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Licensing in France

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Overview

Restrictions

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?

No specific restrictions or filing, or regulatory review process apply to the establishment in France of a business entity or a joint venture by a foreign entity, except in some strategic areas where prior authorisation from the French administration is required (defence, energy supply, water supply, transportation networks and services, electronic communications and health protection). Moreover, except in these restricted areas, foreign investors are free to invest in France, subject only to a prior statistical declaration (this declaration must also be submitted when incorporating a company in France). Therefore, subject to the above, a foreign licensor or a joint venture involving a foreign licensor can freely establish a business entity in France, provided that it complies with the corporate rules applicable to the establishment of any business entity, including, without limitation, registration with the Trade and Companies Registry of the commercial court with jurisdiction over such business entity's corporate office.

There are no specific restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office in France. A licence agreement can freely be entered into between a foreign licensor and a French licensee, and be governed by French law.

Kinds of licences

Forms of licence arrangement

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

There is no legal definition of 'licence' under French law, but a licence arrangement is usually defined as the authorisation granted by the owner of an intellectual property right (IPR) to a third party to use, reproduce, represent or modify such right on an exclusive or non-exclusive basis. Such authorisation is generally granted in

exchange for compensation and subject to limitations (with respect to the geographical scope, the duration, the nature of the rights licensed, etc).

The French Intellectual Property Code (IPC) expressly refers to licences over trademarks, patents, designs and models and databases. With respect to copyright, the IPC (article L122-7) only refers to the assignment of the patrimonial rights of the author (ie, representation right and reproduction right). However, provided that the exploitation of the assigned rights must be delimited with regard to its scope, destination, location and duration (article L131-3), the applicable rules and effects will often be similar to those of a licence. Particularly regarding software, the term 'licence' is commonly used.

In addition, know-how licences do exist in France although know-how does not constitute a proprietary right benefiting from specific protection under the IPC.

Franchise agreements generally include a trademark, trade name or service mark licence, as well as the transfer of know-how by the franchisor to the franchisee.

Law affecting international licensing

Creation of international licensing relationship

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

French legislation does not directly govern the creation or otherwise regulate the terms of an international licensing relationship. No specific limitations apply and the parties remain free to set forth the terms and conditions of their relationship, whether the licence is national or international, subject, however, to applicable general contract rules.

Pre-contractual disclosure

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?

No such requirements exist specifically for international licensing as compared with national licensing.

Article L330-3 of the Commercial Code provides for pre-contractual disclosure obligations that are incumbent upon any person that makes available to another person a corporate name, trademark or trade name and requires from such other person an exclusivity or quasi-exclusivity undertaking with respect to its activity. The pre-contractual information must be disclosed in a document provided at least 20 days prior to the signature of the agreement. Such a document must contain truthful information allowing the licensee to commit to the contract with full knowledge of the facts.

There are no specific requirements to register a grant of international licensing rights as compared to a grant of national licensing rights. In both situations, the grant of a licence over registered IPRs must be registered in some cases (see question 12).

Registration

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?

An international licensing relationship that is governed by French law is subject to the general contract law principles, including the negotiation, the conclusion and the performance of contracts in good faith (article 1104 of the Civil Code). This statutory legal provision implies an obligation on each party of loyalty, cooperation and consistency. In case of breach of the good faith principle, the contract may be terminated and damages potentially awarded.

French or EU competition rules (or both) will also apply to an international licensing relationship that produces effects in the French territory and will sanction an abuse of its dominant position by the licensor or an agreement that can be viewed as restricting competition or as a restrictive practice.

With regard to assignment of copyright, the author is entitled to make a claim for revision of the contractual price where he or she suffered a prejudice valued at more than seven-twelfths of the consideration he or she should have received for such assignment. This claim may be filed only where the work has been assigned against a fixed compensation (as opposed to a proportional consideration).

Last, non-renewal or termination of a licensing relationship may occur in accordance with the terms of the agreement (non-renewal does not require good cause but early termination does unless the agreement provides for termination for convenience), always provided that the termination or non-renewal is made in writing and that the notice period is reasonable. Article L442-6 I 5° of the Commercial Code sanctions the brutal termination of an established commercial relationship and requires 'sufficient' prior written notice in order for the terminated party to be granted enough time to find alternative sources of business.

