



# Licensing

in 30 jurisdictions worldwide

Contributing editor: Bruno Floriani

# 2011



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# Denmark

Tom Bork Petersen and Søren Eeg Hansen

Norrbon Vinding

## Overview

- 1 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?

There are no restrictions on the establishment of a business entity by a foreign licensor or a joint venture involving a foreign licensor. A foreign licensor may enter into a licence agreement without establishing a subsidiary or branch office.

Registration with the Danish Commerce and Companies Agency is required to establish a business entity or joint venture in Denmark. The application form is available at [www.virk.dk](http://www.virk.dk). If the licensor opts to set up a limited liability company, the licensor will usually acquire an 'off-the-shelf' company from a local representative.

## Kinds of licences

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

There are several forms of licence arrangements. Patents (including technology transfer licensing and plant breeders' rights, etc), utility models, computer chips and designs require registration in order to be valid. Trademarks (including domain names) and copyright (including software copyrights) do not require such registration but, even so, it is advisable to register trademarks with the Danish Patent and Trademark Office. Know-how is often licensed in combination with patents, and franchises and TV concepts are to some extent protected under the Danish Marketing Practices Act.

The Danish Patents Act defines licence agreements as 'granting another person a right to exploit the invention'.

## Law affecting international licensing

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

No Danish legislation governs the creation of an international (or national) licensing relationship or regulates the terms of such a relationship. As a result, the general rules of Danish contract law apply, including the Danish Contracts Act and related case law. And in rare situations, competition law and rules on compulsory licences may require a licensor to grant a licence.

- 4 Are there any pre-contractual disclosure requirements imposed on a licensor in favour of its licensees, or any requirements to register a grant of international licensing rights with authorities in your jurisdiction? If so, do these requirements still apply if your jurisdiction forms part of a multi-jurisdictional territory in respect of which rights are being granted?

There are no pre-contractual disclosure requirements regarding international licensing agreements. It is possible – but not mandatory – to register a grant of licensing rights with the Danish Patent and Trademark Office. Such a registration will not affect the relationship between the licensor and licensee, but it may be useful for third parties that the register contains information about the licensing rights that have been granted.

- 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 or the obligation to act reasonably in the exercise of rights?

There are no provisions in the Danish Contracts Act that directly govern licensing arrangements. There are, however, some obligations that are implied by the Danish Contracts Act and that will be triggered if the licensor and its licensee or licensees are of unequal bargaining strength. If the arrangement is against good faith or is otherwise unfair, the agreement – or any parts of it – may be modified or set aside by the Danish courts. In that connection, the Danish courts would consider the circumstances existing when the agreement was made, the terms of the agreement and subsequent circumstances. This option is only used by the Danish courts very rarely, and the general rule is therefore that an agreement that has been duly entered is enforceable and binding on the parties.

Case law has established that the parties have a duty of loyalty to each other, whether or not expressly agreed by the parties. Also, the Danish courts will generally interpret an agreement based on the principles that have evolved from case law, for example, the contra proferentem rule (the doctrine that any ambiguity will be construed strictly against the party seeking to enforce it). In addition, the Danish courts will (unless otherwise provided in the agreement) construe the agreement in the context of the applicable law in the area, often where there are standard provisions.

- 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?

Danish law contains no specific provisions that separately govern franchises and licences. There is no distinction as such between licences and franchises and there is no legal definition of a franchise. Each individual aspect of a franchise agreement should therefore be considered in the context of other Danish law, including the Danish Contracts Act, the Danish Trademarks Act and the Danish

Companies Act. In certain circumstances, the courts might construe the agreement in question in the context of the applicable law in the area.

### 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)?

Denmark is party to the Paris Convention, the PCT and TRIPs.

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

In Denmark, the licensor can protect its rights by including a non-challenge clause in the agreement. As a general rule, such a clause will be valid and enforceable, and any breach of the clause will entitle the licensor to terminate with immediate effect (unless otherwise provided in the agreement). But the wording of the clause must not conflict with competition law, and unfair agreements may be set aside under the authority of the Danish Contracts Act (see question 5).

