

Licensing

Contributing editor
Bruno Floriani



2017

GETTING THE
DEAL THROUGH 

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Licensing 2017

Contributing editor

Bruno Floriani

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Netherlands

Tessa de Mönnink, Silvie Wertwijn and Micheline Don

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Overview

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

In principle, there are no such restrictions. However, business entities that are incorporated under foreign law, but are active on the Dutch market rather than within their own country, are subject to the Companies Formally Registered Abroad Act (the CFRA Act). The CFRA Act does not apply to members of the European Union and countries that are members of the European Economic Area Agreement. All other entities must comply with certain requirements applicable to Dutch entities (registration with the Commercial Register and filing of annual accounts with the Commercial Register where the business entity is registered).

Kinds of licences

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

Dutch law does not define types of licences as such. Basically, any exclusive right or asset can be the subject of a licence, governed by the general provisions on Dutch contract law and – if applicable – the specific provisions in specialised acts, such as the Dutch Patent Act. Licences can include intellectual property rights (such as trademarks, patents, design rights, technology transfer, copyrights or software) and confidential know-how. The licence can be granted on a pending application or a registered right, and can be limited in time or perpetual, sole, exclusive or not exclusive, limited in scope (for certain use only), for free or for consideration, compulsory (for certain patent licences) or by law (copy for private use of copyrighted work).

Law affecting international licensing

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

There is no specific legislation that governs the creation or regulates the terms of an international licensing relationship or that governs royalty rates or fees that may be charged. The Dutch Civil Code (DCC) does not contain specific provisions on licensing, the general provisions on Dutch contract law apply as well as Dutch court decisions. Book 6 of the DCC sets out the requirements relating to the formation of contracts. These provisions must be read in conjunction with the more general rules regarding legal actions; that is, actions intended to invoke legal consequences as provided in Book 3 DCC. Further, commercial contracts (including licence agreements), are governed by the ‘principle of reasonableness and fairness’ (based on article 6:248(1) DCC). This principle may not only supplement the existing contract and relationship, but may also derogate from the contract the parties agreed upon at an earlier stage, in the event a provision is – under the circumstances at hand – unacceptable according to the principle of reasonableness

and fairness. The standard to derogate from an agreed provision is high. This said, especially (very) large companies should be aware that a provision in an existing contract could be set aside by the principle of reasonableness and fairness if it is very one-sided and thus unacceptable in the given circumstances (eg, a provision that the licence relationship may be terminated by one of the parties at any given moment upon only 30 days’ notice, especially when dealing with a (very) small or dependent counterparty). It is not possible to predict what kind of provisions may be set aside, if any, since the court will consider all relevant circumstances, including the economic power of each party, the interdependency of the parties, the duration of the contract, the investments made by either party, what each party could reasonably expect from the other party and all other relevant circumstances.

As a general rule, Dutch courts generally tend to protect economically weaker (smaller) parties at the expense of stronger (larger) parties. However, this certainly does not mean that simply by being a ‘weaker’ party, certain clauses will be set aside. In general, an agreed contract in writing will define a relationship primarily. Whether there are grounds to deviate from a written contract, depends on all circumstances of the matter including the expectations of the parties when executing the contract.

There may be a Dutch franchise law somewhere in the future years, at least the intention of a franchise law has been communicated by the current Dutch Minister of Economic Affairs; however, at the moment it is uncertain how and when the legislative process will take place and what the result of this process is going to be.

Besides the civil law aspects, in licensing (as well as distribution and all other vertical agreements) competition laws play an important role and should be kept in mind. The Commission Regulation (EU) No. 330/2010 of 20 April 2010 on the applicability of article 101(3) of the Treaty on the Functioning of the European Union (TFEU) to categories of vertical agreements and concerted practices (the Commission Regulation on vertical agreements) is important, as well as the EU Guidelines thereto. The competition law aspects in relation to licensing are further discussed under questions 32 and 33.