Intellectual property issues

Paris Convention

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)?

France is party to the Paris Convention for the Protection of Industrial Property 1884 (since its inception), the Patent Cooperation Treaty 1970 (since 25 February 1978) and the Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 (since 1 January 1995).

Contesting validity

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

In principle, clauses by which the licensee agrees not to contest the validity of the licensed IPRs are valid in France. However, they do not prevent the licensee from challenging the validity of his or her own licence agreement by invoking a prior decision invalidating the right upon a third party's request.

Nonetheless, the validity of such clauses may be contested under EU and French competition law, because they could possibly procure an undue competitive advantage and protection for the licensor. Regulation (EU) No. 316/2014 of 21 March 2014 on the application of article 101 of the Treaty on the Functioning of the European Union (TFEU) to categories of technology transfer agreements considers such a prohibition as an 'excluded restriction' (which excludes the benefit of the exemption provided by the said regulation). However, the licensor is entitled to terminate a licence agreement in the event that the licensee challenges the validity of one or more of the licensed IPRs.

Invalidity or expiry

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?

Where a trademark, patent, design or model registration is declared invalid, all licences granted over such registered right automatically become null and void.

If the registration of the IPR expires, the object of any related licence agreement disappears. The agreement therefore becomes null and void, and the licensor may no longer levy royalties. However, except for trademarks that can be indefinitely renewed, the licence must not be granted for a term that extends beyond the expiration of the term for which the underlying right is legally protected. If the trademark expires before the end of the licence agreement as a result of a failure of the licensor to renew the trademark, the licensee may claim for damages.

In the case of termination or expiration of a licence agreement, the licensee may freely compete unless the licence agreement provided for a post-contractual non-compete clause (which must comply with legal and case law requirements; see questions 30 and 31).

Requirements specific to foreigners

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. A foreign national can register an IPR in France without original registration or evidence of use in the jurisdiction of origin. However, the registrant must designate a representative if the registrant is not established or domiciled in France or in a member state of the European Union or of the European Economic Area. If the registrant is not established or domiciled in France and is neither a national of a member state of the World Trade Organisation (WTO) nor the Paris Union, it must provide the National Institute for Industrial Property (INPI) with evidence that its country grants protection to French trademarks. If such documents are in a foreign language, they must be accompanied with a French translation.

Unregistered rights

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

A trademark does not exist unless it has been duly registered and cannot therefore be validly licensed if unregistered. Nothing would prevent the parties from entering into a licence agreement for a trademark application (ie, a trademark that has been applied for but not yet registered), but such a licence will be effective only once the trademark has been registered, meaning that no third party has opposed the registration of the trademark within two months from the publication of the trademark application. It is therefore highly inadvisable to license a trademark that is not registered or subject to a trademark application.

Rights attached to a patent application can be transferred in whole or in part. A patent application may therefore be granted under licence, on an exclusive or non-exclusive basis.

A design or model does not exist under French law unless it has been registered. However, an unregistered design may exist at the EU level (Community design). Pursuant to article 1 of Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community designs, a design that meets the requirements for protection provided for by said regulation shall be protected by an unregistered Community design for a period of three years as from the date on which the design was first made available to the public within the European Union. Article 32 of Regulation (EC) No. 6/2002 provides that such a design may be licensed for the whole or part of the European Union (including France).

Copyright and know-how are not subject to registration or other official formality in order to be protected. They can nevertheless be licensed.

Security interests

Are there particular requirements in your jurisdiction to take a security interest in intellectual property?

Validity

Patent licences must be established in writing to be valid (article L613-8 IPC).

With respect to copyright, the IPC expressly mentions specific kinds of agreements that must be established in writing (performance, publishing and audiovisual production agreements, as well as free performance authorisations) (article L131-2 IPC). In addition, the transfer of copyright is subject to each of the assigned rights being separately mentioned in the assignment agreement and the field of exploitation of the assigned rights being defined as to its scope, purpose, place and duration (article L131-3 IPC). Last, the assignment of audiovisual adaptation rights must be established in writing in an instrument separate from the contract relating to publication of the printed work (article L131-3 IPC).

