



***'A multidisciplinary
glimpse of license
agreements'***

IBJ presentation

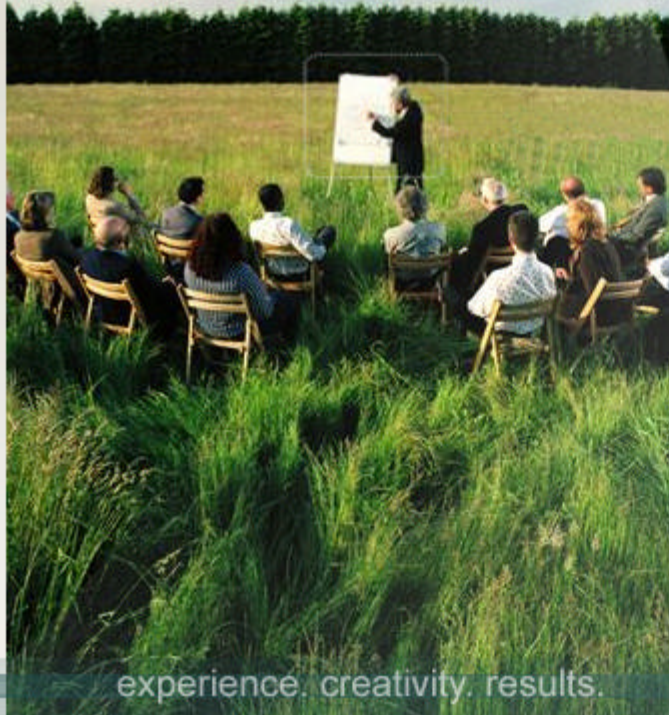
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I - Contractual aspects

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II – Competition aspects

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Agenda for today

I. Contractual aspects

- Pre-Contractual points of interest
- Key clauses

II. Competition and anti-trust aspects

- Technology licensing
- Trademark and copyright licenses
- Abuse of dominance in a licensing context

I. Contractual aspects

Pre-Contractual points of interest

- Concept
- Importance
- Objective
- Approach

Examples

- Wide scope (not only IP)
 - Software license (OEM, Volume, ...)
 - Merchandising
 - Franchising
 - Patent license
 - Trade mark license
 - Etc.

Concept

- Undefined - no definition in
 - BVIE: Trade marks and Designs
 - Copyright – Directive - Law
 - Patent law
 - Commission Regulation (EC) No 772/2004 of 27 April 2004 on the application of article 81 (3) of the Treaty to categories of technology transfer agreements
 - Trade marks Regulation
 - Domain names Regulation

Concept

- Latin: licentia: permission
- Van Dale: li-cen-tie de; v -s 1 patent, verlof; vergunning(sbewijs) 2 (Belg) tweejarige studie tot het behalen vh licentiaat
- Larousse: licence nom féminin
(latin *licentia*, liberté, de *licere*, être permis)
 - Littéraire. Liberté excessive qui tend au dérèglement moral ; ce qui est licencieux, contraire à la décence.
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Licence d'exploitation, autorisation accordée par le titulaire d'un brevet d'invention pour son exploitation dans des conditions et dans des pays déterminés.
Licence d'importation, licence d'exportation, autorisation délivrée par l'Administration, d'importer ou d'exporter certaines marchandises dont les échanges sont réglementés.
- Merriam-Webster Main Entry: 1 li-cense Variant(s): or li-cence \lī- sən(t)s\ Function: noun Etymology: Middle English, from Anglo-French licence, from Latin licentia, from licent-, licens, present participle of licēre to be permitted Date: 14th century 1 a: permission to act b: freedom of action 2 a: a permission granted by competent authority to engage in a business or occupation or in an activity otherwise unlawful b: a document, plate, or tag evidencing a license granted c: a grant by the holder of a copyright or patent to another of any of the rights embodied in the copyright or patent short of an assignment of all rights 3 a: freedom that allows or is used with irresponsibility b: disregard for standards of personal conduct : <licentiousness> 4: deviation from fact, form, or rule by an artist or writer for the sake of the effect gained synonyms see <freedom>

