

PANORAMIC

LICENSING

Switzerland



LEXOLOGY

Licensing

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Contents

Licensing

OVERVIEW

Restrictions

KINDS OF LICENCES

Forms of licence arrangement

LAW AFFECTING INTERNATIONAL LICENSING

Creation of international licensing relationship

Pre-contractual disclosure

Registration

INTELLECTUAL PROPERTY ISSUES

Paris Convention

Contesting validity

Invalidity or expiry

Unregistered rights

Security interests

Proceedings against third parties

Sub-licensing

Jointly owned intellectual property

First to file

Scope of patent protection

Trade secrets and know-how

Copyright

SOFTWARE LICENSING

Perpetual software licences

Legal requirements

Restrictions on users

ROYALTIES AND OTHER PAYMENTS, CURRENCY CONVERSION AND TAXES

Relevant legislation

Restrictions

Taxation of foreign licensor

COMPETITION LAW ISSUES

Restrictions on trade

Legal restrictions

IP-related court rulings

INDEMNIFICATION, DISCLAIMERS OF LIABILITY, DAMAGES AND LIMITATION OF DAMAGES

Indemnification provisions
Waivers and limitations

TERMINATION

Right to terminate
Impact of termination

BANKRUPTCY

Impact of licensee bankruptcy
Impact of licensor bankruptcy

GOVERNING LAW AND DISPUTE RESOLUTION

Restrictions on governing law
Contractual agreement to arbitration
Enforceability
Injunctive relief

UPDATES & TRENDS

Key developments of the past year

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OVERVIEW

Restrictions

Are there any restrictions on the establishment of a business entity by a foreign licensor or a joint venture involving a foreign licensor and are there any restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office? Whether or not any such restrictions exist, is there any filing or regulatory review process required before a foreign licensor can establish a business entity or joint venture in your jurisdiction?

A foreign licensor can enter into a licence agreement without being obliged to establish a subsidiary or office branch in Switzerland. There is no specific filing or regulatory review process for foreign licensors wishing to establish a business entity in Switzerland; the general rules on establishing Swiss business entities apply. The establishment of a Swiss company may be required where the foreign licensor is itself taking over a regulated business in Switzerland, such as the wholesale or import of pharmaceutical products.

Law stated - 2 December 2024

KINDS OF LICENCES

Forms of licence arrangement

Identify the different forms of licence arrangements that exist in your jurisdiction.

The principle of freedom of contract applies and parties are free to agree on whichever form of licence agreements, as long as the content is not impossible, illegal or violating *bonos mores*. In practice, licences covering intellectual property rights, such as patents, trademarks, designs, copyright or know-how, are common in Switzerland. Celebrity and character licences also exist and are enforceable. Franchise agreements with a brand licensing aspect are also common.

Law stated - 2 December 2024

LAW AFFECTING INTERNATIONAL LICENSING

Creation of international licensing relationship

Does legislation directly govern the creation, or otherwise regulate the terms, of an international licensing relationship? Describe any such requirements.

Swiss statutory law does not contain specific provisions governing a licensing relationship's creation, or otherwise regulating the terms. The general rules of Swiss contract law and statutory provisions concerning other types of contracts, such as those relating to rental or sales agreement, apply to certain elements of licence agreements. Mandatory provisions of Swiss contract law (eg, regarding limitation of liability), as well as competition and regulatory

law, may restrict the parties' contractual freedom. There is no requirement for licensing agreements to be in writing, to be registered or approved, or to include specific terms to become binding and enforceable. Parties are generally free to agree on the applicable royalty rates (and may also agree on a free licence). Parties can also freely agree on the contractual terms and termination. In contracts with consumers, restrictions apply in regards to the choice of law and jurisdiction clauses, as well as in relation to using general terms and conditions. Compulsory patent licences are only available in exceptional cases (primarily, if justified by public interests).

Law stated - 2 December 2024

Pre-contractual disclosure

What pre-contractual disclosure must a licensor make to prospective licensees?

There are no pre-contractual disclosure obligations specific to the licensor. However, under general principles of Swiss law, a licensor has a duty to act in good faith and shall not misrepresent facts relevant for the licensee to decide whether and on which terms to enter into a licence agreement. A licensee may rescind a contract it entered into due to a fundamental error. If the licensor fraudulently induced the licensee to enter into the contract, a rescission is possible even if the licensee's error was not fundamental.

Law stated - 2 December 2024

Registration

Are there any requirements to register a grant of international licensing rights with authorities in your jurisdiction?