For other kinds of intellectual property licences, there are no particular legal validity requirements, but it is advisable to enter into a written licence agreement to set forth the terms and conditions under which the licence is granted and for evidence purposes.

Opposability to third parties

Licence agreements relating to trademarks (article L714-7 IPC), patents (article L613-9 IPC), and designs and models (article L513-3 IPC) must be registered with INPI to be opposable to third parties. However, before its registration, a licence is nevertheless, opposable to third parties that acquired rights after the date of the licence and that were aware of such licence when they did.

Security interest

Pledges over patents, trademarks, designs and models, software and cinematographic works are subject to certain formal conditions. In order to be valid and enforceable against third parties, pledges must be established in writing, registered with INPI (and, for films, with the public register of cinematography and audiovisual works), and published in the official bulletin of industrial properties.

Pursuant to article L142-1 of the Commercial Code, pledges may be taken over an ongoing concern. Thus, IP rights may also be affected by a commercial pledge covering an entire business activity.

Proceedings against third parties

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?

Those issues will generally be agreed between the parties in the licence agreement. In the absence of specific contractual provisions to that effect, the following rules are applicable.

The IPC confers to the owner of the infringed IPR the right to institute infringement proceedings. Therefore, a foreign licensor that has granted a licence in France can institute infringement proceedings in France without joining the French licensee as a party to the proceedings.

Unless otherwise set forth in the agreement, the licensee that has been granted an exclusive right may institute infringement proceedings if, after prior written notice to the owner of the infringed right, the owner does not institute such proceedings. With respect to patents specifically, the same rule applies to the holder of a compulsory or automatic licence.

In any case, each party to a patent, trademark, design or model licence agreement remains entitled to intervene in the infringement proceedings instituted by the other party to obtain compensation for its own prejudice.

Sub-licensing

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?

The right to sub-license does not exist statutorily and must necessarily be granted contractually to the licensee.

Jointly owned intellectual property

If intellectual property in your jurisdiction is jointly owned, is each co-owner free to deal with that intellectual property as it wishes without the consent of the other co-owners? Are co-owners of intellectual property rights able to change this position in a contract?

For patents and patents applications (articles L613-29 and L613-31 IPC):

- each co-owner may exploit the invention for its own benefit, subject to an equitable compensation of the other co-owners who do not personally exploit the invention or have not granted a licence;
- each co-owner may initiate an infringement claim, subject to prior notification of the other co-owners;
- each co-owner may grant a non-exclusive licence to a third party, subject to an equitable compensation of the other co-owners who do not personally exploit the invention or have not granted a licence. If no agreement is found, this indemnity is fixed by the High Court (first instance civil court). The draft licence agreement must nonetheless be notified to the other co-owners together with an offer to sell the would-be licensor's share in the IPR at a determined price. Each co-owner may object to the licence grant within three months, provided that it purchases the share of the co-owner who intended granting the licence. If no agreement is found within such period of time, the price is fixed by the High Court;
- an exclusive licence is subject to the agreement of all co-owners or by a court decision;
- each co-owner may assign its share at any time. The other co-owners may exercise their pre-emption right within three months of the notification of the assignment project. If no agreement is found within such a period of time, the price is fixed by the High Court; and
- each co-owner may notify the other co-owners that he or she is abandoning his or her share to their benefit.

Patent co-owners may contractually change this position (L613-32 IPC).

Each co-owner of a trademark or a design and model must obtain the consent of the other co-owners to exploit that intellectual property, unless otherwise agreed contractually.

A collaborative work (ie, a work created by several individuals) is the common ownership of the co-authors who shall exercise their rights by mutual agreement. Where the participation of each co-author is of a different type, unless otherwise agreed, each co-author may individually exploit its personal contribution provided that it does not prejudice the exploitation of the common work (L113-3 IPC).

First to file

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?

France is a ‘first to file’ jurisdiction. However, if a patent application has been filed either for an invention that has been stolen from the inventor or in breach of a legal or contractual provision, the injured party may claim the ownership of the application or the patent (article L611-8 IPC).

