



Licensing in the context of start-ups and research based businesses – an Introduction

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Transferring IP

Outside the scope of this session

Cooperative Research and Development (except improvements)

Agreements involving Equity Transactions

Material Transfer Agreements

Discussion will focus on Agreements providing access and user rights to Intellectual Property



Transferring IP

- Scope and aspects of invention: develop your strategy
- Confidentiality Agreements
- Letters of Intent
- Option
- License
- Outright Sale of IP
- In-licensing for product development
- Out-licensing for asset management



Subject Matter for Licenses

- Patents
- Know-how
- Copyrights
- Trade Secrets
- Trademarks
- Biological Materials (bailment)



Confidentiality Agreements

- Protects data and information shared between licensors and licensees
- Is reiterated and superseded in any subsequent option or license agreement
- Especially important for trade secrets and pending patents
- Time-limited (3 to 5 years normally)



CDAs (Secrecy Agreement)

Critical clauses in a CDA:

- Return of Information and Material
- Exclusions re confidential treatment
- Penalties
- Arbitration



Letters of Intent

- Functions as a simple option agreement
- Agrees to withhold technology from marketplace for limited time
- Agrees to negotiate in good faith
- Can set forth topics for negotiation
- Optionee pays consideration, patent costs, in-kind compensation



Option

- Time-limited grant of narrow rights to use IP for internal (noncommercial) purposes
- Allows prospective licensee to handle invention and develop strategies for commercial production
- Can be extended in time
- Consideration negotiable, but should at least cover patent costs
- Sets forth how option will be exercised



License

- Agreement grants rights to IP
- Contract gives consideration to both parties: licensee gets right to make, use, sell; licensor collects income
- Exclusive vs. nonexclusive licensing
- Hybrids: different grant, royalty, and life of agreement for different properties in same license
- Paid-up, or sale and assignment of patent
 - (Time value of money, discount for risk, vs. forgone royalties, lost opportunity)



Exclusive License

- Only one party receives grant
- Incentive where large investment needed
- Importance of qualifications, diligence
- Term: Life of patent or 10 years for nonpatented material or know-how
- Rare: co-exclusive has two licensees



Non-Exclusive License

- Two or more parties can be granted a license to the same IP
- Terms can be different in each license, or
- Most Favored Nations (rewards first licensee when next licensee is found)
- Useful to create competition
- Encourages widespread use of methods
- Lower cost to licensee than exclusive
- The ultimate nonexclusive: shrink-wrap software



Anatomy of a License: Parts

- Background recitals
- Definitions
- Grant (limitations)
- Fees, Royalties, Minimum Annual Royalties
- Payment Terms
- Diligence requirements
- Reporting Schedules
- Records/bookkeeping
- Life of the Agreement
- Termination
- Use of Names
- Warranty (limited)



Anatomy of a License: Parts continued

- IP protection; Conduct of prosecution
- Marking; Export control, Applicable Law
- Infringement—right to sue
- Indemnity; Liability; Insurance
- Notices
- Assignment
- Waiver
- Failure to Perform
- Confidentiality/secretcy
- Miscellaneous: Integration



Background/Recitals

- “Whereas,” (old form) or numbered paragraphs
- Explains reasons for license (e.g., complementary business or technical interests)
- Recites any prior agreements on subject
- Explains special circumstances in license (e.g., taking royalty outside patent claim “for convenience of the parties”)



Background/Recitals Clause

1. Certain inventions, generally characterized as _____ (collectively the "Invention"), were made in the course of research at the University of _____ by Drs. _____ and are covered by Licensor's Patent Rights as defined below;
2. Licensee has evaluated the Invention under a Secrecy Agreement with Licensor (identify agreement by number or date).
3. Licensee wishes to obtain rights from Licensor for the commercial development, use, and sale of products from the Invention, and Licensor is willing to grant those rights so that the Invention may be developed to its fullest and the benefits enjoyed by the general public; and
4. Licensee is a "small business firm" as defined in 15 U.S.C. 632;
5. Both parties recognize and agree that royalties due under this Agreement will be paid on both pending patent applications and issued patents;



