



Introduction to License

Yumiko Hamano
IP Consultant – IP Commercialization
Partner, ET Cube International

IP Licensing

- A route of commercialization where an IP rights holder gives another entity the authority to exploit, make, have made, use, sell, copy, display, distribute, modify, etc. the IP - in return, the licensee will pay royalties
- The most popular and sustainable way of commercializing IPR
- Sharing business risks
- Managed through written legally bound agreements
- Agreements stipulate details of extent of rights of exploitation

Licensing Agreement

- Defines what licensor and licensee agreed to license
- Defines what you allow the licensee to do with it and what legal rights both parties have
- Financial and payment conditions
- Conditions of licensing
- The licensor's obligations
- Obligations common to both parties



- Subject matter
- Scope of license
- Field of use
- Ownership
- Confidentiality
- Exclusive or non-exclusive
- Sub-licensing
- Territory
- Duration Financial terms
- Development rights
- Derivative works, improvements
- Future version of the technology
- Warranties
- Termination
- Dispute settlement



Involved Parties

- Name and address of Licensor
 - Name and address of Licensee
-
- Are the legal name and address correctly stated?
 - Does the signatory have authority to sign?
 - Is the signatory legally represent the party?

Definitions of Key Terms and Phrases

e.g.

- know-how
- technology
- the territory
- trademarks
- patent rights
- gross profit
- net sales
- divertive work
- related company
- licensed products

- Name of laws applied to
 - Which jurisdictions applied?
-
- Carefully consider laws and jurisdictions especially in international license
 - Patent coverage

Subject matter

- Technical description
 - Patent No.
 - Title of the invention
 - Trademark
 - Technical specifications
 - Standards?
-
- Is the technology sufficiently and accurately described in detail?
 - Has due diligence done?
 - Is the IP valid and enforceable?

Scope of License

What you wish to license in or license out:

To manufacture

To use

To sell

To make copies

To distribute

To display it

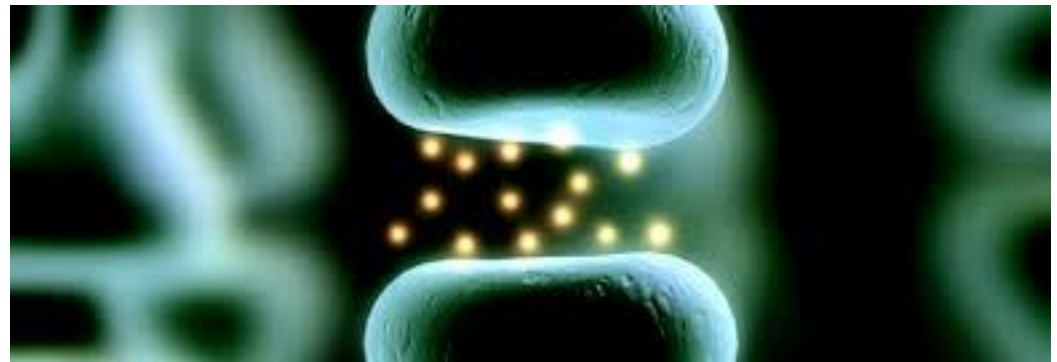
To modify it

To make derivative works from it

Field of use:

Restriction limits of the use of the technology

- Research purpose only
- Certain technical field e.g. In the medical field only, construction field only



Ownership:

- Ownership of licensed technology
 - Ownership of sub-licensed technology
 - Ownership of technology and IP arising from the research project (in case of research collaboration, joint venture)
-
- Does the licensor reserve a right to use for research or teaching purpose?
 - Does licensor have any right over a further developed technology?