The exclusive right of exploitation over a patentable invention is effective as from the filing of the patent application. However, a licence may be validly granted for the use of an invention in respect of which a patent application has been filed but the patent has not been issued yet (articles L613-1 and L613-8 IPC).

A non-patented or non-patentable invention can nonetheless be protected by the rules applicable to know-how as long as it meets the requested conditions (see question 18).

Scope of patent protection

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

New inventions that are the product of an inventive activity and are capable of industrial application are patentable in France, in all technological domains (article L611-10 IPC).

Plans, principles and methods for the performance of intellectual activities, for games or economic activities, as well as computer programs, are not considered as patentable inventions, to the extent that the patent application or the patent concerns only one of these elements as such.

As a general rule, living organisms are not patentable. More specifically, the human body and the discovery of one of its elements, including the sequence or partial sequence of a gene, cannot be patented. Only an invention consisting of the technical application of a function of an element of the human body may be protected by a patent. This protection covers the element of the human body only to the extent necessary to the conception and the exploitation of this specific application (article L611-18 IPC). Animal pedigrees and plant varieties (as defined in article 5 of Regulation No. 873/2004) cannot be patented either. However, inventions relating to plants or animals are patentable if the technical feasibility of the invention is not confined to a particular plant or animal variety (article L611-19 IPC).

Trade secrets and know-how

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?

There is no French legal definition of trade secrets or know-how.

No specific legislation governs know-how in France, but know-how is enforceable as long as it is original, secret, economically valuable and protected from any form of involuntary disclosure. Although the wrongful use or disclosure of know-how to third parties does not constitute a proprietary right infringement, damages may be claimed before courts under the general mechanisms of civil liability and, more specifically, unfair competition proceedings.

In addition to the protection afforded to ordinary know-how, specific criminal provisions relate to the disclosure of trade secrets: a manager or employee of a company who communicates or attempts to communicate to a third party a trade secret owned by the company may be sentenced to two years in prison and a €30,000 fine. Such an employee may also be deprived of certain civic and civil rights (articles L621-1 IPC and L1227-1 Labour Code).

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?

A licensor is entitled to contractually restrict disclosure or use of trade secrets and know-how by the licensee, both during and after the term of the agreement.

Such restrictions may, however, be sanctioned under both French and EU competition law if the protected elements are no longer secret (through no fault of the licensee) and therefore unduly restrict competition.

It is up to the parties to the licence agreement to decide whether to include improvements to which the licensee may have contributed in the non-disclosure obligation. In practice, it will generally depend on whether the improvements may or may not be used independently from the pre-existing know-how or trade secrets.

Copyright

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

French copyright protects intellectual works of any kind, as long as they are original and expressed in a medium (whatever the medium). The IPC provides a non-exhaustive list of works that are entitled to copyright protection: books, brochures and other literary, artistic or scientific writings, conferences, speeches, pleadings, dramatic works and musicals, choreographic works, musical compositions with or without lyrics, cinematographic and other audiovisual works, designs, paintings, architectural works, sculptures, graphic and typographic works, photographs, illustrations, maps, software and creations of the seasonal fashion industry.

Without prejudice to the rights of the author of the original work, translations, adaptations, transformations or arrangements of original works also benefit from copyright protection, as well as anthologies or collections of works or data, including databases, which constitute intellectual creations by virtue of the choice or presentation of their contents.

The title of an intellectual work is protected by copyright in the same way as the work itself, as long as it is original.

The author of an intellectual creation automatically benefits from the copyright protection as from the creation of the work. No registration, publication or other formality is required as copyright is a sui generis right.

Copyright is protected through the legal provisions that sanction copyright infringement and allow the injured party to initiate infringement proceedings against any copyright infringer.

Software licensing

Perpetual software licences

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?

Perpetual commitments are prohibited under French law. Therefore, perpetual software licences are considered invalid.

Another way of addressing this concern is to grant a licence for the duration of the protection of the IPR under applicable law. Also, licences entered into for an indeterminate period of time are valid, provided, however, that they may be terminated at any time for convenience subject to reasonable prior notice.

Legal requirements

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

There are no general legal requirements to be complied with prior to granting software licences.