Definitions

- Clarify terms used in license
- Make license simpler to read by defining often-used terms
- Can outline extent of the license granted by differing definitions (e.g., "Affiliate")
- Render license easier to draft by removing complexity to definition section



Definitions: some topics to address

- Licensee
- Intellectual Property Rights
- Know-how (if any)
- Licensed Products
- Licensed Methods
- Field of Use
- Territory
- Net Selling Price
- Exploitation



Definitions: Sample Clauses

- 1.1 “Licensor’s Patent Rights” means any subject matter claimed in or covered by the following:
- U.S. Patent Serial No. 647,780, filed 03 March 2003, entitled, “_____” and assigned to Licensor; and any continuing applications thereof, including divisions and substitutions but excluding continuation-in-part applications;
 - any patents issuing on said applications including reissues, reexaminations and extensions;
 - and any corresponding foreign pending patent applications and patents.
- 1.2 "Licensed Product" means any material that is either covered by Licensor’s Patent Rights, that is produced by the Licensed Method, or that the use of which would constitute, but for the license granted to the Licensee under this Agreement, an infringement of any pending or issued claim within Licensor’s Patent Rights.

Definitions: Sample Clauses continued

- 1.3 "Licensed Method" means any method that is covered by Licensor's Patent Rights, the use of which would constitute, but for the license granted to the Licensee under this Agreement, an infringement of any pending or issued claim within Licensor's Patent Rights.

- 1.4 "Net Sales" means the total of the gross invoice prices of Licensed Products sold or Licensed Methods performed by Licensee, an Affiliate, or a sublicensee, less the sum of the following actual and customary deductions where applicable: cash, trade, or quantity discounts; sales, use, tariff, import/export duties or other excise taxes imposed on particular sales; transportation charges and allowances; or credits to customers because of rejections or returns. For purposes of calculating Net Sales, transfers to an affiliate or sublicensee for end use by the affiliate or sublicensee will be treated as sales at list price.



Definitions: Sample Clauses

1.5 "Affiliate" means any corporation or other business entity in which Licensee owns or controls, directly or indirectly, at least fifty percent (50%) of the outstanding stock or other voting rights entitled to elect directors, or in which Licensee is owned or controlled directly or indirectly by at least 50% of the outstanding stock or other voting rights entitled to elect directors; but in any country where the local law does not permit foreign equity participation of at least 50%, then an "Affiliate" includes any company in which Licensee owns or controls or is owned or controlled by, directly or indirectly, the maximum percentage of outstanding stock or voting rights permitted by local law.

1.6 "Field of Use" means the prevention or treatment of human stupidity.

1.7 "Territory" means the United Kingdom, Japan, and Canada.



Grant

- Tells what rights are granted
- Defines which IP
- Defines length of license life
- Defines access to know-how, if included at all



Limitations on Grant

- Field of Use: broad--diagnostics; human diagnostics; narrow—detection of alpha-helical tau deposition in the human brain
- Time limited (five years on one patent, life of patent on another in same license)
- Geographic
- Make, use, or sell, or any combination
- No sublicensing, mandatory sublicensing
- Restricted assignment of license



Grant Sample Clause

- 2.1. Licensor hereby grants to licensee the exclusive license to make, use, lease, and sell the licensed products within the Territory for the Field of Use.
- 2.2. Licensee has the right to enter into sublicensing agreements provided licensee gives licensor prior written notice thereof.
- 2.3. Licensor retains a free, non-exclusive, irrevocable license to use licensor's patent rights for research purposes only.
- 2.4. Licensee acknowledges that licensor has granted a free, non-exclusive, irrevocable, and non-assignable license to the university of, to use licensor's patent rights for research purposes only.



