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**Technology Licences: Comparative Overview of Practices in Germany,
France, Italy and the United Kingdom**

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Contractual Licensing

Within the 19th century, the patented invention was recognised as proprietary in nature with the consequence that it could constitute the subject-matter of transactions. In England, France, Germany and Italy the jurisprudence elaborated the distinction between the patent licence and other contractual forms such as the transfer or sale of the patented invention or the usufruct. Whereas in the case of the assignment of the patent right the patentee parts with the rights in the patented invention, the grant of a licence gives him the possibility to retain the title and nevertheless to obtain a financial return for his investments in research and development relating to the invention.

The Patented Invention as Property

The patent legislation in France, Germany and Italy explains the patent right as the property of the inventor, and, in consequence, the legal provisions of property would be used accessorially for the complementation of the patent acts in so far as they did not deal exclusively with the related issues. This concerned the questions of ownership in the patented invention but also different transactions in the patent right such as the transfer, the licence or the usufruct. Legal theory attempted further explanations, influenced by the impact of exclusiveness in the exploitation of the invention in the economy. In particular, the concept of monopoly influenced the discussion of the nature of the patent right. However, the economic doctrine of monopoly focuses on the structure of the market as a whole and a single patent will generally not empower its owner to exercise dominance in regard of a whole class of goods. The property right itself may have the effect of creating a monopoly in the market on certain goods without that it would be asserted that the property right could be explained by the dominant market position which it may, in certain cases, help to create. Summing up, the idea behind patent law that an invention should be allocated to a person so that this person may exploit it in exclusivity or dispose of it as of any other material subject-matter has, in consequence, conducted courts and legal writers to mark it as 'property'.

The Law of Contract

In spite of the harmonisation of the patent laws, the differences in the laws of contract have a considerable impact upon the configuration of the patent licence contract in England, France, Germany and Italy. The codification of the civil law in France, Germany and Italy and the development of the law of contract as court-made law in

England causes divergence in the general laws of contract and in the laws of specific contracts which relate in particular to the implication of terms in the construction of the contract. This derives in particular from the classification of the patent licence contract as an 'innominate' contractual type and from the consequential application by way of analogy of those mandatory or non-mandatory rules of the 'nominated' contractual types which are specifically dealt with by the legislators in the civil codes. Such a type is, in particular, the leasing contract.¹

The Incidence of the Invalidity of the Patent on the Licence Contract

In French and Italian law a contract must have a cause and the obligation an object. If the patent is invalid, it may be considered that the contract is void,² because it has neither a causa nor the obligation an object. English law does not know the concepts of causa or of object - the problems which arise in parallel are solved by reference to concepts such as mistake or frustration, the scope of which, however, is more limited and less general. In particular with regard to the patent licence contract, this difference becomes obvious in the case of the invalidity of the patent. In such a case the French and the Italian judge will consider whether the contract is void due to lack of object or of causa. The English judge is not likely to refer to general principles, for example to the doctrine of consideration or of mistake, but shall attempt to find a solution based upon the construction of the wording of the agreement, however, the licensee has a statutory right to terminate the contract if the patent ceases to be effective.³ Within this context, it should be observed that the advantages of English law vest in its flexibility to accept new contractual types whereas in the codified systems the acceptance of a new class of innominate contract is a process which often needs incitement from the common law system - examples are the leasing contract on moveable goods or the franchising. According to the German law, the licensee may terminate the contract for the future, based on a parallel of the licensing contract with the leasing contract where the lessor has to warrant for legal defects, or claim the adaptation of the contract to the modified circumstances on the basis of general equity.⁴

The Construction of the Terms of the Contract

¹ France, Orléans 13.07.1892, D. 1893,329; Paris 22.06.1922, A. 1922,353; Trib.civ.Seine 20.10.1922, A. 1923,288; Germany, Federal Supreme Court GRUR 1989/68; Italy Cass. 13.01.1981, GADI Rep.Sist. 1972 to 1987, p. 558; GADI 1981,3, at 10.

² France, Cass.req. 05.12.1881, D.1882,360; 29.06.1933, A. 1935,78; Cass.civ. 05.04.1960, A. 1965,176; Paris 20.01.1963, A.1963,363; T.G.I. Paris 29.06.1973, PIBD 1973,III,62; Paris 17.12.1982, PIBD 1983,III,79; T.G.I. Paris 20.01.1986, Dossiers Brevets 1986,VI,3; T.G.I. Nancy 20.03.1986, Rev.dr.prop.ind. 1986,6,128; T.G.I. Rennes 19.12.1988, PIBD 1989,III,654; Lyon 12.01.1989, D. 1990,Som.152; Italy, Cass. 25.07.1972, GADI 1972,2542; similar Trib. Torino 04.10.1974, GADI 1972,629; after the amendment of the Italian Patent Act, Article 59-bis, the effects of the contract terminate for the future, however, the court may order that payments made in the past may be repaid.

³ According to section 45(1) of the UK Patents Act 1977 the licensee may terminate the contract by giving three months' notice if the patent ceases to be effective.

⁴ Pagenberg/Geissler: Licence Agreements, Cologne, 4th ed., 1997, No. 1-57.

The differences in the attitude of the French, German and the Italian judge on the one hand and the English judge on the other hand is obvious in the construction of the terms of the contract. The French and the Italian judges construe the terms of the contract not only with reference to the words used by the parties in the agreement but with reference to the mandatory and non-mandatory terms of that nominate contractual type which is supposed to be similar to the patent licence contract and which is dealt with by the civil codes, because the legislators considered these rules corresponding to social desirability. The English judges construe the terms of the contract according to the declared will of the parties. With regard to the patent licence contracts the difference in attitude is obvious: in French, German and in Italian law the terms are construed with reference to the rules established by the legislators on the nominate contracts in the civil codes. The judge will, by means of a process of analogy, apply the rules drafted for those nominate contracts which have the closest resemblance to the patent licence contracts. In English law, the judge is not easily inclined to construe the contractual terms by the implication of terms or conditions, since the legal operation of the implication of terms is more limited in application.

The Incidence of Antitrust Law

Neither the French nor the English national laws contain a statutory regulation dealing comprehensively with antitrust law. The Italian legislator enacted a statute in 1990 which regulates all aspects of antitrust law, however, the Act does not expressly refer to the patent licence contract. The German Act Against Restraints of Competition deals with licence contracts in Articles 17 and 18. According to Article 17 of the Act licences are ineffective insofar as they impose upon the licensee any restrictions on his business conduct which go beyond the scope of the protected right. However, restrictions pertaining to the type, extent, quantity territory or period of exercise of such right shall not be deemed to go beyond its scope. According to Article 18 of the Act this rule applies *mutatis mutandis* to agreements concerning the exploitation of unprotected inventions and other technological achievements.

The national patent acts regulate certain aspects only, such as compulsory licensing which shall prevent an insufficient exploitation of the patented invention. The EC Treaty and the jurisprudence of the European Court of Justice⁵ affected this legislation, insofar as the possibility of the importation of patented articles from other member states of the EU has to be taken into account when establishing the degree of exploitation of the patent. Although the problems of the patent system are essentially those of monopoly power⁶ - that is to say that they are problems of prices, incomes and resource allocation - the legislators, with the exception of the UK, did not consider it necessary to deal with the 'negative' effects which the transactions on such exclusive rights may have within the patent legislation. The UK Patents Act contains in section 44 a provision relating to the avoidance of certain restrictive conditions. In French law,

⁵ See Burst and Kovar on "Les Licences Imposées Et Le Droit Communautaire", *Cah.dr.eur.* 1990, pp. 251 to 271; Hodgson, Mark, on "Changes to UK Compulsory Patent Licensing Laws", (1992) *EIPR* 214 to 216; Alexiadis, Peter, report on the judgement of the European Court of Justice of 18.02.1992, (1992) *EIPR* D-103.

⁶ Oliver, J.M., on "Law and Economics. An Introduction", London 1979, p. 76.

the prohibition of the refusal to sell and the prohibition of concerted actions has limited impact on the freedom of the parties to stipulate the terms of the contract as they think fit.

As Cornish⁷ points out, the use of competition policy to control the bargaining power of the patentee is controversial, since when the licensor licenses his right "albeit on terms that limit the licensee's or his own freedom of action, he would seem prima facie to be doing no more than realising the potential of his economic power". Thus the argument for controlling patent licences is weak, since a patentee has an exclusive right to produce the patented goods and to sell them where he wants at whatever price he can obtain so that it is not immediately obvious why he should not be able to impose whatever restrictions he chooses upon his licensees.

Taking into account the constraints which EC antitrust law imposes upon the parties in application of Article 81 of the EC Treaty and the EU Commission Regulation EC No. 240/96 of 31/01/96 on the application of Article 85(3) (now 81(3)) of the EC Treaty to certain categories of technology transfer agreements, the justification for a further limitation of the patentee by national antitrust law may be questionable. It can be assumed that the provisions on compulsory licensing and on the use of the patented invention by public authorities will suffice to safeguard the public interests. On the other hand the compatibility of certain clauses of patent licences with national antitrust law was discussed long before the EC obtained the competence to regulate the matter on a European level. In the UK the antitrust legislation - the applicability of the Restrictive Trade Practices Act 1976 to patent licence contracts which would impose the duty to register the contract, is doubtful; the Patents Act 1977 prohibits in section 44 certain tie-in clauses; the Fair Trading Act 1973 and the Competition Act 1980 permit the control of abuses of a monopoly position - however, in the past the competent authorities rarely had the occasion to develop a comprehensive doctrine on the abuse of the patent monopoly. The Resale Prices Act 1976 exempts patent licences from the scope of its application and the doctrine of restraint of trade is of limited applicability due to the 'reasonableness' test according to which reasonable conditions are admissible. The constraints imposed by French antitrust law are less stringent - the prohibition of the refusal to sell does not apply to the refusal to grant a licence for the exploitation of the patent and the prohibition of cartels will hardly affect the individual patent licence contract. With regard to the Italian Protection of Competition Act of 1990 it may be assumed that the policy of the Italian authorities will employ similar principles as those contained in the EC Regulation on the application of Article 85 (now 81) of the EC Treaty to certain categories of technology transfer agreements⁸ and on the EC policy concerning the abuse of a dominant position, insofar as they are adaptable to national law.

Formal Requirements

⁷ Cornish, W.R., on "Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights", 3rd ed., London 1996, p. 244.

⁸ Commission Regulation (EC) No. 240/96 of 31/01/96 on the application of Article 85(3) (now 81(3)) of the Treaty to certain categories of technology transfer agreements.

Generally, the national laws do not impose particular requirements of form - the written form suffices and its use is recommended in English, German, French and Italian law. Registration of the patent licence contract is no prerequisite for validity of the patent licence contract but generally required, if the contract shall be enforceable against third parties.

The 'Supervening' Invalidity of the Patent

The invalidity of the patent has different consequences for the licence contract in the various legal systems. In English law, due to a case law which dates back to the 19th century, generally, the invalidity remains without effect on the contractual relations, unless the licensor expressly warrants the validity of the patent. Case law did not consider the application of the principles of common mistake or of frustration, and the legislator took this in consideration: by providing in section 47 of the Patents Act 1977 that the contractual relation may be terminated by 3 months notice after the patent ceases to be in force. In French and Italian law the invalidity of the patent engenders the nullity of the contract due to lack of object or of causa. It is also asserted that the object of the contract is not the invention protected by the exclusive right but the exploitation of the invention in factual exclusivity so that the invalidity of the patent would engender the nullity of the contract for the future only. In the case where the contractual relation is annihilated with retroactive effect due to lack of object or causa, the former licensee may attempt to claim back the royalties paid - here the Italian Patent Act of 1939 expressly provides that in consideration of the circumstances the judge may order an equitable refund to be made to the licensee. In French law, the prevailing doctrine considers that the licensee is not entitled to claim back the royalties paid, if he has enjoyed a 'factual monopoly', that is to say if the factual exclusivity through the grant of a licence for a defective patent permitted the licensee to exploit the invention in factual exclusivity. According to the German law the parallel with the leasing contract, but in particular the concept of the lapse of the basis of the contract which permits the application of equitable principles, allow the licensee to terminate the contract for the future.⁹

The Terminability of the Licence

In English law, the contractual licence is, generally said, terminable with reasonable notice, unless the agreement provides otherwise.¹⁰ French law adopts a similar approach,¹¹ whereas according to German¹² and Italian¹³ law, the prevailing view is

⁹ Germany, Federal Supreme Court GRUR 1957/595.

