

INTERNATIONAL LICENSING

Introduction/Definition

There are **three (3)** principle legal methods that can be used in order to bring about a commercial transfer and acquisition of technology, namely:

- a. The *Sale*** (i.e. Assignment),
- b. The *License Agreement*** and
- c. The *Know-How Agreement***

The commercial transfer of technology through a license is the giving by the owner of a patented invention to another person or legal entity of the permission to perform, in the country and for a limited period of time, one or more of the acts which are covered by the exclusive rights of the owner of the invention patented in that country. When that permission is given, a "**license**" has been granted.

It may be recalled that those acts are the making or using of a product that includes the invention, the making of products by a process that includes the invention, or the use of the process which includes the invention. The said concept of "**license**" is also recognized in the laws of many countries.

Where a license is granted, the legal document evidencing the permission given by the owner of the patented invention is usually referred to as a "**license agreement**" or more simply put, as a "**license**". The owner of the patented invention who gives that permission is referred to as "**the licensor**". The person or legal entity who or which receives that permission is referred to as "**the licensee**".

It is formally called a "**license agreement**" because two types of legal acts or transactions are usually involved. Firstly there is the granting by the owner of the patented invention to another person or entity of the permission to perform one or more of the acts covered by the exclusive rights of the patented invention. That permission or authorization is referred to as "**a license**". Second, the license is usually granted subject to certain conditions which will be set out in the written document by which the license is granted to the *licensee*.

One of the conditions will obviously be related to the payment by the *licensee* of money in return for the license that is granted. Thus, the *licensee* may promise to pay a *fixed sum of money* at a stated time or at stated times in the future or the *licensee* may promise to pay a *sum of money, the amount of which will depend on the degree of working of the patented invention*.

Another condition might be that the invention will be used by the *licensee* only for the manufacture of products destined for a specific use, as for example, the manufacture of a pharmaceutical product for use in humans but not for use in animals.

Another condition might be that the *licensee* work the invention in certain factories only or sell the product embodying the invention in certain defined areas only.

The pre-mentioned conditions call for promises to be made or action taken by the *licensee*. It is also possible that the conditions may relate to promises to be made or action to be taken by the licensor.

For example, the licensor may promise to defend in court a lawsuit brought by a third person against the *licensee* in which that third person claims the working of the invention by the *licensee* violates the exclusive rights already conferred by the grant of another –a separate or distinct- patent for invention which is owned by that third person.

Nature of Licensing Agreements

Definition

By virtue of such agreement, the owner of a patent (the '*licensor*') grants to another (the '*licensee*') the right to use the patent in exchange for consideration.

The key elements of a licensing agreement are that it is:

- Typical
- Of a duration which cannot exceed the patent's period of protection;
- Restrictive of competition between the parties to the agreement with respect to the territory, exploitation period, and subject matter of the patent.

National Legislation

Under Greek law, a licensing agreement is described in the Greek Civil Code¹. Its terms are left to the parties. The licensing agreement is described in *article 16 of Law 2239/1994*, *article 13 of Law 2121/1993*, *article 12 of Law 1733/1987*.

In addition to the above legislation, attention must be paid to the EU regulations and domestic antitrust law to assure that agreements do not impede competition in the relevant market.

Interpretation of Licensing Agreements

Terms mandated by law

The general rules on contracts apply to license agreements.² Necessary prerequisites are as follows:

- Agreement of the parties
- Consideration
- Subject matter and
- Form (deed)

A set of allowed or prohibited contract clauses expressly made for licensing agreements is provided for in EU antitrust laws.³ Regulation Number 240/96 deals with all technology transfer agreements in which two corporations are involved relating to:

¹ Articles 361 and 182

² Civil Code Article 361

³ 'White List', 'Grey List', and 'Black List' of the Regulation Number 240/96, which modifies and merges

- Granting a patent license;
- Granting a patent and know-how licenses;
- Granting patent and other intellectual property rights ancillary to the licensed technology;
- Granting of know-how licenses of confidential technical information.