There is no obligation to register the grant of an international licence in Switzerland. However, the registration of a licence is possible in Switzerland in cases of registered intellectual property rights (IPRs) (such as patents, trademarks and designs) and has the effect that the licence can also be enforced against third parties who subsequently acquire the licensed IPR. As an exception, licences concerning collective marks (relating to goods and services of an association of manufacturing, trading or service companies) are only valid if registered.

Law stated - 2 December 2024

INTELLECTUAL PROPERTY ISSUES

Paris Convention

Is your jurisdiction party to the Paris Convention for the Protection of Industrial Property? The Patent Cooperation Treaty (PCT)? The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Switzerland is a party to the Paris Convention, the PCT and TRIPs.

Contesting validity

Can the licensee be contractually prohibited from contesting the validity of a foreign licensor's intellectual property rights or registrations in your jurisdiction?

The licensee can be contractually prohibited from contesting the validity of the licensor's intellectual property rights (IPRs) that are the subject matter of the licence agreement, regardless of the country of residence of the licensor. However, such prohibition may be challenged under Swiss competition law insofar as it results in an unnecessary restraint of trade.

Law stated - 2 December 2024

Invalidity or expiry

What is the effect of the invalidity or expiry of registration of an intellectual property right on a related licence agreement in your jurisdiction? If the licence remains in effect, can royalties continue to be levied? If the licence does not remain in effect, can the licensee freely compete?

Unless otherwise agreed, the invalidity or expiration of the licensed IPR entails the termination of the licence agreement. Such termination is valid as of the expiration date, and of the date of coming into force of the invalidity decision respectively. As a result, the licensee is free to compete with the licensor. In cases where the parties agreed that royalties must continue to be paid also after termination or despite the invalidity or expiry of the licensed IPR, and such payments cannot be otherwise justified (eg, development and manufacturing costs have been fully compensated), the licensee may challenge such payments under competition law rules.

If the licence covers multiple IPRs, of which only one expires or is found to be invalid, the question arises whether the licence agreement continues to be in force and to what extent. The same issue is relevant if a patent and know-how were licensed and the patent expired or was found invalid, while the know-how is still kept secret and has a commercial value. The question must be determined based on the parties' agreement, and in the absence of a particular agreement on this issue, based on whether it must be assumed that the parties would have wanted to continue the licence relationship, had they considered the specific scenario. If the licence agreement remains in force, the royalties may have to be reduced.

In the event the IPR was only found to be invalid after the licensee had paid royalties, it is highly questionable whether the licensee may claim back such royalties. This depends, inter alia, on whether the licensor has warranted the validity of the IPR or whether the parties had agreed on a refund in such a scenario. If neither is the case, the licensee may not be entitled to claim back royalties already paid to the extent it benefited from the IPR's apparent existence.

Upon termination of the licence, the licensee can freely compete with the licensor, unless agreed otherwise. A post-termination non-compete obligation that is not justified by objective reasons may be challenged under competition law rules.

Law stated - 2 December 2024

Unregistered rights

Can unregistered trademarks, or other intellectual property rights that are not registered, be licensed in your jurisdiction?

Unregistered trademarks, such as well-known trademarks in the sense of article 6-bis of the Paris Convention, as well as other unregistered rights, such as logos, distinctive signs, trade dress or know-how can be the subject matter of a licence agreement. Also, non-personal data, insofar as they are not in the public domain and do have an economic value, can be the subject matter of licence agreements. Copyright, which is an IPR not subject to registration in Switzerland, can also be licensed.

Law stated - 2 December 2024

Security interests

Are there particular requirements in your jurisdiction to take a security interest in intellectual property?

A security interest in IPR is typically taken by way of a pledge agreement, which must be executed in writing. In the case of registered IPRs, the registration of the pledge is available but is not mandatory. Registration of pledge agreements entails enforceability against third parties, such as the successors of the registered owners.

Law stated - 2 December 2024

Proceedings against third parties

Can a foreign owner or licensor of intellectual property institute proceedings against a third party for infringement in your jurisdiction without joining the licensee from your jurisdiction as a party to the proceedings? Can an intellectual property licensee in your jurisdiction institute proceedings against an infringer of the licensed intellectual property without the consent of the owner or licensor? Can the licensee be contractually prohibited from doing so?

A foreign owner or licensor of IPRs can institute infringement proceedings in Switzerland on its own and without needing to join the licensee as a claimant. The competent court may ask the claimant to indicate a Swiss address for the service of documents, pursuant to the applicable procedural rules.