- What pre-contractual disclosure must a licensor make to prospective licensees? Are there any requirements to register a grant of international licensing rights with authorities in your jurisdiction?**

Pre-contractual disclosure requirements stem from unwritten law and case law, which impose upon contracting parties the duty to inform and investigate. Parties are entitled to rely on the accuracy of each other’s information and must always bear in mind each other’s reasonable expectations. The principle of reasonableness and fairness can also play a role (see question 3).

There are no requirements to register the grant of international licensing rights with authorities in the Netherlands. However, only after registration does a licence obtain third-party effect (see question 12).

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

Yes, as explained under question 3, the principle of reasonableness and fairness plays an important role in Dutch law, and this principle (also) applies to licensing agreements and relationships. Further, under Dutch law it is accepted that, under certain (exceptional) circumstances a party may only terminate a long-lasting commercial agreement for cause. However, the general rule is that those agreements can be terminated for convenience, but it may be necessary to observe a notice period and possibly even financially compensate the other party (see question 37).

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

No, it does not. A licensing agreement can be very similar to a franchise agreement, especially when it concerns a trademark licence. Whether it qualifies as a licensing or franchise agreement does not have great significance; neither concept is defined in the law and both are governed by the principle of reasonableness and fairness (see question 3). Both franchising and licensing are governed by the Commission Regulation on vertical agreements and the EU Guidelines thereto.

The Commission Regulation describes franchising in paragraph 189 as follows:

Franchise agreements contain licences of intellectual property rights relating in particular to trade marks or signs and know-how for the use and distribution of goods or services. In addition to the licence of IPRs, the franchisor usually provides the franchisee during the life of the agreement with commercial or technical assistance. The licence and the assistance are integral components of the business method being franchised. The franchisor is in general paid a franchise fee by the franchisee for the use of the particular business method. Franchising may enable the franchisor to establish, with limited investments, a uniform network for the distribution of its products. In addition to the provision of the business method, franchise agreements usually contain a combination of different vertical restraints concerning the products being distributed, in particular selective distribution and/or non-compete and/or exclusive distribution or weaker forms thereof.

Intellectual property issues

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

The Netherlands is a party to all three treaties.

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

Such contractual arrangement can be made. However, the principles of reasonableness and fairness – which apply to all contractual relationships (see question 5) – may cause such arrangement to be invalid or be set aside depending on the facts and circumstances of a particular matter. Also, under certain circumstances such an arrangement may be contrary to the applicable competition laws (see questions 32 and 33).

9 What is the effect of the invalidity or expiry of registration of an intellectual property right on a related licence agreement in your jurisdiction? If the licence remains in effect, can royalties continue to be levied? If the licence does not remain in effect, can the licensee freely compete?

The effect is governed by the terms of the licence agreement. If the agreement does not provide for such a situation and the licensed right expires, the licence (at least insofar as the expired right is concerned) also ends. If the licensed right is declared invalid, it has (owing to the retroactive effect thereof) never existed. However, this does not affect

the agreement concluded prior to the invalidity insofar as it has been performed prior to the invalidity date. Nevertheless, depending on the circumstances, repayment of royalties already paid may be claimed (article 55 European Trademark Regulation, and article 26 European Design Regulation). After the licence has ended, the licensee can, in principle, freely compete with the former licensor, although the agreement may contain non-compete provisions that survive the termination of the licence. Whether those provisions are enforceable against licensee depends on compliance with competition law. Competing with licensor may under the terminated agreement also be prohibited owing to possible contractual restrictions on the use of licensed secret know-how.

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

No, unless a priority right is invoked under article 4C of the Paris Convention.

11 Can unregistered trademarks, or other intellectual property rights that are not registered, be licensed in your jurisdiction?

