

NOTE ON INTERNATIONAL LICENSING

Professor Paul Beamish wrote this note solely to provide material for class discussion. The author does not intend to provide legal, tax, accounting, or other professional advice. Such advice should be obtained from a qualified professional.

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Licensing is a contractual arrangement whereby the licensor (selling firm) allows its technology, patents, trademarks, designs, processes, know-how, intellectual property, or other proprietary advantages to be used for a fee by the licensee (buying firm). Licensing is a strategy for technology transfer. It is also an approach to internationalization that requires less time or depth of involvement in foreign markets, compared with export strategies, joint ventures, and foreign direct investment (FDI).

A closely related contractual arrangement to licensing is franchising. Franchising is an organizational form where the franchisor (parent company/owner) of a service, trademarked product, or brand name allows the franchisee to use the same in return for a lump sum payment and/or royalty, while conforming to required standards of quality, service, and so forth.

Most international licensing agreements are between firms from industrialized countries. As well, licensing occurs most frequently in technology-intensive industries. It is not surprising, then, that the overall use of licensing varies greatly from country to country. For example, of the top 50 global licensors, 41 are from the United States, one from Canada, six from Europe, and two from Japan. Over half of retail sales are made by the top 10 licensors.

A great deal of international licensing also occurs in industries that may not be technology-intensive. These industries range from food to sports teams to publishing. Annual retail sales of licensed merchandise exceeds \$250 billion.¹ The popular press is replete with announcements regarding international licensing (see Exhibit 1).

From a global perspective, nearly 800 franchisors have sold franchises abroad, accounting for tens of thousands of overseas locations. For example, three quarters of KFC's more than 17,000 locations are outside the United States, and of these, the majority are via franchise.

Much of the licensing discussion that follows assumes a technology transfer. This would generally constitute a more complex form of licensing than that involving trademarks, for example.

¹ All currency in US\$ unless specified otherwise.

The term “licensing” is also used internationally in reference to national governments, which provide licenses for foreign banks or insurance companies to operate in their market, for resource companies to undertake exploration, and so forth. This is a different form of permission than the focus here.

WHEN IS LICENSING EMPLOYED?

The strategic advantages to be gained by licensing depend on the technology, firm size, product maturity, and extent of the firm’s experience. A number of internal and external circumstances may lead a firm to employ a licensing strategy. From the perspective of the licensor these would variously include:

1. A firm wants to earn additional profits but lacks the capital, managerial resources, or knowledge of foreign markets required for exporting or FDI.
2. A desire to test and proactively develop a market that can later be exploited by direct investment.
3. The technology involved is not central to the licensor’s core business. Not surprisingly, single—or dominant—product firms are typically reluctant to license their core technology, whereas diversified firms are much more willing to license peripheral technologies.
4. Prospects of “technology feedback” are high (i.e., the licensor has been contractually ensured of access to new developments generated by the licensee and based on licensed knowledge).
5. The licensor wishes to exploit its technology in secondary markets that may be too small to justify larger investments; the required economies of scale may not be attainable.
6. Host-country governments restrict imports or FDI, or both; or the risk of nationalization or foreign control is too great.
7. The licensee is unlikely to become a future competitor.

The pace of technological change is so rapid that the licensor can remain technologically ahead of the licensee, who is a potential competitor. As well, if the technology may become obsolete quickly, there is pressure to exploit it fully while the opportunity exists. Similarly, if there is a desire to create an industry standard, there is pressure to quickly license technology out broadly.

From the perspective of the licensee, the main advantage of licensing is that the licensee’s existing products or technology can be acquired more cheaply, faster, and with less risk from third parties (licensors) than by internal research and development. Another advantage is that the licensee can gain product designs for a desired diversification, to complement other assets it possesses such as production or marketing capability.