Terms Open to Party Autonomy and/or Presumed Absent Party Stipulation

The parties to a licensing agreement are free to choose the terms and conditions they deem appropriate, with the exceptions and limitations required by the general Greek contracts law and EU as well as domestic antitrust laws.

The Civil Code is based on the concept that all terms and elements not mentioned expressly in the agreement by the parties, but which are required to have a legally effective and enforceable contract, will be presumed as included by operation of law.

Types of Licences

In Greece, a patent or other intellectual property right may be freely transferred by licensing and, in general, licences can be transferred or assigned. Typical forms of licensing are:

- Exclusive licences and
- Non-exclusive licences

Exclusive Licences

With an ***exclusive licence***, the licensor is precluded from competing in the same designated territory with the *licensee* and cannot grant other licences for the same right to others until the natural expiration or termination of the licence in that territory.

There are however ***exclusive licences***, where the licensor is allowed to compete with the *licensee* in the same designated territory, and no licences for the exploitation of the same right in the territory can be granted to others until natural expiration or termination of the licence.

In the ***non-exclusive*** licences, the licensor can compete with the *licensee* and can grant other licences for the exploitation of the same right to others in the same designated territory.

The licence may be exclusive in one designated territory and non-exclusive in others; it also may be exclusive for a stated period of time and then become non-exclusive on the happening of a condition.

Usually, a licence is designed to be exclusive for manufacturing and non-exclusive for sales.

Procedural Requirements

Registration of a licensing agreement will be necessary to establish a right against third parties and as primary evidence of the existence of the agreement.

I. Licensing of Patent Rights and Utility Models

Nature, Definition and Relevant Legislation

Regulation Number 2349/84 on patent licensing agreement block exemptions and Regulation Number 556/89 on know-how licensing agreement block exemptions.

In Greece, patent and utility model rights are basically governed by *Law 1733/1987*, as amended. Licensing of patent rights can be defined as that contract by which the patent or utility model holder grants to others, in exchange for consideration, the right to dispose of the invention, without transferring its ownership.⁴

There are two kinds of licence, namely:

- **Technology licences**, which refer to patents and/or to know-how for the manufacture of technology; and
- **Product licences**, which refer to patent licences on products.

Territorial Scope

The licensing of a patent right, like any other right that finds its source in a state's laws, has a territorial extension and scope limited to the territory of that state. International conventions and acts of organisations such as the European Union, however, may expand or reduce the rights of the national patent.⁵

The so-called '**priority right**', benefiting the patent applications filed with the appropriate authority, is an example of extension of patent rights outside Greece, as well as the possibility, for the patent applicant of one of the member states of the EU, to file the application for the patent in any other EU member states within one year of the first application, and with a priority in that second state given by the first application's date of filing.

The Community principle of exhaustion of the patent, pursuant to which the patent holder in one of the EU's member states using his exclusive right on the patent, cannot prohibit someone else from importing a product that has been introduced in the market by the same patent holder, or with his consent, in another member country is, on the contrary, an example of restriction of the patent rights, within the borders of a single country.⁶

Term

The duration of the licensing agreement is left to the parties' autonomy. It is common practice to link the duration of the contract to the term of expiration of the patent (20 years from the date on which the patent application is made available to the public by its publication in the *Patent Bulletin*).

The modern trend, in the absence of any express provision in the licensing agreement on the duration, is to consider the expiration date of the patent validity as the expiration date of the agreement.

