts for professional purposes, and €15,000 when the debtor evidences that its fiscal domicile is not located in France and does not act for professional purposes, cannot be in cash and are required to be paid by wire transfer or cheque.

- 29** In what circumstances may a foreign licensor be taxed on its income in your jurisdiction?

As a general rule, when a foreign company earns a profit from its activities in France, it is taxed in France for this specific income unless otherwise provided by a treaty against double taxation. Foreign companies that do not carry on any business of their own in France but have granted to a French-based company a licence over an intellectual property right may be subject to taxation in France if they receive royalties relating to this intellectual property right. Such royalties will give rise to a withholding tax that can generally be avoided if a treaty against double taxation has been entered into with the licensor's home country. The amount of the withholding tax is generally set at a flat rate of 33.33 per cent. However, in light of the specificity of each given situation, tax matters call for personalised advice.

30 Can a judgment be rendered by courts in a foreign currency in your jurisdiction? If not, would a contractual indemnity for any shortfall to a foreign licensor due to currency exchange fluctuations be enforceable?

There is a long established principle under French law that all payments made in France must be in the French currency (ie, euro). Hence, if a dispute relates to a domestic licence, a court may only issue an order of payment in the national currency, even if the court makes its calculation on the basis of the foreign currency chosen by the parties in the licence agreement. In such case, the conversion between the foreign currency chosen in the contract and the national currency will generally be made on the day of the effective payment.

However, French courts may render a judgment ordering payment in a foreign currency if the dispute is related to an international contract that includes a clause providing that payments be made in a foreign currency. In that case, a court may order that any payments due under the contract be made in the chosen foreign currency. Similarly, any damages awarded by a court could be in that same foreign currency, as such currency is the one chosen by the parties for any payment applicable between them.

There are no legal restrictions to setting forth a contractual indemnity for any shortfall to a foreign licensor due to currency exchange fluctuations. In the absence of any such clause, it is advisable that a party claiming such a shortfall due to a currency fluctuation ask the court, with the appropriate supporting evidence, to be awarded such a shortfall.

Competition law issues

31 Are practices that potentially restrict trade prohibited or otherwise regulated in your jurisdiction?

Under French law, any agreement that has as its object or effect the restriction of trade falls under the prohibition of articles L420-1 (collusion) and L420-2 (abuse of dominant position) of the Commercial Code.

Agreements restraining trade may, nevertheless, be justified and thus escape sanctions if they contribute to economic progress and benefit consumers, without giving the undertakings involved the opportunity to eliminate competition for a substantial part of the products in question and only insofar as these restrictions are essential to achieve the aim of progress (article L420-4 of the Commercial Code). Regulation 2790/1999 of 22 December 1999 on the application of exemptions to vertical agreements may be enforced by French competition authorities and courts, insofar as the practices in question may affect trade between EU member states. It is also systematically used by French authorities as guidance for domestic matters. This Regulation applies to vertical agreements containing provisions that relate to the assignment or use of intellectual property rights, provided that those provisions do not constitute the primary object of such agreements and are directly related to the use, sale or resale of goods or services. Similarly, exemptions regarding licensing of technology (patent, know-how, design and model rights and software copyright licences) are governed by Regulation 772/2004 of 27 April 2004 on the application of article 101(3) TFEU to categories of technology transfer agreements.

Exclusive dealing agreements are not, as such, considered to be anti-competitive. However, such agreements could possibly be held to be illicit, if they have as their effect a restriction of competition that is not counter-balanced by considerations provided in the aforementioned article L420-4.

Restrictions of active sales to customers that one party to the agreement has reserved to itself or allocated to its other contractors are admitted, provided that such restrictions do not apply to resale by the other party's customers. There can be no restriction on passive sales. Exclusive agreements leading to an absolute territorial protection are prohibited.

Restrictions on the source from which one party may purchase goods or lease services are not deemed to restrict competition as long as they are justified by commercial or technical conditions (eg, if they are necessary to maintain the common identity and reputation of a network).