RISKS ASSOCIATED WITH LICENSING

The most important risk associated with licensing (or franchising) is that the licensor risks the dissipation of its proprietary advantage, since the licensee acquires at least a portion of the advantage via licensing. Thus, any licensor should try to ensure that its licensee will not be a future competitor or act opportunistically. Not surprisingly, many license agreements are made between firms from different

countries so as to reduce the likelihood of creating a competitor in the domestic market. Other approaches include limiting the licensee's market and insisting on technology feedback or flowback clauses.

Licensed trademarks remain the licensor's property in perpetuity, whereas licenses normally have a finite lifetime. A licensor may retain considerable bargaining power in proportion to the perishability of the licensed technology and the licensor's ability to provide a supply of new technology in the future.

A second risk with licensing is that the licensor jeopardizes its worldwide reputation if the licensee cannot maintain the desired product standards and quality or if it engages in questionable practices. Because the licensor will typically become aware of licensee questionable practices only after the fact, this suggests the need to devote more time during the original negotiations to understanding the character of the licensee.

Another consideration with licensing is that profits to the licensor may not be maximized. This is because (a) their involvement in the licensed markets is indirect, (b) exchange rates change, (c) some countries limit the amount of outward payments for licenses, and so forth.

Some of the standard elements of a license agreement are more difficult than others for the licensor to enforce. These would include (a) guaranteeing flowback of actual improvements, (b) sublicensing, (c) diligence that the terms are being honored, and (d) quality control. As a result, sometimes licensing may not provide even the minimum expected benefits.

INTELLECTUAL PROPERTY RIGHTS

In many countries intellectual property legislation either does not exist or is not fully enforced. Not surprisingly, a major issue for many companies is infringement of their intellectual property rights. With billions of dollars at stake, this issue has also become a key element in national trade negotiations.

Some companies have deemed it necessary to enter into license agreements as a means of offsetting trademark piracy. The logic behind such "reluctant licensing" is that by licensing a local firm the local firm will, in turn, take the necessary steps to stop unlicensed domestic competitors from using the intellectual property.

There are numerous implications with such a scenario. For example, many organizations are feeling pressure to internationalize their operations sooner than they were expecting. As a consequence, they view licensing as a defensive solution, rather than an opportunity.

COSTS OF LICENSING

Licensing is sometimes incorrectly viewed as a one-time transaction involving little in the way of costs for the licensor. In reality, there are costs associated with (a) the protection of industrial property, (b) establishing the license agreement, and (c) maintaining the license agreement.

Protection costs are not solely the costs of registering one's patents or trademark, but potentially entail defending one's intellectual property in a court of law. Establishment costs would include expenses for searching for suitable licensees, communication, training, equipment testing, and so forth. Surprisingly, some companies with strong technologies do not even have a single full time employee responsible for technology licensing. Some products/technologies lend themselves to licensing, while others do not. The

greater the cost and complexity of modifying the underlying intellectual property, the more difficult it is to effectively employ a licensing strategy.

Maintenance costs might include backup services for licensees, audit, ongoing market research, and so forth. These are nontrivial expenses. For example, Seattle-based consultants from Starbucks Coffee visit each foreign store (licensee) at least once a month. Monitoring costs will directly and significantly affect the willingness of companies to license or franchise internationally.

To all of these out-of-pocket expenses must be added opportunity costs. Opportunity costs are made up of the loss of current or prospective revenues from exports or other sources.

UNATTRACTIVE MARKETS FOR LICENSING

A number of conditions directly impact “real” licensing returns and make a particular country an unattractive market for licensing. The first of these conditions occurs where there is a regulatory scheme governing licensing. In some countries—such as France, Ireland, and Spain—licenses are not valid until government approval or registration is completed.

A second condition occurs when licenses granting exclusive rights to certain products or territories are not allowed. In some cases, governments may prohibit them because competition will be substantially lessened. Also, some countries place limits on the allowable duration of agreements.

Another condition occurs when there are foreign exchange controls or other restrictions on royalty payments (license fees). Frequently, a withholding tax on royalty payments to nonresident licensors may be applied. In Europe, the combined withholding tax and VAT (value-added tax) can range up to about 50 per cent.

