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Exclusive Licensees, watch out!

Thomas Musmann (Rospatt Osten Pross) · Wednesday, November 25th, 2015

by Miriam Büttner

In a recent decision the Higher Regional Court of Düsseldorf (OLG Düsseldorf) had to deal with the right to sue of exclusive licensees (judgment of 24 September 2015, docket no. I-2 U 30/15).

https://www.justiz.nrw.de/nrwe/olgs/duesseldorf/j2015/I_2_U_30_15_Urteil_20150924.html

Background of the case was the request of an exclusive licensee for a preliminary in-junction against an alleged patent infringer. The Regional Court of Düsseldorf (LG Düs-seldorf) rejected this request as it was not able to decide – in the context of a prelimi-nary proceedings – whether or not the patent-in-suit was infringed (judgment of 21 April 2015, docket no. 4b O 10/15). The exclusive licensee filed an appeal against this negative decision with the Higher Regional Court of Düsseldorf. The Appellate Court dismissed the appeal likewise, but due to a totally different legal aspect. The Appellate Court found that the exclusive licensee in the present case had no right to sue.

What has happened?

Usually, an exclusive licensee also has the right to sue (like the patentee) due to an inherent right (see Kühnen, Patent Litigation Proceedings in Germany, 7. Edition, 2014, recital 983). The exclusive licensee has an own right to file an action; he can inde-pendently claim to cease-and-desist from patent infringements, compensation of his own damages, etc. But an exclusive licensee is not automatically an exclusive licensee just because this wording is used in the license agreement. Someone is only an exclu-sive licensee if he is really entitled to use the patent "exclusively", which means ex-cluding any third party (see Kühnen, l.c., recital 983). Only the patentee himself may be entitled to reserve use for himself (what is referred to as a sole license) (critically: Kühnen, l.c., recital 983).

The problem in the present case was that the patentee already had granted two regu-lar licenses to third parties before he entered into the exclusive license agreement with the claimant of the present case. These regular licenses had not been terminated. In fact they were continued unaffected. The exclusive licensee of the present case had even explicitly accepted these regular licenses in his license agreement. The validity of the previously granted regular licenses is also in line with sec. 15 para. 3 of the German Patent Act (PatG) according to which

"The assignment of rights or the granting of a license shall not affect licenses previously granted to

third parties."

Due to these previously granted regular licenses the claimant of the present case actu-ally was not able to use the patent-in-suit "exclusively" as he was not able to exclude any third party from the use of the patent. He was not able to prohibit the use of the patent by the two regular licensees.

One way out of this situation would have been if the later granted exclusive license exceeded the scope of the previously granted regular licenses. If the previously granted regular licenses only have a limited scope (e.g. regarding types of use or territorial scope) and the later granted exclusive license has a broader scope, then in this exceeding part the later granted exclusive license preserves its character of exclusivity, because in this limited exceeding scope the exclusive licensee is really the only one who can exploit the patent while excluding any third party from the use of the patent.

On the other hand, if the scope of the previously granted regular license and the later granted exclusive license fully correspond, the exclusivity of the later granted license is necessarily missing.

In the present case the claimant was not able to demonstrate and proof that his exclu-sive license had a broader scope than the previously granted regular licenses. Thus, the Higher Regional Court of Düsseldorf assumed that the claimant only was a regular licensee.

Contrary to an exclusive licensee a regular licensee has no right to sue due to an inher-ent right. The regular licensee cannot independently file an action against third par-ties; he has no own right to sue. The patentee may assign his claims for damages, compensation and accounting to the regular licensee, but with regard to the non-transferable claim to cease and desist from patent infringements, a regular licensee may only have the right to sue according to the German principles of what is referred to a mutually agreed representative action ("Gewillkürte Prozessstandschaft"). This German principle is characterized by the fact that the claimant does not assert its own claims, but instead enforces third party rights (that is to say those of the patentee = licensor) (see Kühnen, l.c., recital 989).

In the present case the claimant was not able to demonstrate and proof the require-ments of this German principles – in the context of a preliminary proceedings – as well. Thus, the Higher Regional Court of Düsseldorf in the end assumed that the claim-ant had no right to sue in the present case.

Conclusion:

While entering into an "exclusive" license agreement, the licensee is well-advised to check if earlier regular licenses have been granted by the patentee as the wording of the license agreement may not be able to keep it's word.

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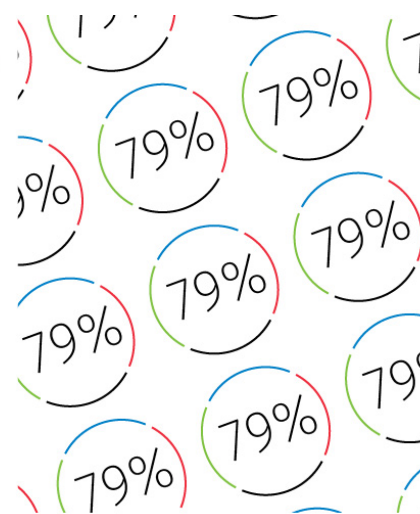

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