The fixing of minimum prices for the resale of goods or for the supply of services is prohibited by articles L420-1 and L442-5 of the Commercial Code. However, price guidelines or maximum prices are allowed provided that no pressure is put on resellers that effectively leads to the fixing of prices or the application of a uniform price across the network.

Article L442-2 of the Commercial Code characterises the act of selling at a loss as a criminal offence. In addition, article L420-5 subjects to criminal sanctions the act of offering prices to consumers that are excessively low in relation to the production, processing and marketing costs, where those prices have as their purpose or effect to drive a business or product out of a market. In sales between professionals, predatory prices are prohibited if they are indicative of an abuse of a dominant position.

Refusal to deal and tied selling are not prohibited between professionals provided that they do not result from an anti-competitive agreement, characterise an abuse of dominant position (eg, in case of refusal of access to essential facilities) or an abuse of economic dependence.

Unjustified discrimination among licensees may also constitute an abuse of dominant position or a collusion agreement, and may also be sanctioned under article L442-6 of the Commercial Code.

32 Are there any legal restrictions in respect of the following provisions in licence agreements: duration, exclusivity, internet sales prohibitions, grant-back provisions and non-competition restrictions?

Except for the prohibition of perpetual licences, there are no legal restrictions on the duration of a licence agreement. However, the licence must not be granted for a term that extends beyond the expiration of the term for which the underlying right is legally protected (see question 9). Competition rules related to exclusive agreements described in question 31 are applicable to licence agreements.

There are no legal restrictions with respect to grant-back provisions. The parties remain free to decide how they want to deal with those matters in the licence agreement. Non-compete obligations must be reasonable as regards their duration, their geographical applicability, and the scope of activities covered. In principle, a non-competition clause applicable after the termination of an agreement is valid only if it is necessary to protect, in a proportionate manner, the legitimate interests of the beneficiary and if the time and place of its performance is limited.

In principle, outright prohibitions on sales over the internet are only possible if there is an objective justification (eg, preservation of the brand image and reputation of the products). Case law has admitted the practice of restricting the right to sell via the internet by attributing it only to retailers that already operate physical sale points. In any case, the licensor cannot reserve to itself the right to sell over the internet.

Indemnification, disclaimers of liability, damages and limitation of damages

33 Are indemnification provisions commonly used in your jurisdiction and, if so, are they generally enforceable? Is insurance coverage for the protection of a foreign licensor available in support of an indemnification provision?

Yes, contractual indemnification provisions are generally used and enforceable. Insurance coverage is available in support of such indemnification provisions (subject to the exclusions set forth in the insurance policy).

Update and trends

Several executive orders (*décrets*) have been published with respect to the HADOPI legislation adopted in 2009 which organises the control procedures and the sanctions applicable to the illegal use of works protected by copyright on the internet. The publication of those executive orders allows the concrete implementation of this recent legislation. A parliamentary bill has been filed with the Assemblée Nationale on 29 April 2010 for the purpose of creating a global licence by stages aimed at financing copyright within the context of the exchange of audio-visual contents on the internet. Royalties would be paid by internet users in order to download audio-visual content.

- 34** Can the parties contractually agree to waive or limit certain types of damages? Are disclaimers of liability generally enforceable? What are the exceptions, if any?

Clauses excluding or limiting contractual liability are valid under French law, except where they contradict the scope of the main obligation under the agreement, and in case of gross negligence or wilful misconduct.

However, courts are not bound by the liability cap specified by the parties and may award damages beyond this cap in relation to the prejudice actually suffered.

There are a number of statutory exceptions to the validity of clauses limiting or excluding liability, such as for sale agreements between a professional seller and a consumer or a non-professional buyer, in construction agreements, transportation agreements, among others, which would not apply within the context of licence agreements.

