



Det Juridiske Fakultet



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Immaterielretsaftaler

“Concurrent Liability in Contract
and Intellectual Property Law”

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Starting point: Disputes between licensor and licensee

- Often a licensee's breaches of a licensing contract constitute IPR infringements as well: **Two legal tracks**
- The legal consequences of choosing the two tracks are substantial

Contract

Always available to the licensor

Inter partes

Damages in contract law

Ordinary civil procedural rules

No criminal sanctions

Contract law jurisdiction

Mainly unharmonized

IPR

Always?/sometimes? available to the licensor

Erga omnes exclusive rights (**third party effect**)

Favourable rules on compensation (TRIPS & IPRED)

Effective civil procedural rules (TRIPS & IPRED)

Tort law jurisdiction

High degree of harmonization



National experiences of concurrency of legal tracks (contract v tort)

- **Two schools:**

- **1. "Always contract"**

- Sweden
- Hellner/Johansson: "Huvudregeln i svensk rätt torde vara, att den skadelidande icke äger åberopa utomobligatoriska regler i stället för kontraktsmässiga därför att detta är fördelaktigare för honom ... kontraktsmässiga regler er, ... är anpassade efter det speciella förhållandets karaktär..."
- France (the doctrine of non-cumulation: Access to tort is barred to support the balancing of interests agreed upon)

- **2. "Freedom of choice" (meaning "always IPR")**

- Denmark (Norway(?), England, Germany)



Proposition – de sententia ferenda

“The contract governs unless there is a clear legal basis for a free choice”

- Arguments:
 - If unchecked a starting point of “freedom of choice” position is problematic in the area of IPR
 - In reality “freedom of choice” = “always IPR”
 - International, EU and national IPR legislation has boosted the weaponry available to IPR rights
 - Its is not fair/warranted to allow rightholders to apply those arms vis a vis a contractual partner
 - **Contract law conflicts should be dealt with by contract law**
- Danish contract law methodology allows for a normative approach to concurrency
 - Freedom is not total
 - The starting point of freedom of choice is based on the standard assumption that the choice btw contract/tort free is normally not a major problem: swings and roundabouts. BUT **IPR is different: All the benefits go to the licensor**
- So the standard assumptions underlying the starting point of freedom of choice is problematic and provides one of the parties with unilateral benefits
 - This should be avoided: Limping contracts, forum shopping, abus de droit



Limiting freedom of choice

- EU law limits the freedom of EU states to prefer contracts to IPR
 - **Substantial IPR norms** (next slides)
 - The EU **IPR Enforcement Directive** (IPRED)
 - Applies to 'any infringement of intellectual property'
 - C-666/18 (IT Development SAS)
 - IPRED 'must be interpreted as also covering infringements resulting from the breach of a contractual clause relating to the exploitation of an intellectual property right...' (para. 36)
 - France can maintain the principle of non-cumulation, but must then incorporate IPRED's remedies, procedures etc. into contract law
 - **In principle**, C-666/18 does not impact the member states' different approaches for addressing the concurrency problem
 - **In practice**, the case takes one tooth out of the argument for restricting free choice
 - Still remaining practical significance:
 - Criminal sanctions
 - IP
 - IPRED is minimum-harmonization Directive
 - Third party effect (exhaustion)



IPR: Third party effect: Exhaustion

- **Contract**

- “Privity of contract”, inter partes effect: The licensor only has a claim under contract law in relation to products sold in violation of the licensing agreement – i.e. against the Licensee – not the buyer of the product

- **IPR**

- Erga omnes effect (incl. against buyer in good faith) – **unless exhaustion**



Exhaustion

- Trade mark Directive
 - Art. 15(1) A trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been **put on the market** in the Union under that trade mark by the proprietor or **with the proprietor's consent**
- “Consent”
 - **Art. 25(2)** The proprietor of a trade mark may **invoke the rights** conferred by that trade mark **against a licensee** who contravenes any provision in his licensing contract with regard to:
 - (a) its duration;
 - (b) the form covered by the registration in which the trade mark may be used;
 - (c) the scope of the goods or services for which the licence is granted;
 - (d) the territory in which the trade mark may be affixed; or
 - (e) the quality of the goods manufactured or of the services provided by the licensee



Case C-59/08 (Copad)