Under Benelux trademark law, unregistered trademarks do not receive trademark protection (unless they fall within the scope of article 6-bis of the Paris Convention). However, parties can conclude licences for the use of unregistered signs, such as trade names and domain names. Further, unregistered rights such as copyrights or unregistered community design rights can also be licensed, as well as confidential know-how.

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

There are no particular requirements for intellectual property licences. The licence can even be granted orally, although a written licence is always preferable for evidentiary purposes.

Trademark, design and patent licences can only be invoked against a third party after registration with the relevant register (holding the registration of the licensed intellectual property right). Copyright licences, however, can be invoked upon their execution.

A security interest in an intellectual property right must be vested by a written deed to that effect, which must contain a description of the pledged subject.

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

Yes, the foreign owner or licensor is, in principle, free to act on its own against infringements, but the licensee can join the proceedings to claim its own damages. The licensee cannot initiate proceedings for infringement without the licensor's consent and the licensee can only initiate proceedings of its own to claim damages with the express permission of the owner. However, the Court of Justice of the European Union recently ruled (*Hassan v. Breiding and Thomas Phillips v. Grüne Welle*), that with regard to European Trade Marks and Designs, the holder of an exclusive license may initiate proceedings without the licensor's consent if the licensor does not act after having been urged to do so. It furthermore ruled, that the licensee can take action with consent of the licensor, even if the license has not been registered.

Often, licence agreements contain specific wording on actions to be taken in the event of infringements (who will take the action, how will damages be distributed, etc).

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

Benelux trademark law does not allow or prohibit sub-licensing as such. Trademark licences fall within the scope of contractual relations, which are executed between the contracting parties. As a consequence, the licensor should give permission to the licensee for the granting of sub-licences. Further, it is recommended that the licensor and licensee agree on the consequences of the sub-licence (term, conditions, royalties, etc), in order to avoid disputes over time.

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

The Netherlands has a 'first to file' system. Patent applications can be licensed. If the patent is not granted, the licensor may terminate the agreement. The licensor may only continue to collect royalties if the licensor continues to make certain efforts for the benefit of the licensee. Usually, the parties will make the validity of the licence conditional upon the patent being granted.

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

The 1995 Dutch Patent Act explicitly excludes software and business processes or methods from protection. However, the courts in Europe are becoming more and more lenient in granting patents for software and business processes or methods, if the invention meets certain technical standards. Micro-organisms (bacteria, etc) can in general be patented. Patenting animal and plant species is difficult, but it is possible to patent inventions that are applicable in animals, as well as a wide variety of animals and plants in which a certain invention has been applied (eg, all plants that are resistant against a certain herbicide).

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

Dutch law does not yet contain any specific provisions on trade secrets or know-how. However, with the acceptance of the Trade Secrets Directive as per 5 July 2016, member states have a maximum of two years to incorporate the Directive's provisions into domestic law. With regard to licence agreements, the EU Technology Transfer Block Exemption Regulation (772/2004) defines know-how as basically 'secret, substantial and identified'. As know-how or trade secrets are not intellectual property rights, the Enforcement Directive as implemented into Dutch law does not apply to cases on the subject. Cases of unauthorised disclosure of know-how and trade secrets are usually dealt with as tort (such as unfair competition) or breach of contract (such as non-disclosure agreements, employment agreements or otherwise). Pursuant to case law, if the disclosing party has not made clear that the information is confidential, it cannot qualify as know-how. The confidential nature cannot be assumed merely based on the relationship between the parties.

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

Yes, the parties can and often do agree that disclosure is restricted and know-how remains confidential even after the term of the licence agreement. However, holding a licensee to such an arrangement while the know-how has meanwhile become public knowledge (through no fault of the licensee), may be in conflict with competition rules. For improvements to which the licensee has contributed, such an arrangement would only work if the licensee assigned its rights to the improvements to the licensor or if it has granted an exclusive (perpetual) licence to the licensor to use the improvements.