Rights of Licensor

As in any bilateral contract for consideration, the *licensor*, in agreement with the *licensee*, can determine all the clauses, limitations, and extensions which are judged to be appropriate. Limits

⁴ Law 1733/1987 Article 12 para 3

⁵ Marinos "Law on Trade Marks" 2007

⁶ Liakopoulos "Industrial Property" 2000

on the parties' autonomy can be found only in the general principles of contract law⁷ and European Community (EC) Regulation Number 240/96 if a know-how agreement is included or attached to the contract.⁸

In general, the licensor has the right to compensation for the granting, in exclusive or non-exclusive use, of the patent to the *licensee*. The licensor is also entitled to protect the patent, directly or indirectly, against any and all infringements and to ensure that the *licensee* executes all the terms of the agreement, such as not invading another *licensee's* (or licensor's) exclusive territory, either by manufacturing or by marketing products outside the designated area. The licensor is protected by virtue of the *Law 146/1914*.

EC Regulation Number 240/96 provides a more specific list of allowed rights that the *licensor* can reserve or impose on the *licensee*. A licensor has the right to require that a *licensee* observe some minimum quality specifications and/or that all the product's requirements be supplied by the licensor as long as the products are necessary for the proper exploitation of the patented technology.

A licensor also may impose prohibitions against sub-licensing or assignment and against disclosing know-how, even when it survives the agreement.

The licensor also may require the *licensee* to co-operate in litigation to protect the patent.⁹

Obligations of Licensor

Some elements of a lease agreement can be used as a general reference to a licensor's obligations. The obligation of the lessor to warrant the quiet enjoyment of the leased goods to the lessee and with respect to any third party alleging to have some rights on the goods is certainly comparable to the licensor/*licensee* relationship.

Rights of Licensee

The *licensee's* position in the agreement may be compared, to a certain extent, to that of the lessee of a lease contract. The main rights are:

- Warranted quiet enjoyment; and
- The possibility to directly defend patent infringement by any third party.

In the case of a third party's claim on the licensed patent, the *licensee* must be protected and relieved of any judicial action by the licensor.

Obligations of Licensee

The primary obligation of the *licensee* is the payment of the agreed royalty or other form of consideration in exchange for the grant of the patent. The *licensee*, of course, must comply with

⁷ Civil Code Articles 361, 914, 919

⁸ Law 1733/1987 Article 21

⁹ EC Regulation Number 240/96 Articles 2.6 (a) and (b)

all the terms and conditions of the agreement, the breach of which will be a cause of action before a court or an arbitration panel.¹⁰

Royalties

The *licensee*, as consideration for the licensing of the patent, must pay a sum of money. In some cases, the sum may be paid in a lump sum, but most agreements set a royalty payment scheme, based on a percentage of the receipts for products obtained from the use of the patent, on an account per unit produced, or on a percentage of the net sales or the *licensee's* turnover.

Extension and Amendment

The right to extend the licence may be intended as a sub-licence in favour of third parties in some way linked to the *licensee*. The third party (sub-licensee) usually benefits from the same terms of the underlying licensor/licensee agreement. Licensing agreements sometimes exclude the right to sub-license by the licensee or require the previous assent of the licensor. Agreements for the licensing of patent rights can be modified, as with any other contract, by the parties' agreement.

Linkage with Other Intellectual Property Rights

Greece has a common scheme and policy among patents, copyrights, trade marks, and utility models. This common link consists in the interest of protecting the intellectual property right and in the supreme interest of the state in the exploitation of a patented invention and the author's copyright [*Law 1733/1987*].

Impact of Public Policy

The basic principle of public policy behind the Patent Law consists in the interest of the state in protecting the use and transferability of the right by a patent's owner and holder by imposing on patents a public control (ie, registration of the patent application) to assure that the patented invention may be used and exploited in favour of the community, even when the patent holder does not want or is unable to exploit it, such as by a compulsory licence or by state expropriation.¹¹

II. Licensing of Trade Marks and Designs

Nature, Definition and Relevant Legislation

Trade mark licensing is governed by *Law Number 2239/1994*, as modified and in force. It is governed by contract law principles and more specifically it is stipulated in *articles 13 of 2121/1993*, and *article 12 of Law 1733/1987*.

