

Licensing 2013

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Italy

Laura Opilio and Paola Nunziata

CMS Adonnino Ascoli & Cavasola Scamoni

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?

According to article 16 of the Civil Code's preliminary provisions, subject to the provisions contained in special laws, foreigners enjoy the civil rights attributed to citizens on condition of reciprocity. Furthermore, with specific reference to intellectual property rights, article 3 of Legislative Decree No. 30/2005 (the Industrial Property Code) states, as a general provision, that a citizen of a state that is part of the Paris Convention of 1967 for the Protection of Industrial Property or of the World Trade Organization, or even of the 1991 International Convention for the Protection of New Plants Varieties of 1991, or a citizen of a state that is not part of the above conventions but who has a domicile or a permanent industrial or business factory on the territory of a state that is part of the Paris Convention, will receive the same treatment granted to Italian citizens. On the contrary, citizens of states that are not part of the above-mentioned conventions will receive the same treatment as Italian citizens only if the foreign state grants to Italian citizens reciprocity of treatment.

That said (and an exception is made for some areas of business such as finance, banking, insurance, etc, to which specific rules apply), Italian law does not provide any specific restriction on the establishment in Italy of a business entity by a foreigner. Therefore, if a foreign licensor intends to establish a business entity in Italy, it will only need to comply with the general corporate rules, including those related to the enrolment in the Register of Companies. If the legal representative of the entity to be established is not a citizen of the European Economic Area or Switzerland, further formalities can be requested.

No specific restrictions are required, even in the case of a joint venture involving a foreign licensor or against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office in Italy.

Kinds of licences

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

Italian law does not contain any legal definition of a licence arrangement; however, a licence is usually defined as an agreement by means of which a right holder (the licensor) grants to a third party (the licensee) the authorisation to exercise the right owned. The licence agreement can be reached without consideration or, as usually happens, against consideration; in this second case, the licensor can receive,

for compensation, a lump sum payment or, more often, royalties. Even if no formal requirements are requested by law, it is advisable to execute licence agreements in writing and to expressly provide for the main aspects of the parties' contractual relationship, such as the financial conditions, the duration, the geographical limitation, if the relationship must be carried out on an exclusive or non-exclusive basis, etc.

With specific reference to intellectual property rights, the licences may concern, for example, technology transfers (such as patents, know-how, utility models and software), trademarks or service marks and copyrights.

In particular, according to article 2,573 of the Civil Code and article 23 of the Industrial Property Code, a trademark may be the object of a licence agreement, even if not exclusive, for the whole or a part of the products or services for which it has been registered and for the whole or a part of the territory of the state. In any case, no misleading information on those products' or services' features, which are essential for the appreciation of the public, must derive from the licence. With specific regard to patents, in addition to ordinary contractual licences, three other kinds of licences are possible.

More precisely, article 70 of the Industrial Property Code rules that a compulsory licence, namely, a non-exclusive licence, can be granted to whoever asks for it, if the owner of the patent or his or her assignee had not implemented such patent or had implemented it in a seriously disproportionate way, compared to the state's necessities, within the time limit indicated by law. Such compulsory licence may be granted, equally, if the implementation of the invention has been, for a period longer than three years, suspended or reduced in a seriously disproportionate way, if compared to the state's necessities.

Furthermore, according to article 71 of the Industrial Property Code, in the case of a dependent invention (ie, when the creation of the invention implies the use of an invention that has been previously patented), the owner of the second patent is entitled to receive a compulsory licence on the first patent provided that its invention entails, with respect to the previous one, a technological progress important also from the economic point of view.

Lastly, according to article 80 of the Industrial Property Code, the applicant or the owner of the patent, by means of a request to the Italian Office for Patents and Trademarks (UIBM), as long as an exclusive licence has not been registered, can offer to the public a licence for the non-exclusive use of the invention. In that case, the licence is effective from the moment that the acceptance of the offer is given to the owner.