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

Pursuant to the Dutch Copyright Act, works of literature, science or art can be protected by copyright. This includes an unlimited variety of works, including literary, musical and audiovisual works as well as software. In order to qualify for protection, the work has to have its own, original character and bear the personal stamp of the author. The work must be the author's own intellectual creation and cannot be derived from an existing work. Ideas are not protected; the work must be in tangible form. Copyrights allow the author to object to the unauthorised making public or reproducing of the work, and include moral rights. Copyrights arise upon creation of the work and last for 70 years after the death of the author (or after its publication, if the author is a company).

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

Yes, this is advisable from the licensor's perspective, as without such assignment the rights (by operation of law) vest in the licensee as author. Moral rights cannot be assigned and can only partially be waived. The assignment should be made in writing and explicitly describe the works involved. Without a clear description, the assignment will be interpreted in a restrictive manner. Assignment of future rights is possible (if sufficiently described), but retroactive assignment is not (see also question 23).

Software licensing

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

Dutch law does not prohibit perpetual software licences. However, perpetual licences might not be preferable after the decision of the Court of Justice of the European Union in *UsedSoft v Oracle* (3 July 2012, C-128/11), which has been confirmed since. In that case, Oracle objected to UsedSoft's resale of Oracle licences for standard software, which licences UsedSoft had acquired from Oracle licensees (albeit in violation by the licensee of its contractual obligation not to transfer the licence). The Court sided with UsedSoft and ruled that Oracle had exhausted its rights to distribute the software, as it had sold the first copy of the software in the EU. The Court held that if the licence has been granted for an unlimited period of time and for a one-time fee (representing the economic value of the software), such a transaction actually involves a transfer of the ownership of the software copy and, therefore, constitutes a 'sale'. As a consequence, a perpetual licence (which will have a one-time fee) will be regarded as a sale. The licensor is therefore better off granting a licence for the term of the agreement and at recurring fees.

22 Are there any legal requirements to be complied with prior to granting software licences, including import or export restrictions?

No, although depending on the sector and the kind of software, there may be restrictions in the area of 'dual use', when a certain component (also) has (or could have) a military use or purpose.

23 Who owns improvements and modifications to the licensed software? Must a software licensor provide its licensees bug fixes, upgrades and new releases in the absence of a contractual provision to that effect?

In principle, the licensor owns any improvements or modifications its employees make to the software, and the licensor's consent is required to improve or modify the software. If the licensor outsources the creation of improvements or modifications, the third party who made them owns them and the licensor should request to receive those rights through an assignment. However, the licensee is entitled (by statutory licence) to make certain modifications to the software insofar as necessary for the licensee to be able to use the software as intended under the licence. The licensor is only obliged to provide upgrades and

updates if this has been contractually agreed. Usually, licence agreements contain a warranty period during which the licensor must perform bug fixes for free. After that period has expired or – in the absence of a warranty period – after the licensee has accepted the software as delivered, the licensee can only claim repair of hidden defects (see also question 20).

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

Yes, the licensor is entitled to take such measures and circumvention of those measures by the licensee can constitute a criminal offence. If the licensor erases the software, it must of course be careful not to erase any data or property of the licensee in the process. Any of those measures will most likely seriously affect the licensee's business, and the licensee can file proceedings to have a court determine whether the measures were just and allowed. If the court were to find against the licensor, the licensor can be held to compensate the damage incurred by the licensee as a result of the unjust measures.

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

Cases on this subject hardly ever make it to court, as they are mostly covered by the applicable contractual provisions (warranties, maintenance, etc, see also question 23) and parties often settle out of court. In general, it is accepted that software is not entirely error-free. The more customised the software is, the more acceptable a certain level of errors is. Consequently, parties almost always contractually agree upon a certain percentage of availability of the software, as well as a classification of errors and a procedure for error-fixing. Whether the software meets the expectations the licensee may have reasonably had under the agreement depends on the facts and circumstances of the case and should be determined on a case-by-case basis.