Termination

- 35** Does the law impose conditions on, or otherwise limit, the right to terminate or not to renew an international licensing relationship; or require the payment of an indemnity or other form of compensation upon termination or non-renewal? More specifically, have courts in your jurisdiction extended to licensing relationships the application of commercial agency laws that contain such rights or remedies or provide such indemnities?

Two situations must be distinguished:

- If the licence agreement is entered into for a limited duration, termination may not occur before the end of the agreed term except in the case of breach. If one party terminates the agreement in advance for convenience, it will be liable for damages to the other party, except if otherwise agreed between the parties.

- If the licence agreement is entered into for an unlimited duration, either party may terminate the agreement at any time subject to a prior reasonable notice. Pursuant to Article L442-6 I-5° of the French Commercial Code, abrupt termination (with no reasonable prior notice) will give rise to damages.

French courts have not extended to licensing relationships the application of commercial agency laws that contain rights or remedies or provide indemnities upon termination or non-renewal.

- 36** What is the impact of the termination or expiration of a licence agreement on any sub-licence granted by the licensee, in the absence of any contractual provision addressing this issue?

Provided that the right to sub-licence is contractually granted (see question 14), the termination or expiration of a licence agreement will necessarily terminate the related sub-licences in the absence of contractual provisions addressing this issue.

Bankruptcy

- 37** What is the impact of the bankruptcy of the licensee on the legal relationship with its licensor; and any sub-licence that licensee may have granted? Can the licensor structure its international licence agreement to terminate it prior to the bankruptcy and remove the licensee's rights?

The bankruptcy of the licensee has no impact on the international licence relationship and the receiver appointed by the commercial court to manage the licensee's company during the bankruptcy procedure is the only person who may decide whether to continue the licensing agreement or to terminate it. A provision of the licence agreement pursuant to which the agreement could be terminated by the licensor in the case of bankruptcy of the licensee is deemed to be void. The same applies with respect to any sub-licence in case of bankruptcy of the licensee.

Governing law and dispute resolution

- 38** Are there any restrictions on an international licensing arrangement being governed by the laws of another jurisdiction chosen by the parties?

Under French conflict law regulations, and in accordance with the Rome Convention dated 19 June 1980, the parties remain free to choose the law governing their agreement.

However, where all the elements of the contractual relationship are connected with one country, the choice of a foreign governing law shall not prejudice the application of public policy provisions of such country.



Delphine Touboul
Emmanuel Schulte

dtouboul@bersay-associés.com
eschulte@bersay-associés.com

31 Avenue Hoche
75008 Paris
France

Tel: +33 1 56 88 30 00
Fax: +33 1 56 88 30 01
www.bersay-associés.com

Any provisions of a foreign law that are inconsistent with public policy or morality shall not be enforced in France.

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- 39** Can the parties contractually agree to arbitration of their disputes instead of resorting to the courts of your jurisdiction? If so, must the arbitration proceedings be conducted in your jurisdiction or can they be held in another?

The French Civil Procedure Code specifically allows for arbitration between professionals. Cases may be brought before various relevant national or international organisations (French Arbitration Association, French Arbitration Committee, ICC, etc).

Such arbitration proceedings can be conducted in France or in another jurisdiction.

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- 40** Would a court judgment or arbitral award from another jurisdiction be enforceable in your jurisdiction? Is your jurisdiction party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards?

A court judgment or arbitral award from another jurisdiction may be enforceable in France. Legal enforcement requires an exequatur

of such judgment or award, which is obtained by way of an order rendered by the president of the 'Tribunal de grande instance', who has exclusive jurisdiction over these matters.

France is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards since 26 June 1959.

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- 41** Is injunctive relief available in your jurisdiction? May it be waived contractually? May the parties waive their entitlement to claim specific categories of damages in an arbitration clause?

It may be waived contractually, as long as the parties are both professionals and such a clause does not entitle, directly or indirectly, the co-contractor to merely not fulfil its contractual obligations.

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