Unless expressly agreed otherwise, exclusive patent, trademark, design or copyright licensees are entitled by law to institute proceedings against infringers without the consent

of the owner or the exclusive licensor. This right is granted irrespective of the recording of the licence in the register (in the case of patents, trademarks or designs). Non-exclusive licensees are not entitled to institute infringement proceedings but can join the proceedings initiated by the IPR owner to seek compensation for their own losses. If the infringement of the licensed IPR constitutes also an act of unfair competition, the non-exclusive licensee may also be entitled to institute proceedings on its own.

Exclusive and non-exclusive licensees may be contractually prohibited from instituting proceedings without the consent of the owner or licensor.

Law stated - 2 December 2024

Sub-licensing

Can a trademark or service mark licensee in your jurisdiction sub-license use of the mark to a third party? If so, does the right to sub-license exist statutorily or must it be granted contractually? If it exists statutorily, can the licensee validly waive its right to sub-license?

A trademark licensee may sub-license the use of the trademark to a third party if this right has been granted to it by contract. Such a right does not exist statutorily and remains an unsettled area of law subject to the rules of contract interpretation. As a consequence, it is highly recommended that parties expressly grant or exclude the right to sub-license in the contract. According to Swiss doctrine, the sole licensee is not entitled to grant a sub-licence without the licensor's consent.

Law stated - 2 December 2024

Jointly owned intellectual property

If intellectual property in your jurisdiction is jointly owned, is each co-owner free to deal with that intellectual property as it wishes without the consent of the other co-owners? Are co-owners of intellectual property rights able to change this position in a contract?

Under general principles of Swiss law, co-ownership may either be understood as joint ownership (article 646, [Civil Code](#)), where each co-owner owns a share of the right or as ownership in common, where each co-owner has a right of ownership in the whole property (article 652, Civil Code). Legal rules on co-ownership of IPRs apply in the case of the absence of a contractual regulation or of specific provisions on co-ownership in the respective intellectual property legislation. It is, therefore, recommended that parties contractually agree (eg, in R&D agreements) as to which type of ownership shall apply and what the rights and duties of each co-owner shall be. If the parties cooperate in the joint development of intellectual property and have not contractually agreed on ownership, they may qualify as a simple partnership and as joint owners of the resulting intellectual property.

Unless otherwise agreed, the grant of a licence requires a unanimous decision of all co-owners irrespective of the type of co-ownership. Article 34(2) of the [Patents Act](#) expressly states that a co-owned patent may not be licensed without the consent of all involved persons. In relation to copyrights, co-authors may exploit their individual contributions if each

contribution can be exploited individually without impairing the exploitation of the jointly owned work (article 7(4), [Copyright Act](#)). If such separation is not possible, all co-authors must consent to the exploitation, and such consent is not to be withheld contrary to good faith (article 7(2), [Copyright Act](#)). Co-owners of a design right may only license such right upon mutual agreement of all co-owners (article 11, [Designs Act](#)). There are no statutory provisions on the co-ownership of trademarks but the grant of a trademark licence also requires the consent of all co-owners.

Law stated - 2 December 2024

First to file

Is your jurisdiction a 'first to file' or 'first to invent' jurisdiction? Can a foreign licensor license the use of an invention subject to a patent application but in respect of which the patent has not been issued in your jurisdiction?

Swiss patent law follows a 'first to file' system. A Swiss or foreign licensor can license the use of an invention subject to a patent application but in respect of which the patent has not been issued.

Law stated - 2 December 2024

Scope of patent protection

Can the following be protected by patents in your jurisdiction: software; business processes or methods; living organisms?

Software and business processes or methods as such may not be protected by patents. Software is primarily protected by copyright. Inventions that have a technical character and are implemented by a computer or computer program may be eligible for patent protection. Patent protection is not granted to inventions that violate public order and morality. Plant varieties per se and animal races as well as essentially biological processes for the production of plants and animals as well as gene sequences cannot be protected. By contrast, microbiological techniques and the products obtained thereby remain, in principle, patentable, as well as inventions that concern plants or animals provided that their application is not technically confined to a single plant or animal variety.

Law stated - 2 December 2024

Trade secrets and know-how

Is there specific legislation in your jurisdiction that governs trade secrets or know-how? If so, is there a legal definition of trade secrets or know-how? In either case, how are trade secrets and know-how treated by the courts?