26 Are there any legal restrictions in your jurisdiction with respect to software that, without the prior consent or knowledge of the user, interferes with the users' control of the device?

Depending on the activities or processes that occur, this could give rise to privacy issues and thus fall within the scope of the Dutch Privacy Act.

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

No, there are no specific cases known in the Netherlands in which the enforceability or applicability of the terms and conditions of open source software (OSS) licences have been restricted.

As to the legal developments concerning the use of OSS, the Netherlands is still waiting for its first OSS case in which OSS licences are tested in Dutch courts. Note that the Dutch government had devoted special attention to the use of OSS in the public sector for some time now. To stimulate the use of OSS in the public and semi-public sector, the government of the Netherlands released an action plan called 'The Netherlands in Open Connection'. In short this action plan aims at:

- increasing interoperability in and around government;
- decreasing dependency on suppliers of ICT by promoting open standards and open software; and
- promoting a level playing field on the software market and promoting innovations in ICT through open source.

Royalties and other payments, currency conversion and taxes

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

No, there is no specific legislation on royalties, nor is regulatory approval required. The parties can contractually agree on interest for late payment and payment terms. Without such agreement, the Dutch statutory interest rate in commercial matters as from 1 July 2013 applies (currently at 8.5 per cent per year) and payments between companies must be made within 30 days. For transactions with consumers, an annual rate of 3 per cent applies.

EU Regulation 2011/7/EU to prevent payment delays in commercial agreements was implemented by the Act of 16 March 2013. The Act only applies to professional parties, not to consumers. Even though professional parties can agree upon payment terms, the Act provides that only under exceptional circumstances is a payment term exceeding 60 days allowed. When dealing with governmental bodies, the maximum payment term is 30 days and can only be extended under exceptional circumstances, but never exceeding 60 days. A creditor can claim €40 as minimum compensation for recovery costs.

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

No, there are no restrictions or reporting requirements.

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

A corporate foreign licensor will become liable to Netherlands corporate income tax as a foreign taxpayer if the corporate foreign licensor conducts an enterprise in the Netherlands via a permanent establishment and the intellectual property assets subject to the licence can be attributed to that permanent establishment. In that event, the Netherlands will levy 20 per cent corporate income tax on the first €200,000 of profits of the permanent establishment and 25 per cent corporate income tax on the profits exceeding €200,000. The Netherlands does not levy withholding tax on royalties.

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

Dutch law does not contain any provisions that prevent a court from rendering a judgment in a foreign currency, if and when so requested by the parties. This could, for example, be the case if the parties have agreed on a foreign currency in the contract, which is the source of the dispute. The parties can also contractually agree on an enforceable indemnity for any shortfall to a foreign licensor owing to currency exchange fluctuations. In doing so, it is advisable to include clear wording on how to calculate the exchange date and possibly even include a reference date or period for such calculations.

Competition law issues

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

Yes, within the Netherlands (and the EU), practices that restrict trade are prohibited. The EU Commission Regulation on vertical agreements provides the relevant framework for the competition law assessment of all licence agreements with an effect on trade between EU member states. The Commission Regulation on vertical agreements, inter alia, prohibits resale price maintenance as well as certain restrictions regarding the territory or group of customers that can be served. It is prohibited to limit 'passive sales' from a licensee or reseller (not being the end-user), which includes sales via the internet. It also restricts the duration of a contract in the event that it contains a non-compete clause. Further, EU Commission Regulation No. 772/2004 of 27 April 2004 on the application of article 101(3) of the Treaty to categories of technology transfer agreements (the Commission Regulation on

technology transfer) might apply. The latter Commission Regulation includes restrictions on exclusive grant-back obligations for severable improvements. Whether such provisions are allowed must be determined individually.