Law affecting international licensing

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

Italian legislation does not regulate the creation or the contents of an international licensing relationship. Therefore, as in the case of

national licences, the parties are free to establish the terms and conditions that will govern their relationship, provided that the general rules concerning contracts are respected.

- 4 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 specific pre-contractual disclosure requirements are imposed in Italy with reference to international licensing; therefore, general provisions on pre-contractual duties apply. In particular, according to article 1,337 of the Civil Code, the parties shall act in good faith during the negotiations. Furthermore, according to article 1,338, a party who knows or should know of the existence of a reason of invalidity of the contract and does not inform the other party is obliged to compensate for the damages suffered by the latter for having relied, without fault, on the validity of the contract.

Italian law does not provide any specific requirements to register a grant of international licensing rights with the national authorities.

- 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, the obligation to act reasonably in the exercise of rights or requiring good cause for termination or non-renewal?

Yes, article 1,375 of the Civil Code provides, as a general rule, that contracts must be performed according to good faith. Pursuant to this rule the Italian courts have stated, in several judgments, that if the exercise of rights arising from a contract turns into an abuse of rights, the contract may be terminated and the defaulting party may be condemned to pay a compensation for the damages suffered by the other party.

- 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?

Italian law does not expressly distinguish between licences and franchises. Nevertheless, article 1 of Law No. 129/2004 defines the franchise contract as the contract through which a party (the franchisor) grants to the other party (the franchisee), against payment of a consideration, the right to exercise a set of intellectual property rights concerning trademarks, trade names, signs, utility models, designs, copyrights, know-how and patents, as well as the possibility to benefit from the franchisor's technical and commercial assistance and advice. Furthermore, by means of the franchise contract, the franchisee is included in a system constituted by a plurality of franchisees placed on the territory, in order to commercialise the franchisor's products and services.

The franchise contract is, therefore, a specific kind of distribution contract between financially and legally independent persons through which, besides further obligations, the franchisor undertakes to grant to the franchisee intellectual property licences.

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)?

Yes, Italy is part of the Paris Convention for the Protection of Industrial Property, ratified by Law No. 424/1976; the PCT, ratified by Law No. 260/1978; and TRIPs, ratified by Law No. 747/1994.

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

The lawfulness of clauses aimed at preventing the licensee from contesting the validity of the licensor's intellectual property rights or registrations is controversial. Such clauses are, however, incontrovertibly invalid, pursuant to EU and Italian law, when they could affect competition between companies.

- 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? If the licence does not remain in effect, can the licensee freely compete?

In the case of invalidity or expiry of registration of an intellectual property right, the related licence agreement becomes automatically null and void.

With specific reference to patents, article 77 of the Industrial Property Code states that, if a patent is declared void, then the related licence agreement is void as well. Consequently, the licensee is no longer bound to pay any future royalty; moreover, even if the licensor is not bound to refund the royalties already received, in a dispute the judge, considering the circumstances of the case, may establish in favour of the licensee a fair reimbursement of the amounts paid.

The freedom to compete must be assessed on the basis of a case-by-case exam, which takes into account the contractual provisions. In any case, it must be pointed out that, according to Italian law, the non-competition clauses can limit the freedom to compete after the expiry of the contract for a maximum period of five years.

- 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?

No original registration or evidence of use in the jurisdiction of origin, nor any other specific requirement unique to foreigners, is necessary in order to register an intellectual property right in Italy.

However, according to article 4 of the Industrial Property Code, whoever has regularly filed a request aimed at obtaining an industrial property title in or for a state that is part of an international convention ratified by Italy that recognises the right of priority may benefit from a right of priority since the first request with respect to the filing of a request for invention, utility model, new vegetable variety, design or trademark, pursuant to article 4 of the Paris Convention. The right of priority is also granted to the assignees of the intellectual property right concerned.

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

The possibility to license unregistered intellectual property rights, even if not expressly provided for by Italian law, is commonly admitted.