¹⁰ *Martin Baker Aircraft v Canadian Flight Equipment* (1955) 2 Q.B. 556; *Redges v Mulliner* (1893) RPC 21,27; *Guyot v Thomson* (1894) RPC 554, per Lopes, L.J.

¹¹ France, Paris 01.03.1963, A. 1963,28; Paris 10.08.1958 A. 1960,38; Chavanne and Burst on "Propriété Industrielle", 3rd ed., Paris 1990, p. 237; Paris 10.11.1959, A. 1960,58; T.G.I. Paris 01.02.1985, PIBD 1986,III,59.

¹² Germany, Imperial Court GRUR 1937/1003; 1940/558.

¹³ Greco and Vercellone on "Le Invenzioni E I Modelli Industriali", vol. XI-2 of "Trattato Di Diritto Civile Italiano", ed. by Vassalli, Torino 1968, pp. 282,283.

that in the silence of the contract, the licence contract is concluded for the duration of the patent term.

The Scope of the Contractual Obligations

The scope of the obligations of the parties in the different legal systems varies, even if the text of the contractual stipulations is identical. In the first place this is due to the implication of contractual terms in the French, German and Italian legal systems.

The Licensor's Obligation of 'Delivery'

The difference is particularly evident in the case of the obligation of 'delivery' of the patented invention where French¹⁴ and Italian¹⁵ legal doctrine assume that the communication of ancillary know-how and also technical assistance and the communication of improving technology may be considered impliedly stipulated. As basis for the implication of such a broad interpretation of the concept of delivery serve the general principle that contracts be executed in good faith and the statutory definition of the term 'delivery' in the civil codes. German law differs: if the licence is exclusive, the licensor may impliedly be bound to provide additional support to the licensee, but such an obligation will not be assumed if the licence is non-exclusive.¹⁶ In English law, the licensor, in the absence of an express stipulation to the contrary, is not bound to communicate information beyond the documentation relating to the patented invention.¹⁷

The Licensor's Obligation of the Maintenance of the Patent

Whereas in English law the licensor is, generally, not bound to maintain the patent,¹⁸ French¹⁹ and Italian²⁰ jurisprudence imply this obligation, and according to German²¹ law such an obligation will be implied in the case of an exclusive licence, but not, if the licence is non-exclusive.

The Licensor's Obligation to Protect the Licensee in the Case of Infringement

English,²² French²³ and Italian²⁴ lawyers deny the implication of an obligation of protection in the case of the exclusive licence contract, where the licensee avails of his

¹⁴ France, Paris 19.12.1929, A. 1930,143.

¹⁵ Greco and Vercellone on "Le Invenzioni E I Modelli Industriali", vol. XI-2 of "Trattato Di Diritto Civile Italiano", ed. by Vassalli, Torino 1968, p. 281.

¹⁶ Krasser/Schmidt, GRUR Int 1982/324 at 331.

¹⁷ UK, Hunter's Patent (1965) RPC 416.

¹⁸ UK, Cummings v Stewart (1913) RPC 1,15.

¹⁹ Mathély, Paul, on "Le Nouveau Droit Français Des Brevets D'Invention", Paris 1991, p. 328.

²⁰ Frignani, Aldo, on "Les Contrats De Licence En Italie A La Lumière De La Réforme De La Loi Sur Les Brevets", Prop.ind. 1981, p. 293.

²¹ Stumpf: "Der Lizenzvertrag", 7th ed., Heidelberg 1998, D IV.

²² Melville, W.R., on "Forms and Agreements on Intellectual Property and International Licensing. Patents for Inventions", 3rd ed., New York 1984, § 3.14, p. 3-24.

own rights to attack infringers of the patented invention but some French lawyers consider the non-exclusive licensor bound to defend the patented invention upon the reasoning that the relevant rules relating to the leasing contract shall find analogous application.²⁵ The obligation of protection concerns also the licensor's obligation not to assign the contract or not to surrender the patent right.

The Licensor's Obligation of Warranty

The implied obligation of warranty according to French²⁶ and Italian²⁷ law is based on the application of the relevant rules concerning the leasing contract or the contract of sale by way of analogy to the licence contract. The licensor is considered impliedly bound to warrant against defects of the patented invention, and to warrant the undisturbed enjoyment of the patented invention. The parties may exclude the implied warranties or limit their scope.

According to German law the licensor warrants impliedly for the technical usability of the technology for the contractual purpose, but not for its commercial viability.²⁸ In the case of a future invalidity of the patent, the licensee may generally terminate the contract, but not claim damages based on an implied warranty.²⁹ In the absence of an express warranty for the validity of the patent, English courts are not likely to imply an obligation for the licensor.³⁰

With regard to the warranty against disturbances in the peaceful enjoyment through facts personal to the licensor, English law considers the licensor estopped from disturbing the licensee's right of enjoyment,³¹ whereas in French³² and Italian³³ law assert that such an obligation is mandatory. According to German law the licensor's implied obligation of warranty may be based on the application on the relevant provisions of the leasing contract by way of analogy.³⁴ In the case of disturbances attributable to third persons, English judges are unlikely to consider the licensor bound to warrant against such activities. In English law, the licensor may, by contract, exclude any warranties. In France, Germany and Italy this possibility is conditioned with regard to those warranties which are mandatory terms of nominate contracts,

²³ Cass.com. 26.02.1969, Bull.civ. 1969,IV,83, p. 69.

²⁴ Cass. 14.05.1914, Riv.dir.ind. 1952,II,147; Cass. 12.02.1935, Riv.dir.ind. 1952,II,111; Trib. Milan 17.06.1974, GADI 1974,835; Trib. Milan 14.12.1978, GADI 1978,725; Trib. Milan 23.04.1979, GADI 1979,515; Trib. Milan 03.10.1974, GADI 1974,624.

²⁵ Diener, Michelle, on "Contrats Internationaux De Propriété Industrielle", Bordeaux 1986, p. 95.

²⁶ Mousseron, Jean Marc, on "L'Obligation De Garantie Dans Les Contrats D'Exploitation De Brevets D'Invention, Hommage A Henri Desbois. Etudes De Propriété Intellectuelle", Paris 1974, p. 162.

²⁷ Frignani, Aldo, on "Factoring, Franchising, Concorrenza", Torino 1979, p. 195.

²⁸ Germany, Imperial Court GRUR 1943/35; Federal Supreme Court GRUR 1955/338.

²⁹ Pagenberg/Geissler: Licence Agreements, Cologne, 4th ed., 1997, No. 1-58.

³⁰ Walton, Anthony M., on "Grossbritannien", in: "Internationale Lizenzvertraege", 2nd ed., ed. by Langen, Weinheim 1958, p. 197.

³¹ *Gonville v Hay* (1904) RPC 49.

³² Plaisant, Robert, comment to Paris 09.06.1977, S. 1980,II,19430.

³³ Ravà, Tito, on "Invenzioni E Modelli Industriali", vol. II of "Diritto Industriale", Torino 1988, p. 175.

³⁴ Stumpf: "Der Lizenzvertrag", 7th ed., Heidelberg 1998, E 344.

contained in the civil codes and applied by way of analogy to the patent licence contract.

The Licensee's Obligations Concerning the Payment of the Remuneration and of Exploitation

The main obligation of the licensee concerns the payment of royalties. The methods for the fixation and calculation of the royalties are similar in all countries subject to the survey.

In the absence of an express stipulation, in English law the obligation of exploitation is not impliedly imposed upon the licensee, not even upon the exclusive licensee.³⁵ The obligation of exploitation may be qualified by particular clauses, such as the best endeavours clause or the minimum production clause. The parties are, generally, free in the stipulation of such terms and they may condition the manner in which the licensee executes this obligation for example by the minimum production clause.

According to German law courts imply a duty of exploitation in the case of exclusive licences.³⁶ If the licence is non-exclusive an implied obligation may derive from additional obligations, for example if the licensor performs additional obligations concerning assistance or if the royalties payable by the licensee depend on the scope of exploitation.³⁷ Concerning Italian law, it is asserted that an implied obligation of exploitation may bind the licensee if the payment of the royalties depends on the scope of exploitation.³⁸ Differently, the French jurisprudence³⁹ considers that not only the exclusive licensee but also the non-exclusive licensee are impliedly obliged to exploit the patented invention. This assertion is based on the public interest in a sufficient exploitation of the patented invention and on the risk that the patentee may be exposed to compulsory licensing if the exploitation does not satisfy the needs of the national economy.

The Challenge of the Validity of the Patent

The licensor may oblige the licensee not to challenge the validity of the patent. It seems that in English law, such a constraint upon the licensee's freedom is generally accepted. This is the prevailing view in French⁴⁰ and German⁴¹ and, with caution,

³⁵ UK, *Re Railway and Electrical Appliances*, 38 Ch.D. 597 and *Cheetham v Nuthall* (1893) RPC 321.

³⁶ Germany, Federal Supreme Court of 17/04/69, BGHZ 52/55.

³⁷ Germany, Federal Supreme Court GRUR 1980/38.

³⁸ Mangini, Vito, on "La Licenza Di Brevetto", Padova, 1970, p. 23.

³⁹ France, Nancy 23.05.1868, A. 1866,248; Cass. 18.03.1929, A. 1929,359; Cass.req. 07.05.1934, A. 1935,53; Cass. 16.01.1956, A. 1958,168; Cass.com. 02.12.1963, A. 1964,128; Cass.com. 17.11.1965, A. 1966,287; Cass.comm. 25.06.1968, D.S. 1969,23; Paris 12.05.1956, A. 1957,427; Paris 16.02.1968, A. 1968,100; Paris 22.05.1973, A. 1974, 205; Lyon 05.12.1974, A. 1975,39; Paris 09.06.1977, A. 1978,275; Paris 15.02.1978, A. 1979,306; T.G.I. Marseille 06.02.1979, D. 1980,IR,428; Lyon 22.10.1981, PIBD 1982,III,75; Paris 30.01.1991, PIBD 1991,III,302; in the case of a non-exclusive licence in particular Cass.com. 17.01.1965, A. 1965,287; Rouen 05.02.1951, A. 1951,78.

⁴⁰ Such a term will not be implied, but an express clause is valid, France, Cass.com. 07. and 17.12.1964, D. 1966,182; Paris 02.01.1969, A. 1969,163; Paris 22.06.1977, A. 1978,281.

Italian law.⁴² Similarly, the licensor may restrict the licensee's freedom to compete with the licensor's technology, subject to the general conditions for validity of such clauses.