Importance

- Need for object description
 - Rights and Obligations
 - Imperative vs Permissive provisions
 - Determine limits: from minimal user's rights to disposal rights

Objective

- To enlarge the market
- To shift costs
- To share or shift risks
- To use local knowledge and experience
- Good understanding – No dispute

Essential characteristics

- IP or other (Know How)
- Reciprocal
- Against payment or free of charge
- Consensualism, but:
 - Patent licenses (written document is required - sanction absolute nullity)
 - Copyright (explicit compensation, scope and duration required per exploitation method)

- *Intuitu personae* character
 - Generally from the licensee (except for software agreements)
 - Sometimes from the licensor (know how license)
- Temporarily or indefinitely:
 - Related to the extinction of the underlying right?
 - Possibility of perpetual licenses?

Approach

- **Due Diligence**
- To draft and negotiate a **Contract**
- To follow up the implementation of the contract
- To follow up the compliance of the contract

Due Diligence

- Who is Who ?
 - Experience
 - Organisation
 - Sub-licensees
 - Nature
 - Distributor
 - Agent
 - Number
 - Quality and Selection requirements

Due Diligence

- Who is Who ?
 - Procedures
 - Loyalty
- Market
 - Players
 - Legal culture
 - Geography
- Product
- Regulation
- Enforcement of rights
- Jurisdiction / ADR

Casus

- Termination of
 - 1. Solder paste blending license agreement
 - 2. Flux blending license agreement
- Lawsuit: Concession or License?: delivery of raw materials
- Importance of delivery of final products
- Judgement: no concession !

Contractual

- Obligations - essential
 - Competence
 - Will
 - **Object**
 - Cause
- Standard non-negotiable contract
(*Toetredingscontract – Contrat d'adhésion*) vs.
Individually negotiated contract

Clauses - Checklist

- Object
 - Definitions or descriptions
 - Product
 - Service
 - Right
 - Annexes
 - General Conditions
 - Technical information
 - Quality standards and control
 - Standard Sublicense agreement

➤ Compensation and payment modalities

- License
- Sublicense
- Reporting and follow up
 - Audit
 - Visits
 - Sanctions

Clauses - Checklist

- IP rights
 - Original rights
 - Registrations
 - Monitoring
 - Financing
 - Notification (e.g. Patent)
 - Rights on amendments
 - Check and evaluate amendments
 - Maintenance - Enforcement
 - by Licensor
 - by Licensee
 - by both
 - Guarantees vs. Exoneration
 - Insurance

Clauses - Checklist

- Time aspect
 - Trial period
 - Indefinite
 - Definite
 - Extension
 - Termination

Clauses - Checklist

- (Non-)Exclusiveness
- *Intuitu personae* character
- Non-Competition
- Non-poaching
- Confidentiality
- Communication
- Compensation
- Bankruptcy
- Applicable Law

Clauses - Checklist

- Jurisdiction
 - Escalation mechanism
 - Courts
 - ADR
 - National
 - International
 - Scope
 - For the entire contract
 - For specific parts
- Enforcement vis-à-vis third parties
 - Co-contractors
 - Sub-licensees
 - Independent co-workers
 - Employees

II. Competition aspects

Introduction

Introduction

- Competition & IP : Difficult Relationship
 - legal monopolies
 - national and territorial
 - existence vs. exercise
- Competition and Licensing :
 - ‘open door’ analysis vs. ‘restriction’ based analysis
 - technology licensing vs. other licenses
- Consequences of competition infringement :
 - Contract/clause is null and void;
 - Fines

Technology Licensing

Potentially restrictive terms

- Limits on licensor's ability to
 - exploit the licensed IP itself
 - license third parties

- Limits on licensee's ability to
 - trade freely in licensed products
 - exploit or develop its own IP
 - challenge the licensed IP
 - license and use third party IP

