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Simple patent licences in insolvency

Thomas Musmann (Rospatt Osten Pross) · Friday, May 11th, 2012

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Under paragraph 103 of the German Insolvency Act, an insolvency practitioner has the right to choose whether or not to honour existing contracts of the insolvent company. Does this right also apply for any patent licences granted by the insolvent company?

The Regional Court Munich has ruled in a case in which the insolvent patent holder had granted a simple licence to a third party (judgment of 9 February 2012 – Az. 7 O 1906/11). Astonishingly, there is currently no case law for such a constellation – after all, it is of substantial financial importance for the licensee that any investments in manufacturing plants, warehouses and marketing be safeguarded. The Regional Court Munich assumes that, where both parties have met their obligations arising from the licensing agreement, the insolvency practitioner does not have the right to choose. The Court further assumes such obligations to have been met where (i) the licence has been granted irrevocably and without time limit, and (ii) the licensee is no longer required to pay licensing fees, for instance because the licence is a paid-up “one-stop shop” licence or else a royalty-free cross license.

This decision has been criticised as being too narrow on the grounds that simple licences are assets, and as such must be exclusively granted to the licensee and no longer be at the patent holder’s disposal. It would then be irrelevant whether the licensee has outstanding contractual obligations, as in the case of revenue-dependent licensing fees (Haedicke, GRUR-RR 2012, 145).

Conclusion: Insolvency unsolved. The judgment of the Regional Court Munich is not final. It remains to be seen whether a supreme-court pronouncement will follow to clarify the issue: are simple patent licences insolvency-proof?

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