A Checklist for Negotiating License Agreements

DONNA BOBROWICZ, *Technology Transfer Specialist, Loyola University Chicago, Office of Research Services, U.S.A.*

ABSTRACT

This chapter provides a road map for licensing professionals to identify the most common terms, contractual obligations, and other provisions that are likely to be encountered in crafting a license agreement. Emphasis is placed on agricultural technology licenses. Since most people engaged in deal making are involved in multiple deals at the same time, important aspects can be forgotten or overlooked at any time and for any deal. The checklist format allows the licensing practitioner to check off each item once it has been addressed to the parties' satisfaction. While expansive, it does not necessarily fit all contexts and is therefore intended to serve as a basis from which institutions and individuals can develop their own checklists.

1. INTRODUCTION

A checklist to aid in negotiating a licensing agreement, much less to aid in actually preparing and writing the agreement itself, may sound like a simplistic tool to an experienced negotiator or contract attorney. After all, most people in such positions are well educated and used to dealing with multiple projects having many details in the scientific, legal, and business arenas, all at the same time. If they did not have the competence to deal with this type of work situation, they would not last long in the active, high-pressure licensing environment. But it is precisely because of myriad details that a checklist can be life (or deal) saving for the working licensing officer or attorney. Since most people engaged in deal making are involved in multiple deals at the same time, important aspects can be forgotten or overlooked at any time and for any deal. One of the simplest ways to make sure that a crucial or costly mistake does not happen because of an oversight is to use a tool such as the checklist presented here.

2. SPECIFIC CHECKLIST SECTIONS

This section introduces and discusses for both licensors and licensees each element of the checklist. If your work requires you to draft license

Bobrowicz D. 2007. A Checklist for Negotiating License Agreements. In *Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices* (eds. A Krattiger, RT Mahoney, L Nelsen, et al.). MIHR: Oxford, U.K., and PIPRA: Davis, U.S.A. Available online at www.ipHandbook.org.

© 2007. D Bobrowicz. *Sharing the Art of IP Management:* Photocopying and distribution through the Internet for noncommercial purposes is permitted and encouraged.

agreements, download the checklist from the online version of this *Handbook* where it is given without the annotations.

2.1 *Section 1 – The parties*

Although seemingly self-evident, having all pertinent information about the parties in one place, such as their legal names, the negotiating party's contact information, and the legal addresses is a time saver when the final agreement is being written. No more last-minute telephone calls or e-mails to get information that should have been exchanged at the first meeting.

PARTIES:

1. Licensor's Name: _____
   Address: _____
   Principal Office: _____
   Incorporated In: _____ Short Title: _____
   Contact Name: _____
   Contact Title: _____
   Contact Tel/Fax: _____
   Contact E-mail: _____

2. Licensee's Name: _____
   Address: _____
   Principal Office: _____
   Incorporated In: _____ Short Title: _____
   Contact Name: _____
   Contact Title: _____
   Contact Tel/Fax: _____
   Contact E-mail: _____

2.2 *Whereas clauses*

The following set of "whereas clauses" is offered as a guide for detailing the background of the license. Not all parties use whereas clauses; some prefer to make the background information a standard set of clauses that follow language specifying that "the following are terms of the Agreement" or similar language. Some use of background information in a contract is recommended because within a short period of time after the deal is done and the agreement signed, negotiators memories will fade and a short set of statements regarding the background of the deal may become invaluable should the contract need to be interpreted by a court or an arbitrator.

WHEREAS CLAUSES:

1. Licensor owns/controls certain Intellectual Property/Tangible Property including inventions _____, patents _____, applications _____, know-how _____, other _____ relating to _____
2. Licensor represents that it has the right to grant a license to _____
3. Licensee owns/controls certain Intellectual Property/Tangible Property including inventions _____, patents _____, applications _____, know-how _____, other _____ relating to _____
4. Licensee represents _____
5. Licensee desires license relating to _____ in order to _____

2.3 *Definitions*

A simple contract will not need to have a section devoted to definitions, as the definitions can be presented when special terms are first encountered. A complex document should present all definitions in one section for ease of drafting and later interpreting the contract. General terms used throughout the contract should be placed in this section, as should technical terms that are used frequently. Either an alphabetical or a hierarchical order is recommended, the latter being used when a number of terms are closely related and having them near to each other would allow the reader to more easily navigate the agreement.