- 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?

Validity

According to Italian law, no particular requirements are necessary for the validity of an intellectual property licence.

Opposability to third parties

While licence agreements concerning patents, trademarks, utility models or designs must be enrolled in the register held by the UIBM in order to be opposable to third parties, with respect to the licence agreements concerning works protected under Law No. 633/1941 (the Copyright Law) no specific requirement is provided for by the law. As a matter of fact, enrolment in the registers held by the prime minister's office and, as regards cinematographic works and software, by the Italian Society of Authors and Editors, is made only for publicity purposes. Therefore, according to the majority of authors and case law, in cases of dispute, the person who first acquired the right prevails over the others. In any case, for licence agreements concerning works protected under the Copyright Law, the written form is requested *ad probationem*.

Security interest

In order to take a security interest in industrial property rights, the recording of such security in the register held by the UIBM is required by article 138 of the Industrial Property Code. On the contrary, as far as the works protected under the copyright law are concerned, in the absence of a recording system (please see above), the securities are opposable against the third parties that cannot prove to have first acquired the rights concerned.

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?

These issues are usually regulated in the contract. In the absence of contractual provisions, the owner or licensor is entitled to start a legal action against a third party for infringement without joining the licensee as a party of the proceedings. Furthermore, the licensee is commonly considered entitled to institute proceedings against an infringer of the licensed intellectual property right even without the consent of the owner or licensor; in some cases, however, the courts have denied the right of the non-exclusive licensee to start a legal action independently from the owner's or licensor's consent.

The licensee can be contractually prohibited from acting without the consent of the owner or licensor.

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?

A trademark or service mark licensee can sub-license the use of the mark to a third party only if contractually authorised.

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?

Italy is a 'first to file' jurisdiction; nevertheless, if a patent application has been filed or a patent has been granted in breach of the owner's rights, the latter is entitled to start a legal action in order to obtain a declaration of invalidity of the patent under release or already released. In the case of a patent under release, it is also possible that the right-owner acts for the assignment of the pending application.

In the Italian jurisdiction a licence agreement may have as its object the use of an invention subject to a patent application, but in respect of which the patent has not been issued yet.

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

According to article 45 of the Industrial Property Code, inventions that are new, imply an inventive activity and are fit for having an industrial application can be patentable. The followings are not considered inventions:

- discoveries, scientific theories and mathematic methods;
- plans, principles and methods for intellectual, game or business activity, and software; and
- presentations of information.

Nevertheless, the possibility to patent those items listed above is excluded only if discoveries, theories, plans, principles, methods, programs and presentations of information are considered as such. In light of the above, the UIBM may admit the software's patentability only when the software concerned implies a remarkable technical innovation, able to have an industrial application. In any case, software protection is granted by the Copyright Law.

With specific reference to industrial manufacturing methods and process, they can be protected by patents under article 2,586 of the Civil Code.

As far as living organisms are concerned, the only relevant provisions are those contained in article 45, paragraphs 4 and 5, pursuant to which animal breeds and the biological processes aimed at obtaining said breeds are not patentable; on the contrary, the microbiological processes and the products so obtained can be protected by patents.

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?

Trade information and know-how are expressly protected by articles 98 and 99 of the Industrial Property Code.

In particular, according to article 98, business information and technical-industrial or commercial experiences are protected, provided that:

- they are secret, which means that they are not generally known or easily knowable by the experts and by the dealers of the referring sector;
- they have an economic value in consideration of their being secret; and
- they are subject, by the legitimate holder, to appropriate measures to keep them secret.

According to article 99, it is forbidden to disclose to third parties or acquire or use the information and experiences defined in article 98. Trade information and know-how are also protected by the Civil Code under article 2,105 (ruling the employee's duty of loyalty) and article 2,598 (concerning unfair competition acts), as well as by the Criminal Code under article 623.

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?