Finally, some countries impose royalty and fee limits. Some use a 10 per cent limit, while others employ a more stringent three per cent limit. Any of these government-set rates can, and frequently do, change over time.

Overall, licensing tends to be more attractive when agreements formed in the country enjoy the benefit of freedom of contract. Here the parties may, for the most part, create their own legal framework by the manner in which the contract is written.

MAJOR ELEMENTS OF THE LICENSE AGREEMENT

The license agreement is the essential commercial contract between licensee and licensor, which specifies the rights to be granted, the consideration payable, and the duration of the terms. The licensed rights usually take the form of patents, registered trademarks, registered industrial designs, unpatented technology, trade secrets, know-how, or copyrights. The license agreement should make explicit reference to the product as well as to the underlying “intangible” or “intellectual” property rights.

Although no definitive standard form exists for license agreements, certain points are typically covered. In many cases, licensors will have developed standard forms for these contracts, based on their past experiences in licensing. Typically, a license agreement will include the following:

1. A clear and correct description of the parties to the agreement, identifying the corporate names of each party, its incorporating jurisdiction, and its principal place of business.
2. A preamble or recitals describing the parties, their reasons for entering into the arrangement, and their respective roles.
3. A list of defined terms for the purposes of the particular contract to simplify this complex document and to eliminate ambiguity or vagueness (e.g., definitions of the terms licensed, product, net profit, territory, and so forth).
4. A set of schedules, in an exhibit or appendix, where necessary, to segregate lengthy detailed descriptions of any kind.
5. The grant that is fundamental to the agreement and explicitly describes the nature of the rights being granted to the licensee. This grant may be based on promotion methods, trade secrets, list of customers, drawings and photographs, models, tools, and parts; or know-how. Know-how, in turn, may be based on invention records, laboratory records, research reports, development reports, engineering reports, pilot plant design, production plant design, production specifications, raw material specifications, quality controls, economic surveys, market surveys, etc.
6. A description of any geographical limitations to be imposed on the licensee's manufacturing, selling, or sublicensing activities.
7. A description of any exclusive rights to manufacture and sell that may be granted.
8. A discussion of any rights to sublicense.
9. The terms relating to the duration of the agreement, including the initial term and any necessary provisions for the automatic extension or review of the agreement.
10. Provisions for the granting of rights to downstream refinements or improvements made by the licensor in the future.
11. Provisions for "technological flowback" agreements where some benefit of improvements made by the licensee reverts to the licensor. The rights to the future improvements by either the licensor or licensee are often used as leverage in negotiations.
12. Details regarding the royalties or periodic payments based on the use of licensed rights. The percentage rate of the royalty may be fixed or variable (based on time, production level, sales level, and so forth), but the "royalty base" for this rate must be explicitly defined. Some methods of calculating royalties include percentage of sales, royalties based on production, percentage of net profit, lump-sum payments, or payment-free licenses in cross-licensing arrangements. Aulakh et al. found that the "licensor's monitoring of the licensee and interfirm interaction are significantly higher in a royalties-based agreement, and that licensor firms prefer lump-sum fee agreements when faced with uncertainties related to intellectual property protection and ability to repatriate earnings from foreign markets." (p. 417)

There are no hard-and-fast rules for establishing royalty rates. One arbitrary rule (see Contractor in Supplementary Reading) is the "25 per cent rule of thumb," which suggests that the licensor aim for a

25 per cent share of the licensee's related profits and then convert this profit level to a certain royalty rate. Others suggest that licensors will often specify a minimum or target absolute compensation. This can be derived from technology transfer cost considerations or a judgment of how much it may cost the prospective licensee to acquire the technology by other means or from an "industry norm." Royalty escalation clauses and the currency of payment should also be specified.

It is often quite difficult for the licensor to accurately estimate the market potential for its property. As a consequence, the licensee, with its greater knowledge of local conditions, is often in a stronger position when the royalty rate terms are being negotiated.

