Basic contractual requirements on PATENT LICENSING

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Basic contractual requirements on Patent Licensing:

PRESENTATION OUTLINE

I. Patent licensing: its acknowledged importance for business and trade Law

II. Issues to be addressed for a better Patent Licensing legal environment
PART 1

Patent Licensing: its Acknowledged Importance for Business and Trade Law
Issues at Stake: Why Patent Licensing matters?

The role of patents are key to promoting innovation as they behave as:

- incentives to innovate for inventors
- incentives to make innovations available to the society, through:
  - Commercialization of inventions
  - Sale of the patent
  - Licensing *i.e. creating a MARKET FOR INNOVATION*
Existing Patent Licensing Options

- Compulsory licensing (a complicated option)

- Voluntary licensing (by far the best option)

>>>>>> voluntary licensing is the only option relevant to a Contractual Guide on IP Licensing
Key Importance of Disseminating Voluntary Licensing

- Importance of good practices for voluntary licensing was progressively acknowledged

- Development of various tools:
  - Model Laws
  - Guides and Guidelines

- By many International and National Stakeholders
Many Good Efforts, and Much Space for Further Efforts

- To be noted in particular:
  - WIPO’s efforts
  - OECD’s efforts
  - EU’s efforts
  - Many national governmental or business circles’ efforts

... but there is still space for further dissemination of a legal culture of Patent Licensing
Many Stakeholders in Patent Licensing

- Universities and Research Centers
- Business circles (a large variety of stakeholders from venture capitalists to innovative companies)
- Government (public interest)
A KEY ROLE FOR PATENT LICENSING IN EVERYDAY BUSNESS LIFE

Importance of Further Clarification in Many National Laws on Licensing Basic Requirements
Part 2

Issues to be addressed for a better Contractual Patent Licensing legal environment
Who is Who in Patent Licensing

Licensing laws should facilitate:

- Identification of the parties
- Identification of objectives of the parties = scope of license
What to License?
The Subject Matter (I)

Licensing laws should facilitate:

- Identification of product or process
- Identification of invention
- Clear description of know-how provisions
- Writing of confidentiality clauses
- Regime of access to technical advances / cross licensing
- Determination of limitations of the license and of anti-competitive practices (tie-in clauses on exports, patents, etc)
What to License?
The Subject Matter (II)

Licensing laws should facilitate determination of:
- Territory
- Permitted field of use
- Exploitation (quality, volume, guarantees of knowledge, third parties)
- Settlement of disputes between parties
- Duration of the contract
Licensing and Profit: Forms of Remuneration

Licensing laws should facilitate clarification of:

1- Direct remuneration options
   - Lump sum (vs. taxes)
   - Royalties (%)
   - Fees (for consultants + services)
Licensing and Profit: Forms of Remuneration

2- Indirect remuneration options

- Income from related operations
- Dividends (subject to national legislation)
- Cost-sharing
- Market information
- Savings

3- Currency issues
Types of Licenses

Licensing laws should facilitate clarification on Licensing regimes:

- Exclusive
- Sole
- Simple
- Non exclusive
- Most favored License clause
State Control over IP Licenses

*Why?*

- Competition rules: patents and their licensing should not allow anti-competitive monopolies
- Development issues and access to technology

*To what extent?*

If controls are too detailed, by an inadequate supervisory body, licensing (and innovation) may be hampered (good practices do exist: EU, UK, etc)

If formalities are too numerous, or not enough detailed, laws governing licenses may affect other branches of commercial law
Fighting License Infringements

Licensing laws should facilitate clarification on

- The role of private parties
  - Privilege of licensor or non exclusive licensee
  - .....except in case of inaction or of other contractual clauses

- The role of Justice (Courts or ADRs)
Beyond Licensing

Licensing laws should facilitate clarification on

- More than licensing:
  - Franchising
  - Turn-key projects and joint-ventures
  - Assignment of Patents = sale

- Less than licensing:
  - Know-how and confidentiality agreements
Conclusion

A Contractual Guide on IP Licensing, including Patents, is feasible and desirable

- to further clarify the legal environment of IP and Patent Licensing
- to facilitate harmonization of such legal environment

Any Guide project should streamline past efforts made for better practices on IP and Patent Licensing