Each license will have its own specific set of definitions, so a short list that includes only the most commonly used terms is presented here.

DEFINITIONS:

All other appropriate terms should be listed and defined. Clear definitions will add great clarity to a license. Care should be taken to write definitions that, in general, stand alone and are not circular in construction.

A good place to begin thinking about what to define is with a definition of the parties. If dealing with a company, is it the company and all its affiliates? All of its subsidiaries? Or only the parent company? Products/Processes licensed should be specifically defined as Licensed Products or Licensed Processes. If only certain types of inventions are covered, define the inventions here and refer to them as Inventions; include the patent number and/or patent application number that is being licensed, and specify if Know-how is included.

(Continued on Next Page)

DEFINITIONS (continued)

Licensee, sales, net sales, profit, territory, field, patents, patent rights, intellectual property, and nonprofit are examples of other relatively common terms, and there are many more. Once defined, these terms will usually appear, throughout the rest of the contract, with the first letter capitalized or in all capitals.

2.4 *The grant sections*

The following sections may seem to be overkill to the licensing professional. However, each and every section, if not handled with care and forethought, can result in a deal that is more than unsatisfactory to one or both parties.

2.4.1 *Rights granted*

The exact grant language should be specified. This includes which intellectual property rights the license is given under: patent right only or know-how right or both and exclusive right, coexclusive with the licensor, or nonexclusive. The section should also specify the term of the exclusivity and/or nonexclusivity, and whether such right is irrevocable; and if there is a right to grant sublicenses. Each organization will find that it tends to make deals in a certain way and may find that certain combinations of grant language will be used repeatedly. In that case, this section may be easily amended to the specific organization's needs.

1. RIGHTS GRANTED:

   a) All substantial (statutory) rights to practice under the rights in specified Intellectual Property/Tangible Property (detail here) _____;
   b) and to make ____, have made_____, use_____, import_____, offer for sale____, and sell _____ products and processes;
   c) Exclusive for _____ years and nonexclusive thereafter, or
   d) Non-exclusive _____, to make (manufacture) _____, or
   e) Exclusive _____ to have made for own use _____; or
   f) Exclusive except as to Licensor _____, to use _____, to export _____, to make and sell in limited markets _____;
   g) Irrevocable _____, to sell _____, have sold _____;
   h) With right to grant sublicenses _____, to lease _____, rent _____.

2.4.2 *License restrictions*

This section deals with the field, territory, prior licensee's rights, and the commercial rights retained by the licensor. Some of what is contained in this section appears under Section 1 (the parties), and may not be needed in all situations.

2. LICENSE RESTRICTIONS:

Limited to the Field _____
Limited to Territory _____
Subject to prior Licensee (identify, if any) rights _____
Subject to Licensor's right to make _____, have made _____, use _____, have used _____, export _____, import _____, sell _____, have sold _____ (as many as applicable).

2.4.3 *Reservation of rights*

This section is particularly important when the licensor is a nonprofit and must ensure that certain rights to use the intellectual property are reserved for academic, nonprofit research, or humanitarian uses in developing countries, or according to the terms of the Bayh-Dole Act (in the United States). Forgetting to include the needed reservation of rights in a license could make the license invalid and/or could lead to an expensive court fight to determine what rights are in fact owned by the licensor.

3. RESERVATION OF RIGHTS:

a) Licensor hereby reserves an irrevocable, nonexclusive right in the Technology (on behalf of itself and all other nonprofit/academic research institutions)
b) For Educational and Research uses_____, including uses in Sponsored Research ____ and nonprofit collaborations_____.
c) For Humanitarian Purposes_____, or
d) For uses in Developing or Economically Disadvantaged countries_____ (specify countries)_ _____,
e) For the U.S. government under the Bayh-Dole Act _____.

2.4.4 *Right to grant sublicenses*

The grant of a right to grant sublicenses to third parties also has a number of important choices that must be considered by parties when awarding this portion of the license. Sublicensees may be anyone or may be limited to, for example, only parties in privity with the licensee; only affiliates of the licensee; only a specified number of third parties; or only parties preapproved by the licensor.