Undisclosed inventions may also qualify as trade secrets and are then protected by law against unlawful acquisition, use and disclosure that may qualify as an act of unfair

competition (article 6, [Unfair Competition Act](#)) or a criminal act (article 162, [Criminal Code](#)). More concretely, it is considered an act of unfair competition to induce others to betray or pry into the trade secrets of their employer or principal or to exploit or disclose trade secrets that have illicitly been explored or obtained. Also, the Swiss Criminal Code makes it a criminal act to disclose or exploit trade secrets that should have been kept secret due to a statutory or contractual obligation. Non-personal data, including, for instance, machine-generated data, is governed by a number of norms conferring its owner a legal position that can come close to a property right. In addition to the rules protecting trade secrets, provisions of criminal law protect against unauthorised data acquisition (article 143, Criminal Code) and unauthorised intrusion into a data-processing system (article 143-bis, Criminal Code). According to case law and doctrine, a trade secret is only protected if it is kept secret by its owner and not publicly available and the owner of the secret information has a reasonable interest in keeping the information secret. Information does not qualify as 'secret' if it can be obtained by way of analysis (such as reverse engineering) or by combining information from several publicly available sources.

Law stated - 2 December 2024

Trade secrets and know-how

Does the law allow a licensor to restrict disclosure or use of trade secrets and know-how by the licensee or third parties in your jurisdiction, both during and after the term of the licence agreement? Is there any distinction to be made with respect to improvements to which the licensee may have contributed?

Swiss law generally allows a licensor to restrict disclosure or use of trade secrets and know-how by the licensee or third parties, both during and after the term of the licence agreement. With respect to improvements that the licensee has made or contributed, mandatory rules of competition law may limit the licensor's freedom to restrict the licensee's use. In particular, it may not be permitted to agree that the licensor shall be granted back an exclusive licence to improvements made by the licensee.

Law stated - 2 December 2024

Copyright

What constitutes copyright in your jurisdiction and how can it be protected?

Under Swiss law, copyright protection is granted to any work that amounts to a literary or artistic intellectual creation with an individual character. Protection is granted as soon as the work is created, irrespective of whether it has been fixed on a physical medium or of its value (article 2, Copyright Act). The registration of a copyrighted work is neither required nor possible. Copyright includes the exclusive right of the author (1) to be recognised as the author; (2) to decide whether, when and how the work is published for the first time; (3) to decide whether, when and how the work is used; and (4) whether when and how the work may be altered.

SOFTWARE LICENSING

Perpetual software licences

Does the law in your jurisdiction recognise the validity of 'perpetual' software licences? If not, or if it is not advisable for other reasons, are there other means of addressing concerns relating to 'perpetual' licences?

Swiss statutory law does not provide for the recognition of perpetual software licences. The duration of licence rights is limited, on one side, by the duration of the licensed copyright and, on the other side, by the legal principle according to which no agreement can be concluded for an unlimited period without the right to terminate it (excessive contractual binding, article 27, Civil Code).

However, precedents and scholars confirm that perpetual software agreements can be validly concluded if they are construed as contracts about the transfer of a 'software copy', which transfer is to be ruled by different elements of purchase, licence and work contracts. The following criteria identify a permissible perpetual licence agreement: (1) the transferred software is standard; (2) the right to use is granted for an unlimited period; and (3) the user pays a lump-sum compensation and not recurring royalties. Perpetual licences do not establish continuing contractual obligations of the parties; for example, the regular offering of updated versions of the software. Also, perpetual licence agreements are not considered to remain in force after the opening of bankruptcy proceedings.

Law stated - 2 December 2024

Legal requirements

Are there any legal requirements to be complied with prior to granting software licences, including import or export restrictions?

Software licences can be granted free of any formalities. Export controls may apply to dual-use software; namely, software that is normally used for civilian purposes but that may also have military applications. In such cases, an export or import licence may need to be requested from the Swiss authorities prior to any licence to foreign third parties.

Law stated - 2 December 2024

Restrictions on users

Are there legal restrictions in your jurisdiction with respect to the restrictions a licensor can put on users of its software in a licence agreement?

Swiss law allows the parties to freely agree on the extent of the user rights. It is generally permissible to prohibit decompiling and reverse engineering. However, the following uses cannot be limited by contract: (1) the right to install the software and to make a work copy; (2) the right to re-sell copies of standard software once they are de-installed from their original

server ('used licences'); and (3) the right to obtain the necessary information on the interfaces with independently developed programs by decoding the program code.