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

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

Article 1 of the Copyright Law states that intellectual works of a creative nature that belong to literature, music, figurative arts, architecture, theatre and cinematography, whatever their form of expression, are protected by the copyright rules. Article 2 contains a list of works that benefit from such protection, including, among others, the following:

- software, provided that it is original and results from an intellectual creation of the author (the protection includes the preparatory work used for the software planning, but does not include ideas and principles on which the software is grounded);
- databases, considered as collections of works, data and other independent elements that are systematically and methodically arranged and individually accessible through electronic tools or otherwise (the protection granted to a database is not also extended to its contents and does not affect in any way the rights already existing on such contents); and
- works of industrial design with a creative nature and an artistic value.

The lists contained in articles 1 and 2 are non-exhaustive.

The author of an intellectual work of a creative nature is entitled to receive protection under the Copyright Law, as well as under the provisions contained in articles 2,575 to 2,583 of the Civil Code as a consequence of the creation of the work and independently from the registration or the fulfilment of any formal requirement.

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?

It is advisable from the licensor's perspective.

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?

Software licences can be time-unlimited. In this case, however, every party is free to withdraw from the contract, provided that a fair notice is given to the other party.

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

In Italian law, there are no general legal requirements to be complied with prior to granting software licences.

With specific reference to dual-use items (ie, items, including software and technology, which can be used for both civil and military purposes) the export regime provided for by Council Regulation No. 1334/2000, and its further amendments, applies.

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?

The ownership of improvements and modifications to the licensed software is still a controversial issue.

Nevertheless, according to the majority of authors, ownership should be attributed to the licensee when the improvements and modifications concerned are not a mere elaboration of the licensed

software, but represent the result of an autonomous planning activity.

In the absence of contractual provisions, the licensee should not be entitled to receive from the copyright holder upgrades or new releases. On the contrary, with reference to bug fixes, the licensee should be entitled to obtain from the licensor corrections and modifications if such bugs prevent the functioning of the licensed software. In any case, the licensor's obligations must be assessed on a case-by-case basis.

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?

Pursuant to article 102-quarter of the Copyright Law, the owner of a copyright and related rights can put on the protected works or materials effective technological measures, such as any kind of technological device or component that, in the normal course of its operation, is aimed at preventing or restricting acts that are not authorised by the rightholders. Nevertheless, with respect to software, the implementation of effective technological measures cannot prevent:

- the reproduction, permanent or temporary, total or partial, of the software in any forms, as well as the translation, adaptation, transformation and any other modification of the software and also the reproduction of the obtained work, if such activities are necessary to the legitimate purchaser in order to use the software in conformity with its purposes, including correction of errors;
- the creation of a backup copy, if the person entitled to use a copy of the software needs such copy to use the software; and
- the reproduction of the software's code and its translation, when said acts are essential in order to obtain the information that is necessary to achieve the interoperability of the software with other software.

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?

The Italian courts have not taken a clear position on the matter yet.

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 the best of our knowledge, there are no relevant decisions on the enforceability or applicability of the terms and conditions of public licences for open source software.

With reference to legal developments concerning the use of open source software, article 68, paragraph 1, letter d of Legislative Decree No. 82/2005 (the Digital Administration Code), which states that the public administration may also acquire and use, besides others, open source software, must be mentioned. As a matter of fact, this article reflects the growing interest shown by the Italian government in recent years in the possibility of using such software in public administration activities.

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?

There is no specific legislation that governs the nature, amount, manner or frequency of payments of royalties or other fees or costs, referring to international licensing relationships.

With reference to interest on late payments, the parties are free to establish the rate to apply. If the rate determined by the parties is higher than the legal one, the relevant agreement must be in writing. If the rate is not established by the parties or is higher than the legal one, but the relevant agreement is not in writing, the legal rate applies. If the late payment is related to a commercial transaction and the parties did not agree otherwise, the rate indicated in article 5 of Legislative Decree No. 231/2002 (which implemented Directive 2011/7/EU on combating late payment in commercial transactions) applies. In any case, the legal provision aimed at preventing usury must be respected.