4. LICENSEE MAY GRANT SUBLICENSES:

   a) To any other party ____;
   b) To limited number of parties _____;
   c) To Affiliates of Licensee ____ only _____;
   d) To third parties preapproved by Licensor ____;
   e) To nominees of Licensor ____;
   f) At specified consideration (indicate) _____;
   g) Consideration to be shared with Licensor _____;
   h) Copies of sublicense to be furnished to Licensor _____;
   i) Under other conditions _____

2.4.5 *Territory*

The territory that is granted to the licensee under the license must be specifically identified.

5. TERRITORY:

   a) All countries _____
   b) All countries except _____
   c) Following country/countries_____
   d) That portion of a specific country comprising _____

2.4.6 *Term of the agreement*

The date the agreement begins, the effective date, should be noted, as well as the ending date of the agreement, by whatever method that is calculated. Some of the most common ways are listed below.

6. TERM OF AGREEMENT:

   Effective Date is _____.
   For _____ years/months/day (as agreed), until (specify date) _____; or
   For the life of a specific patent or other intellectual property _____; or
   Until some future event (specify) _____

2.5 *Improvements*

This section deals with any improvements made and/or patented (by whom and paid for by whom) during the term of the license by either the licensor or licensee and what obligations are present in the deal as to whether or not to include future technology under the present license or to have future technology fall under the reservation of rights to the licensor.

7. IMPROVEMENTS BY:

LICENSOR:	LICENSEE
Included _____	Included _____
Not included _____	Not included _____
Who will file _____	Who will file _____
Who will pay costs _____	Who will pay costs _____
Assigned/licensed to Licensee _____.	Assigned/licensed to Licensor_____

2.6 *Consideration*

The consideration sections of the checklist is relatively involved, and can be cut back if equity is not part of the payment for the license. Royalty, milestone payments, type of currency, determining rate of exchange, and equity-ownership issues are listed here, as is the issue of minimum annual payments, particularly important in the case of an exclusive license.

8. CONSIDERATION FOR LICENSE:

Royalty free ___; or
Royalty, ____ per cent; of profits _____; of gross sales _____; of net sales _____; specific amount (specify) _____ per unit (specify) _____; other (specify) _____;
Single sum (license fee) of _____;
Milestones (what they are and amount owed) _____;
Payment is to be made in currency of which country _____;
At the then current rate of exchange _____;
At the rate of _____(currency) for _____ (currency)
If exchange rate decreases or increases by ____(specify a percentage) %
the payments shall decrease or increase by like amount; or exchange rate shall be that published in _____.
Equity: Stock of Licensee (specify) _____
stock of existing company _____; new company _____
value of the shares of stock shall be market value ____ at date of agreement _____
book value _____ according to Schedule ____; stock shall have full voting rights _____; nonvoting _____;

9. MINIMUM ANNUAL PAYMENT FOR LICENSE:

Amount _____ per calendar year; per 12-month period _____
Payable in advance _____
Payable at end of calendar year _____; of 12-month period _____
Credited against earned royalties, yes _____; no _____

2.7 *Reports and auditing of accounts*

Royalties based on any measure tied to a product's sales should be paid to the licensor accompanied by a report stating how the royalty was calculated. It should be decided how often and when these reports (and royalties) are due. Additionally, the right of the licensor to audit the books that generate these reports should be a part of the license.

10. STATEMENTS OF EARNED ROYALTY:

Quarterly, within _____ days of end of quarter
Annually, within _____ days of end of year
Other periods, (specify) _____
In writing, and certified by __(official or auditing firm) ____
With names and addresses of sublicenses _____
With copies of sublicenses _____
Together with payment of royalty accrued _____

11. INSPECTION OF LICENSEE'S ACCOUNTS:

Not permitted _____
Permitted _____
at any time during business hours _____
at specified times _____
by Licensor's authorized representatives _____
by Certified Public Accountants _____
Audit to be paid by Licensor unless underpayment is greater than ___%

2.8 *Representations/warranties*

Certain basic representations and warranties should be given by each party to the other, such as the ability to enter into this agreement, the validity of the intellectual property, and a standard warranty disclaimer. These and others are listed below.