A trade mark licensing can exist even in cases where a trade mark has not completed its registration process.¹²

Legislation relevant to designs include *Presidential Decree Number 259/1997*.¹³

¹⁰ Civil Code Article 288

¹¹ Law 1733/1987

¹² Liakopoulos "Intellectual Property Law" 2000 146/1914

However, the Trade Marks Law also protects said designs. This is due to the fact that one can register a three-dimensional Trade Mark, hence the distinction between the two is quite difficult.¹⁴

A “*design or model*” means the outward visible appearance of the whole or part of a product resulting from the specific features of, in particular, the lines, contours, colours, shape, form and/or materials of the product itself and/or its ornamentation.¹⁵

EC Regulation Number 40/94 introduced the Community trade mark. The Madrid Protocol of 1989 and the Arrangement and Madrid Protocol of 1996 govern international trade marks. There is no express definition of trade marks, but the characteristic of trade marks is their function as a distinctive sign that allows the public to distinguish and recognise the products and services of a company from those of another company.

Collective trade marks, intended to warrant the origin, nature, or quality of specific goods or services, are obtainable and can be licensed to manufacturers and distributors.

Trade marks can be freely transferred or licensed totally or partially but there may be no misleading information or fraud in the qualities or characteristics of the products or services which are fundamental for the appreciation of the public and which result from the transfer or licence.¹⁶

Territorial Scope

Trade Marks Law provides that a trade mark may be licensed exclusively or non-exclusively and for the whole territory or only part of it. The condition imposed on the non-exclusive or exclusive licence for only a part of the territory is that the licensed trade mark must be used to distinguish products or services similar to those marketed by the licensor or by other licensees in the territory.

Term

The Trade Marks Law provides that protection of a registered trade mark lasts 10 years from its first application.¹⁷ The renewal of a trade mark registration starts from the expiration of the previous registration and may last for as long as registration fees are paid. The licensing of a trade mark will last until the expiration of its protection. This assumption can be confirmed by analogy with patent licensing.

Rights of Licensor

¹³ Article 4 of Law No. 2417/1996 on the “Ratification of the Hague Agreement Concerning the International Deposit of Industrial Designs of November 6, 1925, as revised in the Hague on November 28, 1960, and the Complementary Act of Stockholm of July 14, 1967, as amended on September 28, 1979” (Official Journal No. 139, A’).

¹⁴ Antonopoulos “Trade Marks Law” 2000

¹⁵ (Article 3.1a of Law No. 2417/1996);

¹⁶ Marinos “Trade Marks Law” 2007 p. 242

¹⁷ Law 2239/1994

A licensor enjoys the basic right to be paid a royalty or a lump sum, as fixed by the terms and conditions of the licensing agreement.

EC Directive Number 89/104 provides that a clause in the agreement by which the licensor imposes on the licensee quality standards for the trade-marked products and requires severe controls on the care of the licensee in abiding by them is normally allowed. Finally, a clause barring the licensee from sub-licensing can normally be admitted under Greek contract law and European antitrust law.

Obligations of Licensor

The principal obligation of the licensor consists in assuring the quiet enjoyment of the licensed trade mark by the licensee and in warranting the licensee against claims of third parties.¹⁸

Rights of Licensee

Quiet enjoyment of the licensed trade mark is the main right of the licensee and, of course, the main obligation of the licensor. The licensee also has the right to be held harmless and free of any claim on the trade mark by third parties.

Obligations of Licensee

The licensee, apart from the obvious obligation to pay a royalty or other forms of compensation agreed in the contract, must comply with the same quality standards that the licensor uses with that trade mark for the same kind of products or services. The licensee's failure to comply may result in the forfeiture of the trade mark and the termination of the contract.¹⁹

Compensation

The compensation of the licensor for the grant of the trade mark licence is left to the agreement of the parties, with payment made in form of royalties or in lump sum. Licensing of Trade Marks

Extensions and Amendments

The right to extend the licence (ie, mainly by sub-licensing) is left to the parties' agreement. Extension can be excluded by contractual provision or made subject to the previous written consent or notice of the licensor.