Fees, Royalties, Minimum Annual Royalties

- Serve as incentive to Licensor
- License Issue Fee serves to pay Licensor for value of license itself
- Royalties are payment on sales of Licensed Products based on Licensor's IP
- Minimum Annual Royalties serve as a reminder and generate pressure on Licensor to develop and market Licensor's IP



Fees, Royalties, and Minimum Annual Royalties: Sources of Revenue

- Per-use Fee
- License Issue Fee
- License Maintenance Fees (Minimum Annual Royalties)
- Royalties on Net Sales
- Diligence Milestones
- Sublicensee/Corporate Partner Income
- Equity
- Reimbursement of Patent Costs



Fees, Royalties, Minimum Annual Royalties Sample Clause

- 3.1 Licensee shall pay to Licensor a License Issue Fee of _____ Euro within thirty (30) days of final execution of this Agreement. Licensee shall also pay to Licensor an earned royalty of ___ percent (___%) of the Net Sales of Licensed Products or Licensed Methods.
- 3.2 Licensee shall pay to Licensor a minimum annual royalty of _____ Thousand Euro (____) for the life of Licensor's Patent Rights, beginning with the year of the first commercial sale of Licensed Product, but no later than _____. For the first year of commercial sales, Licensee's obligation to pay the minimum annual royalty will be pro-rated for the number of months remaining in that calendar year when commercial sales commence and will be due the following February 28, to allow for crediting of the pro-rated year's earned royalties. For subsequent years, the minimum annual royalty will be paid to Licensor by February 28 of each year and will be credited against the earned royalty due for the calendar year in which the minimum payment was made.



Payment Terms Sample Clause

- 4.1 Paragraphs 1.1, 1.2, and 1.3 define Licensor's Patent Rights, Licensed Products and Licensed Methods so that royalties are payable on products and methods covered both by pending patent applications and by issued patents. Royalties will accrue in each country for the duration of Licensor's Patent Rights in that country and are payable to Licensor when Licensed Products are invoiced, or if not invoiced, when delivered to a third party.
- 4.2 Licensee shall pay earned royalties quarterly on or before February 28, May 31, August 31 and November 30 of each calendar year. Each payment will be for earned royalties accrued within Licensee's most recently completed calendar quarter.



Payment Terms Sample Clause

- 4.3 All monies due Licensor are payable in _____ (dollars; euros). When Licensed Products are sold for monies other than (dollars;euros), Licensee shall first determine the earned royalty in the currency of the country in which Licensed Products were sold and then convert the amount into equivalent (United States or Euro) funds, using the exchange rate quoted in the Wall Street Journal (US or European edition) on the last business day of the reporting period.
- 4.4 Royalties earned on sales occurring in any country outside the United States may not be reduced by any taxes, fees, or other charges imposed by the government of such country on the payment of royalty income. Licensee is also responsible for all bank transfer charges. Notwithstanding this, all payments made by the Licensee in fulfillment of Licensor's tax liability in any particular country will be credited against earned royalties or fees due Licensor for that country.
- 4.5 If at any time legal restrictions prevent the prompt remittance of royalties by Licensee from any country where a Licensed Product is sold, the Licensee shall convert the amount owed to Licensor into (United States or Euro) funds and shall pay Licensor directly from its U.S. or European source of funds for as long as the legal restrictions apply.



Payment Terms Sample Clause

- 4.6 If any patent or patent claim within Licensor's Patent Rights is held invalid in a final decision by a court of competent jurisdiction and last resort and from which no appeal has or can be taken, all obligation to pay royalties based on that patent or claim or any claim patentably indistinct therefrom will cease as of the date of final decision. Licensee will not, however, be relieved from paying any royalties that accrued before the final decision or that are based on another patent or claim not involved in the final decision, or that are based on Licensor's property rights..
- 4.7 In the event payments, prosecution rebilling or fees are not received by The Regents when due, the Licensee shall pay to The Regents interest charges at a rate of ten (10) percent per annum. Interest is calculated from the date payment was due until actually received by The Regents.