Sub-licensing and Assignment of the Contract

Unless stipulated otherwise, the licensee is not entitled to grant sub-licences or to assign the contract. According to English law the licensor does not grant to the licensee an assignable right, since the contractual licence does not confer to the licensee any 'property', unless the parties stipulate otherwise.⁴³ French⁴⁴ and Italian⁴⁵ law arrive at a similar results by reason of the close relation between the parties to the licence contract. However, according to German law the exclusive licensee may, in the absence of a contractual stipulation, grant sub-licences and assign the contract.⁴⁶

Future Developments: Towards a Model Act

As has been shown for French, German and Italian law, the legal technique of the implication of terms influences the scope of the obligation of the patent licence contract to a considerable extent. For that reason, the contract lawyer of France, Germany and Italy may rely on the rules on nominate contracts contained in the civil codes which may be applied by way of analogy to the patent licence contract. The impact which the different laws of contract have upon the patent licence suggests the recommendation of a uniform or model act on the patent licence contract which would expand the 'astral' patent system⁴⁷ and make it even more comprehensible and more attractive. Such a model act could en comprise in a first chapter the problems of the 'general law of contract', relating to the parties, to the offer and acceptance, to the delay and impossibility of performance. In a second chapter the obligations of the parties could be dealt with and in a third chapter the problems related to antitrust. Although the differences between the English legal system on the one hand and the French, German and the Italian legal systems on the other hand create an obstacle for the adoption of a model act, a model act on patent licence contract could be a first step towards the harmonisation of the law of contract in Europe.

⁴¹ Germany, Federal Supreme Court GRUR 1965/135; GRUR 1971/243.

⁴² Ammendola, Maurizio, on "Accordi Di Licenza Di Brevetto Tra Due Imprese E Legislazione Nazionale Antitrust", in: "Diritto Antitrust Italiano", ed. by Frignani, Pardolesi, Patroni Griffi, Ubertazzi, Bologna 1993, pp. 447 to 487 at 461.

⁴³ UK, *Clore v Theatrical Properties* (1936) 3 All E.R. 483 (C.A.).

⁴⁴ France, Trib. Seine 23. and 28.06.1933, A. 1933,33,34; Paris 31.05.1906, La loi 16.06.1906; Trib.com. Nantes 28.02.1912, A. 1913,218; Trib.civ. Seine 23.06.1933, A. 1934,39.

⁴⁵ Boutet and Lodi on "Brevetti Industriali, Marchio, Ditta, Insegna", Torino 1978, p. 250.

⁴⁶ Pagenberg/Geissler: *Licence Agreements*, Cologne, 4th ed., 1997, No. 1-136.

⁴⁷ See Di Cataldo, Vincenzo, on "Le Invenzioni, I Modelli", Milan 1990, p. 23.

Annex 1

DRAFT MODEL LAW CONCERNING PATENT LICENCE CONTRACTS

The subsequent draft model act is based upon the examination of the problems discussed within this work so that it may serve as a point of reference for further discussions and negotiations. The draft is separated into four parts. The first part deals with the general aspects of the law of contract, the second is dedicated to the patent licence as a specific contract, the third concerns the relevance of antitrust law to the patent licence contract and the final part contains definitions.

PART I: ASPECTS OF THE GENERAL LAW OF CONTRACT.

Article 1. Subject-matter Of Contract.

- (1) The subject-matter of the patent licence contract is the patented invention or the invention for which a patent is applied for.
- (2) The invention is licensed in the state in which it is described in the patent specification at the time of the conclusion of the contract.
- (3) The subject-matter also comprises accessory know-how and it may also comprise non-accessory know-how or technical assistance.
- (4) The subject-matter of the contract must be determined or determinable.

Article 2. Conclusion Of Contract.

- (1) The patent licence contract is concluded at the moment when the offer for the conclusion is accepted by the other party.
- (2) A proposal for concluding a contract constitutes an offer if it is sufficiently definite and indicates the intention of the offeror to be bound in the case of acceptance.
- (3) An offer becomes effective when it reaches the offeree.

- (4) An offer cannot be revoked if it indicates, whether by stating a fixed time or otherwise, that it is irrevocable, or if it was reasonable for the offeree to rely on the offer as being irrevocable and the offeree has acted in reliance on the offer.
- (6) An offer is terminated when a rejection reaches the offeror.

Article 3. Declaration Of Consent.

- (1) The declaration of consent of the parties to the patent licence contract presupposes the subsistence of the capacity to contract according to the law.
- (2) The declaration of consent of the parties to the patent licence contract through representatives presupposes the competence of representation according to the law.
- (3) The power of representation is conferred by law or by the principal.

Article 4. Confidential Information.

If information is given as confidential by one party in the course of negotiations, the other party is under a duty not to disclose that information or use it improperly for his own purposes whether or not a contract is subsequently concluded. Where appropriate, the remedy for breach of that duty may include compensation based on the benefit received by the other party.

Article 5. Calculation Of Terms.

- (1) In the case in which a term begins at a certain point of time, the day concerned is not calculated for the purpose of the establishment of that time.
- (2) Official holidays or non-business days occurring during the period for acceptance are included in calculating the period.
- (3) If the last day of the period falls on an official holiday or a non-business day at the place of business of the party where the term is calculated, the period is extended until the first business day which follows.

Article 6. Terms Of Contract.

- (1) The conclusion of the patent licence contract presupposes the consent of the parties on the subject-matter and the remuneration.
- (2) If the parties intend to conclude a contract, the fact that they have intentionally left a term to be agreed upon in further negotiations or to be determined by a third person does not prevent a contract from coming into existence.
- (3) The existence of the contract is not affected by the fact that subsequently the parties reach no agreement on the term or the third person does not determine the term, provided that there is an alternative means of rendering the term definite that is reasonable in all of the circumstances, including any intention of the parties.
- (4) Any condition bound up with the conclusion of the contract must be accomplished in the manner in which the parties seem to have wished and understood that it would be done.

Article 7. Form Of Contract.

- (1) The contract to be effective presupposes the written form, signed with date and place by the persons with capacity to contract according to the law.
- (2) Any modification of the contract must be in the written form.
- (3) A party may be precluded by his conduct from asserting the requirement of the written form to the extent that the other party has relied on that conduct.

Article 8. Effects Of Contract.

- (1) The contract validly entered into is binding upon the parties.
- (2) The contract can only be modified or terminated in accordance with its terms or by agreement.
- (3) Nothing in this Act shall restrict the application of mandatory rules, whether of national, international, or supranational origin, which are applicable in accordance with the relevant rules of private international law.
- (4) The parties may exclude the applicability of the Act or derogate from or vary the effect of any of its provisions except as otherwise provided in the Act.

Article 9. Registration.

- (1) The validity of the patent licence contract does not depend upon registration.
- (2) After the registration the patent licence contract is enforceable against third persons who acquire rights in its subject-matter subsequent to the registration.
- (3) The patent licence contract which is not registered is enforceable with regard to third persons which acquire rights in its subject-matter and who know about the existence of the patent licence contract.

Article 10. Lapse Of Subject-matter.

- (1) In the case in which the patent relating to the licensed invention ceases to be in force the licensee may terminate the contract with three months' notice.
- (2) In the case in which the licence relates to a patent application, an amendment of the application affects the subject-matter of the contract in the moment in which it is legally binding.
- (3) In the case in which, as a consequence of the amendment, the execution of the contract is deprived of interest, the licensee may terminate the contract with three months' notice.
- (4) In the case in which the grant of a patent for an application is refused the licensee may terminate the contract with three months' notice.
- (5) In the case in which the patent or patent application is amended the licensee may demand a reduction of the remuneration in relation to the decrease in the value of the licensed subject-matter relative to the value of the amended subject-matter.
- (6) The fall into the public domain of secret subject-matter due to third persons does not affect the contract.

Article 11. Refund Of Payments.

- (1) In the case of the amendment, revocation or disclaimer of the patent and in the case of the amendment of the patent application or refusal of the patent grant the judge may

order a refund of the remuneration to be made by the licensor to the licensee on equitable principles taking into account whether any protection by sham patent was of benefit to the licensee.

(2) In the case of a modification or disclaimer of the scope of the patented invention relating to the patent or patent application, the parties shall negotiate a reasonable reduction of the remuneration which, failing agreement between the parties, may be fixed by the judge upon equitable principles.

Article 12. Mistake And Fraud.

(1) Mistake is an erroneous assumption relating to facts or to law existing when the contract was concluded.

(2) The mistake of a party which relates to facts concerning the subject-matter of the contract, the identity or the personal quality of the other party gives the right to demand the annulment of the contract.

(3) An error occurring in the expression or transmission of a declaration is considered to be a mistake of the person from whom the declaration emanated.

(4) The mistake of a party which relates to the contract is essential if it concerns the subject-matter of the contract or the identity or personal qualities of the other party.

Article 13. Avoidance Of Contract.

(1) A party may only avoid a contract for mistake if, when the contract was concluded, the mistake was of such importance that a reasonable person in the same situation as the party in error would have contracted only on materially different terms or would not have contracted at all if the true state of affairs had been known and the other party made the same mistake, or caused the mistake, or knew or ought to have known of the mistake and it was contrary to reasonable commercial standards of fair dealing to leave the mistaken party in error, or the other party had not at the time of avoidance acted in reliance on the contract.

(2) A party may not avoid the contract if it committed the mistake with gross negligence, or the mistake relates to a matter in regard to which the risk or mistake was assumed or, taking into account all the relevant circumstances, should be borne by the mistaken party.

(3) A party may avoid the contract when he has been led to conclude it by the other party's fraudulent representation, including language or practices, or fraudulent non-disclosure of circumstances which according to reasonable commercial standards of fair dealing he should have disclosed.

(4) A party may demand the annulment of the contract for fraud if the deception employed by one of the contracting parties was such that, without it, the other contracting party would not have entered into the contract.

(5) A party may avoid the contract when he has been led to conclude it by the other party's unjustified threat which, having due regard to the circumstances, is so imminent and serious as to leave him no reasonable alternative. In particular, a threat is unjustified if the act or omission with which a party has been threatened is wrongful in itself, or it is wrongful to use it as a means to obtain the conclusion of the contract.

Article 14. Avoidance Of Contract In Case Of Act Imputable To Third Parties.

(1) In the case in which a fraud, a threat, a gross disparity or a party's mistake is imputable to, or is known or ought to be known by, a third person for whose acts the other party is responsible, the contract may be avoided under the same conditions as if the behaviour or knowledge had been that of the party itself.

(2) In the case in which a fraud or threat is imputable to a third person for whose acts the other party is not responsible, the contract may be avoided if the other contracting party knew or ought to have known of the fraud or the threat.

Article 15. Unlawfulness.

(1) The patent licence contract is unlawful when the parties are led to conclude it solely by an unlawful motive, common to both or when its content violates the law.

(2) The unlawful contract is void.

Article 16. Nullity Of Contract Or Its Clauses.

(1) Partial nullity of the contract or the nullity of single clauses imports the nullity of the entire contract, if it appears that the contracting parties would not have entered into it without that part of its content which is affected by nullity.

(2) The nullity of single clauses does not necessitate the nullity of the contract when, by operation of law, mandatory rules are substituted for the void clauses.

(3) In the case of the annulment of the contract any performances exchanged in view of the avoided contract have to be restituted according to the principle of unjust enrichment.

Article 17. Interpretation Of Contract.

(1) The written contract is proof of the intent of the parties.

(2) Every clause of the contract is interpreted with reference to all the others, attributing to each the meaning resulting from the act as a whole.

(3) The contract shall be interpreted according to good faith, that is to say that in case of ambiguous clauses the intent of the parties will be deemed to result from the consideration of what they would reasonably have agreed to if they would have carefully thought about the question.

Article 18. Interpretation Of Contract In Case Of Doubt.

(1) In case of doubt, the clauses of the contract shall be interpreted in the sense in which they can have some effect, rather than in that according to which they would have none.

(2) In case of doubt, expressions which can have more than one meaning shall be understood in the sense most suitable to the nature and object of the contract.

(3) Terms susceptible of two senses ought to be taken in the sense which is most suitable for the subject-matter of the contract.

Article 19. Conditions And Standard Terms.

- (1) Customary terms are deemed to be included in the contract, unless it appears that they were not intended by the parties.
- (2) Standard conditions of contract used by any party are not effective unless expressly approved in writing.

Article 20. Supplying An Omitted Term.