12. REPRESENTATIONS/WARRANTIES:

A. Validity of Licensed IP
Not admitted _____
Admitted to Licensee _____
If patents held invalid, then:
Licensee may terminate:
as to invalid claims _____
entire agreement _____

B. Good title to Intellectual Property in _____ (specify countries)

C. Authority of Licensor to enter into the License _____
Authority of Licensee to enter into the License _____

D. Standard warranty disclaimer, of fitness for particular purpose
Merchantability _____; Express or Implied _____.

2.9 *Infringement*

These sections deal with how past infringement by the licensee is handled; if the IP is infringed by third parties, how such infringement will be handled, and if there is a recovery for the infringement, how that will be divided between the licensor and licensee. Indemnification by the licensor of the licensee to practice under the IP rights is also covered.

13. INFRINGEMENT:

A. INFRINGEMENT OF LICENSED INTELLECTUAL PROPERTY/TANGIBLE PROPERTY
Past infringement by Licensee
forgiven _____; not forgiven _____
forgiven for payment of _____
If infringed by others:
Who will notify _____
Who will file suit _____
Who is in charge of suit _____
Costs: borne by _____
divided _____

(Continued on Next Page)

13. INFRINGEMENT (continnued)

B. INFRINGEMENT OF OTHER'S INTELLECTUAL PROPERTY/TANGIBLE PROPERTY
No indemnity by Licensor _____
Licensor indemnifies Licensee _____
Licensee indemnifies Licensor _____
Who will notify _____
Who will defend _____
Who will pay costs _____
Costs: borne by _____
divided _____

C. RECOVERY AFTER DECREE
Retained by _____; Divided _____
Right to settle suit:
by Licensor _____; by Licensee _____
by Licensor only with consent of Licensee _____
by Licensee only with consent of Licensor _____

2.10 *Diligence*

Diligence covers the concept that the exclusive licensee will do all it can to operate under the license so that the licensor reaps a monetary benefit under the license. If this issue is not covered, then the exclusive licensee can sit on the technology and keep others from exploiting it and bringing money to the licensor.

14. DILIGENCE BY LICENSEE (Usually in absence of minimum royalty):
No obligation _____
Licensee will use its best efforts to _____
Licensee will use its reasonable best efforts _____
Licensee agrees to:
produce _____ or sell _____ specified units _____
produce _____ or sell _____ specified products ____
invest specified amount _____
satisfy demands of trade _____
not to refuse reasonable request for sublicense _____

Penalty for lack of diligence:
license converted to nonexclusive _____
Licensor may nominate Licensees _____

Licensor may terminate __ upon __ days' notice in writing

2.11 *IP defined*

Intellectual property (IP), and how it is paid for, must be defined in the agreement, whether it is only one patent or if it includes various reports and tangible materials. This part of the checklist may be more relevant to for-profit licensors, but nonprofit licensors may also have more than just a patent (and its family) to include in the definition of IP.

15. INTELLECTUAL AND TANGIBLE PROPERTY OF LICENSOR:

Not included, except as described in patents or applications _____
Included for products (specify) _____
For term of agreement _____; for specified term _____
For territory of license _____; for other territory _____

A. NATURE OF INTELLECTUAL AND TANGIBLE PROPERTY

i. Invention records __Know-how, not confidential ___
ii. Laboratory records ___Know-how, confidential ____
iii. Research reports ___Employee to be bound _____
iv. Development reports _____
v. Laboratory notebooks _____
vi. Construct components and design _____
vii. Test field lay-out and design _____
viii. Production specifications _____
ix. Raw material specifications _____
x. Quality controls _____; ISO 9000 procedures _____
xi. Economic surveys _____
xii. Market surveys ___; Producer lists __; Brokers ___
xiii. Promotion methods _____
xiv. Trade secrets _____
xv. List of customers _____
xvi. Drawings and photographs _____
xvii. Models, tools and parts _____
xviii. Germplasm _____
xix. Other (specify) _____

B. PAYMENT FOR INTELLECTUAL AND TANGIBLE PROPERTY

Included in royalty _____
Not included in royalty _____
Single payment of _____
Stock in amount of _____
Annual service fee of _____
for term of agreement _____
for specified term _____
If Intellectual Property surrounding it is held invalid:
Know-how payment stops _____
Know-how payment continues _____

16. INTELLECTUAL AND TANGIBLE PROPERTY OF LICENSEE:

Not included, except as described _____
Included for products (specify) _____
For term of agreement _____; for specified term ___
For Territory _____
Nature of Property included: _____

2.12 *Right of inspection; technical personnel*

If the licensee has licensed seed that is being produced by the licensor and that will include the transfer of tangible material (the seed) to the licensee, the licensee may want to have the right to inspect the licensors research data and fields during the term of the license. Whether or not licensors personnel shall be used to transfer know-how or tangible materials to the licensee, and at what cost, is also an important item to note in the contract.