Diligence Terms

- Purpose: force licensee to develop technology or give it back so it can be re-licensed
- Set hard benchmarks for determining clearly whether licensee has performed adequately
- Allow for termination of license or reduction to nonexclusive
- Arranges retrieval of technology for failure in diligence



Diligence Sample Clause

- 5.1 Licensee, on execution of this Agreement, shall diligently proceed with the development, manufacture and sale of Licensed Products and shall earnestly and diligently endeavor to market the same within a reasonable time after execution of this Agreement and in quantities sufficient to meet market demands.
- 5.2 Licensee shall endeavor to obtain all necessary governmental approvals for the manufacture, use and sale of Licensed Products.



Diligence Sample Clause

5.3 Licensee shall:

- submit a _____ covering Licensed Products to the United States _____ within _____ () years from the Effective Date of this Agreement;
- market licensed products by _____;
- market Licensed Products in the United States within six (6) months of receiving approval of such Licensed Product's _____ from _____; and
- reasonably fill the market demand for Licensed Products following commencement of marketing at any time during the exclusive period of this Agreement.

5.4 If Licensee is unable to perform any of the above provisions, then Licensor has the right and option to either terminate this Agreement or reduce Licensee's exclusive license to nonexclusive.

5.5 In addition to the obligations set forth above, Licensee shall spend an aggregate of not less than _____ Euro () for the development of Licensed Products during the first _____ years of this Agreement.



Reporting Schedules for Royalties and Progress

- Usually quarterly or semi-annual payments from licensee to licensor (e.g., 30 Jan, 30 Apr, 30 Aug, 30 Nov)
- Defines each payment period (previously completed calendar quarter)
- Provides conversion standards for foreign sales income



Progress and Royalty Reports Sample Clause

6.1 Beginning February 28, 2004, and semi-annually thereafter, the Licensee shall submit to Licensor a progress report covering Licensee's (and any Affiliate or sublicensee's) activities related to the development and testing of all Licensed Products and the obtaining of the governmental approvals necessary for marketing. Progress reports are required for each Licensed Product until the first commercial sale of that Licensed Product occurs in the United States and shall be again required if commercial sales of such Licensed Product are suspended or discontinued.



Report Sample Clause, continued

6.2 Progress reports submitted under Paragraph 6.1 shall include, but are not limited to, the following topics:

- summary of work completed
- key scientific discoveries
- summary of work in progress
- current schedule of anticipated events or milestones
- market plans for introduction of Licensed Products, and
- a summary of resources (dollar value) spent in the reporting period.



Report Sample Clause, continued

- 6.4 The Licensee shall report to The Regents in its immediately subsequent progress and royalty report the date of first commercial sale of a Licensed Product in each country.
- 6.5 After the first commercial sale of a Licensed Product anywhere in the world, the Licensee shall make quarterly royalty reports to The Regents on or before each February 28, May 31, August 31 and November 30 of each year. Each royalty report will cover the Licensee's most recently completed calendar quarter and will show (a) the gross sales and Net Sales of Licensed Products sold during the most recently completed calendar quarter; (b) the number of each type of Licensed Product sold; (c) the royalties, in (Euros or U.S. dollars), payable with respect to sales of Licensed Products; (d) the method used to calculate the royalty; and (e) the exchange rates used.
- 6.6 If no sales of Licensed Products have been made during any reporting period, a statement to this effect is required.