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

Yes, also see question 32. Pursuant to the Commission Regulation on vertical agreements, the licensor may not restrict or prohibit its licensee or reseller (not being the end user) to (re)sell licences to its customers via the internet. Internet sales qualify as 'passive sales' that may not be prohibited. However, since competition laws continually evolve and licensing arrangements can be rather specific, and also as they could both fall within the scope of the Commission Regulation on vertical agreements or the Commission Regulation on technology transfer as well as under national competition laws, each specific matter should be assessed individually.

34 Have courts in your jurisdiction held that certain uses (or abuses) of intellectual property rights have been anticompetitive?

On 8 September 2016 the EU General Court fully upholding the EU Commission's decision that the Danish pharmaceutical company Lundbeck and four generic competitors had concluded agreements that harmed patients and healthcare systems. In 2002, Lundbeck agreed with these four other companies to delay their market entry of cheaper generic versions of Lundbeck's branded citalopram, a blockbuster antidepressant. These agreements violated EU antitrust rules that prohibit anticompetitive agreements (article 101 of the TFEU). It is the first time that it is ruled that pharma pay-for-delay agreements breach EU antitrust rules.

Indemnification, disclaimers of liability, damages and limitation of damages

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

Indemnification provisions are common and are generally enforceable. However, Dutch courts may always mitigate any penalties agreed upon. Insurance coverage is usually available, depending, of course, on the precise needs and risks.

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

Yes, parties can contractually agree to waive or limit certain types of damages as well as maximise the amount. Disclaimers are generally enforceable, unless deemed unacceptable under the given circumstances based on the principle of reasonableness and fairness (see question 3). This can especially be the case if there is (serious) inequality between the contracting parties. Further, liability resulting from intent or gross negligence of the (higher) management of a company cannot be excluded or limited.

Termination

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

Dutch law does not restrict or limit the right to terminate a licence agreement. However, this does not mean that a party can always terminate the agreement and even if it can, it may be obliged to respect a certain notice period or pay compensation or indemnity, or both. A contract with an indefinite term may, in principle, be terminated for

Update and trends

For some time now, the franchise branch in the Netherlands has been busy working on the Dutch franchise code. Since the beginning of 2015, this has been done by a Drafting Committee consisting of two members representing franchisee interests, two members representing the interests of franchisors, and assisted in this by two members provided by the Ministry of Economic Affairs. The activities of the Drafting Committee have initially led to the presentation on 16 June 2015 of a consultation version of the Dutch Franchise Code, after which stakeholders were given a period of (only) six weeks to submit their input to this code. This procedure has led to a great deal of criticism on the part of franchisors, who felt they were not heard and who had given no mandate for the far-reaching obligations contained in the particular code. Other parties too, such as branch associations and similar organisations, objected to the code. The Minister then decided work on the code should be continued, with greater support from the Ministry. This has led to the present version of the Dutch Franchise Code, presented to the Minister by the Drafting Committee on 17 February 2016. In October 2016, the Minister stated he was in favour of transforming the current Dutch Franchise Code into franchise law in the Dutch civil code. According to the Minister this should be effectuated as soon as possible. As the definition of 'franchise' in the Dutch Franchise Code is rather broad, those developments could, besides franchise relationships, also affect other (trademark) licences in the Netherlands.

convenience. This is the prevailing opinion, recently affirmed by the Dutch Supreme Court. However, under certain circumstances a party may have to show cause to terminate the agreement. In any case, a reasonable notice period must always be observed, the length of which depends on the circumstances of the matter. Although standard practice was that courts granted notice periods of up to six to 12 months, some recent higher court decisions imposed notice periods of two to three years, even when the contract stated a shorter period. Further, the terminating party may have to compensate the other party for investments or costs made, which the other party may lose owing to the termination.

