

# Licensing of Intellectual Property Rights - Opportunities and/or Pitfalls

**BioRN Lounge**

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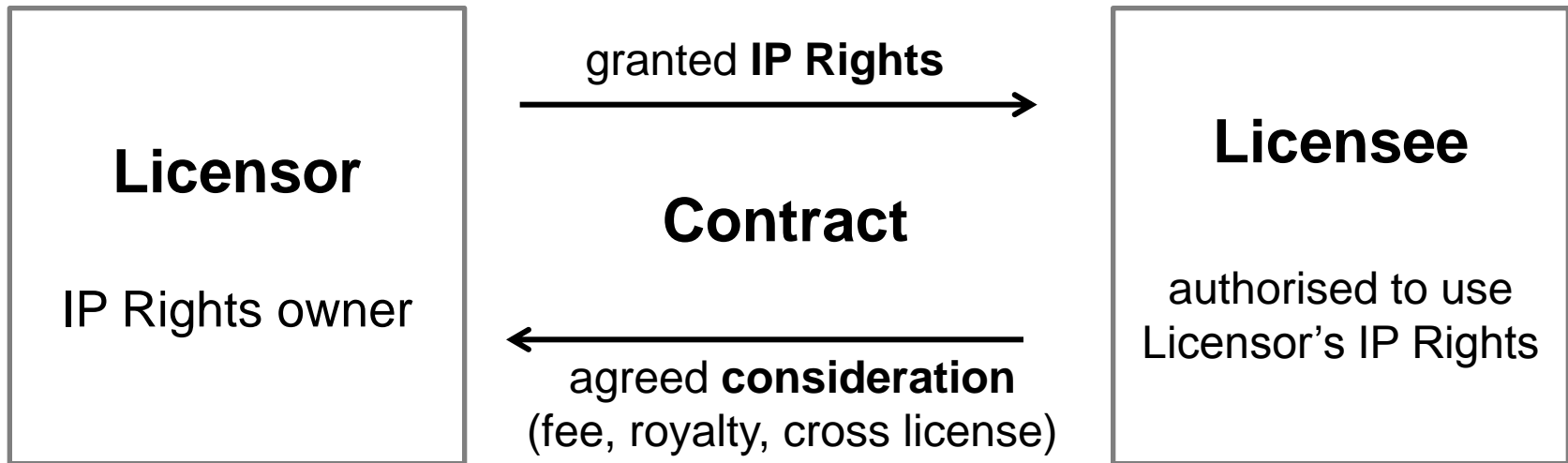
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# Intellectual Property Rights

- Intellectual Property (IP) Rights such as Patents, Trademarks or Industrial Designs are generally granted to provide protection for one's economic investment into creative effort
- IP rights are “intangible property rights” granted by the government/society for sharing the creations of one's mind with the public
- IP rights are monopoly rights that can be inherited, sold, licensed or stolen - just as tangible property rights

# What is a License?



- Terms of license agreements can be formulated (almost freely) to meet either side's expectations and/or needs – extremely flexible!
- Goal should be to consider all available options to find a mutually satisfactory solution

## Motivations to license

### Licensor

- Revenue generation
- Development and commercialisation of technology
- “Bargaining asset” for obtaining other IP rights from Licensee via cross-licensing
- Asset for M&A

### Licensee

- Access to IP rights/ technology (R&D, FTO)
- Securing of market share via monopoly
- “Bargaining asset” for obtaining other IP rights from third parties
- Asset for M&A

## Dos

- set a clear goal of what is to be achieved
- spend time “investigating” the potential licensee/licensor
- evaluate and understand scope & strength of IP right
- act ethically, responsibly, knowledgeably and show integrity to achieve mutual benefits and to set spirit of subsequent cooperation
- strive for win-win scenario and maintain flexibility to achieve it
- make sure the agreed terms are indeed clear to both parties (prior to execution of agreement!)

## Don'ts

- avoid lack of preparation
- don't underestimate other parties
- avoid exaggeration
- avoid surprises
- don't turn negotiating the license agreement into the project, i.e. don't lose sight of the long-term goal
- avoid haggling
- in any case, don't make litigation an easy option

# Skeleton of a License Agreement

## License Agreement

- a. Identification of Parties
- b. Recitals/Preamble
- c. Definitions
- d. Grant of Rights
- e. Compensation
- f. Obligations of the Parties
- g. Term and Termination
- h. Conflict Resolution
- i. Other Common Clauses

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*Licensor*

-----  
*Licensee*

## Grant of Rights

- **Nature of IP**  
(Pending, granted, future rights, rights to associated TMs, Know-How transfer, etc.)
- **Degree of Exclusivity**  
(Are others allowed to exploit rights?)
- **Sublicenses**  
(May be necessary for possible future sale of venture?)
- **Scope of licensed rights**  
(Do any limitations with respect to field or territory exist?)



## Pitfalls – Case I

Communication issues?

“**Product**” means [...] T-Cells derived from [a number of different tissues incl. tumors and] produced by exposure to [a particular mix of] antigens and expansion in supportive conditions [...], which promote survival and/or expansion of the antigen activated T cells, in each case excluding T-Cells that consist of tumor infiltrating lymphocytes or natural killer cells (in each case, other than in de minimis amounts).

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(Do any limitations with respect to field or territory exist?)
- **Term**  
(When will license agreement expire? Is this in line with expiry of monopoly rights?)