Books and Records/Audit Rights

- Assures licensor of proper bookkeeping by licensee
- Sets forth retention schedule
- Provides access to records on reasonable terms in order to verify sales made, accuracy of calculations, and royalties paid



Records/Audit Sample Clause

- 7.1 Licensee shall keep accurate books and records showing all Licensed Products manufactured, used, and/or sold under the terms of this Agreement. Books and records must be preserved for at least five (5) years from the date of the royalty payment to which they pertain.
- 7.2 Books and records must be open to inspection by representatives or agents of Licensor at reasonable times. Licensor shall bear the fees and expenses of examination, but if an error in royalties of more than five percent (5%) of the total royalties due for any year is discovered in any examination then Licensee shall bear the fees and expenses of that examination.



Life of the Agreement Sample Clause

8.1 Unless otherwise terminated by operation of law or by acts of the parties in accordance with the terms of this Agreement, this Agreement will be in force from the Effective Date until the last-to-expire patent licensed under this Agreement; or until the last patent application licensed under this Agreement is abandoned and no patent in Regents' Patent Rights ever issues.

8.2 Any termination of this Agreement will not affect the rights and obligations set forth in the following Articles:

Article 7 Books and Records

Article 9.4 Termination: Disposition of Licensed Products on Hand on Termination

Article 10 Use of Names and Trademarks

Article 14 Indemnification

Article 17.2 Failure to Perform

Article 19 Secrecy



Termination

- Termination occurs by acts of parties sooner than life of license
- Licensee wants to terminate at will; licensor wants to terminate for breach by licensee (Careful! Know-how and trade secret licenses should not be terminated at will)
- At-will termination is defense against antitrust tying or misuse of IP when licensing more than one IP
- Termination clause sets forth step-by-step procedure of notification of breach, cure of breach, and termination



Termination Sample Clause

9.1 If Licensee fails to perform or violates any term of this Agreement, then Licensor may give written notice of default (Notice of Default) to Licensee. If Licensee fails to repair the default within sixty (60) days of the effective date of Notice of Default, Licensor may terminate this Agreement and its licenses by a second written notice (Notice of Termination). If a Notice of Termination is sent to Licensee, this Agreement will automatically terminate on the effective date of that notice. Termination will not relieve Licensee of its obligation to pay any fees owing at the time of termination and will not impair any accrued right of Licensor. These notices are subject to Article 15 (Notices).

9.2 Licensee has the right at any time to terminate this Agreement in whole or as to any portion of Licensor's Patent Rights by giving notice in writing to Licensor. Notice of termination will be subject to Article 15 (Notices), and termination of this Agreement will be effective sixty (60) days from the effective date of notice.



Termination Sample Clause

- 9.3 Any termination under the above paragraph does not relieve Licensee of any obligation or liability accrued under this Agreement prior to termination or rescind any payment made to Licensor or anything done by Licensee prior to the time termination becomes effective. Termination does not affect in any manner any rights of Licensor arising under this Agreement prior to termination.
- 9.4 Upon termination of this Agreement, Licensee is entitled to dispose of all previously made or partially made Licensed Products, but no more, within a period of one hundred and twenty (120) days provided that the sale of those Licensed Products is subject to the terms of this Agreement, including but not limited to the rendering of reports and payment of royalties required under this Agreement.



Use of Name

- Careful wording lets licensee make factual statements:
“Company X has a license to the Taylor patent from the University of Oporto.”
- Prevents licensee from opening licensor to liability by making claims that imply involvement of licensor in the commercial activity or that suggest licensor endorses a product.



Use of Name Sample Clause

10.1 Nothing contained in this Agreement confers any right to use in advertising, publicity, or other promotional activities any name, trade name, trademark, or other designation of either party hereto (including contraction, abbreviation or simulation of any of the foregoing). Unless required by law, the use by the Licensee of the Licensor's name is prohibited.



