

# International Software Licensing

Paula Barrett

Partner, Eversheds LLP



# Standard US licence provisions

- Term
- Restrictions on use
- Restrictions on assignment
- Limitation of liability
- Governing law and jurisdiction

... but how are they dealt with in Europe and Asia?



# “Background” European considerations

- Impact of
  - Free movement of goods and services – key principle
  - Berne Convention - mutual recognition of territorial rights
  - Tension between (1) free movement and (2) protection of IPR
  - Exhaustion of rights
  - Anti-trust legislation



# Perpetual licences

- **Belgium, Italy, Spain** – a perpetual licence or a licence for an indefinite period can be terminated on reasonable notice
- **France** - a licence has to be for a definite term, and a perpetual licence or a licence for an indefinite period can be declared null and void



# Usage restrictions

- May be abuse of a dominant position (Art. 81 & 82 Treaty of Rome)
- Restrictions on licence use in perpetual, package software licences may therefore be unenforceable, e.g.
  - Specific hardware
  - Specific site
- **UK** – best to permit free transfer re hardware, location and user in return for a new licence agreement between new user and licensor
- **Germany** – such restrictions are likely to be void, but may still place original licensee in breach.

# IPR – permitted acts

- **EU** jurisdictions – Copyright Directive 91/250 permits decompilation and reverse engineering to achieve interoperability; clause preventing making of backup copies is void
- **France** – licensee can correct defects unless licensor reserves the right
- **Belgium** –
  - restriction on licensee making alterations is prima facie permissible, but may be invalid if it deprives the licence of substance
  - but Directive 91/250 interoperability rights cannot be excluded
- **Singapore** – licences can prohibit alteration and modification, but there are statutory defences similar to the position in Australia
- **China** – “Article 32 Ambiguity”

# Assignment issues

- **Germany** – restriction on assignment of package software unenforceable
- **Spain** - if non exclusive and perpetual restriction on assignment unenforceable
- **Italy, Belgium** and **Spain** – if silent on assignability, assignment needs licensor's consent
- **UK** – silence implies assignability of licensee's rights
- **Denmark** – any restriction on assignment is restrictive of competition.



# Limitation of liability (1)

- **UK/US** –
  - licences typically exclude supplier liability for consequential or indirect losses or loss of profit;
  - liability is capped
- **India and China** – no problem, even when dealing with consumers
- **Europe** –
  - usually can't exclude liability for death or personal injury; and
  - (other than UK) liability often cannot be excluded in relation to gross negligence



# Limitation of liability (2)

- **Italy and Belgium** (and others) – “consequential loss” does not have a defined meaning – define what you mean in order to exclude it
- **UK** – Unfair Contract Terms Act 1977 (UCTA) – in business transactions, supplier’s standard terms as to limitation or exclusion of liability are only enforceable to the extent that they are reasonable
- In **Singapore** the position is similar to the UK under their version of UCTA
- In **Spain** it is not possible to exclude liability for bad faith breaches



# Limitation of liability (3)

- In **Germany** liability cannot be limited if the term goes to the heart of the contract, and it is unusual to limit liability to the amount of the licence fee
- Also in **Germany** certain licences may be construed as leases, implying an ongoing warranty
- In **Hungary** it is only possible to limit liability to the extent that it benefits the purchaser (other than a price discount)
- In most countries it is harder to exclude or limit liability in the case of consumers



# Jurisdiction

- General rule – an exclusive jurisdiction clause will normally be decisive in most countries
- The position depends on the private international law of each country
- **India** – a clause which gives jurisdiction to a country to try disputes when the cause of action does not arise in that country is void
- **EU** – (Brussels Regulation) - if the defendant is a consumer, generally the consumer must be sued in the member state in which he/she is domiciled, and the consumer may choose to sue in his/her member state
- Hague Convention on Exclusive Choice of Court Agreements (2005?)



# Governing law

- General rule – a governing law clause will normally be decisive in most countries
- Depends on the private international law of the relevant country
- **EU** – Rome Convention - governing law clauses will be observed
- In each case, any mandatory laws cannot be negated



# Mandatory laws

- Mandatory laws most often apply to consumers
- They cannot be contracted out of
- They give the equivalent protection to certain laws of that consumer's/claimant's domicile even though that law does not apply to the contract



# Examples of mandatory laws

- **Australia** – consumers are protected against misleading or deceptive conduct and false or misleading representations made by corporations (Part V Trade Practices Act 1974)
- **Austria** – parts of the Consumer Protection Act and the Civil Code cannot be invalidated:
  - consequences of unclear wording
  - minimal warranty conditions
  - prohibited provisions in consumer agreements or provisions considered immoral
- **Belgium** – certain consumer protection, product liability and insolvency provisions
- **Germany** – certain copyright rules, some insolvency and consumer protection rules
- **Singapore** and **UK** – UCTA contains mandatory law provisions



# Can “One Size Fit All”

- Simply using US standard licensing provisions is very risky
- Can you can a single contract for Europe?
  - Burden can outweigh benefit.
  - Drafting nightmare + raises bar for all jurisdictions to the toughest levels
- Most multinationals adopt multiple contract standards.
- Pragmatic approach required to contracting in multiple jurisdictions



# Suitability (“Sanity”) Checklist

- Find out which countries you are focusing sales efforts on.
- Check license terms and usage restrictions; are they suitable commercially and then legally?
- Do not assume your (US) liability limitations will be enforceable – they often won’t be so if nothing else get those checked with local advisors.
- Find out whether there are mandatory laws/implied terms you need to take account of in those countries.
- Governing law and jurisdiction – is home state best or would local law & jurisdiction have advantages.
- Enforcement – if difficult are there practical solutions?

