

# Is registration of a licence still needed for a licensee to bring an action for infringement of an industrial property right<sup>1</sup>?

**Ángel García Vidal**

*Professor of Commercial and Company Law, Universidad de Santiago de Compostela*

*Academic Counsel, Gómez-Acebo & Pombo*

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*This document, on the one hand, analyses the status quaestionis regarding the registration of a licence as a precondition for the licensee of the industrial property right to bring legal proceedings in the protection of the licensed right and, on the other, assesses the possible impact of the case law of the Court of Justice of the European Union (in connection with EU legal titles) on the case law of the Spanish Supreme Court (in connection with national legal titles).*

## **1. Preamble**

Legislative regulation of the different national and EU industrial property rights provides for the possibility that the licensee of one of these rights, on meeting certain conditions, may bring actions for infringement of the licensed right.

In turn, such legislation also provides that enforcement – against *bona fide* third parties – of the licence (and of other transactions such as the assignment or granting of rights in rem) requires the registration of such licence in the appropriate industrial property register (Register of Patents of the Spanish Patent and Trade Mark Office, Register of Protected Varieties of the Spanish Office of Plant Varieties, Register of Trade Marks of the European Union Intellectual Property Office, Register of Trade Marks of the Spanish Patent and Trade Mark Office, etc.). This is the case of: art. 79(2) of the Patents Act 2015<sup>2</sup>; art. 23(3) of the Protection of New Plant Varieties (Legal Regime) Act 2000<sup>3</sup>; art. 4(3) of the Topographies of Semiconductor Products

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<sup>1</sup> *Translator's note:* Under Spanish law, a distinction is drawn between "propiedad intelectual" (copyright) and "propiedad industrial" (under which remaining elements of "intellectual property" would fall).

<sup>2</sup> *Ley 24/2015, de 24 de julio, de Patentes.*

<sup>3</sup> *Ley 3/2000, de 7 de enero, de régimen jurídico de la protección de las obtenciones vegetales.*

(Legal Protection) Act 1988<sup>4</sup>; art. 46(3) of the Trade Marks Act 2001<sup>5</sup>; art. 59(2) of the Industrial Designs (Legal Protection) Act 2003<sup>6</sup>; art. 23 of Council Regulation (EC) No 207/2009 on the Community trade mark; art. 33(2) of Council Regulation (EC) No. 6/2002 on Community designs; and art. 23(3) of Council Regulation (EC) No 2100/94 on Community plant variety rights.

Traditionally there has been consensus as to considering that the requirement of registration of the licence (or of other transactions), for its enforceability against third parties in good faith, operates primarily in cases where the right holder performs incompatible acts (such as the granting of two exclusive licenses), so that preference is given to the first registration in the Register.

But there has been more discussion as to whether the licensee (or assignee) of a right may sue third-party infringers when the assignment or licence has not been registered in the appropriate industrial property register.

## 2. Case law of the Spanish Supreme Court

2.1. On this point, the case law of the Civil Division of the Supreme Court has been requiring the registration of the licence as a precondition for the licensee to bring legal proceedings.

According to said case law, the licensee or the purchaser of an industrial property right may not bring proceedings against third parties on the basis of such right until it has been validly registered. For example, in relation to patent licensing, Judgment no. 893/1995 of the Supreme Court of 18 October 1995 (RJ 1995, 7545) states that “(n)o one doubts that a registered licence takes effect against all, whereas the unregistered licence only takes effect *inter partes*; therefore, the registered exclusive licensee may request the patent holder to act, but it does not have standing against a third party on the basis of the licence”.

This doctrine was confirmed by the Supreme Court in Judgments no. 158/1996 of 7 March 1996 (RJ 1996, 1882) and no. 26/2001 of 17 January 2001 (RJ 2001, 4), and has only been qualified, in Judgment no. 695/2000 of the Supreme Court of 11 July 2000, to allow a non-registered licensee to bring an action for infringement when acting as co-claimant with the right holder.

2.2. The above-mentioned case law of the Supreme Court has encountered the opposition of a significant number of scholars, as well as of some pronouncements made by ‘lower case law’ (even after the case law of the Supreme Court was settled), where it is considered that the principle of non-enforceability of unregistered acts should not lead to a denial of the standing of the unregistered holder of an industrial property right suing third

<sup>4</sup> Ley 11/1988, de 3 de mayo, de Protección Jurídica de las topografías de los productos semiconductores.

<sup>5</sup> Ley 17/2001, de 7 de diciembre, de Marcas.

<sup>6</sup> Ley 20/2003, de 7 de julio, de Protección Jurídica del Diseño Industrial.

parties for infringement of such right. According to this interpretation, the principle of non-enforceability only seeks to protect those who acted trusting the information contained in the Register, but not infringers of rights.