Law stated - 2 December 2024

ROYALTIES AND OTHER PAYMENTS, CURRENCY CONVERSION AND TAXES

Relevant legislation

Is there any legislation that governs the nature, amount or manner or frequency of payments of royalties or other fees or costs (including interest on late payments) in an international licensing relationship, or require regulatory approval of the royalty rate or other fees or costs (including interest on late payments) payable by a licensee in your jurisdiction?

Within the general limits of contract law, Swiss law also allows the parties to freely agree on lump-sum compensation, the frequency of the payment of royalties, the royalty rates as well as the interests on late payments. No prior regulatory approval applies. In case of disputes, Swiss judges are permitted, at their discretion, to amend any damage compensation agreed between parties, such as lump-sum penalties for breach of contract.

Law stated - 2 December 2024

Restrictions

Are there any restrictions on transfer and remittance of currency in your jurisdiction? Are there any associated regulatory reporting requirements?

No. Where royalties are to be paid in Switzerland, but in a foreign currency, Swiss law allows the licensee to pay in the currency agreed in the contract or the equivalent amount in Swiss francs according to the exchange rate on the due date. The licensee's right to pay in Swiss francs can be contractually excluded by indicating in the contract that the royalties should 'effectively' be paid in the foreign currency agreed.

Law stated - 2 December 2024

Taxation of foreign licensor

In what circumstances may a foreign licensor be taxed on its income in your jurisdiction?

Foreign licensors are only taxed in Switzerland if they have a permanent establishment in Switzerland, whereby the mere granting of a licence does not lead to the assumption of a permanent establishment. If a permanent establishment exists, the foreign licensor must pay tax on the profits attributable to this permanent establishment on the basis of economic affiliation.

Switzerland does not levy withholding taxes on royalty payments.

COMPETITION LAW ISSUES

Restrictions on trade**Are practices that potentially restrict trade prohibited or otherwise regulated in your jurisdiction?**

Licence agreements are generally considered pro-competitive by the competition authorities because they promote innovation and the dissemination of technologies and enable efficiency gains. Accordingly, generally speaking, restrictions of trade that exclusively result from the legislation on intellectual property rights (IPRs), theoretically, do not fall under the scope of Swiss competition law (article 3(2), [Cartel Act](#)). However, the exercise of IPRs that may impact the market access, presence and market conduct of competitors as well as buyers or resellers, may be reviewed in respect of their anticompetitive effects and, in practice, Swiss competition authorities do not consider that article 3(2) of the Cartel Act prevents them from assessing licence agreements under Swiss competition law.

Unlike in the EU, Swiss competition law does not contain specific regulations or guidance on the assessment of licence agreements. Therefore, such agreements can and are reviewed by the Swiss competition authorities under the general clauses of the Cartel Act regarding horizontal and vertical agreements as well as abusive conduct of dominant companies.

In horizontal agreements (ie, licence agreements between competitors), the following types of agreements would carry the highest competition law risks: (1) the restriction of a party's ability to determine its prices when selling products manufactured under IPRs to third parties; (2) output, sourcing or supply limitations; and (3) market or customer allocations.

From the point of view of vertical agreements (ie, licence agreements between non-competitors), the main competition law risks would be with regard to the following types of clauses: (1) any direct or indirect rules on sale or resale prices such as the determination of minimum or fixed sale or resale prices (as well as maximum or recommended sale or resale prices, provided that these amount to minimum, fixed sale or resale prices owing to incentives, pressure or concerted practices by the other party to the licence agreement); and (2) direct or indirect restrictions providing absolute territorial protection of the Swiss market (prohibition of parallel imports or export bans), even if such restrictions would be permitted by the exhaustion rules applicable to the relevant IPR, such as for certain patented products.

Finally, if one or more of the parties to the licence agreement are deemed to be dominant or have relative market dominance, the following types of unilateral conduct may be considered to be problematic: (1) refusal to license or refusal to supply; (2) discrimination among licensees; (3) imposition of unfair licensing fees or other unfair licensing conditions; (4) predatory pricing; (5) limitation of production, supply or technical development; (6) under certain conditions the use of patent litigation to hinder competitors (blocking patents); (7) bundling or tied selling; and (8) the restriction of the opportunity for buyers to purchase goods or services offered both in Switzerland and abroad at the market prices and conditions customary in the industry in the foreign country concerned.

Licence agreements, in particular exclusive licence agreements, that create dependencies for the supply or demand of goods or services from the licensor, and do not allow for

adequate and reasonable opportunities to switch to alternative, may result in unlawful undertakings with relative market power (article 4 (2bis) Cartel Act).