Export of software may be subject to prior authorisation where the software is considered as a 'dual-use item' under Council Regulation No. 428/2009 of 5 May 2009 (as amended by EU Regulation No. 1232/2011 of 16 November 2011). Dual-use items include software and technology, which can be used for both civil and military purposes. These export rules apply to physical exports as well as transmission of software or technology by electronic media, fax or telephone to a destination outside the European Union. This regulation sets forth a list of dual-use items that are subject to prior authorisation when exported outside the European Union. In addition, certain sensitive items may also be subject to prior authorisation for intra-EU transfers.

France has adopted specific rules with respect to the provision, transfer from a member state of the European Union or import from a non-EU country of encryption means that do not exclusively ensure authentication and control of integrity functions, and the transfer to a member state of the European Union and export to a non-EU country of encryption means that do not exclusively ensure authentication and control of integrity functions. Such operations are subject to prior declaration to, or prior authorisation of, the Prime Minister.

Restrictions on users

Are there any legal restrictions in your jurisdiction with respect to the restrictions a licensor can put on users of its software in a licence agreement?

Pursuant to article L122-6-1 IPC, the licensee is entitled to:

- make a backup copy where necessary to preserve the use of the software;
- observe, study or test the functioning or the safety of the software in order to determine the ideas and principles that underlie any element of the software if he or she does so while performing any of the acts of loading, displaying, running, transmitting or storing the software that he or she is entitled to do; and
- reproduce the software code or translate its form where such acts are indispensable to obtain the information necessary to achieve the interoperability of an independently created software with other software (provided that some conditions are met).

Any contractual clause to the contrary is null and void.

Royalties and other payments, currency conversion and taxes

Relevant legislation

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?

With respect to works other than software protected by copyright, the law provides for the proportional participation of the author in the revenues generated by the sale or exploitation of the assigned work. However, the author may be compensated by a fixed sum in certain situations where the proportional compensation is not relevant (as listed in the IPC).

Regarding other IPR, the nature, amount, manner and frequency of payments of licence royalties are not governed by any specific statutory provisions.

The amount of interest on late payments is determined by the parties. Nevertheless, article L441-6 of the Commercial Code stipulates a minimum rate of three times the legal interest rate (0.89 per cent for legal entities in 2018). Where no rate is specified in the agreement, the applicable rate is 10 per cent over the official interest applied by the European Central Bank to its most recent financing operation.

Restrictions

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

There are no restrictions on transfer and remittance of currency in France, nor is there any reporting requirement. However, payments in excess of €3,000 when the debtor has its tax residence in France or acts for professional purposes, and €15,000 when the debtor evidences that its tax residence is not located in France and does not act for professional purposes, cannot be in cash and are required to be paid by wire transfer or cheque.

Taxation of foreign licensor

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

As a general rule, when a foreign company earns a profit from its activities in France, it is taxed in France for this specific income unless otherwise provided by a treaty against double taxation. Foreign companies that do not carry on any business of their own in France but have granted to a French-based company a licence over an IPR may be subject to taxation in France if they receive royalties relating to this IPR. Such royalties will give rise to a withholding tax that can generally be avoided if a treaty against double taxation has been entered into with the licensor's home country. The amount of the withholding tax is generally set at a flat rate of 33.33 per cent. However, in light of the specificity of each given situation, tax matters call for personalised advice.

Competition law issues

Restrictions on trade

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

Under French competition law, any agreement that has as its object or effect the restriction of trade or competition falls under the prohibition of articles L420-1 (collusion) and L420-2 (abuse of a dominant position) of the Commercial Code.

Agreements restricting competition may, nevertheless, be justified and thus escape sanctions and being considered as void if they contribute to economic progress and benefit consumers, without giving the undertakings involved the opportunity to eliminate competition for a substantial part of the products or services in question and only insofar as these restrictions are essential to achieve the aim of progress (article L420-4 of the Commercial Code).