Warranty

- Sets forth right to grant license
- Disclaimer of warranty
- Lack of implied license in other IP of licensor
- Limitation on damages
- Representations (or not!) that IP is free of infringement of third-party IP
- Excludes know-how, if not included in license



Limited Warranty Sample Clause

- 11.1 Licensor warrants to Licensee that it has the lawful right to grant this license.
- 11.2 This license and the associated Invention are provided WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. LICENSOR MAKES NO REPRESENTATION OR WARRANTY THAT THE LICENSED PRODUCTS OR LICENSED METHODS WILL NOT INFRINGE ANY PATENT OR OTHER PROPRIETARY RIGHT.
- 11.3 IN NO EVENT MAY LICENSOR BE LIABLE FOR ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES RESULTING FROM EXERCISE OF THIS LICENSE OR THE USE OF THE INVENTION OR LICENSED PRODUCTS.



Limited Warranty Sample Clause, continued

11.4 This Agreement does not:

11.4.1 express or imply a warranty or representation as to the validity or scope of any of Licensor's Patent Rights;

11.4.2 express or imply a warranty or representation that anything made, used, sold, offered for sale or imported or otherwise disposed of under any license granted in this Agreement is or will be free from infringement of patents of third parties;

11.4.3 obligate Licensor to bring or prosecute actions or suits against third parties for patent infringement except as provided in Article 13;

11.4.4 confer by implication, estoppel or otherwise any license or rights under any patents of Licensor other than Licensor's Patent Rights as defined in this Agreement, regardless of whether those patents are dominant or subordinate to Licensor's Patent Rights; or

11.4.5 obligate Licensor to furnish any know-how not provided in Licensor Patent Rights.



IP Protection; Conduct of Prosecution

- Addresses who controls patent prosecution
- Sets forth requirement of licensee to pay costs
- Details what input licensee will have to prosecution
- Disposes of any rights licensee does not wish to support costs on (e.g., if licensor does not support patent filing in Canada, licensee should take it back)



Prosecution Sample Clause

- 12.1. Licensor shall apply for, seek prompt issuance of, and maintain during the term of this Agreement Licensor's Patent Rights. Title to all patents and pending patent applications related to Licensor's Patent Rights shall reside in Licensor. Licensor is entitled to seek Licensee's advice and cooperation in any prosecution, filing, and maintenance of Patent Rights.
- 12.2. Licensor will, upon execution of this Agreement and continuing so long as the patent application process continues, forward to Licensee on a timely basis copies of all correspondence with and documents of the various patenting offices involved that are related to the Licensor's Patent Rights.



Prosecution Sample Clause

- 12.3. Licensee agrees to reimburse Licensor within sixty (60) days of notice thereof with inclusion of copies of invoices or other evidence of payment for all expenses incurred in the preparation, filing, prosecution, renewal, maintenance, and continuation of patents and applications embodied in Licensor's Patent Rights in Germany and in all countries designated in Article 12.4. including all taxes, official fees, attorney's fees, and costs for translations.
- 12.4. At the date of this Agreement Licensee shall designate as countries where counterpart applications of the German patent application as defined in Licensor's Patent Rights shall be filed through the procedure pursuant to the Patent Cooperation Treaty (PCT). Licensee will not have any rights in any countries not designated, and Licensor will be free to pursue coverage in those countries without further obligation to Licensee.



Infringement

- Value of IP is to exclude others
- Licensee right to exclude infringers:
 - Exclusive licensee has standing to sue
 - Nonexclusive licensee must depend on licensor to exclude others by defending IP
- Set out process for notifying parties of suspected infringement
- Who will sue, at what cost, sharing results of suit
- Adjustment of royalties if lack of enforcement



Infringement Sample Clause

13.1 If Licensee learns of the substantial infringement of any patent licensed under this Agreement, the Licensee shall call Licensor's attention thereto in writing and provide Licensor with reasonable evidence of infringement. Neither party will notify a third party of the infringement of any of Licensor's Patent Rights without first obtaining consent of the other party, which consent will not be unreasonably denied. Both parties shall use their best efforts in cooperation with each other to terminate infringement without litigation.