17. RIGHT OF INSPECTION:

Licensee shall have the right to inspect Licensor's:
Research laboratory _____
Development laboratory _____
Laboratory notebooks _____
Test fields _____
Production fields _____; Nurseries _____; Greenhouses _____

Number of visits permitted per year _____; Number of persons _____

Special conditions of visits _____

Licensor shall have reciprocal rights of inspection _____

18. TECHNICAL PERSONNEL:
Licensor shall provide technical personnel to deliver Intellectual Property/Tangible Property (specify) _____:
At Licensor's expense _____; At Licensee's expense _____
Not more than _____ persons for not more than _____ days
At a fee which shall be the salary, plus _____ per cent
Travel expenses _____; living expenses _____
borne by Licensor _____; borne by Licensee _____

(Continued on Next Page)

TECHNICAL PERSONNEL: (continued)

Number and duration of stay of technical personnel determined by:
Licensor _____; Licensee _____; mutually _____
Ownership of reports made by technical personnel _____

2.13 *Remaining sections*

The remaining sections of the checklist are what may be identified as the "boilerplate sections" of the license, even though all of these terms are subject to negotiation. In any case, confidentiality terms, provisions for export control, the non-use of each party's name by the other party, arbitration (or not), terms of breach that will cause termination of the contract and the ramifications thereof, force majeure, assignment, favored-nation clause, notices, integration, language, modifications, applicable law, and schedules should be standard items considered by every licensing professional.

2.14 *Confidentiality*

If a confidentiality, or nondisclosure, agreement has been entered into by the parties and will remain effective during the term of the license agreement, nothing else is needed. If this hasn't been done, a section dealing with terms of confidentiality may be put into the license agreement. If the previously agreed-to confidentiality agreement is weak, now is the time to bolster it and to make sure that these terms in the license agreement take precedence over earlier agreements.

19. CONFIDENCE OF CONFIDENTIAL INFORMATION:

No obligation _____; Licensee obligated _____

Both parties obligated _____

Confidence maintained for specified time ____; Without limitation as to time _____; life of agreement _____

Until published by owner _____

Existence of this agreement confidential ___ ;Terms and conditions of this License to be kept confidential ___

Other _____

2.15 *Export regulations; use of party's name*

Export regulations are important in deals where technology is exported from the United States. All exports must comply with U.S. export control laws and regulations, and in particular, those goods and IP that may have a military use. It is a topic outside of the scope of this chapter, but as an item on the checklist, it alerts the negotiator that this is a topic to be considered. Other countries may have laws dealing with the same topic or with issues or registering the final agreement with the government. Again, this is a memory jog for the negotiator.

In some cases, either one or all of the parties will not want its/their name used in connection with any licensed products advertised or sold, as it may suggest that the licensing institution is recommending these goods. If this is the case, this should be stated in the agreement.

20. A. EXPORT CONTROL _____

B. Government registration regulations _____

21. NON-USE OF NAMES

Licensor's _____, with permission _____
Licensee's _____, with permission _____

2.16 *Arbitration*

In the case of a major disagreement about the terms of an agreement, parties may wish to take the issue to arbitration. Arbitration can be carried out in many different ways and it is easier to specify in the agreement the rules to be used for arbitration, before there is an issue to arbitrate.