Commission Regulation (EU) No. 330/2010 of 20 April 2010 on the application of exemptions to vertical agreements may be enforced by French competition authorities and courts, insofar as the practices in question may affect trade between EU member states. It is also systematically used by French authorities as guidance for

domestic matters. This regulation applies to vertical agreements containing provisions that relate to the assignment or use of IPRs, provided that those provisions do not constitute the primary object of such agreements and are directly related to the use, sale or resale of goods or services. Similarly, exemptions regarding licensing of technology (patent, know-how, design and model rights and software copyright licences) are governed by Commission Regulation (EU) No. 316/2014 of 21 March 2014 on the application of article 101(3) of the TFEU to categories of technology transfer agreements.

Exclusive dealing agreements are not, as such, considered to be anticompetitive. However, such agreements could possibly be held to be illicit if they have as their effect a restriction of competition that is not counterbalanced by considerations provided in the aforementioned article L420-4.

Restrictions of active sales to customers that one party to the agreement has reserved to itself or allocated to its other contractors are admitted, provided that such restrictions do not apply to resale by the other party's customers. There can be no restriction on passive sales. Exclusive agreements leading to an absolute territorial protection are prohibited.

Restrictions on the source from which one party may purchase goods or lease services are not deemed to restrict competition as long as they are justified by commercial or technical conditions (eg, if they are necessary to maintain the common identity and reputation of a distribution network).

The fixing of prices or of minimum prices for the resale of goods or for the supply of services is prohibited by articles L420-1 and L442-5 of the Commercial Code. However, resale price guidelines or maximum resale prices are allowed provided that no pressure is put on resellers that effectively leads to the fixing of prices or the application of a uniform price across a distribution network.

Article L442-2 of the Commercial Code characterises the act of selling at a loss as a criminal offence. In addition, article L420-5 subjects to criminal sanctions the act of offering prices to consumers that are excessively low in relation to the production, processing and marketing costs, where those prices have as their purpose or effect the driving of a business or product out of a market. Moreover, predatory prices are prohibited if they are indicative of an abuse of a dominant position.

Refusal to deal and tied selling are not prohibited between professionals provided they do not result from an anticompetitive agreement, characterise an abuse of dominant position (eg, in cases of refusal of access to essential facilities) or an abuse of economic dependence.

Unjustified discrimination among licensees may also constitute an abuse of dominant position or a collusion agreement, and may also be sanctioned under article L442-6 of the Commercial Code.

Legal restrictions

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?

Except for the prohibition of perpetual licences, there are no legal restrictions on the duration of a licence agreement. However, the licence must not be granted for a term that extends beyond the expiration of the term for which the underlying right is legally protected (see question 9). Competition rules related to exclusive agreements described in question 30 are applicable to licence agreements.

There are no legal restrictions with respect to grant-back provisions. The parties remain free to decide how they want to deal with those matters in the licence agreement. However, pursuant to article 5 of Commission Regulation (EU) No. 316/2014 of 21 March 2014 and the guidelines on the application of article 101 of the TFEU to categories of technology transfer agreements, exclusive grant-back obligations for severable

improvements (granting the licensor an exclusive licence or assigning the licensor the rights related to these improvements) are excluded from the benefit of the block exemption, even though the licensor pays a consideration for acquiring the improvement or for obtaining an exclusive licence. However, the existence and level of such consideration may be a relevant factor in the context of an individual assessment under article 101 of the TFEU, as a grant-back obligation made against consideration is less likely to create a disincentive for the licensee to innovate.

Non-compete obligations must be reasonable as regards their duration, their geographical applicability and the scope of activities covered. In distribution agreements containing a licence of IPRs, a non-compete obligation would not be covered by the exemption of Commission Regulation (EU) No. 330/2010 of 20 April 2010 on the application of exemptions to vertical agreements if its duration is indefinite or exceeds five years. In addition, a non-competition clause applicable after the termination of an agreement is valid only if it is necessary to protect, in a proportionate manner, the legitimate interests of the beneficiary and if the time and place of its performance is limited. Pursuant to the above-mentioned EU regulation, a post-termination non-compete obligation would benefit from the exemption only if it is indispensable to protect know-how transferred by the supplier to the buyer, is limited to the point of sale from which the buyer has operated during the contract period, and is limited to a maximum period of one year.