13. Specification of minimum performance requirements (e.g., minimum royalty payments, unit sales volumes, employment of personnel, minimum promotion expenditures, and so forth) to ensure the "best efforts" of the licensee so that the license potential is fully exploited. For example, most license agreements that confer exclusive selling rights in a given area to the licensee also require either a sizable down payment or a minimum annual royalty payment. Otherwise, the licensee may "sit on" the license and block the licensor from entering the market in question.
14. Other clauses common to most license agreements include those to protect the licensed rights against licensees and third parties and those regarding title retention by the licensor, confidentiality of know-how, quality control, most-favored-licensee status, the applicable language of the contract, and any provisions with respect to the assignability of rights by the licensee.

The above list of elements common to most license agreements is by no means exhaustive. For a more detailed checklist for license agreements, see Stitt and Baker in the Supplementary Reading. Any potential license agreement should be reviewed by company counsel. It must be noted that every license agreement is unique in some way so great care should be taken in its negotiation and formal documentation.

SUPPLEMENTARY READING

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EXHIBIT 1: SAMPLE INTERNATIONAL LICENSING ANNOUNCEMENTS

As of November 2016, more than 60,000 7-Eleven stores were either franchised or licensed in 18 countries.

In January 2014, Samsung Electronics and Google Inc. announced the signing of their global patent license agreement. The agreement covers existing patents and future patents over the next 10 years.

National Geographic in February 2013 signed a multi-year licensing agreement with IMG Licensing. Under the agreement IMG will represent the National Geographic brand and develop luggage and travel bags for the international market.

A \$70 million licensing agreement was announced in September 2016 to bring cricket to the USA. The multiyear agreement is between United States of America Cricket Association and Global Sports Ventures, LLC to create a professional cricket league in the USA.

In August 2012, Janssen Biotech Inc. (part of the Johnson & Johnson group of companies) announced a global license and development agreement with Genmab A/S. Under the agreement, Janssen will receive an exclusive worldwide license to daratumumab, an anti-cancer compound.

AstraZeneca in July 2016 announced a global licensing agreement and an exclusive license agreement for Europe with LEO Pharma in the skin diseases.

Hasbro Inc. and PEZ International signed a global licensing agreement in October 2014. The agreement will enable a My Little Pony line of PEZ dispensers to be created.

An exclusive multi-year agreement was signed by Sony Music Entertainment and Enterprise of Recordings and Musical Editions (EGREM). Starting in September 2015, through this agreement, EGREM's catalog of Cuban music will be distributed internationally.

Licensing Industry Merchandiser's Association (LIMA) is the worldwide trade organization for the licensing industry. LIMA's main objective is to work together with licensors and licensees for the advancement of professionalism in licensing through research, national and international seminars and trade events as well as publications. LIMA offers a coursework in Licensing Studies (CLS) program, an educational course specifically designed to prepare licensing professionals to succeed in the ever-changing licensing industry. (see www.licensing.org).

NBC signed a \$7.65 billion deal in May of 2014 to continue broadcasting the Olympics through 2032. NBC also paid a signing bonus of \$100 million to promote the Olympics movement.

Since 1970, FIFA (Fédération Internationale de Football Association) and adidas have had a long-term partnership granting adidas licensing and marketing rights for the FIFA World Cup. In November 2013, the agreement was extended until 2030.

In December of 2015, Ericsson and Apple settled their patent-infringement litigation and signed a global patent license agreement. The exact terms of the agreement are confidential; however, Apple will make payments to Ericsson including an upfront amount and on-going royalties.

EXHIBIT 1 (CONTINUED)

Perry Ellis International extended their licensing agreement with Callaway Golf in November of 2016. Across North America, South America, Europe, the Middle East and Africa, Perry Ellis International will oversee the line of men's and women's golf-lifestyle apparel, from design to distribution.

In January of 2016, Disney and Mattel renewed their agreement regarding Disney Pixar's Cars. Disney and Mattel are respectively #1 and #27 on the list of The Top 150 Global Licensors for 2015.