Examples of restrictions

Potentially Hardcore	Other (effect)
Sales price restrictions	Captive use requirements
Territorial/Customer restrictions	No-challenge clauses
Own-IP/R&D restrictions	Grant-back provisions
Output restrictions	Non-compete provisions
Sole/Exclusive licenses	
Product market/Field of Use restrictions	

The TTBE safe harbor

- Only bilateral tech transfer licenses covered
- Market share thresholds
 - 20% for horizontal licenses
 - 30% for vertical licenses
- Hardcore restrictions prohibited
 - lose protection if included
 - separate lists for horizontal, vertical and reciprocal horizontal licenses
- Certain 'excluded' restrictions not covered

Issue : Control Price of Licensed Goods or Services

- Vertical licenses
 - fixed or minimum price restrictions considered hardcore
 - maximum price restrictions/recommended prices acceptable

- Horizontal licenses
 - all price restrictions considered hardcore

Issue : Restrict Licensee's Sales of Licensed Products to a Territory or Customer Group

- Vertical licenses
 - active sales restrictions generally possible
 - passive sales restrictions hardcore – except
 - between licensee and licensor in areas of exclusivity
 - to exclusive areas of other licensees (two year limit)

- Horizontal licenses
 - all sales restrictions hardcore – except
 - between licensee and licensor in areas of exclusivity (active + passive sales)
 - active sales to exclusive areas of other licensee
 - **nb** exceptions apply to non-reciprocal licenses only

Issue : Restrict Licensee's Sales of Licensed Products to a Territory or Customer Group

Exclusive Territory Licensor	Exclusive Territory Licensee A
Exclusive Territory Licensee B	Non-exclusive Territory Licensee C

Issue : Limit Licensee's Use of the Licensed Technology to a Product Market/Field of Use

- Vertical licenses
 - generally acceptable

- Horizontal licenses
 - covered by TTBE, except
 - hardcore in reciprocal licenses
 - may raise issues if licensor has market power

Issue : Limit Licensee's Ability to Exploit Own IP or Carry Out R&D

- Vertical licenses
 - not covered by TTBE
 - must be individually justified

- Horizontal licenses
 - hardcore – except
 - R&D restrictions necessary to protect licensed know-how

Issue : Limit Licensee's Output of Licensed Products or Services

- Vertical licenses
 - covered by TTBE
 - may raise issues at higher market shares

- Horizontal licenses
 - hardcore, except
 - on licensee only in non-reciprocal licenses
 - on one party only in reciprocal licenses

Issue : Avoid Challenge of the Validity of the IP by the Licensee

- No challenge clause must be individually justified
 - not covered by TTBE
- Clause terminating license on challenge = acceptable

Issue : Obtain Benefit of Improvements to the Technology by Licensee

- Exclusive license back or compulsory assignment of severable improvements not covered by TTBE
 - must be individually justified
- Can safely require
 - exclusive license or assignment of non-severable improvements
 - non-exclusive license of severable improvements

Other IP Licenses

Other IP Licenses

- No block exemption/No Guidelines
- Individual assessment
 - Actual or potential competitors
 - Market shares
 - Object or effect of restriction
 - Existence vs. exercise

Trademark Licenses

- Block exempted if ancillary to agreement covered by BER
- Analysis of restrictions similar to TTBER
- Trademark specific issues :
 - No-challenge clauses
 - Trademark delimitation agreements

Trademark Licenses (Cont.)

- Trademark specific issues :
 - Prohibition on sublicensing
 - Quality control requirements

Copyright Licenses

- Block exempted if ancillary to agreement covered by BER
- Analysis of restrictions similar to TTBER
- Copyright specific issues :
 - Territorial restrictions

Dominance and Licensing

Licensing abuses

- Discriminatory licensing
- Acquiring competing technologies
- Refusal to license

Conclusion

- Competition analysis of licenses – key questions:
 - Ancillary to other agreement?
 - Are parties actual or potential competitors?
 - Reciprocal or not?
 - Market shares on technology and product markets?
 - Individual clauses :
 - Justified by subject matter of IP?
 - Necessary for the agreement?
 - Effects on licensor, licensee, competitors?

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Questions?*

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