- (4) In the case in which the parties have not agreed with respect to a term which is important for a determination of their rights and duties, a term which is appropriate in the circumstances is supplied.
- (5) In determining what is an appropriate term regard shall be had, among other factors, to:
 - (i) the intention of the parties;
 - (ii) the nature and purpose of the contract;
 - (iii) good faith;
 - (iv) reasonableness.

Article 21. Contractual Obligations.

- (1) The contractual obligations of the parties to the patent licence contract may be express or implied.
- (2) Implied obligations stem from:
 - (i) the nature and purpose of the contract;
 - (ii) practices established between the parties and fair dealing;
 - (iii) reasonableness.

Article 22 Performance.

- (1) Each party must act in accordance with good faith. The parties may not exclude or limit this duty.
- (2) A party may reject the other party's offer to perform if the offer does not relate to the contractually envisaged performance.
- (3) The parties are bound by any usage to which they have agreed and by any practices which they have established between themselves and which are generally accepted within the territory to which the licensed subject-matter relates.
- (5) Each party shall bear the costs of performance of its obligations.

Article 23. Quality Of Performance.

- (1) To the extent that an obligation of a party involves a duty to achieve a specific result, that party is bound to achieve that result.
- (2) To the extent that an obligation of a party involves a duty of best efforts or endeavours, that party is bound to employ those means that would be used by a reasonable person of the same kind in the same circumstances.

Article 24. Time Of Performance.

- (1) A party must perform its obligations:
 - (i) if a time is fixed by or determinable from the contract at that time;

(ii) if a period of time is fixed by or determinable from the contract, at any time within that period unless circumstances indicate that the other party is to choose a time; or,
 (iii) in any other case, within a reasonable time after the conclusion of the contract.

(2) If a party has not paid at the time when payment is due, the other party may require payment according to the applicable rate of exchange prevailing either when payment is due or at the time of actual payment.

(3) A party's acceptance of an earlier performance does not affect the time for the performance of his own obligation if it has been fixed irrespective of the performance of the other party's obligations.

Article 25. Place Of Performance.

(1) If the place of performance is not fixed by or not determinable from the contract, a party is to perform a monetary obligation at the creditor's place of business and any other obligation at its own place of business.

(2) A party must bear any increase in the expenses incidental to performance which is caused by a change in his place of business subsequent to the conclusion of the contract.

Article 26. Payments.

(1) Payment can be made in any form used in the ordinary course of business at the place of payment.

(2) A party who accepts a check or another order to pay or a promise to pay, is presumed to do so only on condition that it will be honoured.

(3) Unless a party has indicated a particular account, payment can be made by a transfer to any of the financial institutions in which the creditor has made it known that he has an account.

(4) In the case of payment by a transfer the obligation of the obligor is discharged when the transfer to the obligor's financial institution becomes effective.

Article 27. Currency Of Payment.

(1) If a monetary obligation is expressed in a currency other than that of the place of payment, it may be paid in the currency of the place of payment unless that currency is not freely convertible or the parties have agreed that payment should be made only in the currency in which the monetary obligation is expressed.

(2) If it is impossible for the obligor to make payment in the currency in which the monetary obligation is expressed, the obligee may require payment in the currency of the place of payment.

(3) Payment in the currency of the place of payment is to be made according to the applicable rate of exchange prevailing there when payment is due.

Article 28. Imputation Of Payment.

(1) A party owing several monetary obligations to the other party may specify at the time of payment the debt to which he intends the payment to be applied. The payment discharges first any expenses, then interests due and finally the principal.

(2) If the party does not make such a specification, the other party may, within reasonable time after payment, declare to the debtor the obligation to which he imputes the payment, provided that obligation is due and undisputed.

(3) In the absence of imputation under para. (1) or (2), payment is imputed to that obligation which satisfies one of the following criteria: an obligation which is due or which is the first to fall due or the obligation which has arisen first.

Article 29. Penal Clause.

(1) A clause by which it is agreed that in case of non-performance or delay of performance one of the contracting parties is liable for a specified penalty, has the effect of limiting the compensation to the promised penalty, unless compensation was agreed on for additional damages.

(2) The penalty is due regardless of proof of damage.

(3) The creditor cannot demand both the principal performance and the penalty, unless the penalty was stipulated for mere delay.

(4) The penalty can be reduced by the judge according to equitable principles, if the principal obligation has been partly performed or if the penalty is manifestly excessive, always taking into account the interests which the creditor had in the performance.

Article 30. Notice.

(1) Where notice is required it may be given by any means appropriate to the circumstances.

(2) A notice is effective when it reaches the person to whom it is given, that is to say when it is delivered to that person's place of business or mailing address.

Article 31. Prescription.

(1) The claims for annulment or damages or other claims arising from the contractual relation are statute-barred after 5 years, the time beginning from the date on which the reason for the annulment or damages was discovered or should or could have been discovered.

(2) Voidability can be pleaded by the defendant in an action for performance of the contract, even if the action for annulment is prescribed.

PART II: THE SPECIAL PATENT LICENCE CONTRACT

Article 32. Patent Licence.

(1) The patent licence contract is an agreement by means of which a party grants to another party the right to utilise an invention protected by a patent or an application for a patent against a remuneration.

(2) The parties can freely determine the contents of the patent licence contract within the limits imposed by law.

(3) The licensor is bound to maintain the patent right or the right in the application.

(4) The contract shall have the force of law between the parties. It cannot be dissolved except by mutual consent or for a cause permitted by law.

Article 33. Option For Conclusion Of Contract.

(1) In the case in which the parties agree that one of them is to remain bound by his declaration and that the other has the power to accept or not, the declaration of the first is considered an irrevocable offer (option).

(2) In the conduct of negotiations and the formation of the contract the parties shall act according to good faith.

Article 34. Delivery.

(1) The licensor is obligated to pass on to the licensee a copy of the documentation which concerns the licensed patented invention.

(2) In the case in which the licence relates to an invention for which the application for a patent is made, the licensor is also obligated to keep the licensee informed on the granting procedure.

(3) The licensor is obligated to communicate to the licensee the accessory know-how necessary for the utilisation of the licensed patented invention for the contractual purpose.

(4) The licensor shall co-operate with the licensee in the application of the licensed subject-matter for the contractual purpose when such co-operation may reasonably be expected.

Article 35. Improvements Of Licensed Technology.

(1) An improvement of the licensed subject-matter is any invention, the utilisation of which offers an advantage in relation to the utilisation of the licensed subject-matter.

(2) The improving invention may be patentable or unpatentable, protected by secrecy or patented.

Article 36. Making Of Improvements.

(1) In the case in which the parties have established the obligation for the communication of improvements the obligation arises when the improvement is made.

(2) The improvement is made if its usefulness has been proved successfully in experiments or if it has been described in a manner so that it may be used by a person versed in the technology concerned.

Article 37. Obligation Of The Communication Of Improvements.

(1) A party may undertake to communicate to the other party improvements of the licensed subject-matter.

(2) The beneficiary of the obligation of communication is entitled to a non-exclusive licence of the improvement.

(3) The recipient of the communication shall keep the improvement confidential and take the necessary steps to avoid its disclosure.

(4) The recipient of the communication may disclose it to those persons necessary for the industrial application of the improvement for the purpose of the contract under the obligation of the maintenance of confidentiality.

Article 38. Remuneration For Communication Of Improvement.

(1) The recipient of the communication of an improvement shall pay a remuneration to the communicating party, the amount to be fixed by the judge in the case of controversy.

(2) The remuneration shall be established upon equitable principles, taking into account in particular the value of the improvement in relation to that of the licensed technology, the advantages which it offers with respect to the licensed technology and the possible increase of the royalty which ensues from its application.

Article 39. Maintenance Of Rights.

(1) The licensor shall maintain the licensed patent right in force.

(2) The recipient of secret information under the contract shall take the necessary steps to avoid its disclosure.

(3) The recipient of secret information under the contract may communicate it insofar as necessary for the contractual purpose under the obligation to maintain secrecy.

Article 40. Warranties.

(1) The licensor warrants the licensee against disturbances in the enjoyment of the licensed subject-matter through facts attributable to himself. The parties may not exclude or limit this duty.

(2) The licensor warrants the absence of technical defects of the licensed subject-matter.

(3) The licensor warrants that he is authorised to deal in the subject-matter and that the patent protection has been obtained correctly.

(4) The licensor may undertake to warrant against disturbances in the enjoyment of the licensed subject-matter through facts attributable to third persons.

(5) The licensor may undertake to warrant the validity of the licensed patented invention.

(6) In the case in which the parties stipulate that the contract is concluded at the risks and perils of the licensee the licensor's warranty according to subsections (2) and (3) is excluded.

Article 41. Assignability Of Contract.

(1) The parties may assign contractual claims to third persons. The assignment is effective upon notification to the other party.

(2) The parties may transfer contractual obligations with the express consent of the beneficiary.

(3) The substitution of a party in the contractual relation is valid from the time the other party has accepted it.

(4) In the case in which the licence relates to a business, it will be transferred with the business or appertain to the successor organisation in the case of a concentration or merger of undertakings.

(5) In the case of the death of a party to the contract or the completion of the undertaking to which the licence relates, the licence will pass on to the heirs or to the successor organisation.

Article 42. Grant Of Sub-licences.

(1) The licensor may authorise the licensee to grant sub-licences.

(2) The licensee may employ sub-contractors for the exploitation of the licensed subject-matter and disclose secret subject-matter insofar as necessary for the contractual purpose under the obligation of maintaining secrecy.

Article 43. Exploitation Of Licensed Subject-matter.

(1) In the exploitation of the licensed subject-matter the licensee shall observe the diligence of a reasonable man.

(2) The licensee shall exploit the licensed subject-matter in a serious and effective manner.

(3) The licensee carries the risk of the commercial success of the exploitation.

Article 44. Protection Of Licensee.

(1) The licensor shall defend the licensed rights against challenges by third persons.

(2) The licensor shall pursue infringements or violations of the licensed subject-matter by third persons.

(3) In the case in which the licensee may defend the licensed subject-matter or bring a suit against infringement by third persons the licensor shall assist the licensee.

Article 45. Defence Of Subject-matter.

(1) The licensee shall assist the licensor in a suit for the defence of the licensed subject-matter.

(2) The licensee shall assist the licensor in a suit brought by a third person against an infringement or a violation of the licensed subject-matter.

(3) The licensee shall inform the licensor of any challenges of the patent right by third persons or of cases of patent infringement.

Article 46. Duration.

(1) In case of doubt the patent licence contract is concluded for the duration of the term of the licensed subject-matter.

(2) The patent licence contract ends at the expiration of the term without need of notice of termination.

(3) In the case in which the duration of the licence contract is automatically prolonged beyond the expiry of the licensed patents existing at the time the agreement was entered into by the inclusion in it of any new patent obtained by the licensor, the contract ends at the expiration of the last patent to which it relates.

Article 47. Termination.

- (1) A party's right to terminate the contract is to be exercised by notice to the other party.
- (2) Termination of the contract releases both parties from their obligations to effect and perceive future performances.
- (3) Termination does not preclude a claim for damages for non-performance.
- (4) After the termination a party may claim restitution of what has been supplied after termination has taken effect.
- (5) Termination does not affect any provisions of the contract for the settlement of disputes or any other provision which is to operate even after termination.

Article 48. Performance.

- (1) A party to the patent licence contract may demand the money which is due or the specific performance of an obligation, including the remedying of a defective performance.
- (2) Specific performance cannot be obtained in the case in which:
 - (i) performance would be unlawful or impossible; or
 - (ii) performance would cause the obligor unreasonable effort or expense; or
 - (iii) performance consists in the provision of services or work of a personal character or depends upon a personal relationship; or
 - (iv) the aggrieved party may reasonably obtain performance from another source.
- (3) The aggrieved party will lose the right to specific performance if he fails to seek it within a reasonable time after he has or ought to have become aware of the non-performance.