Technicolor, formerly Thomson, the French TV and video equipment manufacturer, holds 40,000 patents which it licenses to other companies.

In February of 2016, Qualcomm Inc. and Lenovo announced a 3G and 4G patent license agreement for China. The agreement includes both Motorola and Lenovo devices.

Blackberry and Cisco in June of 2015 announced a long-term patent cross-licensing agreement. It will cover their products and technologies and Blackberry will receive a license fee from Cisco.

Throughout 2016, Microsoft announced a number of licensing agreements. Microsoft and Wistron renewed their Android patent licensing agreement. A worldwide patent cross-licensing agreement was signed with Rakuten Inc. Microsoft renewed their patent cross-licensing agreement with Funai Electric Co. for consumer audio-visual products. Lenovo and Microsoft strengthened their strategic relationship and included a patent cross-licensing agreement which covers Lenovo and Motorola devices.

Art licensing accounts for an estimated \$3.9 billion in retail (\$134 million in royalties) in 2012. Art licensing is a direct result of the need for manufacturers to provide product offerings to the growing needs of their discriminating consumers. Cause-related licensing, catalog, business premiums, consumer premiums, and Internet marketing are emerging niche channels for art licensed images.

In December 2016, Warner Bros Consumer Products which licenses the intellectual properties for Warner Bros. Entertainment had more than 3,700 active licenses worldwide. Warner Bros. Entertainment includes DC Comics, Harry Potter and many other icon brands.

McDonald's announced in December 2016 that the majority of royalties from their licensing deals outside the United States would be received by a new holding company located in Britain.

Typical titles of individuals managing major licensing programs include: Executive Vice President, Global Licensing; Vice President, Consumer Products Licensing; Vice President, Global Licensing; Head of Global Licensing; Director, Licensing; Director, Global Licensed Products; Vice President, Licensing; and Director, Brand Licensing. Over half the individuals hold the position of vice president or higher.

In March 2016, Ferrari signed an agreement to license the design, construction and operation of a Ferrari theme park in China with Beijing Automotive Group Co., and BAIC Eternaland Property Co.

The Pokémon Company International of Japan is one of the most diverse entertainment franchises in the world with exclusive licensed items through retailers such as Toys 'R' Us and Target and a toy license with TOMY International.

CHECKLIST FOR LICENSE AGREEMENTS

Parties

Name of licensor _____	Address _____
Principal office _____	Incorporated in _____
Short title _____	Name of licensee _____
Address _____	
Principal office _____	Incorporated in _____
Short title _____	

Recitals

Licensor owns inventions _____ patents _____ patent applications _____
 industrial designs _____ trademarks _____ know-how _____
 Licensor represents that it has the right to grant a license relating to _____
 Licensee represents _____
 Licensee desires license relating to _____

Definitions

Define "the products" covered by a limited license. If certain types of inventions only are covered, define "the inventions". Define "patents," "trademarks," "registered designs," "copyrights," "know-how," "net sales," "territory." Adopt other defined terms as needed.

Date of Agreement

From date hereof _____	From some specific date _____
Effective date _____	When approved by _____

Grant

Patents _____	Trademarks _____
Registered designs _____	Copyright _____
Know-how _____	Existing/future _____
Improvements by licensor _____	
In licensed inventions or know-how _____	
In same field or for similar applications _____	
All rights to use know-how and practice inventions _____ and to make, use, and sell products _____	
Exclusive _____	
Exclusive except as to licensor _____	
Exclusive for _____ years and nonexclusive thereafter _____	
Nonexclusive _____	
Irrevocable _____	
With right to grant sublicenses _____	
To make (manufacture) _____	
To have made for own use _____	
Unlimited _____	
To use _____	To sell _____ To lease _____ rent _____

CHECKLIST (CONTINUED)**Nature of know-how**

Invention records	Production plant design
Laboratory records	Production specifications
Research reports	Raw material specifications
Development reports	Quality controls
Engineering reports	Economic surveys
Pilot plant design	Market surveys

