

KEY TERMS IN A LICENSING AGREEMENT: Subject-Matter and Scope

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INTRODUCTION

General

- The key terms of a licensing agreement
 - are the vital elements in the structure of the licensing agreement;
 - are more numerous than in most types of agreements;
 - have many possible variations as to how the issue may be resolved.

- The purpose of today's presentations is to give an overview of the main key terms

INTRODUCTION

General

- Key terms: the 4 clusters
 - Subject Matter: What is licensed?
 - Scope: What can you do with it?
 - Financial: What value is it?
 - Development over time: What will happen with it in the future?

- For all 4 clusters, anti-competition issues should always be kept in mind

INTRODUCTION

General

- Key Terms and Business Objectives:

- What you want to achieve with the licensing agreement will influence your options with regard to key terms!
 - What is the Business Reason for the license?
 - What is your Business Objective in the negotiation?

INTRODUCTION

General

- What is the Business Reason for the license?
 - In what specific ways will this license make money for your business?
 - What must you gain in order for the agreement to be worthwhile?
 - From a business perspective, is the best result a license to IP rights only (“pure IP license”) or a broader set of related agreements (“business partnership”)?

INTRODUCTION

General

- What is your Business Objective in the negotiation?
 - Defining your Business Objective should be the Starting Point of your negotiation strategy
 - Achieving your Business Objective should be your Guiding Principle during the Negotiation

- The outcome of the negotiation will translate into the Key Terms of the agreement



1. The Subject-Matter

WHAT ARE YOU LICENSING?

Define and Include Relevant Documentation

- Patent No. _____
- The trademark _____
- A protocol
- All rights necessarily infringed by the X Standard
- The X technology
- Formula (to be completed?)
- The Product
- The Licensed Material
- Documentation
- Schematics
- As set forth in Appendix A...

WHAT ARE YOU LICENSING?

Common problems

- Irrelevant technology
- Who owns the IP?
 - Multiple parties
- Unfinished development
- Patents not issued
- Pending claims
- MOUs or Letters of Intent
- Best efforts, good faith

WHAT ARE YOU LICENSING?

How can you clarify the subject-matter?

- Confidentiality Agreements
- Prototype agreements
- Feasibility studies
- Interim agreements addressing costs
- Consultations with lawyers, experts
- Study of documentation, databases
- Study of competing products

CASE STUDY

Licensing of the Smart Turbine Technology

- Smart Turbine (SM) is a wind and solar energy collector;
- Highly efficient due to specific turbine design, and also use of a new durable photovoltaic (PV) thin film;
- Both elements of the system are integrated by using software to measure the energy flow and to increase synergy between the wind and solar elements;
- Whenever the wind ceases, the solar collection intensifies;
- Whenever the sky is cloudy, the wind system becomes dominant.

SMART TURBINE CASE

What the Licensee wants to license IN

Patent 2 (Integration system)	Patent 3 (Thin film)
Claim 1 to 7	Claim 1 to 7
Copyright (Software, schematics, documentation)	
Trade Secrets Know-How	

SMART TURBINE CASE

What the Licensor wants to license OUT

Patent 1 (Turbine)	Patent 2 (Integration system)	Patent 3 (Thin film)
Claim 5 to 7	Claim 5 to 7	Claim 5 to 7
Copyright (Technical documentation)		Industrial Design
Know-How		Trademark

SMART TURBINE CASE

Subject-Matter of the Smart Turbine Licensing Agreement

Patent 1 (Turbine)	Patent 2 (Integration system)	Patent 3 (Thin film)
Claim 1 to 7	Claim 1 to 7	Claim 1 to 7
Copyright (Software, schematics, documentation)		Industrial Design
Trade Secrets Know-How		Trademark



2. The Scope

HOW WILL THE TECHNOLOGY BE USED?

- Which and how broad rights does your business model require?
 - Make, have made, use, sell, import, transfer, make improvements?
 - Copy, display, modify, make derivative works, distribute, transfer?
 - Conduct research and product development?

EXCLUSIVITY?

- A necessary risk (for Licensor)?
 - What arguments can Licensee make for?
 - What arguments can Licensor make against?
- Possible means of protection against a lazy, dishonest, or ineffective licensee:
 - Minimum Royalties
 - Time Limitation of Exclusivity
 - Inefficiency as a Trigger for Contract Termination

OTHER SCOPE ISSUES

- Sublicensing?
 - Consent required?
- Field of use restrictions?
- Geographic territory?
- Internet?

SCOPE OF RIGHTS

Common problems

- Scope too broad
- Scope too vague
- Scope too restricted
- Exclusivity granted without protections
- Unclear how sublicenses are administered
- Grant backs that prevent the licensee from creating advantage
- Meaningless options

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