**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?

As a general rule, if the right does not subsist, then there is no obligation on the licensee to pay royalties. But where the licence agreement involves other types of rights than a mere licence to use, the licensee may be obligated to pay royalties. This, however, will require an assessment in each case.

**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?

There are no requirements unique to foreigners. However, PCT patent applications must be submitted within 31 months from the day of international submission, together with a translation of the international application.

**11** Can an unregistered trademark be licensed in your jurisdiction?

Yes. Under the Danish Trademarks Act, trademark rights may be established through registration or use. As a result, unregistered trademarks can be licensed in Denmark.

**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 the validity of an intellectual property licence, except for the general rules of Danish contract law. Nor are there any particular requirements to render an intellectual property licence opposable to a third party or to take a security interest in intellectual property.

**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?

For exclusive licences, the licensee has standing to sue third parties for infringement (unless otherwise agreed by the parties). Consequently, the parties are free to decide that only the licensor will prosecute infringements, or that the licensee will not be joined in such proceedings, or both.

For non-exclusive licences, the general rule is that the licensor has standing to sue (unless otherwise agreed).

For trademarks, regardless of whether the licence is exclusive or non-exclusive, the licensor and the licensee have standing to sue (unless otherwise agreed). However, the licensee must inform the licensor of any such proceedings.

**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?

Whether the licensee is allowed to assign the right to use the mark, including to sub-license, will depend on the terms of the licence agreement. The former Danish Trademarks Act contained a prohibition on such assignment, but the amended Act does not. Still, the parties usually agree that such assignment is not allowed.

**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?

Denmark is a 'first to file' jurisdiction, meaning that patent rights are granted to the applicant who filed the application first. A foreign licensor can license the use of its invention although no patent has yet been issued.

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

Under the Danish Patents Act, software and business methods are not patentable as such unless some technical considerations or a technical effect is involved in the invention. However, software can be copyright protected.

Plant and animal varieties are not patentable. But inventions whose subject matter is plants or animals are patentable if the technical feasibility of the invention is not confined to a particular plant or animal variety. Nor are essentially biological processes for the production of plants or animals patentable.

**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?

Know-how and trade secrets are protected by the Danish Marketing Practices Act. The Act prohibits individuals who work for or with a business enterprise from obtaining knowledge of the enterprise's trade secrets in an improper manner. If an individual has obtained knowledge of trade secrets in a lawful manner, he must not disclose or make use of such secrets (unless authorised). This prohibition applies for three years after termination of the individual's employment, cooperation or contract with the enterprise.

Case law has established that trade secrets are confidential information when relating to a business enterprise.

- 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?

So long as the information is secret and relates to a business enterprise, the licensor may restrict disclosure or use of trade secrets and know-how by the licensee or third parties during and after the term of the licence agreement.

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

Under the Danish Copyright Act, copyright is granted to a person who creates a literary or artistic work expressed in writing or in speech as a fictional or a descriptive representation, a musical or dramatic work, a cinematographic or photographic work, or a work of fine art, architecture, applied art, or expressed in some other manner. Maps and drawings and other works of a descriptive nature executed in graphic or plastic form fall within the definition of literary works, as do works in the form of software.

In addition, the Danish Copyright Act also protects neighbouring rights, namely, rights pertaining to performing artists, producers of sound and image recordings, broadcasters, producers of photographic pictures, and producers of catalogues, tables and databases.

Copyright arises automatically on creation of the work if the work is original.

- 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?

Licensors should consider the fact that sometimes the licensee will develop or improve the work. It is possible to agree that no such development or improvement may be made, and the parties are also free to include provisions about cross-licensing and grant-backs.

The licensor may therefore wish to include in the agreement a provision to the effect that copyright in any artwork, software improvements and other works that the licensee may have contributed to is automatically assigned to the licensor. In some situations, it would also be a good idea to include the licensee's employees in this provision.

### 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?

Some licensing arrangements are perpetual, particularly if they are usage-related like software licences. Perpetual arrangements are generally valid, but may be affected by the invalidity provisions of the Danish Contracts Act, which in principle could apply to such arrangements (see question 5). In a case in 2002 about a full assignment of rights in a musical composition, the Danish Supreme Court decided not to set aside the licence agreement with no termination clause because the licensor (a composer) and the licensee (a publishing house) had known when the agreement was made that the licensee stood to gain from the arrangement. Even so, it is advisable in all events to specify in any licence agreement that the licence is perpetual and not limited in time.