Promotion methods
 Trade secrets
 List of customers
 Drawings and photographs
 Models, tools, and parts
 Other (specify) _____
 Know-how not confidential
 Know-how confidential
 Employees to be bound
 Subcontractors and sublicensees to be bound
 If patents held invalid:
 Know-how payment stops
 Know-how payment continues

Territory

All countries _____; all countries except _____ (specify)

Restrictions

Limited to specified field _____
 Limited to specified territory _____
 Subject to prior license _____
 Subject to licensor's right to make _____ have made _____ use _____ sell _____

Sublicenses

To any other party _____
 To nominees of licensor _____
 At specified consideration _____
 Limitations _____
 Consideration to be shared with licensor _____
 Copies to be furnished to licensor _____

Term

For _____ years
 Until (specify date) _____
 Until some future event (specify) _____
 For the life of any patent _____
 Until specified notice of termination _____
 Extension of term _____
 Automatic unless notice of termination _____
 Automatic if minimum performance achieved _____
 Automatic except for terms (e.g., royalty rate) to be negotiated or arbitrated _____
 Good faith negotiations to extend _____

CHECKLIST (CONTINUED)**Consideration**

Lump-sum payment _____

Single payment _____

Installments _____

Royalty, per cent of profits _____

gross sales

net sales, specific amount (specify) _____

per unit (specify) _____ other _____

Payment in dollars:

At then current rate of exchange

At rate of _____ dollars for _____ (foreign currency)

If exchange rate decreases or increases by five per cent, the payments shall decrease or increase by a like amount: Yes _____ No _____

Exchange rate shall be that published in _____

Payment in currency other than above _____

Stock of licensee (specify)

Stock of existing company _____ new company _____

Value of the shares of stock shall be market value at date of agreement _____

shall be book value _____

Stock shall have full voting rights _____ non-voting _____

Stock shall have value not less than \$ _____

Stock shall represent not less than _____ of the issued shares

Licensor shall have the option to acquire additional shares at market value _____

book value _____

Licensor shall have option to appoint directors:

with full voting rights _____

non-voting _____

Minimum Royalty

Amount per calendar year _____ per 12-month period _____

Payable in advance _____

Payable at end of calendar year _____ at end of 12-month period _____

Credited against earned royalties:

Yes _____ No _____

Inspection of Licensee's Accounts

Not permitted

Permitted:

at any time during business hours

by licensor's authorized representatives

at specified times

by accountants

Acknowledgment of Licensor's Title

Not admitted _____

Admitted by licensee _____

If patents held invalid, then:

Licensee may terminate:

as to invalid claims _____

entire agreement _____

CHECKLIST (CONTINUED)**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 before notary public

With names and addresses of sublicensees

With copies of sublicensees

Together with payment of royalty accrued

Improvements by Licensee

Not included

Included for products (specify)

Automatically owned by licensor

Licensed to licensor automatic

Licensor's option-free royalty

For term of agreement _____ for specified term _____

First territory of license _____ for specified territory _____

Diligence by Licensee

No obligation

Licensee will use its best efforts

Licensee agrees to:

produce _____ or sell _____ specified units

produce _____ or sell _____ specified products

invest specified amount

satisfy demands of trade

refuse no reasonable request for sublicense

Penalty for lack of diligence:

License converted to non-exclusive

License may nominate licensees

Licensor may terminate upon _____ days' notice in writing

Infringement

A. Licensed rights

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 _____

CHECKLIST (CONTINUED)

- B. Rights of others
 No indemnity by licensor
 Licensor indemnifies licensee
 Who will notify
 Who will defend
 Who will pay costs
 Costs: borne by _____ divided _____
- C. Damages
 Retained by _____ divided _____
- D. Right to settle suit:
 by licensor _____ by licensee _____
 by licensor only with consent of licensee _____

