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Acquisition Trumps License!?

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[Rz 1] In TechLawNews 5¹ we discussed selected licensing attributes and offered to continue the discussion on succession rights in this issue.

[Rz 2] Succession right in licensing regulates the legal fate of a (sub-) license if and when the intellectual property (IP), for which it was granted, is acquired by a new owner. The issue is relevant because there are legal and economic aspects attached to such license, e.g. sub-licenses or supply chain obligations.

[Rz 3] Generally, absolute rights trump obligatory rights.² This means e.g. that an acquirer of a good or right must not tolerate any legal encumbrance on his/her new (intellectual) property. However, in Trademark, Design and Patent Law, where a license right may be entered in a public registry, the concept «acquisition does *not* trump license» prevails. Hence, any license entered in the registry is valid against a new acquirer, who must tolerate the license.³

[Rz 4] Unlike trademarks, designs and patents, which become legally valid only upon registration,⁴ copyright protection begins as soon as the (creative) idea materialises on paper or by other means.⁵ Consequently, licenses granted for copyrights cannot be registered. Does such missing license registration in Copyright Law have a negative impact for the (sub-) licensee?

[Rz 5] According to HILTY⁶, filling the legal loophole in Copyright Law by reference to Lease Law,⁷ where the lease passes to the acquirer together with ownership of the leased object, is a policy question. If such analogous application is rejected, then any acquisition of a good or right trumps any license thereon — the licensee loses his/her use right. Furthermore, a legal non-exclusive license for good faith licensees, as is foreseen in Trademark, Design and Patent Law⁸ in Copyright Law, is not applicable.

[Rz 6] According to the Swiss Federal Court, there is no succession right if a license is not entered in the public registry, not even if the acquirer was aware (i.e. was in bad faith) of the license between the seller and the licensee.⁹ The Supreme Court of the Canton of Zurich restated that there is no succession right in copyright if the IPR is assigned.¹⁰ This is contrary to German law, where a termination of a license does not necessarily terminate its sub-license.¹¹

[Rz 7] So yes, acquisition trumps license in Copyright Law. To mitigate the risk of losing succession rights in copyright licenses the licensee could, e.g., agree joint ownership of (foreground) copyrights; include an assignment prohibition (potentially with a financial penalty) in the license agreement; foresee a broad termination right for convenience in its own sub-licensing agreements; or, from an economic viewpoint, request a reasonable reduction in licensing fees.

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¹ Vgl. DANIEL RONZANI, *Selected Licensing Attributes*, in: Jusletter IT 26. Februar 2015.

² GUHL/KOLLER, *Das Schweizerische Obligationenrecht*, 9.A. 2000 Zürich, §2 N 3 ff.

³ Art. 18(2) Federal Act on the Protection of Trade Marks and Indications of Source (TmPA); Art. 15(2) Federal Act on the Protection of Design (DesA); Art. 34 Federal Act on Patents for Inventors (PatA).

⁴ Art. 5 TmPA; Art. 5 DesA; Art. 6 PatA.

⁵ Art. 2 Federal Act on Copyright and Related Rights (CopA).

⁶ HILTY, *Urheberrecht*, 2010 Bern, RZ 260.

⁷ Art. 261 Code of Obligations (CO).

⁸ Art. 53(3); Art. 34(3) DesA; Art. 29(3) PatA.

⁹ Decision of the Swiss Federal Court 4A_447/2009 of 9 November 2009, Cons. 3.

¹⁰ Decision of the Supreme Court of the Canton of Zurich LK100001 of 27 August 2012, Cons. 7.4.3.

¹¹ See in detail: ISKIC/STROBEL, *Lang lebe die Unterlizenz?*, sic! 2013, S. 672.