Article 49. Non-performance. Definition.

- (1) Non-performance is failure by a party to perform any of its obligations under the contract, including defective performance or late performance.
- (2) In determining whether a failure to perform an obligation amounts to a fundamental non-performance, regard shall be had, in particular, to whether
 - (i) the non-performance substantially deprives the aggrieved party of what he was entitled to expect under the contract unless the other party did not foresee and could not reasonably have foreseen such result;
 - (ii) strict compliance with the obligation which has not been performed is of essence under the contract; the non-performance is intentional or reckless;
 - (iii) the non-performance gives the aggrieved party reason to believe that he cannot rely on the other party's future performances;
 - (iv) the defaulting party will suffer disproportionate loss as a result of the preparation or performance if the contract is terminated.

Article 50 Additional Period Of Performance.

- (1) In any case of non-performance the aggrieved party may by notice to the other party allow an additional period of time of reasonable length for performance.

- (2) If the additional period allowed is not of reasonable length it shall be extended to a reasonable length.
- (3) During the additional period the aggrieved party may withhold performance of his own reciprocal obligation and may claim damages but he may not resort to any other remedy.
- (4) If the aggrieved party receives notice from the other party that the latter will not perform within that period, or if upon expiry of that period due performance has not been made, the aggrieved party may resort to any of the remedies that may be available under this law.
- (5) Para. (1) to (2) do not apply when the obligation which has not been performed is only a minor part of the non-performing party's obligation.

Article 51. Rights Accruing From Non-performance.

- (1) A party to the patent licence contract may terminate the contract if the failure of the other party to perform an obligation under the contract amounts to a fundamental non-performance.
- (2) A party may not rely on the other party's non-performance to the extent that such non-performance was caused by the first party's act or omission or by another event as to which the first party bears the risk.
- (3) After the lapse of an additional period of time of reasonable length for performance or the declaration of the other party that it refuses to perform the aggrieved party may serve a second notice to the defaulting party declaring:
 - (i) that it will demand the rescission of the contract if the defaulting party does not make the performance within a prolonged period of time, and claim damages for non-performance, or
 - (ii) that it will substitute the other party's performance by a third party's performance upon the expenses of the other party, or
 - (iii) that it will reduce the remuneration in relation to the difference between the value of the performance to the value of the faulty performance; and
- (4) Dissolution of the contract can be demanded even when an action has been brought to demand performance; but performance can no longer be demanded after termination has been declared.

Article 52. Force Majeure.

- (1) A party's non-performance is excused if that party proves that the non-performance was due to an impediment beyond its control and that it could not reasonably be expected to have taken the impediment into account at the time of the conclusion of the contract or to have avoided or overcome it or its consequences.
- (2) When the impediment is only temporary, the excuse shall have effect for such period as is reasonable taking into account the effect of the impediment on performance of the contract.
- (3) The party who fails to perform must give notice to the other party of the impediment and its effect on its ability to perform. If the notice is not received by the other party who ought to have known of the impediment, it is liable for damages resulting from such non-receipt.

Article 53. Penalty.

- (1) In the case in which a court orders a party to perform, it may also direct that this party pay a penalty if he does not comply with the order unless mandatory provisions of the law of the forum provide otherwise.
- (2) Payment of the penalty to the aggrieved party does not exclude any claim for damages.

Article 54. Placing In Default.

- (1) A party of the licence contract is placed in default by means of a notice made in writing.
- (2) Placing in default is not necessary, if the debt arises from an unlawful act, if the debtor has declared that he does not intend to perform the obligation or if the time due for the performance has expired.
- (3) Interests are payable on any debt from the time onwards the party is in default.

Article 55. Royalties.

- (1) The parties may stipulate the royalties as a lump sum, and/or fixed or proportional, dependent upon the exploitation of the licensed subject-matter by the licensee.
- (2) In the case in which the royalties depend upon the licensee's scope of exploitation of the licensed subject-matter, the licensor may inspect the licensee's books and documents necessary for the verification of the amount of the royalty.
- (3) If the parties cannot agree upon the inspection according to subsection 2 they shall name an independent expert who examines the licensee's books at his premises, the costs of the expert to be shared by the parties.
- (4) Royalties are payable at the domicile of the licensor at the time envisaged for the payment.

Article 56. Reduction Of Royalties.

- (1) In the case in which the licensed subject-matter is amended, the licensee may demand a reduction of the royalties from the moment the amendment becoming legally binding.
- (2) If the parties cannot agree upon the fixation of the reduction it may be fixed by a judge, taking into account the circumstances of the individual case and the use of equitable principles.

Article 57. Damages.

- (1) Any non-performance gives the aggrieved party a right to damages either exclusively or in conjunction with any other remedies except where damages are excluded under this law.
- (2) If the performance is due at a fixed date, the creditor may claim damages if the debtor is in default.
- (3) The aggrieved party is entitled to additional damages if the non-payment caused it a greater harm.

Article 58. Scope Of Damages.

- (1) Damages are due to the creditor from the loss which he incurred and from the gain of which he was deprived.
- (2) Damages are due which could be foreseen at the time of the conclusion of the contract unless they are due because of the debtor's wilfulness that the obligation not be executed.
- (3) Even in the case in which the inexecution of the agreement results from the wilfulness of the debtor, damages are to include, with regard to the loss incurred by the creditor and the gain of which he is deprived, only what is an immediate and direct consequence of the inexecution of the agreement.

Article 59. Assessment Of Damages.

- (1) In the case in which the amount of damages cannot be established with a sufficient degree of certainty, the assessment will be at the discretion of the judge.
- (2) When the harm is due in part to the aggrieved party's act or omission or to another event as to which that party bears the risk, the amount of damages shall be reduced in part to the aggrieved party's act or omission or to another event as to which that party bears the risk, the amount of damages shall be reduced to the extent these factors have contributed to the harm, having regard to the conduct of each of the parties.

Article 60. Interests.

- (1) Interests shall be payable on damages for non-performance or non-monetary obligations as from the time of non-performance.
- (2) If a party does not pay a sum of money when it falls due the aggrieved party is entitled to interests upon that sum from the time when payment is due to the time of payment.
- (3) Interests shall be payable at the labour rate prevailing for the currency of payment at the place for payment, or, where no such rate exists at that place, then the same rate in the state of currency of payment.

PART III: THE INCIDENCE OF ANTITRUST LAW.

Article 61. Applicability Of Antitrust Law To Patent Licence Contracts.

- (1) Antitrust law is applicable to terms of patent licence contracts insofar as the terms of the contract are not covered by those rights which are exclusive rights in the licensed subject-matter.
- (2) Para. (1) is applicable mutatis mutandis to contracts which concern an invention for which a patent is applied for.
- (3) The scope of the rights which the patent grants is in particular determined by the principle of the exhaustion of the patent right according to which the patent right in patented articles is exhausted after their first marketing within the protected territory by the patentee or with his consent.

(4) Restraints concerning the use of patented articles after the first sale in the licensed territories with the consent of the patentee or licensee are not covered by the exclusive rights in the licensed subject-matter.

Article 62. Restraints Of Exploitation.

(1) The determination of the scope of the licensee's exploitation of the licensed subject-matter such as by an obligation to produce a minimum quantity of the licensed articles or to carry out a minimum of operations exploiting the licensed subject-matter is covered by the exclusive rights in the licensed subject-matter.

(2) The obligation imposed upon the licensee to use his best endeavours in the exploitation of the licensed technology is covered by the exclusive rights in the licensed subject-matter.

Article 63. No-competition Clause.

Not covered by the exclusive rights in the licensed subject-matter are clauses which obligate the licensee not to use and to refrain from developing technologies which compete with the licensed subject-matter in the sense that their utilisation offers advantages over the utilisation of the licensed subject-matter (no-competition clauses).

Article 64. No-challenge Clause.

Not covered by the exclusive rights in the licensed subject-matter are clauses which prohibit the licensee from challenging the validity of the licensed subject-matter (no-challenge clauses) unless the licence is granted free of charge or the technology to which it relates is obsolete.

Article 65. Territorial Restraints.

(1) The prohibition to use and sell articles manufactured under the licence in other territories where the licensed subject-matter is protected is covered by the exclusive rights in the licensed subject-matter.

(2) Restraints upon the licensee concerning the resale of the patented articles are not covered by the exclusive rights in the licensed subject-matter.

Article 66. Field Of Use Restraints.

Obligations imposed upon the licensee which restrict his freedom of exploitation of the licensed subject-matter to one or more technical fields of application are covered by the exclusive rights in the licensed subject-matter.

Article 67. Restraints Concerning Marketing.

(1) Obligations imposed upon the licensee concerning the compliance with standards established for the marketing of patented articles such as size, quality and marking of the patented articles are covered by the patent right.

(2) Obligations imposed upon the licensee to use the patentee's name, trade mark and other registered rights in relation to the patented articles or to mark the licensed article

with an indication of the patentee's name, the licensed patent or the patent licensing agreement are covered by the exclusive rights of the licensed subject-matter.

(3) Obligations which relate to the establishment or maintenance of a distribution system are not covered by the exclusive rights in the licensed subject-matter.

Article 68. Restraints Concerning Exportation.

(1) Obligations concerning the exportation of articles manufactured under the licence into other territories where the licensed subject-matter is protected are covered by the exclusive rights in the licensed subject-matter.

(2) Obligations upon purchasers of the articles manufactured under the licence are not covered by the exclusive rights in the licensed subject-matter.

Article 69. Restraints Arising From Tying Clauses.

(1) Obligations binding the licensee to purchase or procure from the licensor or determined persons or to refrain from the purchase or procurement from such persons of any other articles or services than the patented articles or articles obtained by means of the patented method are not covered by the exclusive rights in the licensed subject-matter.

(2) Obligations of tying are covered by the licensed exclusive rights if the use of the tied articles is necessary for the maintenance of quality standards of the articles manufactured under the licence, for a technically satisfactory exploitation of the licensed invention or for purposes of repair of the licensed equipment.

Article 70. Restraints Concerning Remuneration.

(1) Restraints relating to the modality of the payment or the remuneration are covered by the exclusive rights in the licensed subject-matter.

(2) The obligation of the licensee to pay royalties beyond the termination of the patent right is not covered by the exclusive rights in the licensed subject-matter, insofar as this is a modality of the payment.

Article 71. Block Licensing.

Mandatory block licensing is covered by the exclusive rights in the subject-matter to be licensed insofar as reasonably necessary for a satisfactory exploitation of the technique to which the licence shall relate.

Article 72. Grant Back.

The obligation on the parties is covered by the exclusive rights in the licensed subject-matter by means of which they undertake to communicate to one another any experience gained in exploiting the licensed invention and to grant one another a licence in respect of inventions relating to improvements and new applications, provided that such communication or licence is non-exclusive.

Article 73. Most Favoured Licensing.

The obligation on the licensor to grant the licensee any more favourable terms than the licensor may grant to another undertaking after the agreement is entered into is covered by the exclusive rights in the licensed subject-matter.

Article 74. Communication Of Secrets.

Obligations not to divulge secret information such as secret know-how communicated under the contract even after the licence contract has expired are covered by the exclusive rights in the licensed subject-matter.

Article 75. Post Expiration Clause.

Obligations which extend the contractual relation after the licensed patent ceases to have effect are not covered by the patent right.

PART IV: DEFINITIONS.

Article 76. Patent Licence:

A patent licence is the authorisation for the utilisation of the patented invention or the invention for which a patent is applied for against a remuneration.

Article 77. Exclusive Patent Licence:

In the case of an exclusive patent licence only one licensee is authorised to utilise the licensed invention.

Article 78. Non-exclusive Patent Licence:

In the case of non-exclusive licence the licensor retains the right to exploit the invention himself and to grant further licences.