Confidentiality

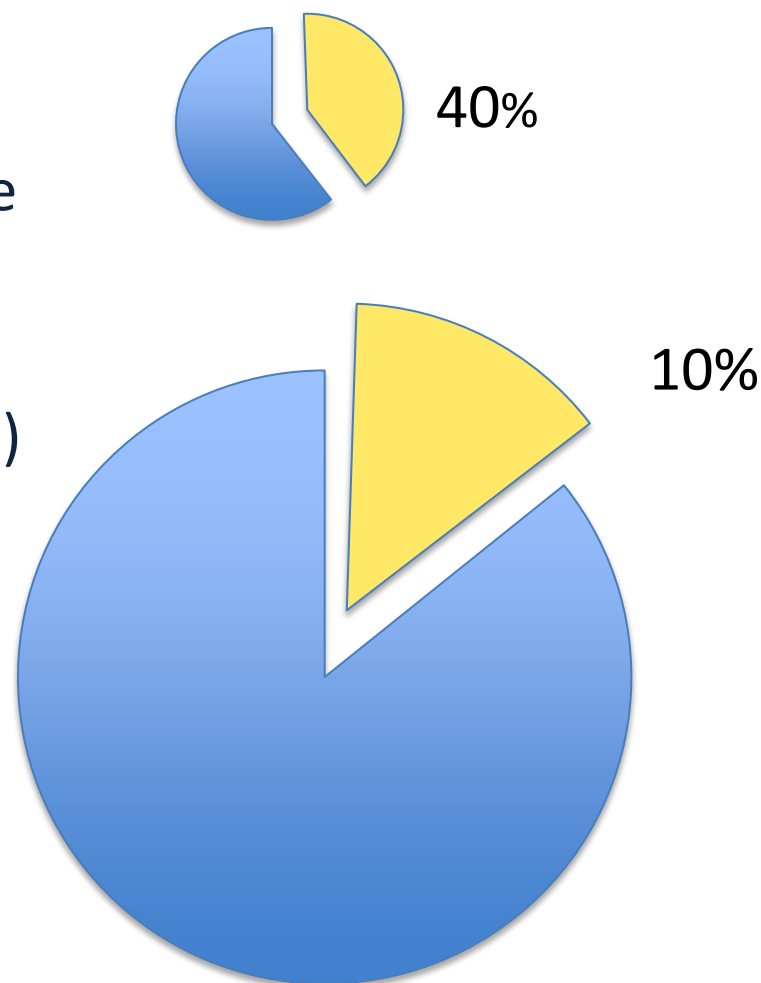
- Definition of confidential information
 - Know-how
 - Trade secrets
 - Any information received as part of agreement
- Publication allowed? In which condition?
- Duration (even after the license duration)?
- Clause dealing with damages to licensor for breach of confidentiality by licensee
- Clause obliging licensee to take appropriate information security measures and licensor has right to audit the information security measures taken by licensee

Exclusive or non-exclusive?

Depends on:

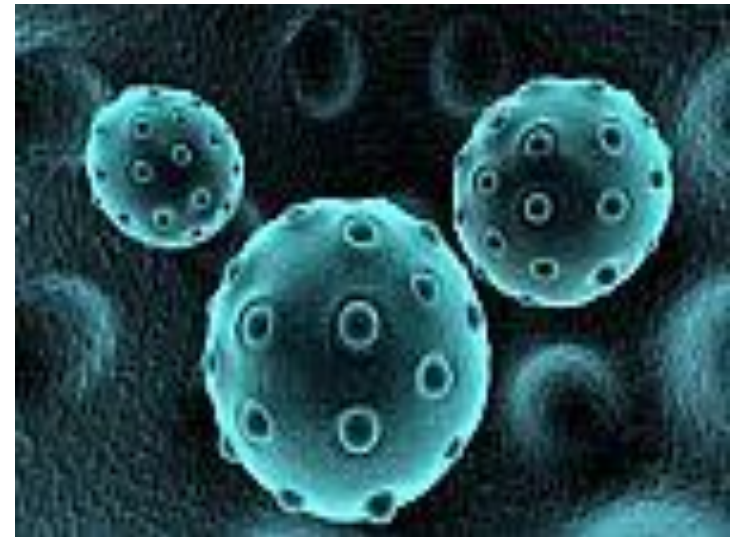
- Business capacity and experience of the licensee
- Market share of the licensee
- Territory
- Patent coverage (which country?)
- Technology (strength, life cycle?)
- Duration of license
- Influence the royalty %

➤ Exclusive for some and non-exclusive for others?



Territory:

- Which countries?
 - Different conditions in different territory?
- Coverage of patents?

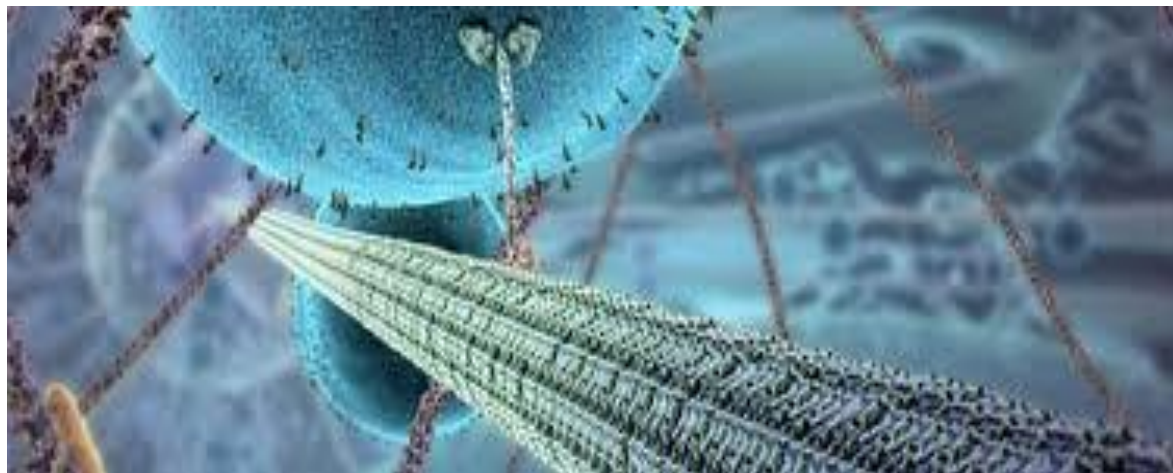


Financial terms:

- Royalty (3-15%)
 - Lump-Sum
 - Equity
 - Payment method
 - Frequency and time of payments
 - Obligation of reports, record-keeping
 - Auditing rights
 - Tax issues, etc.
- Is there minimum royalty guarantee?