- 22** Are there any legal requirements to be complied with prior to granting software licences? In particular, are there import or export restrictions on software?

In general, there are no particular requirements. Import and export control only applies in specific situations such as licences for military use.

- 23** Who owns improvements and modifications to the licensed software? May a software licensee obtain bug fixes, upgrades and new releases from the licensor in the absence of a contractual provision to that effect?

Such issues should be governed by the licence agreement (see question 20). In the absence of an agreement, the general rule is that the author owns the rights to his work, but the licensee is entitled to improve and modify the software. However, copyright in software created in the course of an employment relationship is owned by the employer.

A licensor is entitled to correct the software, create a back-up and, in certain circumstances, inspect, examine or test the software in order to see the ideas and principles that underlie each individual element of the software.

The licence agreement will normally regulate bug fixes, upgrades and new releases. If not, the licensee would not be entitled to upgrades and new releases. With regard to bug fixes, it may be argued that they are intended to remedy a defect in the software that the licensee is entitled to have remedied.

- 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?

A software licensor is not prevented by law from doing so. However, a contractual provision to this effect would be subject to scrutiny under invalidity provisions of the Danish Contracts Act (see question 5).

- 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?

In a case in 2008, the Danish Supreme Court acknowledged that licensed software in a new computer could be defective and that this is usually something that the buyer would have to tolerate. As a result, a buyer (or licensee) may have to accept a reasonable start-up period.

- 26** 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?

To our knowledge, open source licences have not yet been tested in the Danish courts.

The public sector in Denmark is required to use open standards in certain areas, and an estimated third of all Danish public authorities are using IT systems based on open source software.

### Royalties and other payments, currency conversion and taxes

- 27** 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?

International licence agreements are not governed by mandatory Danish law. Thus, the nature, amount, manner and frequency of royalty payments are agreed by the parties.

For copyright, however, a special rule applies: if the licensor's remuneration is linked to the licensee's turnover, earnings, etc, the licensor is entitled to receive royalties at least once a year. In that situation, the licensor is also entitled to require that the payments be accompanied by a royalty statement to explain how the royalties were calculated. The licensor is further entitled to require in connection with the annual payment that an accountant be given access to the books and records of the licensee.

In some cases, employees are entitled to a reasonable payment from their employer if they have made an invention.

Under the Danish Interest Act, interest may be charged on late payments. As a general rule, interest will accrue from the due date or, if no due date has been agreed, 30 days after payment is requested.

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

In Denmark, there are no particular restrictions on transfer and remittance of currency. But depending on the foreign jurisdiction involved, some reporting requirements may apply.

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

As a general rule, foreign entities are subject to limited tax liability, but will be taxed on all types of royalty payments generated from sources in Denmark. The licensee must withhold tax in connection with all royalties paid to an entity abroad. The royalty tax currently amounts to 25 per cent of total royalties and is payable to the tax authorities.

All of the double taxation treaties that Denmark has entered into with other countries contain a provision about taxation of royalties, although the details vary from one treaty to another.

- 30** 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?

The Danish courts can render a judgment in a foreign currency.

### Competition law issues

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

In general, business enterprises are prohibited from entering into agreements whose direct or indirect purpose or consequence is to restrict competition. This could, for example, be price fixing, limitation or control of production, sales, technical development or investments; territorial or other division of markets and supply; price discrimination; tie-ins; collusion and resale price maintenance. Also, any abuse of dominant position is prohibited.

Some restrictions only apply if the agreement affects competition to an appreciable extent within the relevant market.

Danish competition law is generally based on the EU competition law rules.

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

Such restrictions do apply, but the extent of the restrictions depends on the specific provision and the specific circumstances of the agreement (see question 31). Thus, such provisions must be assessed individually on their merits in each case, and Commission Regulation No. 772/2004 on categories of technology transfer agreements applies.

The doctrine of stare decisis is not applicable.