- 'a licensee who puts goods bearing a trade mark on the market **in disregard of a provision** in a license agreement **does so without the consent** of the proprietor of the trade mark where it is established that the provision in question is included in those listed in Article [25](2) of that Directive'
- '... contrary to what Dior claims, the very wording of Article [25](2) of the Directive shows that the list set out in it is **exhaustive**'. Para. 20.
 - Excludes extension of the provision by analogy
 - Most likely it can be concluded *e contrario* that other breaches of the agreement are governed by **contract law only**
 - By extension **the decision arguably affects the relationship *inter partes* generally**
- Holders of trade mark rights must be able to chose trade mark law when it comes to the five listed clauses.
- **For breaches of other clauses there is no access to trade mark law**
 - E.g. overruns constitute contract law breach only



The scope for national rules on the freedom of the licensor to choose between contract and IPR

- **Where does EU law prohibit the freedom of choice?:**
 - EU trade marks + national registered trade marks
 - Only contract except for breaches of the 5 types of clauses in art. 25(2) TMD
 - EU designs: Only contract except for breaches of the 4 types of clauses in art. 32(2) DR
 - Plant variety rights: Greenstar: Only contract except for breaches of clauses relating directly to the *essential features* of the plant variety right (left for national courts to decide)
- **Where does EU law NOT prohibit the freedom of choice?:**
 - National trade mark rights established by use (no statutory differentiation between rights established by use or by registration)
 - National design rights (no legal obligation to follow the Regulation, but perhaps natural to do so)
 - Copyright
 - Patents



Scandinavian scholarship

- **General opinion:** A certain degree of freedom of choice – relating to the “essential clauses” of the contract (cf. plant variety rights/Greenstar):
- - **P. Blok (1974):** Patent law: 1) the duration of the license, 2) the type of use allowed by the license
 - **O.-A. Rognstad (1999):** Copyright: No analogy to trade mark law, but copyright re. 1) the duration of the license, 2) the number of products (overruns), 3) means of distribution
 - **A. Stenvik (2013):** Patent law: ‘Substantial breaches’
 - **B. Domeij (2010):** Patent law: 1) the duration of the license, 2) the number of products (overruns), 3) use by another legal entity than the licensee + perhaps more
 - **B. von Ryberg (2013):** 1) the duration of the license, 2) the type of use allowed by the license, 3) the geographical scope of the license, 4) the quality of the products
 - **B. Liin (2009):** 1) the duration of the license, 2) the territorial scope of the license, 3) the number of products (overruns)
 - **P. Schønning (2016):** Copyright law: 1) the duration of the license, 2) the quality of the goods, 3) the number of products (overruns), 4) the geographical scope of the license
 - **M. Rosenmeier/A.S. Johnsen (2022):** Holders of copyright may normally rely on copyright but a case by case analyses is needed
- **Other views:**
 - **J.H Danielsen (2005):** Exhaustion in all types of cases of breach – unless a clear legal basis
 - **E.M. Runesson (2014):** The licensor must rely on the contract in all cases



Proposition: Limiting the choices available to the licensor/plaintiff

- ***The licensor shall rely on the license contract only, unless there is a clear legal basis for invoking IPRs***
- **“Clear legal basis” for a free choice (i.e. for choosing IPR):**
 - The EU rules on trade mark rights, design rights and plant variety rights
 - DK Patent Act Sect. 43: *‘If the proprietor of the patent has granted another person a right to exploit the invention commercially (license), the licensee may not transfer that right to others in the absence of an agreement to the contrary.’* (sub-licensing)
 - DK Copyright Act Sect. 56(2): *‘Assignment of copyright does not give the assignee any right to reassign copyright unless the reassignment is usual or obviously presumed...’*
 - Use after the lapse of the license contract (where no longer any contract)
 - **For all other types of breaches only contract law should normally be applicable**
 - *Cave:* Inter partes normally with the remedies of IPRED



Reasons for limiting the licensor's choices (and to point to contract law only)

- Prevents forum shopping (literally and by analogy) – predictability
- Prevents unbalanced relationship (unilateral preferential treatment of the licensor)
- The contract is the manifestation of the common understanding of the first-best balancing of the parties' interests *ex ante* (elements of the IP track can be incorporated into the contract and the licensee can claim countervailing benefits)
- The IPR enforcement track is aimed at piracy and mass online infringements – not at contractual partners



Background reading

Jens Schovsbo/Thomas Riis:

- "Kontrakt- og immaterialretlig konkurrence ved krænkelse af vilkår i licensaftaler om immaterialrettigheder", NIR 2018/5–21
- "Concurrent Liability in Contract and Intellectual Property Law: Licensing Agreements in Light of Case C-666/18 IT Development SAS", GRUR International 2020/989 – 997

Thomas Riis/Jens Schovsbo:

- "Har ophavsretten udkonkurreret aftaleretten? Betydningen af EU-Domstolens dom i sag C-666/18 (IT Development SAS)", NIR 2020/436 - 444