Infringement Sample Clause

13.2 Licensee may request that Licensor take legal action against the infringement of Licensor's Patent Rights. Request must be in writing and must include reasonable evidence of infringement and damages to the Licensee. If the infringing activity has not abated within ninety (90) days following the effective date of request, Licensor then has the right to:

- commence suit on its own account; or
- refuse to participate in the suit,

and Licensor shall give notice of its election in writing to Licensee by the end of the thirtieth (30th) day after receiving notice of written request from Licensee. Licensee may thereafter bring suit for patent infringement, at its own expense, if and only if Licensee elects not to commence suit and if the infringement occurred during the period and in a jurisdiction where Licensee had exclusive rights under this Agreement. If, however, Licensee elects to bring suit in accordance with this paragraph, Licensor may thereafter join that suit at its own expense.



Infringement Sample Clause, continued

- 13.3 Legal action as is decided on will be at the expense of the party bringing suit and all damages recovered thereby will belong to the party bringing suit, but legal action brought jointly by Licensor and Licensee and fully participated in by both will be at the joint expense of the parties and all recoveries will be shared jointly by them in proportion to the share of expense paid by each party.
- 13.4 Each party shall cooperate with the other in litigation proceedings instituted hereunder but at the expense of the party bringing suit. Litigation will be controlled by the party bringing the suit, except that Licensor may be represented by counsel of its choice in any suit brought by Licensee.



Indemnity, Insurance Requirements

- Allocation of risk of loss for activities under the license
- Reflect extent one party is willing to warrant activities
- Nonprofits (unis)--licensee assumes risk; commercial entities allocate risk more evenly
- Requiring certain levels of insurance assures licensor that assets will be available, but insurance levels should be appropriate to risk



Indemnity/Insurance Sample Clause

- 14.1 Licensee shall indemnify, hold harmless and defend Licensor, its officers, employees, and agents; the sponsors of the research that led to the Invention; and the inventors of the patents and patent applications in Licensee's Patent Rights and their employers against any and all claims, suits, losses, liabilities, damages, costs, fees, and expenses resulting from or arising out of exercise of this license or any sublicense. This indemnification includes, but is not limited to, any product liability.
- 14.2 Licensee, at its sole cost and expense, shall insure its activities in connection with the work under this Agreement and obtain, keep in force and maintain insurance as follows, or an equivalent program of self insurance:

Indemnity/Insurance Sample Clause

14.3 Comprehensive or commercial form general liability insurance (contractual liability included) with limits as follows:

- Each Occurrence \$5,000,000
- Products/Completed Operations Aggregate \$5,000,000
- Personal and Advertising Injury \$5,000,000
- General Aggregate (commercial form only) \$5,000,000

The coverage and limits referred to under the above do not in any way limit the liability of Licensee. Licensee shall furnish Licensor with certificates of insurance showing compliance with all requirements. Certificates must:

- Provide for thirty (30) days advance written notice to Licensor of any modification.
- Indicate that Licensor has been endorsed as an additional Insured under the coverage referred to under the above.
- Include a provision that the coverage will be primary and will not participate with nor will be excess over any valid and collectable insurance or program of self-insurance carried or maintained by Licensor.

14.4 Licensor shall notify Licensee in writing of any claim or suit brought against Licensor in respect of which Licensor intends to invoke the provisions of this Article. Licensee shall keep Licensor informed on a current basis of its defense of any claims under this Article.



Notices Sample Clause

15.1 Any notice or payment required to be given to either party is properly given and effective (a) on the date of delivery if delivered in person or (b) five (5) days after mailing if mailed by first-class certified mail, postage paid, to the respective addresses given below, or to another address as is designated by written notice given to the other party.

In the case of Licensee: (recipient and address)

In the case of Licensor: (recipient and address)



Assignment

- Tells licensor to whom the license can be assigned
- Fully assignable—with or without permission
- Limited: Affiliates? Wholly-owned subsidiaries?
- Important for licensor to maintain control over
- IP



Assignment Sample Clause

16.1 This Agreement may be assigned by Licensor, but is personal to Licensee and assignable by Licensee only with the written consent of Licensor, which consent will not be unreasonably withheld.



