

Licensing and Transfer of Ownership under Belgian law & Bird & Bird

Licensing, Transfer of Ownership and Dispute Resolution
Commercialization of IP Generated in FP7 Projects

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Belgian law : brief introduction

Civil law system (Napoleon code of 1804)

Specialized IP courts

Belgian arbitration rules allow arbitrability of patent validity

No specific rules on licensing or tech transfer, except for :

- Rules on lease
- Law on Franchise Agreements
- National law transposing the TTBER

Belgian law : some pitfalls

Specific rules on the duration of a (license) agreement

Basic rules on the (judicial) termination of an agreement

The Belgian law on franchise agreements

Rules about “*Factual Associations*”

Rules about the “*Retrait Litigieux*”

The “*Culpa in Contrahendo*”

Duration of an agreement

Important to agree on the duration of your agreement!



Definite

Indefinite



This choice has great consequences

Duration of an agreement

Definite

- Parties will know how long they will be bound at the moment of signing
- No requirement to add a specific date: possible to add merely add a future event that certainly will occur
- Unless stipulated otherwise, not possible to unilaterally terminate the agreement

Indefinite

- Each party is free to unilaterally terminate the contract at any time and without cause
 - Ratio? No one can be found for life
- A reasonable period of notice must be granted in case of termination
 - Sanction : monetary compensation for insufficient notice

Termination of an agreement

At the end of the fixed term

On the grounds explicitly stipulated in the agreement

Or on the basis of art. 1184 of the Belgian Civil Code!

- *“A resolutive condition is always understood in synallagmatic contracts in the case where one of the two parties does not satisfy his engagement. In such a case, the contract is not rescinded as a matter of law. The party towards whom the engagement has not been executed has the choice either to force the other to execute the engagement when it is possible or to claim rescission of it with damages. Rescission must be sought before the court, and the defendant may be granted a delay according to the circumstances.”*
- The Rescission has an *ex tunc* effect: does however not mean that paid royalties can be reclaimed
 - Due to the nature of the IP rights (e.g. enjoyment of a license)
 - Accomplished facts cannot be reversed
 - The legality of the past licensed activities cannot be challenged either

The Belgian “Franchising” law

Belgian law of 19 December 2005 on pre-contractual information in the context of co-operation contracts

- Purpose: Protection of future franchisees by precluding that they would enter too quickly into an ‘empty’ franchise agreement
- Object: pre-contractual phase of commercial cooperation agreements
- However: its scope is much broader...



The Belgian “Franchising” law

Scope of application (7 cumulative conditions):

1. Commercial co-operation agreements
2. That are entered into between two parties
3. Each of which acts individually under its own name and for its own account
4. Whereby one party grants the right to the other party
5. Which in return pays a remuneration of any kind (either directly or indirectly)
6. To use a commercial formula (a common signboard, a common trade name, the transfer of knowhow or commercial or technical assistance)
7. For the sale of products or rendering of services (e.g. franchising, licensing, distribution, joint-ventures, ...)

The Belgian “Franchising” law (ct’d)

Applicable to agreements which designate Belgian law but that are mainly executed abroad?

- Art 9: “*The pre-contractual phase of commercial co-operation agreements is governed by Belgian law and under the jurisdiction of Belgian courts if the person receiving the right, mainly executes the activity, covered by the agreement, in Belgium*”
- Belgian case law:
 - This law is self-limitative and does only apply to agreements mainly executed on the Belgian territory
 - *A contrario*: an agreement mainly executed outside the Belgian territory does not enter into the scope of this law
- This case law is being criticized by legal scholars who are of the opinion that this law should equally apply to agreements mainly executed abroad but governed by Belgian law, unless the application of this law is explicitly excluded

Main principles of Belgian “Franchise” law

Duty to make following information available before signing agreement

1. A draft agreement
2. A *separate* document containing:
 - a. The important contractual clauses
 - E.g. calculation of the remuneration, the targets, terms and conditions of non-compete clauses, ...
 - b. The information necessary to allow the party that has been granted the right to make a correct assessment of the commercial cooperation agreement
 - E.g. IP rights of which the use is granted, the experience with commercial cooperation agreements and experience with using the commercial formula outside the framework of a commercial cooperation agreement, the history, status and forecast of the market and market share, the number of people/entities that have been part of the Belgian and international network

This information must be communicated at least one month prior to the signing of the commercial co-operation agreement

Principles of Belgian “Franchise” law (ct’d)

Sanctions

- Nullity of the entire agreement or of a specific clause
- Only the party that has been granted the right can invoke the nullity
 - In principle limited to two years following the date of conclusion
 - No time limit in the case of non-compliance with the obligation to list ‘important contractual clauses’ in the separate document

Confidentiality

- Both parties are bound by a confidentiality obligation
- No specific sanction in the law (but general liability rules apply)

Interpretation rule

- In case of uncertainty regarding the precise meaning of a provision or information communicated, the interpretation which is most favorable to the party that has been granted the right shall prevail

“*Culpa in contrahendo*”

Disruptive interruption of **pre-contractual negotiations**

- brutally walking away from the negotiation table can give rise to a claim for damages

Such discussions can be avoided by carefully drafting the letter of intent and exclude liability

Liability can be excluded for (serious) fault, but never for :

- malice : intentional breach
- fraudulent intent

“Retrait litigieux”

Principle

- A debtor who is sued by the assignee of a contested right can always settle the proceedings by paying the assignee the amount for which the assignee purchased the contested right together with the costs of the assignment and the interests (= *art. 1699 Belgian Civil Code*)
- This rule is not applicable when:
 - The Right has been assigned to a co-owner or co-heir of the Right;
 - The Right has been assigned to a claimant in order to pay him;
- Ratio:
 - Anti “*Ancien Régime*” rule (1804) : Avoiding the speculative practice of purchasing contested rights for a limited amount and thereafter claiming the reimbursement of the Right at a superior price

Relevance for IP agreements: protection against Litigation trolls

Factual Associations

Multiple parties sometimes act as if they are bound by a common goal or purpose

But : they have no legal personality

Sanction : no individual standing to sue for actions that would be in the interest of the factual (i.e. non incorporated) association

The parties must either :

- establish a joint company
- each act in their own legal interest

Warranties & Liability : implied or not ?

Peaceful enjoyment of a License

- Based on the rules governing the lease of goods
- In the past defined by Belgian courts as including a warranty against defects of the patent or a warranty against eviction

Infringement claim by a third party against a licensee

- The licensor is obliged to assist his licensee (art. 1134 & 1135 Belgian Civil Code – good faith execution of a contract)
- The licensor runs the risk to be held liable for contract breach (peaceful enjoyment), if he cannot rebut the allegations of the third party
- The licensor can escape liability by demonstrating that the licensee exceeded the scope of the license
- Or : the licensor can release himself of liability by giving a « *naked license* »

Thank you **& Bird & Bird**

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