Right of Inspection

Licensor shall have the right to inspect licensee's:
 research laboratory _____ development laboratory _____ engineering laboratory _____
 pilot plant _____ production plant _____ department relating to product _____
 Number of visits permitted per year _____
 Number of persons _____
 Licensor shall have reciprocal rights of inspection _____ shall not have _____

Technical Personnel

Licensor shall provide technical personnel to deliver know-how:
 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 _____
 Number and duration of stay of technical personnel determined by:
 Licensor _____ licensee _____ mutually _____

Confidentiality

No obligation _____ licensee obligated _____ both parties obligated _____
 Without limitations as to time _____ life of agreement _____ until published by owner _____
 Obligations of confidentiality of employees _____ sublicensees _____

Arbitration

No right of arbitration
 Parties will use their best efforts
 Parties agree to arbitration by:
 Specified body _____
 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 (specific tribunal) _____

CHECKLIST (CONTINUED)

Termination

By licensor:

- If certain person incapacitated (name)
- If certain person terminated connection with licensee (name)
- At specified time
- Only upon breach after _____ days' written notice

By licensee:

- At any time upon _____ days' written notice
- On any anniversary date
- At any specified time
- Only upon payment of penalty of \$ _____
- Only upon breach after _____ days' written notice

Upon termination, licensee assigns to licensor:

Trademarks _____ patents _____ sublicenses _____

As to any specified patent or applications

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

Force Majeure

Licensor has right

Licensee has right

Both parties have right

Nature of force majeure

Natural events: fire, floods, lightning, wind-storm, earthquake, subsidence of soil, etc.

Accidents: fire, explosion, failure of equipment, transportation accidents

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

Assignment of Agreement and License

Not assignable by either party

Assignable by licensor, without consent of licensee _____ with consent _____

Upon merger

By either party:

- To successor of 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

Most Favored Licensee Clause

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

Notices and Addresses

By registered air mail

Licensor's legal address for notice

Licensee's legal address for notice

Provision for deemed notice

CHECKLIST (CONTINUED)**Integration**

This instrument is the entire agreement between parties

No modification effective unless written and signed by both

This agreement supercedes:

all prior agreements between the parties, the agreement dated

Language

The official language shall be English _____ other _____ (specify)

Copy in _____ language shall be official _____ unofficial _____

Law Applicable

To be construed according to the laws of: _____

Signatures

For individual:

“Hand and seal”

Title shown

For corporations:

By officer

Corporate seal

Schedules

Patent list (inventor, number, issue date, official title)

Patent applications (inventor, serial number, filing date, official title)

Industrial designs (registration number and date)

Copyrights (description, registration number, and date)

Trademarks (description, registration number, and date)

Descriptions or copies of official documents, such as sublicenses, assignment, prior license, etc.

Accounting procedures, if any, for determining sales, net sales, sale value of stock, or other property

Trademark Supplement

If the agreement is to include a trademark license, check the following items:

Licensed trademarks

Trademark application number and date

Trademark registration and date

Classes of goods (specify)

Goodwill of business (specify)

The Grant to Use

Exclusive _____ nontransferable _____

Country's trademark registration number date _____

Term of license

Consideration

Royalty: % of profits _____ of gross sales _____ of net sales _____

Single sum of \$ _____ Annual minimum \$ _____

Included in know-how fee _____ not included _____

Stock of licensee (name company) at market value _____ “book value”

CHECKLIST (CONTINUED)

Product Quality Control

Mark to be used only on goods (specify)

Made under written specifications:

attached to be supplied by licensor _____

No other trademarks to be used on same goods

Samples to be furnished upon request:

quarterly _____ annually _____

Inspection of product manufactured by licensor permitted:

when requested _____ quarterly _____ annually _____

Liability for misuse:

Licensor liable _____ licensee liable _____

Trademark Use Control

Licensor has right to approve, in advance, use of mark in:

Advertising _____	Labels _____	Containers _____	Registration notice _____
Exhibits _____	Speeches _____	Publicity _____	Corporate signature _____

Registration in Trademarks Office

Entire agreement

Separate Registered User Agreement

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