

L59 Licensing Checklist

It is perhaps dangerous to offer a checklist which runs the risk of being assumed to fit all situations and cover all eventualities comprehensively. Realistically no list can hope to do so.

With that warning the following list is offered as a reminder of some of the issues which should be considered when contemplating negotiating a licensing agreement.

This list is primarily concerned with bilateral one-way manufacturing licences and not with cross-licences, pools or collaborative R&D project related licensing even though many of the issues may also be relevant to such agreements.

1. Identification of parties

- 1.1 Names Addresses
- 1.2 Status of firms

2. Background

- 2.1 Time Date Place
- 2.2 Background to agreement
- 2.3 Aims of parties

3. Definition of terms

- 3.1 Territory licensed
- 3.2 Products
- 3.3 Processes
- 3.4 Patents
- 3.5 Know How
- 3.6 Definition of Sales
- 3.7 Definition of fields

4. Licence Grant

4.1 Overall Diligence

- 4.1.1 Best endeavours
- 4.1.2 Minimum acceptable standards / performance
- 4.1.3 Consequences of failure to meet standards
- 4.1.4 Reporting requirements

4.2 Patents

- 4.2.1 Exclusive / sole / Non-exclusive
- 4.2.2. Rights conferred - manufacture / market / etc.
- 4.2.3 Licensed territory - exclusive / non-exclusive
- 4.2.4 Minimum acceptable standards / performance
- 4.2.5 Consequences of failure to meet standards

- 4.2.6 Licensor rights to supply market on failure to meet stds.
- 4.2.7 Provisions regarding trademarks
- 4.2.8 Warranties regarding patents
- 4.2.9 Maintenance of patents, payment of renewal fees
- 4.2.10 Infringement by third parties - division of responsibility / costs
- 4.2.11 Infringement of third parties' - division of responsibility / costs
- 4.2.12 Most favoured licensee provision?
- 4.2.13 Rights to sub licence
- 4.2.14 Marking
- 4.2.15 Provisions if patent found invalid - distinction of know how.

5. Know How

- 5.1 Details of documentation
- 5.2 Cost of documents
- 5.3 Confidentiality
- 5.4 Permitted use of confidential information

6. Show How

- 6.1 Details of training package
- 6.2 Duration
- 6.3 Content
- 6.4. Troubleshooting assistance

7. Manufacture and Marketing

- 7.1 Specifications
- 7.2 Provision of machinery / cost
- 7.3 Provision of materials
- 7.4 Quality
- 7.5 Packaging
- 7.6 Marketing efforts
- 7.7 Trade mark use

8. Royalty rates / Payment

8.1 Up front fees

- 8.1.1 Materials, consultancy, training etc.
- 8.1.2 Initial Lump sum payment
- 8.1.3 Lump sum

8.2 Provisions re Options

- 8.2.1 Conditions for exercise
- 8.2.2 Exercise price - investment required
- 8.2.3 Timescale and milestones
- 8.2.4 What happens if not exercised

8.3 Royalties

- 8.3.1 Base payments
- 8.3.2 method of calculating royalty
- 8.3.3 non returnable if invalid

- 8.3.4 Variation of rates in certain cases
- 8.3.5 TAX considerations
- 8.3.6 Minimum royalties
- 8.3.7 Advances / delayed payment schedules
- 8.3.8 Consequences of delayed / non/payment
- 8.3.9 Sublicence provisions
- 8.3.10 Reporting requirements
- 8.3.11 Auditing
- 8.3.12 Method and Currency of payment
- 8.3.13 Separation of payments for patents, know-how & tax consideration.

9. Improvements

- 9.1 Defined
- 9.2 Reciprocal
- 9.3 Conditions in case of joint inventorship
- 9.4 Disclosure conditions
- 9.5 Royalties or not
- 9.6 Sub licences or not
- 9.7 Responsibility for filing applications etc.

10. Confidentiality

- 10.1 Duration
- 10.2 What is covered
- 10.3 What happens at end of agreement
- 10.4 No disclosure without approval
- 10.5 Conditions regarding storage of CI
- 10.6 Exceptions (if in public domain, otherwise published, etc)
- 10.7

11. Indemnification

- 11.1 Product liability / personal injury provisions

12. Termination

- 12.1 Expiry,
- 12.2 Termination by agreement
- 12.3 Renewal
- 12.4 Termination before end of term
- 12.5 Breach of conditions
- 12.6 Attack on validity by licensee
- 12.7 Bankruptcy
- 12.8 Acquisition/Merger
- 12.9 Post termination provisions
- 12.10 Surplus stock
- 12.11 Confidential documentation
- 12.12 Outstanding fees
- 12.13 Surviving provisions

13. Miscellaneous

- 13.1 Governing Law
- 13.2 Arbitration?
- 13.3 Assignability / Succession (see also termination & sub-licences)
- 13.4 Severability
- 13.5 No agency, partnership or joint venture
- 13.6 Force Majeure
- 13.7 Formal notices
- 13.8 Registration of the agreement
- 13.9 Signatures

14. Supplementary Schedules

- 14.1 Lists of IPRs and Know How etc.