28 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 the Italian jurisdiction. Nevertheless, according to article 49 of Legislative Decree No. 231/2007 (ie, the Anti-Money laundering Law as amended in December 2011) cash payments of an amount equal to or higher than €1,000 are forbidden.

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

According to Italian law, if it is permanently based in Italy a foreign licensor using a licence in the context of a business activity has to declare in Italy the business income deriving from the utilisation of the licence. The taxable income is only that produced within the Italian territory, via the Italian permanent establishment. Normally, the taxes so paid in Italy are fully or partly refundable in the foreign state where the licensor is resident, pursuant to the treaty to avoid double taxation signed between Italy and the foreign state.

If the foreign licensor does not have a permanent establishment in Italy, the licensee is normally obliged to withhold Italian taxes at source upon the payment of the consideration due to the licensor. The rate at which Italian taxes are withheld depends on the treaty signed between Italy and the foreign state. Full exemption is provided if certain conditions are satisfied (see the European Interest and Royalties Directive).

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?

Yes, in Italy a judgment can also be rendered by the courts in a foreign currency.

Competition law issues

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

Law No. 287/1990 (the Antitrust Law) expressly prohibits:

- under article 2, agreements (ie, arrangements or concerted prac-

tices between undertakings and resolutions taken by consortia, associations of undertakings and other similar entities, even if adopted pursuant to their articles) that have as their object or effect the appreciable prevention, restriction or distortion of competition within the national market or within a substantial part of it. Said agreements are null and void for all purposes. However, pursuant to article 4, the Antitrust Authority may authorise, for a limited period, agreements or categories of agreements prohibited under article 2, if they have the effect of improving the conditions of offer in the market, leading to substantial benefits for consumers; and

- under article 3, the abuse by one or more undertakings of a dominant position within the national market or in a substantial part of it.

Furthermore, according to articles 6 and 16, the concentrations must be communicated to the Antitrust Authority when the global turnover of the undertakings involved is above the limits specified by the law. Further to the communication, the Antitrust Authority determines whether the concentrations create or strengthen a dominant position on the national market with the effect of eliminating or restricting competition appreciably and on a lasting basis. Whenever the investigation shows that the operation entails the above consequences, the Authority shall either prohibit the concentration or authorise it, laying down the necessary measures to prevent such consequences.

32 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?

The most relevant restriction provided for by Italian law is that established by article 2,596 of the Civil Code. According to this article, the agreement that limits competition:

- must be proved in writing;
- is valid if limited to a specific territory or to a specific activity; and
- cannot last more than five years.

If the duration of the agreement is not determinate or if it is established for a period longer than five years, the agreement that limits the competition must be considered valid only for a five-year period.

Nevertheless, according to the majority of authors and court decisions, article 2,596 does not apply where the agreement aimed at limiting the competition is included in a contract having a wider object and having the function to strengthen the cooperation between the parties, as, for example, in the case of clauses of exclusive rights included in contracts between subjects that operate at different levels of the production or distribution chain.

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 used and enforceable in Italy and can be supported by an insurance coverage aimed at protecting the foreign licensor in the limits that are, in the particular case, established by the insurance policy.

- 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?

In the Italian jurisdiction, parties can contractually agree to waive or limit certain types of damages and the relevant clauses are enforceable. Nevertheless, according to article 1,229 of the Civil Code, any agreement that in advance excludes or limits the liability of the debtor for wilfulness or gross negligence is void.

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?

Under Italian law, there is not a specific regulation concerning international licensing relationships; therefore, the general provisions on contracts apply. In particular, if the licence agreement is time-limited, unless the right to withdraw is expressly provided for by the contract, the parties will be released from the contractual obligations only at the expiration of the contract. This implies that the party that terminates the contract in advance, unless the other party is responsible for a breach of contract, is due to refund the damages caused to the counterparty.