Article 79. Sole Licence:

By means of the sole licence the licensor undertakes to authorise only one licensee to utilise the invention.

Article 80. Cross Licensing:

By means of cross licensing different owners or holders of patents or rights in applications authorise each other mutually/reciprocally to utilise the inventions against a remuneration.

Article 81. Improvement Invention:

An improvement invention is an invention which offers advantages with regard to the utilisation of the basic invention so that it is likely to replace the basic invention in whole or in part.

Article 82. Grant Back Clause:

By means of a grant back clause the promisor undertakes to communicate to the promisee any future inventions to which the promise relates.

Article 83. Know-how:

Know-how comprises not patented technical information which is destined to remain secret and known to a limited circle of persons.

Article 84. Technical Assistance:

Technical assistance comprises the teaching of a technology.

Article 85. Revocation Of A Patent:

The revocation of a patent means the cancellation of the patent from the patent register.

Article 86. Package Licensing:

By means of package licensing the licensor grants to the licensee the right for the utilisation of a bundle of patents.

ANNEX II

A CHART OF THE CONFIGURATION OF THE PATENT LICENCE CONTRACT IN ENGLISH, FRENCH AND ITALIAN LAW.

The differences and similarities of the national laws of the patent licence contract shall be illustrated by means of a chart.

1 THE CONCEPT OF THE LICENCE

1.1 THE BARE LICENCE

The term 'licence', whether in the English, French or Italian terminology means a permission to do what otherwise would constitute a violation of the rights of the person who grants the licence. In this sense the term is used if the patentee grants a bare or mere licence.

1.2 THE EXCLUSIVE LICENCE

The exclusive licence means a permission for the utilisation of the patented invention to the exclusion of any other persons, including the licensor or patentee.	The exclusive licence grants to the licensee the permission for the utilisation of the patented invention of any other person except the licensor. In this latter aspect French law differs from English or Italian law.	The exclusive licence means a permission for the utilisation of the patented invention to the exclusion of any other persons, including the licensor or patentee.
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1.3 THE NON-EXCLUSIVE LICENCE

The non-exclusive licence is a licence for the utilisation of the patented invention, but the licensor retains the right to exploit the licensed invention himself or to grant further licences.

1.4 THE SOLE LICENCE

The sole licence is a licence for the utilisation of the patented invention, but different from the non-exclusive licencor the exclusive licensor undertakes not to grant further licences	The term 'sole licence' does not exist in the French legal language, because it corresponds with the understanding of the exclusive licence in French law.	The " <i>Licenza Semplice</i> " corresponds with the term 'sole licence' in English law.
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1.5 THE IMPLIED LICENCE

The principle of the exhaustion of the patent right has not found statutory recognition. The purchaser of patented articles is considered impliedly licensed to use these articles. If the sale of patented articles is bound up with conditions, the purchaser acquires subject to these conditions. A prohibition concerning exportation is likely to violate the community-wide exhaustion of the patent right.	The principle of the exhaustion of the patent right is established in the French Intellectual Property Code. The patent right is exhausted with the sale of the patented article by the patentee or with his consent within the territory to which the patent relates. Accordingly, acts done after the sale of the patented article do not infringe the patent right. A licence may be implied, for example in the case of a sale of an unpatented machine by the use of which necessarily will be carried out the patented invention.	The principle of the exhaustion of the patent right is established in the Italian Patent Act. The patent right is exhausted with the sale of the patented article by the patentee or with his consent within the territory to which the patent relates. Accordingly, acts done after the sale of the patented article do not infringe the patent right. A licence may be implied, for example in the case in which the patented invention is owned by a manager of the company by which it is exploited.
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2 THE PRINCIPLE OF FREEDOM OF CONTRACT AND THE LICENCE CONTRACT

The parties are free to stipulate the content of the contract as they think fit, subject to the constraints imposed by the law. The patent licence contract is recognised as a specific contractual type. The construction of the contract depends upon the stipulations of the parties. Generally, terms will not be implied by statute.

French and Italian law differ between nominate and innominate contracts. 'Nominate' contracts (that is to say those which received a 'name') are dealt with by the legislators in the codes. All other contractual types are 'innominate'. The codes contain mandatory and non-mandatory terms for nominate contracts so that the parties have only to agree upon the essential elements of a contract, the other terms will be implied by statute. A contract has to be classified for example whether it is a patent licence contract or contract for the communication of know-how. First, the contractual clauses will be verified. This renders possible the verification of the contractual type: it will be examined whether essential elements of a nominate contractual type are met. If the contract cannot be identified as nominate, it belongs to the classes of innominate contracts. It will be established whether the contract, according to its clauses, is 'complex' or 'mixed'. The prevailing elements of the clauses will decide upon the contractual type. If then the contract can be identified as a patent licence contract, its terms are construed by reference to the stipulations of the parties and by reference to those mandatory and non-mandatory terms of nominate contracts which are applicable to the patent licence contract, because the contractual types have a close similarity and the implication of the term by way of analogy is justified upon a parallel between the subject-matter of the contracts and the interests of the parties concerned. Such a parallel may be drawn in particular with the nominate contracts of sale, the leasing contract and the usufruct.

The codes contain mandatory and non-mandatory terms for nominate contracts. The classification of a contract presupposes the verification of the contractual clauses. This renders possible the verification of the contractual type. Then it will be examined whether clauses satisfy the constitutive elements of a nominate contract. If the contract can be identified as innominate, it will be verified whether it is 'complex' or 'mixed'. The prevailing elements will decide upon the the verification of the contractual type. The construction of the terms of a contract is made by reference to the stipulations of the parties and the implication of mandatory and non-mandatory terms of nominate contracts which the legislators established in the codes. In the case of a non-mandatory contract, the implication of the terms of the nominate contracts is made by way of analogy, taking into account the subject-matter of the contract and the interests of the parties.

2.1 THE PARALLEL BETWEEN THE PATENT LICENCE CONTRACT AND OTHER SPECIFIC CONTRACTS

A parallel is drawn and rejected/denied to the leasing contract and the rules of company law are applied in the case of more complex agreements.

Those nominate contractual types to which reference is made for the construction of the terms of the patent licence contract are in particular the usufruct, the contract of sale, the leasing contract, the contract of the lease of productive property (in Italy), the contract of industrial production (in Italy) and company law.

2.2 THE CONTRACT OF NON-OPPOSITION

The contract of non-opposition is a particular contractual type in French law by means of which the parties

avoid the implication of terms which bind them in the case of the patent licence contract.

2.3 REQUIREMENTS OF FORM

No form is required for the conclusion of the patent licence contract, however, the written form is recommended and required should registration be necessary for purposes of antitrust law.

French law requires the written form for the conclusion of patent licence contracts. A violation of this requirement leads to the 'relative' nullity of the contract, that is to say the nullity has to be pleaded by the party in the interest of which the provision is applicable.

Generally, no form is required, however, the written form is recommended for purposes of registration, because oral evidence may be excluded and because it may be required in order to obtain an exemption from the prohibitions of antitrust law.

2.4 REQUIREMENTS OF FORM AND REGISTRATION

Registration of the licence contract with the patent office makes the licence enforceable against persons who acquire rights in the licensed patents subsequent to the registration. Before registration, the licence is enforceable against third persons who acquire rights in the licensed patent, knowing of its existence

Registration of the licence contract with the national office for industrial property makes the licence enforceable against persons who acquire rights in the licensed patents subsequent to the registration. Before registration, the licence is enforceable against third persons who acquire rights in the licensed patent, knowing of its existence

Registration of the licence contract with the national patent office makes the licence enforceable against persons who acquire rights in the licensed patents subsequent to the registration. Before registration, the licence is enforceable against third persons who acquire rights in the licensed patent, knowing of its existence.

3 ANTITRUST LAW APPLICABLE TO PATENT LICENCE CONTRACTS

3.1 NATIONAL ANTITRUST POLICY

The basic principle for the solution of the dichotomy between the use of the rights which the patent monopoly grants and the prohibition of restraints of competition by antitrust law may be characterised as follows: Restraints of competition will be covered by the patent monopoly and not be subject to the prohibitions or other sanctions imposed by antitrust law insofar as they impose upon the licensee restrictions on his business conduct which do not exceed the scope of the patent right. But a use of the patent which violates public interests in the maintenance of free competition may be prohibited or subject to legal restraints. The patent acts generally contain provisions providing for the grant of compulsory licences if the patentee does not exploit the patented inventions in a manner which satisfies the needs of the national economy. Generally subject to prohibition or other restraints such as compulsory registration are attempts to use the patent licences in horizontal agreements in order to control the market, for example through the pooling of patents or the imposition of prices and resale prices in concerted actions. The individual patent licence contract and the possible restraints of competition which the parties may accept appear of less concern to the public interest, bearing in mind the limited negative effect which such clauses may have upon the relevant market of the goods or services concerned. Generally, those clauses which relate to the rights which the patent grants are not subject to antitrust law, because they are founded upon the legal monopoly. Other clauses which limit the competition may be subject to the control by the law against restraints of competition.

3.2 COMPULSORY LICENSING

Generally, compulsory licensing is provided for if the patented invention is not exploited to a degree which satisfies the needs of the national market.

Compulsory licensing is provided for by the UK Patent Act 1977.

Compulsory licensing is provided for by the French Intellectual Property Code.

Compulsory licensing is provided for by the Italian Patent Act of 1939.

4 THE INVALIDITY OF THE PATENT AND ITS INCIDENCE ON THE CONTRACTUAL RELATION

In English law the licensor does not impliedly warrant the validity of the patent. The licensee may repudiate the licence if he objects the invalidity at the beginning of the contractual relation. But if the licensee has acted under the licence he is estopped from challenging the validity. If the patent is revoked, for example on the action of a third person, the licensee may terminate the contract with three months' notice.

In French law prevailing jurisprudence considers the licensor impliedly obligated to warrant the validity of the patent. The invalidity of the patent which leads to the declaration of nullity with retroactive effect engenders the nullity of the contract due to the lack of object or of causa. In spite of the voidness of the contract, the warranty subsists. The consequences are that, in principle, the performances effected under the void contract have to be restituted. However, with regard to the fact that the licensee has, in most cases, enjoyed a factual monopoly position, the licensor may retain the royalties paid. Jurisprudence is not unanimous whether this solution can be based upon the principle of unjust enrichment or the analogy to the leasing contract which may be terminated for the future only.

Prevailing Italian doctrine considers the contract void due to lack of object if the patent is declared invalid. The modification of the Italian Patent Act of 1939 in 1979 introduced a provision according to which the nullity of the patent does not affect the licence contract to the extent it has been performed. Accordingly, the performances exchanged will not have to be restituted. However, the judge may order an equitable refund of the payments made by the licensor, taking into account the circumstances of the case.

5 THE TERMINATION OF THE CONTRACT

Generally, the patent licence contract may be terminated in the case of a breach of the contract. If the breach relates to a condition, it is terminable, but if it relates to a warranty, the aggrieved party may only claim damages. However, the contract may be terminated if the innocent party has been substantially deprived of what he bargained for.

The contract may be terminated by agreement or by cancellation, rescission or annulment. A contract may be annulled according to the general principles of the law of contract, for example in the case of lack of object or cause. The rescission may be declared with retroactive effect by the court upon the demand by a party, for example in the case of a breach of the contract. The cancellation has effect for the future only.

The patent licence contract may be terminated by agreement between the parties, the declaration of a judge, or, in the case of a breach of the contract, the party may serve a written notice that the contract shall be deemed dissolved unless performance takes place within an appropriate time.