### Indemnification, disclaimers of liability, damages and limitation of damages

- 33** 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 commonly used in Denmark and they are enforceable. Insurance coverage is available and commonly used. Most insurance providers, however, only cover damages caused by negligence and not damages caused by gross negligence or wilful misconduct.

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

The parties can agree to waive or limit certain types of damages, and disclaimers of liability are generally enforceable absent extraordinary circumstances (see also question 5).

### Termination

- 35** 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?

Freedom of contract is a fundamental principle in Danish law. Therefore, Danish law does not impose conditions on the right to terminate or not to renew an international licensing relationship. Nor does Danish law require an indemnity or other form of compensation to be paid on termination or non-renewal. Instead, it is left to the parties to agree how and when to terminate a licensing arrangement.

As a result, it is advisable to include provisions in the licence agreement to govern term and termination, notices, etc. In the absence of such provisions, the general rules of Danish contract law will apply, which means that, for example, a limited-term licence can be terminated with reasonable notice.

However, it is common for patent licence agreements to remain in force until the patent expires, although case law has established that licence agreements do not necessarily expire when patents do.

If the licensee is a commercial agent as defined by the Danish Commercial Agents Act, it could be argued that the agent is entitled to an indemnity on termination. However, to our knowledge no case law exists on this issue.

- 36** 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?

As a general rule, sub-licensing is subject to the master licence agreement. For patents, sub-licensing is only possible if so agreed between the parties. If the sub-licensor fails to perform its obligations to the original licensor, this will impact the sub-licensee. If the original licensor terminates the master licence agreement, this, too, will impact the sub-licensee. Consequently, it is advisable for the sub-licensee to enter into an agreement with the original licensor instead.

**Bankruptcy**

**37** 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?

If the licensee goes bankrupt, the estate will usually assume its rights and obligations under the licence agreement and, in case of a sub-licensing arrangement, its rights and obligations under the sub-licence agreement. But the estate may also elect not to assume the licensee's rights and obligations under the licence or sub-licence agreement. If the estate decides to assume the licensee's rights and obligations, the estate will then have the option to terminate the licence agreement with reasonable notice.

A contractual provision that bankruptcy constitutes a terminable breach would be voidable, and termination must therefore take place before the bankruptcy petition is filed.

If the Danish Patent and Trademark Office is to record the bankruptcy in its register of licences, they must be provided with either a copy of the certificate from the bankruptcy court stating the name of the trustee or a written notice from the lawyer appointed trustee by the court.

**Governing law and dispute resolution**

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

No such restrictions exist in Denmark. Only very rarely have the Danish courts set aside choice of law agreements.

**39** 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?

The parties can agree to arbitration in their agreement. And if they do, the usual remedies in Danish law will still be available to the parties (ie, interim injunctions, freezing orders and summary enforcement).

The arbitration proceedings may be conducted outside Denmark. The Danish courts can set aside arbitration awards if the arbitration agreement is void or the tribunal did not apply or misapplied a mandatory substantive rule. The general rules of Danish contract law concerning invalidity and unenforceability apply.

**40** Would a court judgment or arbitration 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?

Court judgments issued in countries that are party to the Brussels and Lugano Conventions or the Brussels I Regulation are enforceable in Denmark, unless the judgment conflicts with public policy. Judgments issued in other countries are not enforceable in Denmark, but may be submitted in evidence in subsequent proceedings about the same issue before a Danish court.

Denmark is party to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards. This means that arbitration awards from other jurisdictions are enforceable in Denmark in the same way as a Danish court ruling would be.

**41** Is injunctive relief available in your jurisdiction? May it be waived contractually? May the parties waive their entitlement to claim specific categories of damages in an arbitration clause?

Interim injunctions are available in Denmark and may be waived contractually. An arbitration clause in itself will not be construed as a waiver.

In addition, the parties may waive their entitlement to claim specific categories of damages in an arbitration clause, such as loss of earnings. Exclusion of liability provisions are usually construed restrictively, particularly those concerning gross negligence.

With regard to product liability, a manufacturer is not allowed to exclude liability for personal injury caused to consumers. This may be particularly relevant in the case of trademark licences since the manufacturer is seen as the party holding itself out as the manufacturer by placing its name, mark or other sign on the product.

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Gas Regulation	Securities Finance
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