In principle, outright prohibitions on sales over the internet are no longer possible (see, for example, the decisions of the Court of Appeal of Paris dated 31 January 2013 and 14 March 2014, which fined (respectively €17,000 and €10,000) brand owners for prohibiting their approved distributors from selling their products online). However, case law and the European Commission's guidelines on vertical restrictions have admitted the practice of restricting the right to sell via the internet by attributing it only to retailers that already operate a physical point of sale. In any case, the licensor cannot reserve to itself the right to sell over the internet.

IP-related court rulings

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

As under EU law, the way in which IP rights are used may lead to an anticompetitive behaviour prohibited by French competition law.

In particular, a refusal to grant a licence may, under certain circumstances, constitute an abuse of a dominant position. It would be so if the holder of an IP right enjoys a dominant position and such refusal is not objectively justified. For instance, the refusal by a leading software company to grant a licence to a category of distributors for a certain time and thereafter to discriminate such category in terms of price would constitute an abuse of a dominant position (Paris Court of Appeal, 24 May 2005).

More recently, the French Supreme Court considered that a telecommunication operator abused of its dominant position by charging, at an excessive price, information protected by intellectual property (French Supreme Court, 3 June 2014, No. 12-29.482).

The use of IP rights may also constitute an agreement restricting competition prohibited by article L420-1 of the French Commercial Code and/or 101 of the TFEU. One of the flagship cases is TF1 v Editions Montparnasse and Minister of the Economy and Finance. TF1, a private national TV channel, had to invest part of its budget in the production of cinematographic and audiovisual works pursuant to French law. TF1 was therefore a producer but co-produced most of the time. The IP rights of the authors were in principle transferred to the producer. However, TF1 reserved in its co-producing contracts the exclusive right of its subsidiaries to publish and distribute videos of the works for at least five years. The financing of the works was subject to such exclusivity. After stating that

the exercise of an exclusive right by its holder may give rise to an abusive behaviour, the French Supreme Court considered that the clauses inserted by TF1 were anticompetitive because TF1 precluded the access of its competitors to the downstream market for the publishing and the distribution of the works (French Supreme Court, 26 November 2003, No. 00-22.605).

As regards pay-for-delay cases, there has been to the best of our knowledge no court decision at the national level yet. However, there is little doubt that the position of the French Competition Authority and national courts will be similar to the one expressed by the Commission, as confirmed by the General Court (General Court, 8 September 2016, Sun Pharmaceutical Industries and Ranbaxy, T-460/16). It is in particular likely that pay-for-delay would also be considered as a restriction ‘by object’, which means that it is not necessary to demonstrate the effects of the practice on competition because the very nature of this practice can be regarded as being ‘injurious to the proper functioning of normal competition’.

Indemnification, disclaimers of liability, damages and limitation of damages

Indemnification provisions

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?

Contractual indemnification provisions are standard practice and generally enforceable. Insurance coverage is available in support of such indemnification provisions (subject to the exclusions set forth in the insurance policy).

Waivers and limitations

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?

Clauses excluding or limiting contractual liability are valid under French law, except where they contradict the scope of the main obligation under the agreement, and in cases of gross negligence, fraud or wilful misconduct.

However, courts are not bound by the liability cap specified by the parties and may award damages beyond this cap in relation to the prejudice actually suffered.

There are a number of statutory exceptions to the validity of clauses limiting or excluding liability, such as for sale agreements between a professional seller and a consumer or a non-professional buyer, in construction agreements and transportation agreements, which would not apply within the context of licence agreements.

Termination

Right to terminate

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?

Two situations must be distinguished:

- if the licence agreement is entered into for a limited duration, termination may not occur before the end of the agreed term except in the case of breach. If one party terminates the agreement in advance for

convenience, it will be liable for damages to the other party, except if otherwise agreed between the parties; and

- if the licence agreement is entered into for an unlimited duration, either party may terminate the agreement at any time subject to a prior reasonable notice. Indeed, pursuant to article L442-6 I-5° of the French Commercial Code, a termination of an established commercial relationship without a sufficient prior notice (whatever the duration of the notice set forth in the relevant agreement) may be construed as a “brutal termination” and give rise to damages.

French courts have not extended to licensing relationships the application of commercial agency laws that contain rights or remedies or provide indemnities upon termination or non-renewal.