22. ARBITRATION:

No right of arbitration _____
Parties will use their best efforts _____
Parties agree to arbitration by:
American Arbitration Association _____
By other body _____
By three persons, one selected by each party and a third by the selected persons
_____

Appeal from arbitration decision:
Not permitted, decision final and binding _____
Permitted _____ to _____

2.17 *Termination*

The termination section of an agreement can be quite complicated, or it can be very simple. I have seen agreements that have been hung up on determining what to do with the rights of the parties if a material breach were to occur. Thought should be given to this area, but beware of having it take over the negotiation. Areas to consider include the right of either party to end the agreement for no reason at all; the rights of the party that has performed when confronted with a party that refuses to perform; material breach issues; and length of notification of breaching activity and time given to the breaching party to cure the breach before losing rights and/or being charged penalties. Issues dealing with the natural expiration of the license should be considered, as well. What happens to the know-how (if any) upon the expiration of all patents? And what are the confidentiality provisions?

23. TERMINATION:

A. By Licensor:
- If certain person incapacitated ___ (name) ___
- If certain person terminated __ (name) __
- At specified time _____
- Upon breach after __ days written notice if not remedied within ____ days
- Other _____

B. By Licensee:
- At any time upon _____ days written notice
- On any anniversary date _____
- At a specified time _____
- Only upon payment of penalty of _____ dollars
- Upon breach after ___ days written notice if not remedied within __ days
- Other _____

C. Upon expiration, Licensee assigns to Licensor:
- Trademarks _____
- Patents _____
- Copyrights _____
- Sub-licenses _____
- As to any specified patents or applications _____
- Germplasm _____
- As to any specified country _____
- Of exclusive license with right to continue as nonexclusive _____
- Whenever any essential claim held invalid _____
- Upon bankruptcy of either party _____

(Continued on Next Page)

D. Upon Termination, without breach, Licensor assigns to Licensee:

Trademarks _____
Patents _____
Copyrights _____
Sublicenses _____
As to any specified patents or applications _____
Germplasm _____
As to any specified country _____
Of exclusive license with right to continue as nonexclusive _____
Whenever any essential claim held invalid _____
Upon bankruptcy of either party _____

E. Upon Termination with breach, Licensee assigns to Licensor:

Trademarks _____
Patents _____
Copyrights _____
Sublicenses _____
As to any specified patents or applications _____
Germplasm _____
As to any specified country _____
Of exclusive license with right to continue as nonexclusive _____
Whenever any essential claim held invalid _____
Upon bankruptcy of either party _____

F. Upon termination, with breach, Licensor assigns to Licensee:

Trademarks _____
Patents _____
Copyrights _____
Sublicenses _____
As to any specified patents or applications _____
Germplasm _____
As to any specified country _____
Of exclusive license with right to continue as nonexclusive _____
Whenever any essential claim held invalid _____
Upon bankruptcy of either party _____

2.18 *Force majeure*

This is the "it is out of my control" reason for not performing under the license. A hurricane has just wiped out your seed crops for the year, and you have no seeds to provide or to sell; your chemical plant just went up in flames. Things happen, and this fact of life should be considered in the contract. The key is to determine what is required after the force majeure occurs to get the licensed product out the door, or the goods to the licensee as quickly as possible. Technically a French term, it literally means "greater force."

24. FORCE MAJEURE:

Licensor has right _____
Licensee has right _____
Both parties have right _____
Nature of Force Majeure:
Natural events: fire, floods, lightning, windstorm, earthquake, subsidence of soil, etc.
(specify) _____
Accidents: fire, explosion, equipment failure, other _____
Civil events: commotion, riot, war, strike, labor disturbances, labor shortages, raw material and equipment shortages _____
Governmental: government controls, rationing, court order _____
Any cause beyond control of party _____
Time after occurrence that the exclusive license becomes nonexclusive _____months
If there are fixed payments, are they excused during FM period ___?

2.19 *Assignment provision*

A license is considered to be personal to the licensor, especially in the case of an exclusive license. The licensor hand picks the licensee, for many reasons, and rejects others for many reasons. Additionally, an exclusive licensee may be interested in taking a license from a particular licensor, and not from another. In these cases, the right to assign a license may be forbidden, or at least greatly limited to "only with the permission of the nonassigning party." Nonexclusive licenses tend to be more open to assignment, especially if there are many licensees. There may or may not be fees attached to the transfer, or assignment, of a license.

