

# The Joys and Pitfalls of Licensing

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# Agenda

- Overview: Types of IP and Licenses
- Agreement Structure
- Selected Issues
- Special Challenges in Licensing Deals



# Lawyers at Work





## Overview – What is a License ?

- A license grants rights under a specific set of intellectual property rights to undertake certain activities.
- The type of IP rights being licensed will determine the nature of the rights to be granted.
- Special Case: the know how license will have to grant rights, but also impose restrictions on licensee.



## Overview – What is IP?

Intellectual Property can be

- know how – technical, administrative or commercial knowledge not generally known
- a registered right – like a patent, trademark, etc.
- a copyright



## Overview – What is Know How vs. a Trade Secret?

- Know How is often defined as experience and information in the technical and business environment, which is not specifically protected by an IP right, such as a patent, however, grants economical or technical advantages over third parties.
- Definition of Trade Secret  
"[information ... that: (1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy" (Uniform Trade Secrets Act adopted in various US jurisdictions)



## Overview – What is a Patent?

- patents protect inventions
- under European Law, an invention is a solution for a technical problem that is novel and based on an inventive step
- patents are territorial in nature
- patent rights are "rights to exclude" - NOT a right to practice the patented invention
- patent laws define scope of rights to exclude others from
  - making, using, offering to sell, selling, and importing ...
- usually 20 years, continuous obligation to pay maintenance fees
- utility patent: 10 years, no examination of novelty and inventive step
- patent strategy can be defensive or aggressive



## Overview – What is a Trademark?

- denominates the origin of a product or service
- needs to be distinct
- can be a word, a figurative mark or a combination
- protection only in specific countries
- repetitive 10 year terms, can be upheld indefinitely, but becomes voidable if not used for five years after registration





## Overview – What is a Copyright?

- does not protect content, but design
- comes into existence with the creation of the work
- applies to works of the fine arts, designs, architecture, music, but also texts and even...
- ... software
- 70 years after death of creator



# Software Patents

Germany:

- Statutory situation excludes patenting of pure software patents.
- Jurisdiction is controversial.
- Unfortunately the legal situation remains unclear for the time being.



# Software Patents

Europe:

- The EPO has issued many patents for inventions involving software since 1970, based on the interpretation of European patent law allowing for software patents, where an invention makes a non obvious „technical contribution“ or solves a „technical problem“ in a non obvious way.
- Patents have also been allowed for inventions being useful for business and solving a technical problem.
- Pure business patents are not allowed.
- No enforcement history.



# Software Patents

US:

- More than 150,000 software patents have been issued including many patents being granted for business methods implemented in software.
- In the US there have been several successful enforcement trials for software patents.



## License Types – Patent License

- license covering the claim of a patent
- for specific or all possible uses (scope)
- for certain territories
- for a certain term (maximum term life of patent)



## License Types – Trade Secret/Know How

- A know how license usually grants a right to make use of know how, but is really an agreement on certain prohibitions concerning know how provided.
- No specific protection, however, section 17 of the German Unfair Trade Practices Act (UWG) applies.
- Prohibition is usually two-fold: only certain uses allowed and obligation of confidentiality.
- Important: limitations need to apply even after term has ended.



## License Types – Trademark

- license covering the use of a certain trademark to mark products or services
- for specific or all possible products and services
- in a certain territory
- for a certain term



## License Types – Copyright

- Owner of copyrighted work has the exclusive right to copy (reproduce), prepare derivative works, distribute, publicly perform, and publicly display.
- A copyright license provides licensee with the right to exercise the exclusive rights otherwise reserved to the owner of the copyrighted work.





## License Types – Hybrid

- cover more than one form of IP
  - most common: patent and know-how license
- consider splitting into multiple license grants
  - particularly for patent/copyright/trademark licenses



## Overview – Different Qualities and Scopes of a License

### Quality:

- exclusive License
- semi-exclusive License/Sole License
- non-exclusive License
- compulsory License

### Scope:

- territory
- term
- use (scope)

## Agreement Structure – The Anatomy of a License

- preamble (describe what purpose agreement serves)
- parties of the agreement
- grant of license
- obligation to exercise licensed rights
- fees/royalties
- accounting
- reps & warranties
- improvements
- covenant not to sue, third-party-infringements
- confidentiality
- term and termination
- choice of law/venue
- miscellaneous



## Selected Issues – License Grant

Subject to the terms and conditions of this Agreement, Licensor hereby **grants** to Licensee [and its Affiliates that agree in writing to be bound by the terms of this Agreement], a [royalty-bearing/fully paid], [perpetual and irrevocable], [non-transferable, subject to Section X], [non-/co-/exclusive license,] [including/without the right to grant sublicenses] under the Licensed Technology, to make, have made, use, sell, offer for sale and import Licensed Products [and practice the Licensed Process for any purpose/to research, develop and manufacture the Licensed Product] for use in the Field and in the Territory.



## Selected Issues – Financial Terms

- fixed fee license
- upfront payment/minimum fee
- milestone payments
- royalties
- disclosure of accounts



## Selected Issues – Reps & Warranties

- ownership
- encumbrances
- registration/maintenance
- (employee) inventors
- infringements by third parties
- infringements of third party rights
- fitness for a particular purpose



## Selected Issues – Term and Termination

- term
  - Agreement Term; Research Term; Royalty Term
- expiration
  - Term has run its natural course
- termination
  - Premature termination of agreement prior to Expiration
- it is all in the consequences
  - Sanctions under the termination regime
- survival
  - Terms that survive Expiration and/or Termination



## Special Challenges in Licensing Deals

- IP ownership/employee inventions
- IP protection at its limit:
  - research privilege and compulsory licensing
- licenses and insolvency
- cross border deals
- dispute resolution





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