No Waiver, Failure to Perform Sample Clause

- 17.1 No waiver by either party of any default of this Agreement may be deemed a waiver of any subsequent or similar default.
- 17.2 If either party finds it necessary to undertake legal action against the other on account of failure of performance due under this Agreement, then the prevailing party is entitled to reasonable attorney's fees in addition to costs and necessary disbursements.



Marking, Export Control, Applicable Law Sample Clause

- 18.1. Licensee shall observe all applicable United States and foreign laws with respect to the transfer of Licensed Products and related technical data to foreign countries, including, without limitation, the International Traffic in Arms Regulations (ITAR) and the Export Administration Regulations. Neither party represents that a license to export shall not be required nor that, if required, it shall issue.
- 18.2 With the exception of the clause set forth in this Article 18 (Marking, Export Control, Applicable Law) this Agreement shall be construed, governed, interpreted, and applied in accordance with German law, but the scope and validity of any patent or patent application will be governed by the applicable laws of the country of the patent or patent application.
- 18.3 Licensee shall mark all Licensed Products made, used or sold under the terms of this Agreement, or their containers, in accordance with the applicable patent marking laws.



Confidentiality/Secrecy

- Defines confidentiality of data, etc. given by licensor to licensee, or visa versa, or can be mutual
- Can address drawings, information, data, models, etc.
- Best to cover only written data; data orally given should be reduced to writing
- Clause supersedes any prior secrecy agreement or secrecy clause in an option agreement
- Time-limited (3 to 5 years normally)



Confidentiality Sample Clause

- 19.1 With regard to confidential information ("Data"), which can be oral or written or both, received from Licensor regarding this Invention, Licensee agrees:
- 19.1.1 not to use the Data except for the sole purpose of performing under the terms of this Agreement;
 - 19.1.2 to safeguard Data against disclosure to others with the same degree of care as it exercises with its own data of a similar nature;
 - 19.1.3 not to disclose Data to others (except to its employees, agents or consultants who are bound to Licensee by a like obligation of confidentiality) without the express written permission of Licensor, except that Licensee is not prevented from using or disclosing any of the Data that:



Confidentiality Sample Clause

- 19.1.3.1 Licensee can demonstrate by written records was previously known to it;
- 19.1.3.2 is now, or becomes in the future, public knowledge other than through acts or omissions of Licensee; or
- 19.1.3.3 is lawfully obtained by Licensee from sources independent of Licensor; and
- 19.1.4 that the secrecy obligations of the Licensee with respect to Data will continue for a period ending five (5) years from the termination date of this Agreement.



Miscellaneous Sample Clause

- 20.1 The headings of the several sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.
- 20.2 This Agreement is not binding on the parties until it has been signed below on behalf of each party. It is then effective as of the Effective Date.
- 20.3 No amendment or modification of this Agreement is valid or binding on the parties unless made in writing and signed on behalf of each party.
- 20.4 This Agreement embodies the entire understanding of the parties and supersedes all previous communications, representations or understandings, either oral or written, between the parties relating to the subject matter hereof. The Secrecy Agreement dated _____ is hereby terminated.



Miscellaneous Sample Clause

20.5 In case any of the provisions contained in this Agreement is held to be invalid, illegal, or unenforceable in any respect, that invalidity, illegality or unenforceability will not affect any other provisions of this Agreement, and this Agreement will be construed as if the invalid, illegal, or unenforceable provisions had never been contained in it.

20.6 This Agreement includes the attached Exhibits _____.



Summary

- Know and protect your IP basis
- Develop IP strategy to exploit inventory
- Employ good attorneys producing well written contracts
- Protect yourself with secrecy agreements