6 THE DURATION OF THE PATENT LICENCE CONTRACT:

In English law the question whether the contract is of determinate or indeterminate duration depends upon the construction of the terms of the contract. If, on the basis of reasonableness, the contract cannot be considered as intended by the parties to be permanent, it is terminable unilaterally on reasonable notice. Even if there is a rule that contracts without a provision for termination are prima facie terminable only by mutual consent, those contracts which are within the class of contracts involving mutual trust and confidence fall within the exception to that rule. Accordingly,

In French law the patent licence contract is considered of indeterminate duration, unless the parties stipulate otherwise. It may, accordingly, be cancelled at any moment upon notice by any of the parties unless the parties provide expressly for the duration of the contract.

In Italian law, in the absence of a contractual stipulation, the expiration of the patent term indicates the end of the contractual relation between the parties so that, in the absence of a contractual stipulation, the contract is of determinate duration.

the agreement will be determinable by party if no definite term is specified.

6.1 POST-EXPIRATION CLAUSES

In English law the post-expiration royalty clause can be based upon the principle of freedom of contract. However, even if the parties expressly extend a contract beyond the duration of the patent term, the licensee may terminate the contract according to the Patent Act 1977, a provision which will override any stipulation by the parties to the contrary.

It is asserted that in the case where the contractual relation is extended beyond the patent term, the contract would be void due to lack of causa. However, if the prolonged duration corresponds with a reduced royalty, the contract will be considered valid.

Restraints which exceed the duration of the patent term cannot benefit from the legal monopoly conferred by the patent. They are subject to the provisions of antitrust law. Accordingly, such clauses may be unlawful unless the royalty relates also to a trade mark licence or to know-how, or if it is the modality of the payment.

7 THE OBLIGATIONS OF THE LICENSOR

7.1 THE OBLIGATION OF DELIVERY

In English law the licensor is not bound by an implied obligation to communicate any unpatented information in the absence of an express stipulation.

French jurisprudence is controversial on the issue whether the licensor is obligated to supply, beyond a copy of the patent documentation additional information and technical assistance. Recent jurisprudence seems careful in the implication of such a term. Much will depend upon the stipulation of the terms of the contract, depending upon the circumstances of the individual case.

The obligation of delivery as established in the Italian Civil Code relates to the subject-matter of the contract and also its accessories and appurtenances. Accordingly, a court may imply a term that the obligation extends not only to the handing over of a copy of the patent documentation but also to the supply of unpatented information, particularly if the licensee is not experienced in the licensed technique.

7.2 THE DELIVERY OF UNPATENTED SUBJECT-MATTER

In English law the licensor is not bound by an implied obligation to communicate unpatented information, to supply technical assistance or provide technical staff if the use of the licensed patented invention encounters unforeseen problems. The licensee will have to insist on an express undertaking by the licensor if he wants to be assured of his help should any problems arise in the use of the licensed patented invention for the contractual purpose.

Prevailing case law considers that the licensor is not obligated to communicate know-how unless expressly stipulated in the contract. Legal writers are inclined to imply such an obligation based upon the duty that contracts be executed in good faith, or upon the reasoning that the licensor has to deliver the subject-matter of the contract in a state which permits its exploitation for the contractual purpose. But it is also said that the duty for the revelation of secret know-how would presuppose a close cooperation between the parties. Similar considerations are applicable to the supply of technical assistance the performance of which may be considered implied if it is accessory to the patented invention.

Italian law does not consider the licensor bound to communicate accessory know-how or to supply technical assistance, in particular if the licensee is himself specialised in the field of the technique.

7.3 THE COMMUNICATION OF IMPROVEMENTS

The parties may make inventions before or after the conclusion of the patent licence contract which offer advantages over the licensed technology. In order to ensure that both parties will benefit from such inventions the parties may undertake to communicate such inventions to the other party. As 'communication' may be understood the performance of different clauses, for example concerning the obligation to provide confidential information on the improvement, the undertaking to transfer the property in the improving invention to the other party or to grant him a licence, whether exclusive or non-exclusive for the utilisation of the improving invention or the mere right to exercise an option for the acquisition of the improving invention.

In the absence of an express clause the licensor is not obligated to communicate improvements at the time of the conclusion of the contract, because the patent licence contract is not a contract 'uberrimae fidei'. The term 'improvement' receives generally a broad construction, by reference to economic considerations.

Accordingly, an improvement may be defined as a competing invention which, by reason of its subject-matter, has a connection to the basic invention.

The concept of the communication of improvements. 'Communication' is understood in a broad sense, and may include the grant of a licence or the transfer of proprietary rights. The term 'improvement' may receive a narrow definition according to which an improving invention has to contain and reproduce the essential elements constitutive of the basic invention.

The broad definition is based upon economic aspects: improvements are inventions which, by reason of the advantages they offer, may substitute the licensed invention. The implication of the duty of communication is based upon the spirit of collaboration which may exist between the parties, the obligation of the maintenance of the patent or the principle of good faith.

In the absence of a contractual stipulation or a clear clause establishing a broad obligation of assistance and cooperation the licensor will not be obligated to communicate improvements of the licensed technology to the licensee.

7.4 THE OBLIGATION OF THE MAINTENANCE OF THE PATENT

The question whether the licensor is obligated to maintain the patent depends upon the construction of the terms of the contract and to pay the renewal fees (sic). The duty to maintain the patent may be explained as the consideration for the licensee's promise to pay the royalties. If the licensor undertakes to defend the patent, an obligation for the maintenance of the patent may be implied. In this case the licensee may claim damages, apart from his statutory rights to terminate the contract if the patent ceases to be in force.

In French law the implied obligation of the licensor to maintain the licensed patented invention in force, that is to say to pay the renewal fees can be based upon the parallel to the leasing contract which obligates the lessor by statute to permit the lessee during the lease the utilisation of the leased thing in conformity with the destination provided for in the contract. If the patent lapses, the contract is void from that moment onwards.

In Italian law, legal writers are not unanimous concerning the question whether the licensor or the exclusive licensee is bound to maintain the patent - in the absence of a contractual stipulation. It may be justified to refer to the statute-implied term according to which the lessor shall maintain the thing in a condition suitable for the use agreed upon, by way of analogy to the licence contract.

7.5 THE OBLIGATION OF PROTECTION

In English law the exclusive licensee has a statutory right to bring proceedings in respect of an infringement of the licensed patent. In the absence of a statutory provision, the licensor will not be considered impliedly obligated to protect the licensee against patent infringement. However, if the

In French law only the exclusive licensor may, after registration of the licence and unless the contract provides otherwise, and unless the licensor instituted himself proceedings, bring an action against patent infringement. The licensee is generally considered bound to carry the costs of the proceedings. The

The implication of an obligation to defend the licensee against patent infringements and challenges of the validity of the patent by third persons could possibly be based upon the application of the lessor's statute-implied obligation to warrant the lessee against disturbances in the enjoyment of the thing - however,

contract contains a 'MoF' clause, the tolerating of patent infringement by the licensor may be conceived of as the grant of a royalty free licence, so that the licensee may claim 'similar' conditions unless the licensor brings proceedings against patent infringement. If the exclusive licensee institutes proceedings against patent infringement, the award of damages presupposes the registration of the licence. The non-exclusive licensee has no rights to sue, and the licensor is not impliedly obligated to protect him. Accordingly, the non-exclusive licensee may attempt to obtain the right to withhold royalties if the licensor does not pursue infringers or that the parties shall cooperate in the defence of the licensed patented inventions.

licensor may also give the licensee a mandate to bring proceedings in the licensor's name. It is controversial whether the licensor is, beyond, bound by an obligation of protection, deduced from the warranty for the undisturbed enjoyment of the patented invention, which is applied by way of analogy from the leasing contract. A breach of this duty of defence entitles the licensee to terminate the contract (in the case of the non-exclusive licence). Generally, the licensor may not assign the patent or the licence, because of the 'intuitus personae'. But it is also argued that the licensee must himself take care to register the licence in order to avail of protection against assignments by the licensor; the licensee who does not register does not merit protection.

Italian jurisprudence considers both the exclusive and non-exclusive licensee even before registration authorised to institute proceedings against patent infringement so that the obligation of protection may be limited to assist the licensee in such proceedings and to defend challenges against the validity of the licensed patented invention. By a parallel to the leasing contract the licence is enforceable against the purchaser of the patent. If the licence is considered of 'intuitus personae', it may be assumed that the licensor is not entitled to assign the contract unless with the licensee's consent.

7.6 WARRANTIES

7.6.1 DEFECTS OF THE LEASED SUBJECT-MATTER

It may be assumed that in the absence of an express warranty, the maxim 'caveat emptor' applies. In the case in which the contract contains an express term, it has to be differed whether the licensor's undertaking is a condition or a warranty. In the first case, the licensee may repudiate the contract and claim back the royalties, in the second case the licensee may only claim damages. The licensor may warrant that the patent was not obtained from a third person or that it has not been publicly used by the patentee or that the invention was properly described in the patent with adequate experimental details. Since the patent licence contract is not considered to be a contract "uberrimae fidei" the licensor is not under an obligation to disclose the existence of latent defects.

French law considers the licensor bound to warrant the licensee against technical and legal defects of the patented invention, although the concept of the 'defect' presupposes that the defect can be repaired which is impossible in intellectual property. The invalidity of the patent entails the licensor's warranty against legal defects (of the leased thing). A difficulty which the application of the rules concerning the leasing contract to the licence contract encounters lies in the fact that (now) the patent is granted after an examination so that it does not seem justified to impute a mistake of the patent office to the licensor. A defect of the conception of the patented invention entails the warranty whereas the defect of the production relates to those problems which rest exclusively with the licensee. The commercial failure is 'exterior' to the warranty against defects. Defects relating to the concept of the invention are for example a risk of fire or explosion resulting from the use of the invention. They entail the warranty if those defects cannot be remedied in spite of efforts and attempts.

In Italian law the implication of the licensor's warranty may be based upon an analogy to the statutory terms concerning the contract of sale or the leasing contract. However, the validity of the patent is not the subject-matter of the warranty, due to the fact that the patent granted by public authorities after an examination is presumed to be valid. But the licensor warrants against technical defects of the invention if the invention cannot be used for the contractual purpose. The licensor does not warrant the commercial success of the invention. The defect must be hidden, that is to say that it must not have been recognisable to the licensee, for example if he could not have discovered the defect on the basis of an examination. However, due to the fact that the patent office is charged with the examination of patents it may be presumed that a possible defect is hidden if it relates to the conditions of patentability. Italian legal doctrine considers that the warranty forms an independent contract which survives a possible nullity of the patent licence contract due to the lack of its prerequisites if the patent is revoked.

7.6.2 DISTURBANCES

<p>English courts are not likely to imply a term according to which the licensor warrants the quiet possession where the parties could have expressly dealt with this problem in the contract.</p>	<p>In French law the implication of the warranty against disturbances in the enjoyment of the licensed patented invention is generally based upon the application of the terms implied by statute of the leasing contract.</p>	<p>The licensor is generally considered impliedly obligated to warrant against disturbances upon the drawing of an analogy to the leasing contract.</p>
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7.6.3 LEGAL DISTURBANCES

Legal disturbances concern the cases where the licensor attempts to enjoin the licensee from exploiting the licensed subject-matter, for example either by means of the licensed patented invention or by a dominant patent, where the licensor concludes an agreement with a third party which is not compatible with the licence contract or where the licensor does not pay the renewal fees or surrenders patent protection so that the licensee is enjoined from the peaceful enjoyment of the patent right. A legal disturbance may also be presumed if the legal defect which affects the patent by reason of the revocation entails the warranty against legal disturbances. Legal disturbances may also be those cases in which a third person owns a dominant patent or claims a right in the licensed invention or a right of prior use.

7.6.4 FACTUAL DISTURBANCES

As factual disturbances of the licensee in the enjoyment of the patent right could be conceived the cases in which the licensor exploits 'competing' inventions which render the licensed technology obsolete or where third persons infringe the licensed patent.