## Pitfalls – Case II

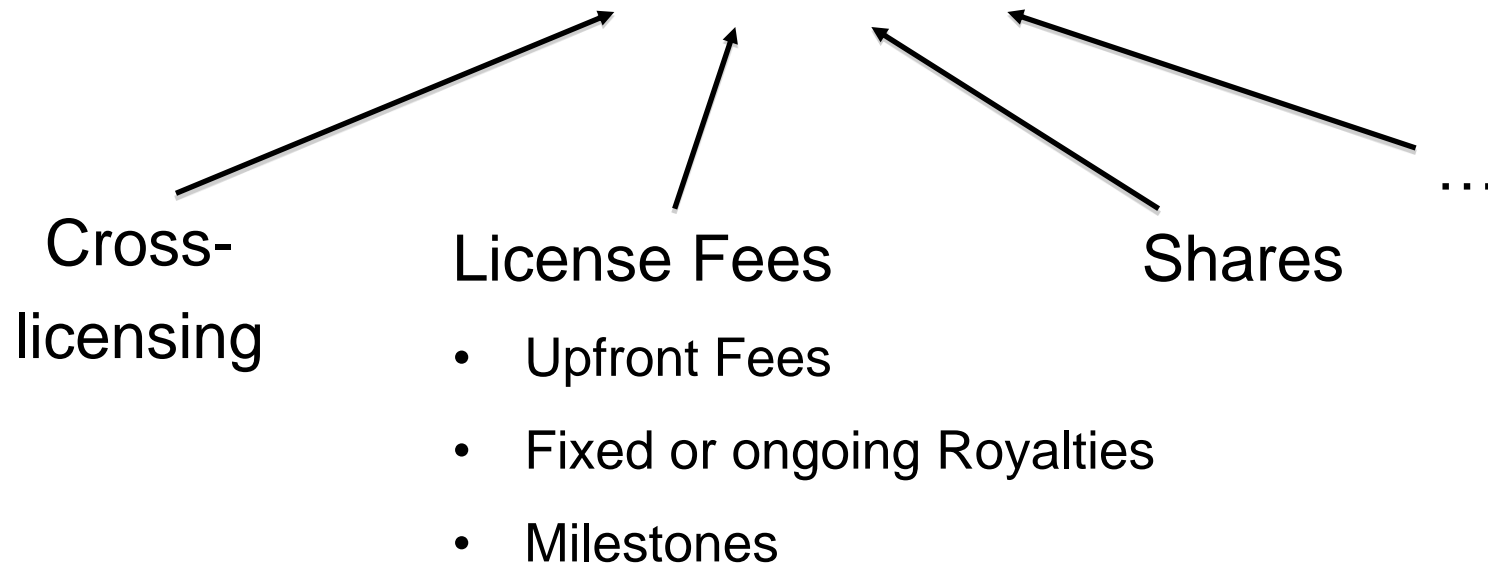
An everlasting agreement?

**Term.** This Agreement shall become effective on [...] and continue until the expiration of the last to expire Patent Rights licensed hereunder.

Patent Rights means, with respect to any technology, all patent applications heretofore or hereafter filed [...]

# Compensation

## Compensation/Consideration



→ all possible combinations and modalities

## What influences compensation?

- R&D costs in developing technology
- Nature of technology (breakthrough vs. improvement; prototype vs. established technology)
- Nature of IP rights licensed (status, exclusivity, FTO, field of use restrictions, dependency on know-how transfer)
- Expected/potential market share and likelihood of commercial success
- Prevailing royalty rates in industry
- Modalities of payment (upfront lump sum vs. continuous, potentially revenue-based royalties)

## Obligations of parties

- Disclosure and Assistance
- Exclusivity
- Covenant to Exploit
- Enforcement of IP Rights

## Obligations of parties – Enforcement of IP Rights

- Which party will be responsible for maintaining the IP rights (including payment of all required fees)?
- What happens when infringement of IP rights is noticed/occurs?
- Which party is responsible for/obligated to enforce?  
Who pays?

## Obligations of parties – Improvements and modifications

- **Licensor improvements**

- Licensor likely to continually improve its technology
- Licensee not to be held ransom for incremental improvements
- Higher royalties for increased value
- If automatic, requirement for licensor to disclose

- **Licensee improvements**

- Far more contentious to negotiate
- To be fully and promptly disclosed
- Possibly assigned to licensor in exchange for back license fee-free (!) to licensee
- Possibly non-exclusive, fee-free (?) license for improvements to licensor



## Obligations of parties – Representations and warranties

- Ownership/Title
- Non-infringement
- Sufficiency
- Performance Disclosure and Assistance

## Obligations of parties – Disclaimers and limitations

- **Disclaimer**

- Licensor excludes specific liabilities, i.e. warranties and conditions otherwise implied due to contract and consumer protection laws
- Disclaimer may be entirely invalid, in case licensed technology fails to perform

- **Limitations of Liability**

- Licensor excludes specific liabilities, i.e. warranties and conditions otherwise implied due to contract and consumer protection laws
- Disclaimer may be entirely invalid, in case licensed technology fails to perform

## Obligations of parties – Infringement indemnities

- **Licensee carries risk of infringement**
  - Licensee seeks to be indemnified against such risks
- **Indemnities**
  - Who will carry risk? Who will pay damages? Who will pay to fix problem?
  - Typically indemnified for:
    - breach of contract (i.e. breach of confidentiality obligations);
    - infringement of patents, trademarks and copyright of third parties; or
    - product liability
- **Insurance**
- **Assignment restrictions**

## Pitfalls – Case III

### Break-down - Convolution leads to confusion

- Group of researchers work at “RI”, own IP and found “SU”
- Successful identification of early-stage investor “BF”
- Difficult negotiations lead to complex License Agreement between SU and BF
- Infrastructure of RI important – so SU licenses IP to RI specifically for research collaboration with BF
- BF pays license fees to SU and large sum to RI
- Communications break down – BF terminates agreement immediately alleging breach by SU (and request money back) but refers to wrong Section
- SU “accepts” termination...

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*Please feel free to contact us should you have any questions!*