Impact of termination

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?

Provided that the right to sub-licence is contractually granted (see question 14), the termination or expiration of a licence agreement will necessarily terminate the related sub-licences in the absence of contractual provisions addressing this issue. As the licensor is not a party to the sub-licensing contract between the licensee and the sub-licensee, such a contract is not enforceable against the licensor. Hence, the sub-licensee may in principle not enforce the provisions of the sub-licence against the licensor in case of termination or expiration of the licence. However, the sub-licensing contract may include a clause organising the occurrence of the termination or expiration of the licence agreement. Such clause may provide an obligation on the licensee to inform its sub-licensee of the termination or coming expiration of the licence agreement. In addition, in case of termination or expiration of the licence, the licensee could be under the contractual obligation to put the licensor and the sub-licensee in contact in order to give them the opportunity to directly conclude a licence agreement.

Bankruptcy

Impact of licensee bankruptcy

What is the impact of the bankruptcy of the licensee on the legal relationship with its licensor; and any sub-licence that the 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?

The insolvency proceedings of the licensee has no impact on the international licence relationship and the receiver appointed by the commercial court to manage the licensee's company during the bankruptcy proceedings is the only person who may decide whether to continue the licensing agreement or to terminate it. Although rather standard in commercial and licence agreements, a provision pursuant to which the agreement could be terminated by the licensor in case the licensee is subject to insolvency or bankruptcy proceedings is deemed to be null and void. The same applies with respect to any sub-licence in case of insolvency or bankruptcy proceedings affecting the licensee.

Impact of licensor bankruptcy

What is the impact of the bankruptcy of the licensor on the legal relationship with its licensee; and any sub-licence the licensee has granted? Are there any steps a licensee can take to protect its interest if the licensor becomes bankrupt?

Under French law, the opening of insolvency proceedings may not be used as a valid reason to terminate an agreement. Hence, the licensee would therefore not be entitled to terminate the licence agreement by reason of the occurrence of insolvency proceedings affecting the licensor. On the licensor's side, it is up to the receiver to decide whether the contracts (including the licence agreement) should be continued or not; however, as it will obtain fees from the licensee, it is its own interest not to terminate the licence agreement.

Should the licensor's business be sold to a third party, the licence agreement will in principle automatically be assigned to the purchaser and should in principle be continued pursuant to its terms.

Should the licensor go into bankruptcy proceedings, the best way to protect the licensee's right would be for the licensor to bid to acquire such rights directly to the receiver.

The same principles apply with respect to any sub-licence.

Governing law and dispute resolution

Restrictions on governing law

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

Under French conflict law regulations, and in accordance with Regulation (EC) No. 593/2008 of 17 June 2008 on the law applicable to contractual obligations (Rome I), the parties remain free to choose the law governing their agreement.

However, pursuant to the Rome I Regulation, where all the elements of the contractual relationship are connected with one country, the choice of a foreign governing law shall not prejudice the application of public policy provisions of such country.

Any provisions of a foreign law that contradict a French rule of public order will not be enforceable in France.

Contractual agreement to arbitration

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?

An arbitration clause in an international contract is valid. In a domestic contractual relationship, the French Civil Code allows arbitration only between professionals. Cases may be brought before various relevant national or international arbitral institutions (the French Arbitration Association, French Arbitration Committee, International Chamber Commerce (ICC), etc).

Arbitration proceedings can be conducted in France or in another jurisdiction.

As far as we can see, the ICC rules with an arbitration in Geneva is often accepted by the parties.

Enforceability

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?

A court judgment or arbitral award from another jurisdiction may be enforceable in France. Legal enforcement requires an exequatur of such a judgment or award, which is obtained by way of an order rendered by the president of the civil court of the place of the debtor's residence as regards a foreign court judgment and, by the

president of the civil court of Paris as regards a foreign arbitral award.

France has been a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 since 26 June 1959.

Injunctive relief

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?

Injunctive relief may be waived contractually as long as the parties are both professionals and such a clause does not entitle, directly or indirectly, the co-contractor to merely not fulfil its contractual obligations.

Updates & Trends

Updates & Trends

Updates and trends

No updates at this time.

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