7.6.5 LEGAL DISTURBANCES ATTRIBUTABLE TO THE LESSOR

<p>In English law the licensor may be considered estopped from challenging the validity of the patent, for example after he has sold the patented invention.</p>	<p>As legal disturbances entailing the licensor's warranty French law conceives the cases in which the licensor avails of a dominant patent in order to enjoin the licensee from the exploitation of the licensed patented invention or where he concludes an agreement with a third person which is not compatible with the licence contract or where he does not pay the renewal fees or surrenders patent protection. A legal defect leading to the revocation of the patent, may also entail the warranty against legal disturbances.</p>	<p>According to Italian legal doctrine the lessor will not warrant if he has, preceding to the licence, concluded other agreements which are enforceable against the licensee and which diminish his enjoyment. Parallel to the leasing contract the licensor may be liable for damages and the licensee may terminate the contract since the subject-matter of the contract was not at the free disposition of the licensor.</p>
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7.6.6 DISTURBANCES THROUGH FACTS ATTRIBUTABLE TO THE LESSOR

<p>In English law the licensor does not impliedly warrant that the use of the licensed subject-matter will not violate a third person's patent.</p>	<p>It is asserted in French law that in order to avoid liability under this implied warranty the licensor is obligated to abstain from exploiting competing inventions.</p>	<p>The licensor is generally considered impliedly obligated to warrant against disturbances upon the drawing of an analogy to the leasing contract.</p>
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7.6.7 LEGAL DISTURBANCES ATTRIBUTABLE TO A THIRD PARTY

<p>If a third party obtains the revocation of the licensed patent, the licensee is not considered evicted similar to the lessee, because nothing prevents the licensee from using the technology. Accordingly, the parallel to the leasing contract is not drawn in English law.</p>	<p>Since the exclusive licensee may himself institute proceedings against patent infringement, French doctrine considers that if at all, the non-exclusive licensor may be bound by reason of the analogy to the leasing contract, similar to the case of the exclusive licence if the infringer puts the validity in issue.</p>	<p>The implication of the warranty is based upon the analogy to the relevant term implied by statute of the leasing contract. Accordingly, the licensee may claim the warranty unless the lessee has the power to bring an action in his own name. Again, Italian jurisprudence considers that the warranty survives the nullity of the contract due to lack</p>
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of causa or object upon the reasoning that the warranty must be considered as granted in the event where the main contract fails.

The warranty entitles the licensee to ask for an equitable refund of royalties paid or for a reduction of the royalties or for damages.

7.6.8 FACTUAL DISTURBANCES ATTRIBUTABLE TO A THIRD PARTY

If a third person obtains the revocation of the licensed patent, the licensee is not considered evicted similar to the lessee, because nothing prevents the licensee from using the licensed technology.

Since the exclusive licensee may himself institute proceedings against patent infringement, French doctrine considers that if at all, the non-exclusive licensor may impliedly be bound to warrant by reason of the analogy to the leasing contract. The licensor warrants also in the case of the exclusive licence if the infringer puts the validity of the licensed patent in issue, because the exclusive licensor cannot defend the validity of the patent.

In Italian law the licensor is considered bound by an implied warranty against factual disturbances upon a parallel to the leasing contract, if the licensee has no power to act against the third persons.

7.7 THE EXCLUSION OF THE WARRANTY

In English law the parties may, expressly exclude any warranty relating to the validity of the patent. Also the express recognition of the validity of the patent by the licensee may be stipulated, but by their stipulations the parties cannot exclude the statutory regulation that the licensee may terminate the contract if the patent ceases to be in force.

If the licence is concluded at the licensee's risks and perils the warranty may be considered excluded in French law. The warranty against legal defects may be excluded by the parties. The mere recognition by the licensee of the validity of the patent does not deprive him of the possibility to take recourse to the warranty. If one applies the jurisprudence according to which the professional seller is presumed to be of bad faith, a clause excluding the warranty is valid if stipulated between professionals of the same branch. The warranty against disturbances attributable to the licensor is of 'ordre public' and cannot be excluded. The recognition of the validity by the licensee does not prevent him from pleading the invalidity of the patent.

Clauses which exclude the warranty for the validity of the patent are upheld by Italian courts. The warranty may also impliedly be excluded from the contract, for example if the licence contract provides for the testing of the patented machine before the stage of industrial manufacture.

8 OBLIGATIONS OF THE LICENSEE

8.1 THE OBLIGATION TO PAY THE ROYALTIES

The payment of the remuneration is determined by economic factors and may assume the form of a lump sum, a fixed or proportional royalty.

In English law the court may imply that the licensee shall pay a royalty, the reasonableness being determined 'in the light of the circumstances as

Since in French law the invalidity of the patent renders the contract void due to lack of object or causa, the payment of a lump sum made in

In Italian law a term implied by statute gives the lessor a right of supervision with regard to the leased subject-matter. It may be argued that

they were at the date of the licence'. If the payment of a lump sum is agreed upon for the communication of unpatented technologies the licensor avoids problems deriving from the discussion of a repayment of royalties in the case of the invalidity of the patent. From the stipulation of proportional royalties results a right of control for the licensor so that the licensee is obligated to give the licensor access to account books, even if this is not expressly stipulated in the contract. The minimum royalty clause is valid and does not violate antitrust law.

recognition of the licensor's performance for the supply of technological information and know-how avoids any problems arising from the consequences of this voidness. The minimum royalty clause is admissible.

by way of analogy to the leasing contract a term may be implied into the licence contract which gives the licensor the right to examine the licensee's books at his premises in order to verify the scope of his exploitation. Minimum royalty clauses appear to be lawful, post-expiration royalty clauses may be subject to antitrust law.

8.2 THE OBLIGATION OF DEFENCE

The exclusive licensee has a right by statute to bring proceedings in respect of patent infringements. This right does not appertain to the non-exclusive licensee. It cannot be assumed that the licensee, whether exclusive or non-exclusive, will be bound to defend the patent right in the absence of an express contractual stipulation.

The licensee is not considered qualified to answer a challenge against the validity of the patent by an infringer. In French law the exclusive licensee may bring legal proceedings against infringers if the patentee does not do so, but the licensee is not considered qualified to answer a challenge against the validity of the patent.

According to the prevailing Italian doctrine the exclusive and non-exclusive licensee may institute proceedings against patent infringement. In the case in which the infringer challenges the validity of the patent, the licensee has to summon the licensor in the proceedings in order to avoid liability for damages.

8.3 THE OBLIGATION OF THE COMMUNICATION OF IMPROVEMENTS

Similar to the licensor the licensee is not obligated to communicate improvements to the other party. Grant back clauses according to which the licensee is obligated to communicate improvements so that the licensor could obtain a patent and grant an exclusive licence to the licensee will be upheld.

French legal writers consider the licensee impliedly bound to communicate improvements to the licensor, basing their view upon the principle of good faith or upon the duty of fidelity. Grant back clauses are valid in French law even if the licensee is obligated to assign the property in the improvement.

In the absence of a contractual stipulation the licensee is not obligated to communicate improvements to the licensor.

8.4 THE OBLIGATION OF EXPLOITATION

English law does not imply an obligation of exploitation upon the licensee. Accordingly, the licensee is not obligated to work the invention. In order to overcome this problem, the parties may agree upon a 'best endeavours' clause.

The licensee, whether exclusive or non-exclusive is impliedly obligated to exploit the invention. This is inferred from the fact that otherwise the licensor would be exposed to the risk of compulsory licensing. Accordingly, the exploitation must be serious and effective with regard to quantity and quality unless the exploitation faces 'insurmountable difficulties' for technical or commercial reasons. The licensee is impliedly obligated to abstain from the exploitation of a technology which replaces the licensed patented invention. A substantial use of a competing technology may constitute a breach of the implied

Italian law considers the exclusive licensee bound to exploit the licensed patented invention in order to avoid that compulsory licences are granted. In the case of the non-exclusive licence it depends upon the individual case, for example if the amount of the remuneration depends upon the scope of the exploitation, it is justified to consider the licensee impliedly obligated to exploit the licensed patented invention. Even if this obligation is not implied the licensee must observe the diligence of a reasonable man.

obligation of exploitation. By reason of the implied obligation of exploitation the patent licence contract is considered to be of "intuitus personae", so that the licensee has to exploit the patented invention personally.

8.4.1 THE BEST ENDEAVOURS CLAUSE

Best endeavours clauses oblige the licensee to take all those reasonable steps which a prudent and determined man, acting in his own interests, would have taken. Accordingly, the licensee has to use every reasonable effort.

Best endeavours clauses are less common in French or Italian legal practice, because the (exclusive) licensee is impliedly obligated to exploit the patented invention.

8.4.2 THE NO-CHALLENGE CLAUSE

No-challenge clauses may lawfully be agreed upon in English law, bearing in mind that even in the absence of the express clause the doctrine of estoppel denies the licensee the possibility to challenge the validity of the patent.

No-challenge clauses are generally considered valid in French law. The obligation not to challenge is not implied upon the licensee. However, the clause is deprived of its value since the declaration of the invalidity of the patent has absolute effect and does not only work between the parties so that the patent licence contract will be void due to lack of object or causa if the patent is declared invalid upon a third person's action.

No-challenge clauses in patent licence contracts may meet objections from Italian antitrust law. The obligation will not be implied. Similar to French law the clause has lost in importance, because the declaration of the invalidity of the patent has absolute effect.

8.4.3 THE NO-COMPETITION CLAUSE

The no-competition clause has been upheld by English courts in patent licence contracts. Its stipulation may be recommendable, in particular for the time after the termination of the licence.

The no-competition clause which restrains the licensee from the use of technologies which substitute the licensed patented invention or of an activity which competes with the licensor's activities is lawful if it is limited in time or space and with regard to the competing activity itself. The prevailing jurisprudence does not consider the licensee, whether exclusive or non-exclusive, bound through the implication of this obligation.

The no-competition clause in Italian law must be in the written form, relate to a determined activity and may not exceed the duration of five years.

8.5 THE PROHIBITION AGAINST THE ASSIGNMENT OF THE CONTRACT

The licensee may like to assign the contract or transfer his rights and obligations, his business may be merged or sold or his heirs may take over the firm to which the licence relates.

In English law general principles are applicable - a contract involving personal skill or based upon the confidence that a party has in the other is prima facie unassignable. However, generally it is a question of

By reason of the "intuitus personae" the personal relation between the parties to the licence contract the licensee may not assign the contract in the absence of a contractual stipulation. But if the licence is

In the absence of a stipulation the licence is unassignable in Italian law, unless together with the licensee's business. Even this may be excluded if the licence is concluded 'intuitus personae', that is to say if the

construction in each case. But since the licence does not confer to the licensee any 'property', the licensor does not grant to the licensee any 'assignable' right, unless the parties stipulate otherwise. Accordingly, the licence is strictly personal.

transferred with the business, be it by a merger, sale or takeover, the "intuitus personae" is safeguarded.

personal qualities of the licensee are decisive. The licence will be transferred to the heirs of the licensee unless the contract stipulates otherwise or is concluded "intuitus personae".

8.6 THE GRANT OF SUB-LICENCES

In the absence of an express clause sub-licensing is not permissible, not even for the non-exclusive licensee. The licensee may not employ sub-contractors, however, he may use his agents for the manufacturing of the patented invention.

By reason of the personal relationship the licensor may not grant sub-licences unless authorised to do so. However, he may employ sub-contractors for a certain determined task under his control within the ambit of the contract.

The grant of sub-licences may be permissible if the main licence is non-exclusive, because the licensee is generally not bound by an obligation of exploitation so that the licensor has no interest in the personal exploitation of the licence by the non-exclusive licensee. However, some Italian lawyers reject this view upon an analogy to the leasing contract. In the case of the exclusive licence it is asserted that the licensee may grant non-exclusive sub-licences by reference to the provisions applicable to the usufruct.

Websites

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