On the contrary, if the contract is time-unlimited, in the absence of specific contractual provisions, each party may terminate the agreement at any time, giving to the other party a notice, which shall be proportionate to the duration of the contract.

In any case, according to the most recent case law, the right to withdraw from the contract must be exercised with respect to the general principle of good faith.

The Italian courts have not extended to licensing relationships the application of the rules concerning agency contracts' termination.

- 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?

In the absence of contractual provisions, in cases of termination or expiration of a licence agreement, any sub-licence granted by the licensee will terminate too.

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?

The general rule provided for with reference to outstanding relationships by article 72 of the Royal Decree No. 267/1942, ie, the Italian Bankruptcy Law, applies. More precisely, according to said article, if a contract is still unexecuted or not entirely executed by the parties at the time when one of them has been declared bankrupt, the execution of the contract, unless otherwise provided, is suspended until the receiver, by means of an authorisation of the creditors' meeting, declares:

- to succeed in the contractual relationship in place of the bankrupt, undertaking all the related obligations; or
- on the contrary, to back out of the contract unless, in cases of 'contracts with real effects', the right had already been transferred.

In any case, if the receiver does not take any initiative in order to pursue or withdraw from the contract, the contracting party has the right to bring a default action against the receiver, asking the court to assign a time limit up to 60 days, after which expiration the contract shall be considered terminated.

Furthermore, article 72 expressly states that contractual clauses that provide for the termination of the contract in the case of bankruptcy are ineffective.

With specific reference to publishing contracts, article 135 of the Copyright Law states that the publisher's bankruptcy does not cause the termination of the publishing contract. Nevertheless, the publishing contract is terminated if the receiver, within one year from the declaration of bankruptcy, does not continue the activity of the publishing company or does not assign it to another publisher; this assignment, however, is not possible when it damages the work's reputation or hampers its diffusion.

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?

Under Italian law, and in observance of article 3 of the Convention of Rome dated 19 June 1980, the parties are free to choose the law that will govern their agreement.

Nevertheless, according to articles 16 and 17 of Law No. 218/1995, containing the rules of international private law, the

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choice of a foreign law cannot imply a breach of public policy principles or prejudice the application of the Italian mandatory rules.

- 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?

According to article 806 of the Code of Civil Procedure, the parties may agree to settle their dispute, if it does not concern non-disposable rights, by means of arbitration, unless expressly forbidden by the law. The parties are free to choose the country in which the arbitration shall be held.

- 40** 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?

Pursuant to article 64 of Law No. 218/1995, foreign civil judgments are automatically recognised in Italy without the necessity to resort to any proceeding, provided that their provisions are not contrary to the public order and the procedural conditions indicated by the law are met.

However, pursuant to article 67, in the case of non-compliance or opposition to the recognition of the foreign judgment, or if it is necessary to enforce it, whoever is interested may request the competent court of appeal to verify the requirements of the recognition. The foreign judgment along with the regulation that accepts the party's

request constitutes the title to start the enforcement procedure.

Pursuant to article 839 of the Code of Civil Procedure, which applies in Italy the rules on recognition and enforcement of foreign awards provided for by the New York Convention, in order to enforce a foreign award in Italy, the party has to file an application with the president of the court of appeal where the other party has its residence or, if the other party is not resident in Italy, with the Court of Appeal of Rome.

The party has to provide the president of the court of appeal with an original copy of the foreign award and the arbitration agreement, together with a certified Italian translation. Upon assessment of the formal regularity of the award, the president of the court of appeal has to declare it enforceable in Italy, unless he or she establishes ex officio that the subject matter of the dispute cannot be settled by arbitration under Italian law or that there is a breach of public policy. Italy ratified the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards by means of Law No. 62/1968.

- 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?

Injunctive relief is available in Italy.

In principle, the parties may waive their entitlement to claim specific categories of damages; however, a clause that excludes the entitlement to claim damages in cases of liability for wilfulness or gross negligence is void.



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