Law stated - 2 December 2024

Legal restrictions

Are there any legal restrictions in respect of the following provisions in licence agreements: duration, exclusivity, internet sales prohibitions, non-competition restrictions and grant-back provisions?

Swiss competition authorities generally try to have an EU-compatible competition law practice. Therefore, it is likely that the following restrictions in licence agreements would generally be considered to be legally permitted provided the market shares of the parties to the licence agreement do not exceed 20 per cent (in the case of an agreement between competitors) or 30 per cent (in the case of an agreement between non-competitors):

- licence agreements for an indefinite period as long as the licensed intellectual property rights remain valid;
- the granting of non-reciprocal exclusive territorial licences or sole rights of use to the licensee, provided that passive sales into Switzerland are not restricted;
- non-compete clauses for the duration of the licence agreement;
- the reservation of certain territories or categories of customers in favour of the licensors provided that parallel imports into Switzerland are not restricted;
- the prohibition of sub-licensing, insofar as this does not result in the prohibition to subcontract part of the permitted licensed activities to third parties and so limit the licensee's capability to act on the market;
- grant-back clauses obliging the licensee to license back or assign new developments by the licensee to the licensor on a non-exclusive basis;
- field of use clauses obliging the licensee to use the licensed intellectual property rights in defined fields of use only, provided that the technology allows for the production of differentiable products; and
- termination rights in exclusive licence agreements should the licensee challenge the validity of the licensor's intellectual property rights.

With that said, a legal review of the actual circumstances in each case remains nevertheless necessary.

Law stated - 2 December 2024

IP-related court rulings

Have courts in your jurisdiction held that certain uses (or abuses) of intellectual property rights have been anticompetitive?

The Swiss Federal Supreme Court decided that export limitations in an exclusive manufacture and distribution licence (in the specific case, a clause prohibiting the

licensee from directly or indirectly exporting products manufactured in Austria to other countries) qualify as anti-competitive restrictions providing absolute territorial protection. Consequently, preventing passive sales into Switzerland is prohibited (hardcore restraint of trade under article 5(4) of the Cartel Act).

To date, actual patent protection extension through the filing of dependent patent applications or of process patent applications for new formulae of the same API, or pay-for-delay agreements, have not been challenged under Swiss competition law. Notably, the Swiss competition authorities recently have closed an investigation in a case in which it was alleged that a dominant company abused its market position by blocking competitors on the basis of patent litigation ('blocking patents'). The investigation revealed that the litigation actions were common practice in the field of patent law and, further, did not confirm any indications of an unlawful restraint of competition.

Law stated - 2 December 2024

INDEMNIFICATION, DISCLAIMERS OF LIABILITY, DAMAGES AND LIMITATION OF DAMAGES

Indemnification provisions

Are indemnification provisions commonly used in your jurisdiction and, if so, are they generally enforceable? Is insurance coverage for the protection of a foreign licensor available in support of an indemnification provision?

Under Swiss law, contractual parties can and often do agree on indemnification obligations in a licence agreement. Insurance coverage for indemnification obligations towards a foreign licensor is generally available in Switzerland.

Law stated - 2 December 2024

Waivers and limitations

Can the parties contractually agree to waive or limit certain types of damages? Are disclaimers and limitations of liability generally enforceable? What are the exceptions, if any?

Waivers and limitations of liability are permitted and enforceable between contractual parties, unless they purport to exclude liability for unlawful intent or gross negligence (article 100(1), [Code of Obligations](#)), or for bodily injury or death.

Law stated - 2 December 2024

TERMINATION

Right to terminate

Does the law impose conditions on, or otherwise limit, the right to terminate or not to renew an international licensing relationship; or

require the payment of an indemnity or other form of compensation upon termination or non-renewal? More specifically, have courts in your jurisdiction extended to licensing relationships the application of commercial agency laws that contain such rights or remedies or provide such indemnities?

Swiss law allows contractual parties to freely agree on the termination and renewal of their licence relationship. Licence agreements cannot be concluded perpetually and for an excessively long period. According to a mandatory principle of Swiss contract law, either party is entitled to terminate long-term agreements, such as licence agreements, for important reasons (ie, if a party can no longer reasonably be expected to continue the licence agreement in good faith; for example, owing to a material breach). In case of a dominant position or relative market power, short termination notice may become legally problematic. Swiss law does not impose the payment of an indemnity or other form of compensation upon termination or non-renewal of licence agreements. With regard to distribution agreements (but not with regard to licensing agreements), the Swiss Supreme Court indicated in a single and controversial decision that clientele compensation, which is mandatorily due to a commercial agent at termination under certain circumstances (article 418u, Code of Obligations), may also be applicable by analogy to a distributor if the distributor's contractual position was comparable to that of an agent.