25. ASSIGNMENT OF AGREEMENT AND LICENSE:

a) Not assignable by either party _____
b) Assignable by Licensor, without consent of Licensee __; only with consent __
c) Assignable by Licensee, without consent of Licensor; only with consent ___
d) By either party upon:
Merger _____
To successor of portion of business involving: license___; or only entire business ___
To any company of which a majority of stock is owned _____
To any company of which a controlling interest is owned _____

Binding upon heirs, successors and assigns _____
Fee for assigning _____ How much? _____

2.20 *Favored nation*

A licensee may demand that they pay the same royalty and/or fee as another licensee that pays the least for the same license. This can be limited, for example, to the same royalty rate, but not to up-front fees, or not take in consideration the worth that cross-licenses to IP bring to a deal. Generally, it is very tough to determine if one party has a better deal than another unless it is a straight money deal.

26. FAVORED NATION CLAUSE:

Licensee guarantees performance (and amount of return) _____
Licensor required to notify Licensee of similar license _____
Licensee has option to take term of similar license _____
License changed to terms of more-favorable license _____
Licensee may terminate if not given cheaper license _____

2.21 *Notices; integration; language; modifications; law; signatures*

You will find that clauses that involve the following issues tend to be boilerplate clauses:

- Notices. the handling of any notices, payments, and so forth, that you must make or should receive
- Integration. a statement that this is the controlling document, no matter what else was said or signed previously, unless specifically stated in the license.
- Language: deals with languages used in writing the license (Will each translation of the license be acceptable? Or only the license written in one of the languages?)
- Modifications: specifies whether amendments to the license are to be in writing (If oral changes are OK for your deal, or for portions of it, specify it here.)
- Law: specifies which country's laws will be applied to interpreting the license; what courts will hear a lawsuit; and in what country, specifically, lawsuit would be filed.
- Signature: recommended to type in the name and title of the signatory (Two years after signing, all parties to the deal may have changed, and many signatures may be illegible by then.)

27. NOTICES AND ADDRESSES:

By registered mail _____
By registered air mail (for foreign licenses) _____
By overnight mail _____
After ___ days if by FAX with confirming telephone call ___
After ____ hours if by e-mail to ____specify_____
Licensor's legal address for notice: _____
Licensee's legal address for notice: _____

(Continued on Next Page)

28. INTEGRATION:

This instrument is the entire agreement between parties _____
This agreement supersedes all _____ prior agreements between the parties or the agreement dated _____

29. LANGUAGE (for agreement with foreign language licenses):

The official language(s) shall be __specify language(s)____
Copy in _____ language shall be official _____; unofficial __

30. MODIFICATIONS AND AMENDMENTS:

This License can not be modified or amended _____
No modification effective unless written and signed by both parties __

31. APPLICABLE LAW:

To be read, construed, understood and adjudicated according to the laws of _____ in the courts located in _____.

32. SIGNATURES:

For Individual:
Witnessed by _____ witness(es)
For Corporations:
By officer _____
Title shown _____

2.22 *Schedules*

This is the place to give very specific listings of items covered in the license, background documents, and research project outlines and specific procedures. It can be easier to modify a schedule than the whole contract, should the need for changes arise. A few types of schedules are listed.

33. SCHEDULES:

A. PATENT LIST (Give inventor, number, issue date, official title)
B. PATENT APPLICATIONS (Give inventor, number, filing date, official title)
C. DESCRIPTION OR COPIES of official documents, such as sublicenses, assignment, prior license, etc.
D. ACCOUNTING PROCEDURES for determining sales, net sales, sale value of stock, or other property
E. EXISTING LICENSES AND/OR SUBLICENSES
F. SPECIFICS OF EQUITY ARRANGEMENTS
G. RESEARCH PROGRAM DETAILS

3. CONCLUSION

This license checklist is a comprehensive tool useful for capturing very important concepts and terms in a complex license. Nonetheless, the checklist can and should be modified by each institution to reflect the way it does business. Having key concepts available to the negotiator and license draftsperson with a quick reading of a checklist can save much aggravation and potential misery should a deal go bad during its lifetime. It is much more cost effective to craft a sound license up front, having key terms as well-defined as possible, than it is to fix the problem through arbitration or litigation later on. ■

DONNA BOBROWICZ, *Technology Transfer Specialist, Loyola University Chicago, Stritch School of Medicine, 2160 S. First Avenue, Building 120, Room 400, Maywood, IL, 60153 U.S.A.* dbobrowicz@lumc.edu