In this regard, the Judgment of the Barcelona *Audiencia Provincial* (15<sup>th</sup> Chamber) of 19 July 1999 (AC 2000, 292) is very relevant in that it emphasizes that the 'negative effect' of registrational publicity "does not mean that the unregistered right holder cannot bring legal proceedings against third parties not covered by the registration, but that those who acted trusting the Register should not be harmed by acts not registered by the owner". The judgement goes on to state that denying the standing of an unregistered holder of an industrial property would imply the presence of a legal vacuum and the impossibility of anyone defending the right, as the prior holder, who is still registered, would have no legitimate interest to do so.

The case law established by this judgment has been confirmed by the Barcelona *Audiencia Provincial* (15<sup>th</sup> Chamber) in subsequent judgments, such as the judgment of 12 June 2001 (AC 2002, 235) or that of 30 January 2004 (AC 2004, 506).

- 2.3. Things being so, Judgment no 748/2013 of the Supreme Court of 10 December 2013 (RJ 2013\8403) could seem to signal a change in the case law of the court of last resort. This judgment interprets the idea of a third party protected by the non-registration of a licence agreement, and although it does so with regard to the Trade Marks Act ("LM") provision, its analysis can be extrapolated to all other industrial property rights. Thus, according to this Supreme Court judgment, "in order not to overextend this consequence of the lack of registrational publicity – making an unregistered registrable act enforceable only for the parties involved and for bad-faith third parties – and in order not to bring it too close to the consequences of a constitutive registration, the best legal scholars have reduced the concept of an unknowing or ignorant third party - which is key to determining the meaning of the rule - as needed in order to protect legitimate expectations, such that the protected party is not just any third party but only one whose legal position is incompatible with that of the holder of the unregistered right. This leads to the scope of article 46(3) being limited to cases of conflict between two incompatible titles, in order to provide legal protection to the registered title".

However, we cannot overlook the fact that this judgment does not deal with the problem with regard to the bringing of legal proceedings in the protection of an industrial property right, but rather in respect of the possible avoidance of the effect of infringement of a Community trade mark which has the authorisation of the owner of a Spanish priority-date trade mark that is identical to the Community trade mark, as a result of not recording the legal transaction by means of which it was licensed to the defendant. Therefore, we cannot hold that the Supreme Court has modified its case law by way of this judgment.

In fact, after such judgment the *Audiencias Provinciales* have continued to require registration of licences. In this respect, Judgment 231/2014 of the *Audiencia Provincial*

of Madrid (28<sup>th</sup> Chamber) of 18 July (JUR\2014\250933) is very relevant. The judgment states that "Article 79(2) of the Patents Act ("LP") requires licences affecting patent applications or patents that have already been granted to be registered in the appropriate Register (in this case, that of the Spanish Patent and Trade Mark Office) in order to have effects against good-faith third parties. Furthermore, article 79(3) provides that rights in patent applications or patents may not be invoked against third parties unless they are duly recorded in the Register. These legal provisions are categorically and undoubtedly mandatory. Thus, Spanish case law (Supreme Court judgments of 18 October 1995 and 17 January 2001) emphatically indicates that an unregistered licence only takes effect *inter partes*; therefore, the registered exclusive licensee may request the patent holder to act, but it does not have standing against a third party on the basis of the licence".

### 3. Case law of the Court of Justice of the European Union

- 3.1. In this context, the Court of Justice of the European Union (CJEU) recently issued two judgements in which it directly analysed the need (or not) to register a licence in order for the licensee of an EU trade mark or design to be able to bring legal proceedings for infringement of the right.

Keep in mind that article 23(1) of the EU trade mark regulation (EUTMR) provides that the licencing (regulated in art. 22 EUTMR), transfer (art. 17) and creation of rights in rem (art. 19) "shall have effects vis-à-vis third parties in all the Member States only after entry in the Register". It then adds that "[n]evertheless, such an act, before it is so entered, shall have effect vis-à-vis third parties who have acquired rights in the trade mark after the date of that act but who knew of the act at the date on which the rights were acquired".

However, at the same time, article 33(2) of Regulation 6/2002 provides that as regards registered Community designs, legal acts referred to in Articles 28, 29 and 32 "shall only have effect vis-à-vis third parties in all the Member States after entry in the register. Nevertheless, such an act, before it is so entered, shall have effect vis-à-vis third parties who have acquired rights in the registered Community design after the date of that act but who knew of the act at the date on which the rights were acquired".

- 3.2. In that regard, in its 4 February 2016 judgment in case C-163/15, *Youssef Hassan v. Breiding Vertriebsgesellschaft mbH* (ECLI:EU:C:2016:71), a reference for preliminary ruling from the *Oberlandesgericht Düsseldorf* (Düsseldorf region high court), the Court of Justice interpreted the EUTMR provision referring to registration of the licence and established case law that such registration is not necessary to bring actions in protection of the trade mark.