Law stated - 2 December 2024

Impact of termination

What is the impact of the termination or expiration of a licence agreement on any sub-licence granted by the licensee, in the absence of any contractual provision addressing this issue? Would a contractual provision addressing this issue be enforceable, in either case?

The termination or expiration of a licence agreement leads to a termination of the right of the licensee to use the licensed rights. As a consequence, the licensee can no longer grant any sub-licence rights and the sub-licence agreement becomes impossible to perform. In a licence agreement, the licensee is often obligated to ensure that any sub-licence agreement will automatically terminate upon the termination of the licence agreement. Such provision is enforceable against the licensee.

Law stated - 2 December 2024

BANKRUPTCY

Impact of licensee bankruptcy

What is the impact of the bankruptcy of the licensee on the legal relationship with its licensor; and any sub-licence that the licensee may have granted? Can the licensor structure its international licence agreement to terminate it prior to the bankruptcy and remove the licensee's rights?

Swiss law does not specifically address the treatment of licence agreements in insolvency or bankruptcy proceedings. As a rule, the insolvency or bankruptcy of the licensee does not automatically lead to the termination of the licence agreement. In a nutshell, with the opening of bankruptcy proceedings, all claims against the debtor, in the case at hand, the licensee, become due except to the extent they are secured by realty; non-monetary debts are converted into monetary debts (articles 208(1) and 211(1), [Debt Enforcement and Bankruptcy Act](#)). As a result, the licensor may file claims based on the licence agreements (such as for royalties) as claims in the bankruptcy proceedings against the licensee, but only for the period up to the next possible termination date or until the end of the fixed contract term.

However, the bankruptcy administration, on behalf of the debtor and licensee, may decide to continue to fulfil the licence agreement; namely, to pay the royalties and to keep using the licensed rights as agreed in the licence agreements. However, the bankruptcy administrator cannot modify the content of the licence agreement and the creditor or licensor can demand that security be furnished for the performance of the debtor's or licensee's contractual obligations (article 211(2), [Debt Enforcement and Bankruptcy Act](#)). If such security is not granted, the licensor can withhold its performance and eventually withdraw from the contract (article 83(2), [Code of Obligations](#)).

The licence agreement can, and, in practice, often does, provide for the right of the licensor to unilaterally terminate the contract upon the institution of any insolvency or bankruptcy proceedings over the licensee.

There may also be specific cases where the bankruptcy of the licensee may constitute a reason for the other party to terminate the agreement for cause, for example, where the personal active participation of the debtor is no longer possible and the continuation of the licence relationship is no longer just and reasonable. However, whether or not this applies must be decided on a case-by-case basis.

The termination of the licence agreement renders the performance of any sub-licence agreement impossible.

Law stated - 2 December 2024

Impact of licensor bankruptcy

What is the impact of the bankruptcy of the licensor on the legal relationship with its licensee; and any sub-licence the licensee has granted? Are there any steps a licensee can take to protect its interest if the licensor becomes bankrupt?

The opening of bankruptcy proceedings over the licensor does not lead to automatic termination of the licence agreement. The bankruptcy administrator can decide to continue to perform the obligations of the licensor and thereby keep the licence agreement in place. Otherwise, the licensee's rights under the agreement will transform into a monetary claim, calculated for the maximum period up to the next possible termination date or the end of a fixed contract term (article 211a, [Debt Enforcement and Bankruptcy Act](#)).

The licence agreement can, and, in practice, often does, provide for the right of the licensee to unilaterally terminate the contract upon the institution of any insolvency or bankruptcy proceedings over the licensor.

Licence agreements regarding registered intellectual property rights (IPRs) (such as trademarks, patents and designs) can be registered in the relevant IPR register. If this has been done, the licence agreement remains valid and in force also against an acquirer of the IPR from the licensor's bankruptcy estate. The option to register is not available for copyright licences (including software licences) or know-how licences and it is controversially discussed as to whether an acquirer is bound by the licence previously granted by the bankrupt licensor. In the case of fully paid-up perpetual licences (such as for standard software), the licensor's bankruptcy does not affect the licensee's right to continue using the licence.

Law stated - 2 December 2024

GOVERNING LAW AND DISPUTE RESOLUTION

Restrictions on governing law

Are there any restrictions on an international licensing arrangement being governed by the laws of another jurisdiction chosen by the parties?

