

LICENSING AGREEMENTS

(U.S. to Outside)

An agreement which allows a U.S. company to license its right (intellectual property rights (IPRs)) to a local party. Local Party manufactures/sells the products which it makes under the license.

Terms and complexity of any agreement will differ based on type of agreement and the size of the transaction.

I. Decision about which IPRS (patent, copyright, trademark) to license into which Market

Two concepts (licensing and IPRS) must be linked because level of IPR protection differs from country to country

Issues:

Scope of IPR protection offered (Is there protection for “know-how,” trade secrets?)

Time period of IPR protection

Existence of compulsory licensing rules
(the requirement that patents be worked, and if not, licensed by government)

Membership in international/regional agreement(s): Berne Convention, Paris Convention, Patent Cooperation, European Patent Convention, Universal Copyright Convention, NAFTA, TRIPs

II. Obtain Appropriate IPR Registration

Filing under local law

Right to Priority (Paris Convention)

Use of Patent Cooperation Treaty (if applicable)

III. Develop Awareness of the Technology Transfer Laws of the Local Country

Does local law require:

- Registration of licensing agreement
- Conditional approval of agreement
- Limits on acceptable contract provisions
- Use of specified exchange market or rate of exchange
- Limit repatriation of royalties
- Mandate use of local governing law and consent-to-jurisdiction

IV. Terms of Agreement

Date/identification of parties

Preamble (which contains:)

Recitals (whereas:)
(clauses)

Activities of Licensor -- decision to license and status as holder of IPR in local country

Activities of Licensee -- desire/capacity to manufacture/sell product made under license

Definition of Product(s)

Identifies the products and establishes which inventions are covered by which IPRs

Grants

Of license

Of right to sublicense

Territorial limits (rights of Licensor/Licensee to export)

Royalties

Consideration for grant

Scheme for royalty (or lump sum) payments (straight money or percentage royalty)

Method for calculating royalty (sales price, net sales or net selling price, net profits)

Provision giving protection against currency fluctuation

Renegotiation of royalty provision

Other Terms of License

Term of agreement (choosing time of expiration -- based on exploitation of original IPR or later rights developed)

Grant-back to Licensor of rights (improvements, new inventions), exclusive or non-exclusive

Provision limiting Licensee right to challenge validity of IPR

Licensee obligations with regard to standards of manufacturing, marketing, and maintaining IPRs

Licensee obligation to comply with Export Administration Act and other U.S. legislation with extraterritorial reach

Dispute settlement (court or arbitration)

Governing law

Force majeure clause

Licensee obligation to obtain government approval of licensing agreement(s)

Technical assistance (training of employees, design, construction, operation of facility)

Licensee obligation to inform of infringements (rights to prosecute) and warrant non-infringement by licensee