Future Version of Technology

- Development rights
- Derivative works
- Improvements



Sub-Licensing

Do you allow the licensee to sub-license the licensed technology? If so, what condition?

- Scope?
- Field of use?
- Duration?

Duration

- How long?
 - Does this depend on events?
 - Does it depend on how successfully the licensee sell the product?



Warranties

- For risk of technology defect
 - Defect in title (e.g. patent owner)
 - Is the IP valid and enforceable?
 - Best effort clause
 - Minimum sales
 - Development by certain timeframe
 - Consequence of failing to achieve
- Is due diligence done?

Indemnities

- In case of infringement
- Indemnity against product liability

➤ Is there any pending litigation?

Termination

- Termination date
- In which situations will the agreement be terminated?
- In which manner?
- How termination should be requested by a party?

Dispute Settlement

- Where to settle?
 - In which law?
 - Who indemnifies against risk from 3rd party claims?
- Which Law and jurisdiction applied?

Licensing Negotiation Exercise



**Assume that your University decided
to license out ...**



Licensing Pupil Detection Technology

University Group

- University Dept. Systems Engineering
- Invented pupil detection technology
- Filed a patent
- Wishes to license out
- Wish to continue development
- Wishes to market globally

Yazaki Meter Group

- A medium-size high quality vehicle device maker located in Shizuoka – currently 26% Japanese market vehicle devices and 42% specialized vehicle optronics in Japan, 8 % globally
- Interested in licensing in the pupil detection technology
- Wishes to manufacture and sell to vehicle and truck companies
- Expand its business globally
- Wishes to license-in the technology

Negotiation

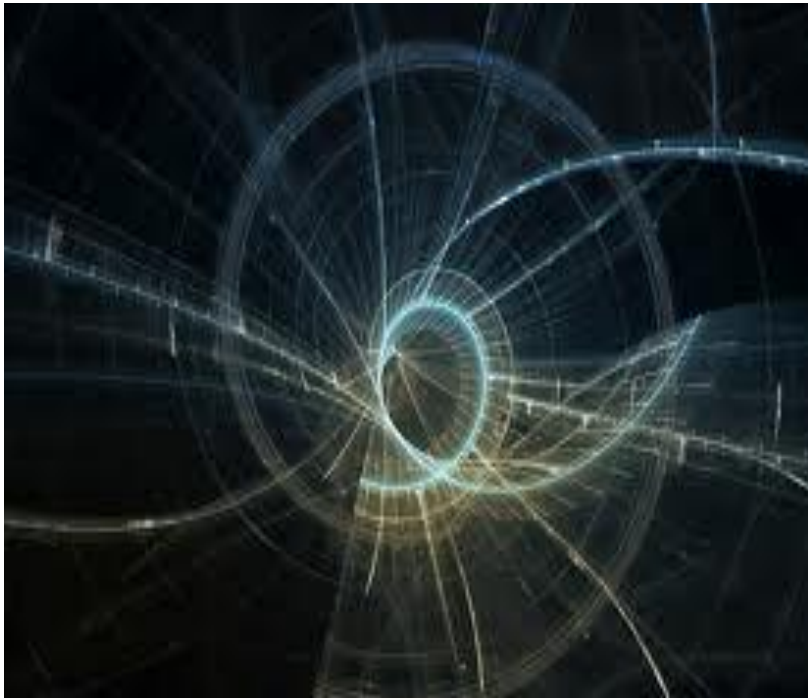
1. **Subject matter?**
2. **Scope of license** (What do you let licensee do with it?)
3. **Field of use** (Restriction limits to certain field of the use)?
4. **Ownership?**
5. The Company **wishes to test and make sure it works** as claimed and wishes Prof. Ebisawa to work as a **consultant**:
 - Can the Prof. Ebisawa work in the company while remaining as a faculty of the University?
 - Should the University have any agreement with the company? If YES, **which agreements?**
6. Should the University go for **Exclusive or Non-exclusive?**
7. How long should **the duration of the license** be?
8. How much should **the royalty (%)** be?
9. What **development right** do the both party have?

University IP Policy

States that:

“Professors shall devote their time to teaching and research activities, rather than commercial venture unless otherwise requested by the University. However, Professors may devote up to 32 hours of their working time per month to the consulting services. Such consulting services should be agreed upon a consulting contract signed by the both parties. The contract is subject to the approval by the University.”

Thank you for your attention



Yumikoh@etcube.com
yhamano309@gmail.com