A licensing structure can, under certain circumstances, be qualified as a commercial agency relationship in the Netherlands. Important criteria to determine this are:

- is the licensee or sub-licensor (i) a reseller or (ii) an intermediary?
- (i) does the licensee or sub-licensor establish the reseller prices itself, or (ii) are they being fixed by the licensor?
- (i) does the licensee or sub-licensor earn a margin between the purchase price and the resale price or (ii) a commission fee for all licences sold?
- (i) does the licensee or sub-licensor receive the licence fees from customers or (ii) are they collected by the licensor?

The more questions that are answered with (ii), the more likely that a court will deem there to be a commercial agency relationship, in which event a goodwill compensation may be payable upon termination of the licence agreement.

38 What is the impact of the termination or expiration of a licence agreement on any sub-licence granted by the licensee, in the absence of any contractual provision addressing this issue? Would a contractual provision addressing this issue be enforceable, in either case?

Without a contractual provision, the sub-licence agreement ends upon the licence agreement ending. This may, however, result in the sub-licensor committing a material breach towards its sub-licensee, if this situation was not properly addressed in the sub-licence agreement. A contractual provision arranging for termination of the sub-licence upon ending of the licence agreement would clarify the position of the parties from the outset and would indeed be enforceable.

Bankruptcy

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

A licensor can include the contractual right to terminate the agreement prior to the licensee's bankruptcy; such clauses are common and usually valid. Without an explicit termination arrangement in the event of a bankruptcy of the licensee, the licence remains in place and also a sub-licence will not automatically terminate in such event.

Governing law and dispute resolution

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

Pursuant to article 3 of the Rome I Convention, contracting parties can choose the law of another country, but remain bound by mandatory provisions of the country to which the matter exclusively relates (eg, for two Dutch contracting parties, the territory is the Netherlands). Further, parties cannot exclude the applicable EU competition laws and other specific mandatory rules of law, such as goodwill compensation in commercial agency relationships.

- 41 Can the parties contractually agree to arbitration of their disputes instead of resorting to the courts of your jurisdiction? If so, must the arbitration proceedings be conducted in your jurisdiction or can they be held in another? Can the parties agree to preclude collective (or class action) arbitration? If so, list the conditions for a contractual waiver to be enforceable.**

Yes, the parties can jointly choose to submit a case to arbitration rather than to the Dutch courts. The choice for arbitration has to be made in writing. The arbitration can be conducted in a foreign country and a foreign language. Collective or class action arbitration is not addressed, unlike class action claims before a court, in the Dutch Code of Civil Procedure.

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

EC Regulation 1215/2012 of 12 December 2012 applies to the recognition of foreign judgments in the Netherlands. Consequently, a judgment from another EU court is enforceable. With regard to non-EU judgments, articles 985 to 994 of the Dutch Code of Civil Procedure (DCCP) apply. Such a judgment can be executed upon approval of a Dutch court. However, if no bilateral treaty applies, the matter should be brought before a Dutch court, which will then decide upon the claim (article 431 DCCP). If the foreign judgment is similar to the outcome under Dutch law, the Dutch court may rule in conformity with the foreign judgment.

The Netherlands is a party to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards. A foreign arbitration award will be enforced (as per article 1076 DCCP), unless there are reasons for refusal pursuant to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958.

- 43 Is injunctive relief available in your jurisdiction? May it be waived contractually? If so, what conditions must be met for a contractual waiver to be enforceable? May the parties waive their entitlement to claim specific categories of damages in an arbitration clause?**

Yes, injunctive relief is available in the Netherlands, both without the defendant being involved (ex parte) as well as between the parties (inter partes). The parties may contractually waive their right to injunctive relief, although this is rather uncommon. In fact, often when parties choose arbitration, they also include the right to obtain injunctive relief. For a (contractual) waiver to be enforceable, it must be unambiguous that the waiving party wishes to waive its right. This can be the case if the waiving party has given the clear impression that it will not invoke a certain right. However, for evidentiary purposes we recommend that the waiver is done in writing. The right to claim certain types of damages may also be excluded.

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