The CJEU acknowledges that, read in isolation, the first sentence of art. EUTMR 23(1) could be interpreted as meaning that the licensee cannot, if the licence has not been entered in the Register, rely on the rights conferred by that licence vis-à-vis third parties, including

the party infringing the trade mark. But the Court considers that the provision must be interpreted as meaning that the licensee may bring proceedings alleging infringement of a Community trade mark which is the subject of the licence, although that licence has not been entered in the Register of Community trade marks. Because the provision is intended to protect a person who has, or may have, rights in a Community trade mark as an object of property and because, with regard to the licence, the EUTMR does not contain a provision analogous to that in art. 17(6), according to which "as long as the transfer has not been entered in the Register, the successor in title may not invoke the rights arising from the registration of the Community trade mark".

The CJEU thus follows an interpretation that had already been established in Spain by judgments of the EU trade mark courts (such as, for example, the 15 July 2005 and 26 July 2006 judgments of Commercial Court nº1 of Alicante, which held that art. 23.1 EUTMR, in mentioning a third party, does not refer to the third party who infringes the Community trade mark but rather to the third party who acquires rights from the trade mark owner after the licence agreement is granted (successive acquirers or subsequent licensees).

- 3.3. The Court of Justice has subsequently followed this same interpretation regarding EU Community designs, stating in its judgment of 22 June 2016 (case C-419/15 *Thomas Philipps GmbH & Co. KG v. Grüne Welle Vertriebs GmbH*, ECLI:EU:C:2016:468) that art. 33.2 of Regulation 6/2002 on Community designs must be interpreted as meaning that the licensee may bring proceedings alleging infringement of a registered Community design which is the subject of the licence although that licence has not been entered in the register of Community designs.

#### **4. Possible impact of the case law of the CJEU on Spanish case law**

This CJEU's case law may constitute fresh impetus for defenders of the opposing thesis to that traditionally followed by the Supreme Court. In fact, it has led to a new appeal on a point of law being lodged with the Supreme Court. This appeal asks the high court to consider whether its case law is affected by that of the CJEU. However, in its ruling of 16 November 2016 (EDJ 2016/208787) on trade mark matters, the Supreme Court did not analyse this issue, which it considered lacking in merit or practical consequences, given that the proceedings had been brought for unfair competition, not infringement of industrial property rights.

This CJEU's case law is binding for Spanish courts, which must follow it when they hear cases regarding Community trade marks or designs. But, as it was made in interpretation of the Community trade mark and design regulations and not a directive, it is not binding when interpreting national legislation governing industrial property rights. [Unsurprisingly, the need to register the licence is not harmonised in Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade mark, or in Directive 98/71/EC Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs. And although art. 4 of Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual

property rights provides that Member States shall recognise licensees as persons entitled to seek application of the measures, procedures and remedies, it qualifies this by stating that they shall do so “in so far as permitted by and in accordance with the provisions of the applicable law”.]

With that in mind, it is very doubtful that the CJEU’s case law will result in a change in direction of the Supreme Court’s case law with regard to national industrial property rights. This is a direct result of the entry into force of the Patents Act 2015 on 1 April 2017. Article 117(1) of the 2015 Patent Act effectively enshrines this jurisdictional interpretation, providing that “the holders of rights registered in the Patent Register” have legal standing to bring legal proceedings. And “holders of rights” can be taken to mean both the patent owner and the licensees, as art. 117(2) refers to them as “licence holders”, therefore, holders of a licence right.

And article 117 of the 2015 Patent Act is also applicable to other national industrial property rights: trade marks and trade names (by virtue of additional provision one of the Trade Mark Act), industrial design (additional provision one of the Industrial Design Legal Protection Act) and plant varieties (final provision of Act 3/2000).

All the above without prejudice to the fact that the Patents Act 2015 has modulated the Supreme Court’s case law. Pursuant to case law requiring registration, the latter must have taken place when the claim is filed, as pursuant to the principle of indelibility of jurisdiction (*perpetuatio jurisdictionis*), a lack of legal standing cannot be remediated. [Judgment of the Supreme Court of 4 September 2006 (RJ 2006, 8547)]. In fact, Judgment no. 893/1995 of the Supreme Court of 18 October 1995 (RJ 1995, 7545) emphasizes that whether or not the transfer or patent licence is already registered at the time of giving judgment is immaterial, since the decisive factor for verifying legal standing is the moment in which the claim is filed.

However, art. 117(1) of the Patents Act 2015 now provides that parties who prove that they have applied for registration in the Patent Register of the act or business from which the right being enforced is derived also have standing to bring legal proceedings, provided that such registration is granted.

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