Swiss private international law allows parties to agree on a foreign law to govern an international licence agreement. Irrespective of the law chosen by the parties, provisions of Swiss law may remain applicable if, due to their special purpose, they must be applied mandatorily irrespective of the law chosen by the parties. For example, despite the parties' choice of a foreign law as the law governing the licensing agreement, Swiss competition law applies if the licence agreement affects the Swiss market. Also, a choice of law is not enforceable for licensing agreements with consumers, such as the licensing of standard software.

The applicability of the law chosen by the parties is limited to the contractual elements of the licence agreement, such as duration of the licence, contractual obligations, among others. All aspects related to the scope, validity and enforceability of the licensed intellectual property rights (IPRs) are, in application of the principle of territoriality, governed by the law of the state for which protection for the IPR is sought (article 110(1), [Private International Law Act](#)) and no choice of law is permitted.

Law stated - 2 December 2024

Contractual agreement to arbitration

Can the parties contractually agree to arbitration of their disputes instead of resorting to the courts of your jurisdiction? If so, must the arbitration proceedings be conducted in your jurisdiction or can they be held in another?

Under Swiss law, parties can agree to have a dispute arising out of a licensing agreement to be resolved by arbitration. Arbitration clauses are common, especially in international

licensing agreements. Switzerland has a modern and liberal arbitration law and also considers intellectual property disputes (including questions regarding infringement and validity of an IPR) to be arbitrable subject matter.

The seat of the arbitration may be within or outside of Switzerland. Even if the seat of the arbitration is agreed to be within Switzerland, hearings or other procedural steps may take place outside of Switzerland. Within Switzerland, Zurich and Geneva are popular choices as seats of arbitration. Switzerland is one of the most often chosen seats of arbitration of commercial disputes worldwide.

The most commonly chosen arbitral institutions to administer disputes arising out of licensing agreements with a nexus to Switzerland or Swiss law are the International Chamber of Commerce International Court of Arbitration; the Swiss Chambers' Arbitration Institution; and the World Intellectual Property Organization.

Law stated - 2 December 2024

Enforceability

Would a court judgment or arbitral award from another jurisdiction be enforceable in your jurisdiction? Is your jurisdiction party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards?

Foreign court judgments are enforceable under the requirements set forth in the Swiss Private International Law Act, or in applicable treaties (such as in the [Lugano Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters](#)). Foreign arbitral awards are enforceable under the regime of the [New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards](#).

Law stated - 2 December 2024

Injunctive relief

Is injunctive relief available in your jurisdiction? May it be waived contractually? If so, what conditions must be met for a contractual waiver to be enforceable? May the parties waive their entitlement to claim specific categories of damages in an arbitration clause?

Preliminary and permanent injunctive relief is generally available under Swiss law in civil proceedings in front of Swiss courts (article 261 et seq, [Civil Procedure Code](#)). An advance waiver of injunctive relief in a licence agreement would likely be deemed invalid. Parties may expressly agree that the arbitral tribunal shall have no jurisdiction to order injunctive relief, or to award certain types of damages. This is not common in practice and would raise the question of whether the state courts would then still have parallel jurisdiction to adjudicate the matters excluded from the arbitral tribunal's jurisdiction. An agreement on an advance waiver of specific categories of claims (eg, damages for lost profits) would not be valid under Swiss law as far as damages caused by intent or gross negligence are concerned.

UPDATES & TRENDS

Key developments of the past year

Please identify any recent developments in laws or regulations, or any landmark cases, that have (or are expected to have) a notable impact on licensing agreements in your jurisdiction (including any significant proposals for new legislation or regulations, even if not yet adopted). Explain briefly how licensing agreements might be affected.

Switzerland is not a member of the new European patent system comprising the European patent with unitary effect and the Unified Patent Court. However, Swiss law is often chosen as the law governing international licensing agreements. To the extent such existing or future agreements potentially cover European patents with unitary effect, parties should ensure that issues and consequences relating to the new patent system are properly addressed. This includes contractual provisions clarifying:

- which party may seek a patent with unitary effect;
- which party may declare an opt-out or a withdrawal of an opt-out (opt-in); and
- which party may bring an action against an infringer.

Separately, a partial revision of the Swiss Patents Act is ongoing. The Swiss patent examination process shall be made more flexible by allowing, as an option, a full examination of patentability requirements (including novelty and inventive steps). The Swiss parliament approved the revised draft bill in March 2024. The date of entry into force is not yet clear.