Generally, a sub-licensee will be subjected to the same terms and conditions as those of the principal licensee, especially with respect to the quality standards of the products or services sub-licensed.²⁰

Amendments to the agreement are allowed, but they must follow the same formalities as those required for the original contract.

Linkage with Other Property Rights

¹⁸ Civil Code, articles 335 bis, 380 bis

¹⁹ Marinos "Trade Marks Law" 207

²⁰ Antonopoulos "Trade Marks Law" 2000 p. 695

Trade Marks Law provides that a trade mark application cannot be filed if it contains signs or marks which would infringe someone else's copyright, patent right, or other right of any third party (such as a trade inscription or label).

Impact of Public Policy

The Trade Marks Law places particular emphasis on avoiding the mis-leading or deceiving of consumers. A licensor or licensee who, wilfully or not, betrays a consumer's loyalty and good faith in regard to a trade-marked product may suffer forfeiture of the trade mark.

III. Licensing of Copyright

Nature, Definition and Relevant Legislation

Law Number 2121/1993 distinguishes between licensing agreements and license permits. Unless otherwise agreed between the parties, a licensing refers to an exclusive right. According with the law 2121/1993 the exclusive license provides that the holder of the right cannot agree on another similar license and he is also obliged to withdraw from the use of the right.

Territorial Scope

Law 2121/1993 applies to all Greek author's works. The licenses are deemed to be in effect in the country/ies where they were completed (signed).

Term

The licensing of works may follow the time limits given by the parties. When it is not otherwise stated, the duration of the contract should be limited to 5 (five) years.²¹

Therefore, the author, or his heirs, will be free to transfer, license, or sell the economic rights in the work for so long as the copyright protection exists.

Rights of Licensor

The licensor can impose in the agreement all the terms and conditions allowed by party autonomy, (ie, when the contract's consideration is not against public order, mandatory laws, or morality).

The licensor, however, in his quality as author of the work, enjoys some rights and obligations which are expressly provided by the Civil Code.²²

Obligations of Licensor

The licensor (the author) must deliver the work according to the conditions fixed in the contract and in an acceptable form. The licensor must warrant the quiet enjoyment of the transferred rights during the contract life.

In the case of a transfer of exclusive rights, there is an implicit prohibition to grant the same licensing right of the work to others, not to compete with the licensed work by publishing, and not to distribute a similar work in the market.

²¹ 2121/1993

²² Civil Code Articles 236, 237

Rights of Licensee

The licensee has the right to dispose of the licensed rights in the work and to publish or reproduce as many editions as deemed necessary during the term of the contract. The licensee also has the right to quiet enjoyment of the licensed right. The licensee also has the right to bring action to prevent infringement.

Obligations of Licensee

The licensee cannot transfer the licensed rights without the licensor's consent. He would otherwise be liable to damages under the Greek Civil Code.²³

Moreover, the *licensee* is obliged to reproduce and distribute the work for the sale, in conformity with the original copy of the work and according to proper editorial techniques; and ·Pay the agreed royalty.

Royalties

The consideration of the licensor (the author) will consist of a royalty fixed, unless otherwise agreed, for example a percentage of the cover price of the published or reproduced work. A lump sum payment also is allowed.

Extension and Amendment

The *licensee* is not allowed to extend or assign the licensed rights to any third party without the licensor's assent. An extension of the contract can however exist.

Impact of Public Policy

Greek copyright law followed the *origin theory* and that was the reason why licensing was considered to be prohibited until relevant legislation permitted copyright licensing in Greece. The main focus of all relevant legislation is the actual extent to which licensing is allowed as well as the object of the extensive provisions regulating licensing and what they are designed to protect through the infringement provisions.

²³ Civil Code Article 926