

LICENSING



The advertisement features a background of large, light-colored gears. In the center, there is a smaller inset image showing a globe surrounded by several interlocking gears in shades of blue and green. Below this inset is a larger, semi-transparent globe with the text "Bailey Walsh & Co. LLP" written around its top edge. At the bottom of the advertisement, the text "Cost effective protection for your ideas™" is displayed, followed by a row of four small blue squares, each containing one of the following terms: PATENTS, TRADE MARKS, DESIGNS, and COPYRIGHT.

Cost effective protection for your ideas™

• PATENTS • TRADE MARKS • DESIGNS • COPYRIGHT

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LICENSING INTELLECTUAL PROPERTY RIGHTS

A license is granted by a person owning a right (the licensor) to allow a third party (the licensee) to perform an act which would otherwise be in breach of the licensor's right. The right for which the license is granted can relate to any intellectual property right, including any or any combination of patents, registered designs, trade marks, know how, copyright or design right. In most cases, the license allows payment to be made by the licensee to the licensor, commonly referred to as a royalty payment.

REASONS FOR LICENSING

If the owner of an intellectual property right, such as a patent proprietor, does not have the facilities at their disposal to meet the market demand for their product or if they do not wish to be involved in marketing their product, then a license can be a useful way of exploiting the rights whilst maintaining ownership of the rights. This is a means by which a licensor can gain income from their intellectual property right.

REASONS FOR TAKING A LICENSE

The benefit to a party (licensee) of taking a license in respect of a protected intellectual property right is that it allows the licensee to use the protected right without being sued for infringement by the owner of the right (licensor). The Licensee may also stand to gain from the Licensor's knowledge, research and/or development related to the intellectual property right, together with the potential for increased sales and a means of entering a new technology or market sector.

TYPES OF LICENSE

There are three main types of license:

- 1) An exclusive license** - the licensor will grant the right to use their intellectual property right to one other party to the exclusion of themselves and any other third party.



2) A sole license - the licensor will grant the right to use their intellectual property right to one other party to the exclusion of any other third party but the licensor remains able to use the licensed right themselves.

3) A non-exclusive license - the licensor remains free to use the right themselves and can license any number of third parties.

It is possible to have degrees of exclusivity within a single license, particularly with regard to territories covered by the license. For example, a licensor could grant an exclusive manufacturing license in one country and a non-exclusive selling right in a different country. Similarly, the licensed right could be exclusive for an initial period of time and thereafter the licensed right could revert to a non-exclusive license.

TERMS IN LICENSE AGREEMENTS

The terms of a license agreement are important since they determine the obligations of the licensor and licensee, such as the levels of performance or return that must be achieved by the licensee, the degree of exclusivity of the license, the ownership of improvements, warranties, indemnities, “force majeure” matters and termination.

The license agreement should specify whether it is in respect of a particular product covered by an intellectual property right, a range of products or any product falling within the scope of protection of the intellectual property right. It should also specify whether the licensee is able to sub-license the granted rights.

PAYMENT FOR LICENSES

The licensee will normally be required to pay the licensor one or more payments in respect of the license agreement. These payments may be in the form of regular payments at pre-determined time intervals during the life of the license termed “royalty payments” and/or one or more lump sum payments may be required, often upon grant of the license.



The royalty rate can be calculated for a licensed product as a fixed sum per item sold or as a percentage of the selling price, less any taxes, duties and/or any other amounts attributable to costs not related to the licensed product itself, such as transport, insurance, discounts or trade credits. If the license concerns a process or treatment, it is often necessary to calculate the royalty rate based on each use of the process or treatment.

If the license agreement is exclusive, the licensor may insist on a “minimum royalties” clause in the agreement. This protects the licensor if the licensee does not achieve a pre-agreed level of sale or use of the licensed product or process. The minimum royalty rate can be based on targets which the licensee expects to achieve each year or a minimum figure which the licensor is prepared to accept.

LICENSEE’S OBLIGATIONS

On completion of the license agreement, the licensee will have a number of obligations which they must achieve in order to prevent the agreement being terminated and/or to prevent breach of the agreement. A licensee’s obligations may cover such things as achieving a certain level of quality of the licensed product or process, marketing the licensed product or process to a certain degree, ensuring the licensed product is properly marked as registered, patented, patent pending and/or the like as appropriate. If the license is exclusive, the licensee may be required to pay renewal fees on the registered intellectual property rights, pursue infringers at their own cost and/or similar. In addition, if any confidential information or “know-how” is being licensed, the Licensee may be required to maintain that confidentiality both during the license and for a pre-determined period of time thereafter.

LICENSOR’S OBLIGATIONS

On completion of the license agreement, the licensor may have a number of obligations which they must achieve in order to prevent the agreement being terminated and/or to prevent breach of the agreement. For example, the licensor may be required to confirm that they are the owner of the rights concerned, that to the best of their knowledge and belief that the rights are in force and valid and that there is no infringement either of the licensed rights or of independent rights of third parties. The



licensor may also be required to provide indemnification to the licensee against any claims arising from sale of the licensed products.

REGISTRATION OF LICENSES

In the case of an exclusive license agreement, it is in the interest of the licensee to ensure that the agreement is properly registered at the National Intellectual Property Office in order to prevent the licensor from granting further licenses to third parties. This is because a later agreement which is registered at a National Patent Office takes precedence over an earlier unregistered agreement. Registration of an exclusive license may also entitle the licensee to monetary relief in the case of a successful infringement action.

LEGAL RESTRICTIONS

In general, two parties can enter into an agreement on whatever terms they agree between themselves. However, the law places certain restrictions on what can and cannot be enforced in licenses. Such restrictions, commonly referred to as competition law, exist to ensure a proper balance between intellectual property rights and fair competition. Competition law provisions must be considered when entering into a license agreement. For this reason, and also to ensure that the agreement is properly drafted to reflect accurately the rights, obligations and expectations of the parties, it is advisable to have the agreement professionally drafted once the main points discussed above have been agreed between the parties. This is particularly important with licenses which extend to two or more countries of the European Union where European rules on anti-competitive provisions apply.

OUR SERVICE TO YOU

We offer a free, no-obligation consultation to discuss licenses, payment terms and/or other clauses. We also can draft licenses and/or similar manufacturing or sales agreements between parties.



A summary of some of the other services we offer are:

- Attending Meetings with Clients to Discuss License Terms with Third Parties
- Registering Licenses
- Drafting License Agreements
- Assignments
- Preparation of Assignment Documents
- General Advice on Intellectual Property Matters
- Filing, Prosecution and Management of Intellectual Property Rights
- Management of Intellectual Property Portfolios

Please do not hesitate to contact one of our advisors if you have any queries relating to our services and/or would like to arrange a meeting or to instruct us to undertake work on your behalf.

Further information can also be found on our website at www.bailey-walsh.com.

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