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NEWSFLASH

Practice Group Competition

» New block exemption regulation of the European Union for technology transfer agreements:

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Agreements between companies infringing the cartel ban are in principle not **only subject to fine**, but also **void**. Agreements, however, which are subject to a block exemption regulation (“BER”) are exempted from the cartel ban. Contractual regulations within the scope of a BER are assessed as legally admissible under antitrust law without a complex individual case study.

European competition law, in principle, applies to all agreements that may affect trade between Member States or within Germany.

Agreements which are subject to a BER are deemed to be in compliance with antitrust law without a detailed legal assessment in the individual case, provided they comply with the requirements set out in the respective BER. Therefore, the privilege of a BER provides a considerable degree of legal security.

The new **block exemption regulation for technology transfer agreements**^① (“TTBER”) came to force on May 1, 2014. Like the previous regulation, the new TTBER also provides a so-called “safe harbour” for certain types of technology transfer agreements. The new TTBER exempts certain categories of technology transfer agreements from the cartel ban which the European Commission regards as normally not infringing European anti-trust law. Thus, time-consuming and cost-intensive individual case studies are not necessary.

The TTBER applies to numerous agreements on the licensing of technology rights with the aim of production by the licensee.

The new TTBER applies to all agreements entered into from May 1, 2014 onwards.

Furthermore, **all existing licensing agreements** entered into prior to May 1, 2014 and contain regulations which are permitted according to the former TTBER, benefit from the privilege of the previous regulation (Art. 10 TTBER) only until **April 30, 2015**. After the **expiry of this transitional period** such agreements must either be adapted to the new TTBER or have to comply with the individual exemption criteria set out in Art 101 (3) TFEU.

In order to avoid a possible **risk of incurring a fine** as well as the **invalidity of the contract**, the licensing agreements which were concluded before April 30, 2014 should be **examined** as to their **compatibility with the new TTBER before the expiry of the transitional period** and, where applicable, be **adapted to its innovations**. Moreover, it should also be examined, whether **model contracts** for licensing agreements **contain clauses which are not exempted any longer according to the new TTBER**.

Even though the existing system of the previous regulation has remained in many parts unchanged, the new TTBER modified several important regulations. Significant innovations of the TTBER, which may require adaptations of existing contracts, are in particular:

- Under the new TTBER only the **restriction of passive sales** into an exclusive territory or to an exclusive customer group reserved to the **licensor** (Art. 4 (2) (b) (i) TTBER) is exempted. Restrictions on the passive sale in favour of

^① Commission Regulation (EU) No 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of European Union to categories of technology transfer agreements, OJ 2014 L 93/17

other licensees are no longer exempted.

- The agreement on a **right of termination** that provides the possibility to terminate the licensing agreement to the licensor, if the licensee contests the validity of the licensed IP right (e.g. by way of an action for revocation of a patent), is **only** exempted within the scope of **exclusive licensing agreements** (Art. 5 (1) (b) TTBER). Therefore, the exemption is **no longer** valid for termination clauses within the scope of **non-exclusive licenses**.
- Clauses obligating a licensee to provide an **exclusive grant-back** to the licensor for improvements of the licensed technology made by the licensee are no longer exempted according to the new TTBER (Art. 5 (1) (a) TTBER). This applies regardless of whether the improvement is severable or

non-severable. The same is true for the obligation **to transfer improvements of the licensed technology to the licensor**. However, non-exclusive grant-back obligations continue to remain admissible.

» Conclusion «

In order to avoid a possible **risk of incurring a fine** as well as the **invalidity of contracts**, companies should use **the transitional period until April 30, 2015** for the examination of existing licensing agreements in light of the new TTBER with respect to their legal admissibility under antitrust law and to modify the agreements if required. Moreover, also existing **model contracts** for licensing agreements should be examined with respect to clauses that are no longer exempted and, where applicable, should be adapted to the innovations of the new TT-GVO.

Practice Group Competition

Anti-trust law plays an increasingly important role for nationally and internationally active clients. Agreements that infringe anti-trust law are legally ineffective and non-enforceable, while also triggering penalties from the national and international competition authorities and damage claims from affected third parties. Our **Practice Group Competition** offers our clients support to avoid these risks and advise national and international companies in all relevant areas of anti-trust and competition law. In addition to preparing and facilitating merger control applications and comprehensive advice on anti-trust law in M&A transactions our advisory services consider anti-trust aspects and obligations when drafting and negotiating contracts (e.g. sales agreements, license agreements, research and development agreements or other co-operation agreements), also taking into account European law (in particular block exemption regulations). We also assist companies enforcing anti-trust claims (e.g. claims for damages of companies harmed by a cartel) before state courts, arbitration courts or competition authorities.

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