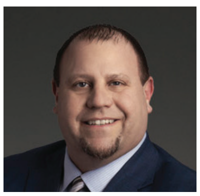
# Patent License Agreement (Pro-Licensee)

**A Lexis Practice Advisor® Annotated Form by Michael J. Kasdan, Wiggin and Dana LLP**



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## Summary

This Patent License Agreement is a unilateral non-exclusive agreement between two parties (licensor and licensee), drafted to be pro-licensee. In particular, the agreement first defines the entities' holding rights and obligations and the subject matter being licensed under the agreement. This form includes practical guidance, drafting notes, alternate clauses, and optional clauses.

The agreement then lays out the rights granted to the licensee, in consideration for a lump sum payment, for a term lasting for the life of the licensed patents. The agreement also contains standard contractual components, including relevant representations and warranties, confidentiality provisions, and procedures for resolving future disputes. For further guidance, see Patent Licenses: Licensing Fundamentals and Intellectual Property Licensing Resource Kit.

This Agreement is made and entered into as of the Effective Date of [date], in two original counterparts, by and between LICENSOR CORP, a [name of corporation] corporation having an office and place of business at [address] and LICENSEE CORP, a [state of incorporation] corporation, having an office and place of business at [address].

**Drafting Note to Introductory Paragraph**

Make sure to name the proper parties to the agreement in this section, with as much identifying specificity as practicable. For example, complete legal names of each entity should be included.

**STATEMENT**

WHEREAS LICENSOR owns and controls various patents in the field of [name of field].

WHEREAS LICENSOR desires to grant licenses to the technologies covered by its patents.

WHEREAS LICENSEE desires to obtain such licenses from LICENSOR.

**Drafting Note to WHEREAS Clauses**

Including the background of the circumstances leading to the license agreement may be valuable in interpreting the scope of the license in the case of a future dispute. For example, a recital such as "WHEREAS, X and Y had entered into a License Agreement on January 1, 2013, which is now expired" shows that the agreement was negotiated on the foundation of a prior licensing relationship, while a recital such as "X has denied any infringement of the asserted IP, and the parties desire to amicably resolve their differences" explains that the license was negotiated in an adversarial context. These recitals may also provide insight on the value of the licenses as a valuation tool. For example, a high royalty rate in a license between two market participants may be more probative of the value of the IP than that same royalty in an agreement that settles a litigation.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and obligations undertaken herein, LICENSOR and LICENSEE agree as follows:

ARTICLE I. **DEFINITIONS.**

1.1. "LICENSOR" shall mean LICENSOR CORP, and its past, present or future divisions, affiliates and Subsidiaries (as defined below).

Drafting Note to Paragraph 1.1. To avoid the risk of future disputes, ensure that the "LICENSOR" as defined by the agreement consists of all the parties who own the subject intellectual property. In the event that there are multiple inventors or co-owners, multiple parties may hold rights to the patents. In these cases, where possible, the licensee should consider directly including individuals, such as inventors and principals, as parties to the agreement. The representations and warranties outlined later in the agreement may provide additional protection that the parties to the agreement are the right parties such that the rights flow from and to the proper parties. Additionally, when listing inventors, and particularly in the case where a license to CIPs and other improvements is contemplated, include language such as "employees of such entities having an obligation to assign inventions to such entities."

1.2. "LICENSEE" shall mean LICENSEE CORP., and its past, present or future divisions, affiliates and Subsidiaries (as defined below).

**Drafting Note to Paragraph 1.2.**

Naming the proper licensee may be critical to ensuring that the entity that requires the protection of the license actually receives the rights under the agreement. The definition of "LICENSEE" in the agreement greatly affects the entities entitled to rights under this agreement, as well as future possibilities for "assigning" these rights. Your client, as the licensee, should carefully consider which entity will be making, using, selling, offering to sell, or importing the products/services covered by the agreement during the term of the agreement. Failure to do so may result in a situation where the entity that requires the protection of the license is not covered by the agreement. As written here, the entities included within the term "LICENSEE" broadly include the past, present, and future divisions, affiliates, and Subsidiaries of the licensee, in addition to the parent licensee. However, the licensor will likely wish to narrow the entities granted rights under the agreement, and this definition may be a point of negotiation between the parties. Parties should also pay careful attention to the definition of "Subsidiaries" below, which is often defined to include all relevant related companies who may require rights. The licenses under the agreement are then granted not only to the licensee, but also its defined subsidiaries.

1.3. "Subsidiaries" shall mean and collectively include any corporation, company, partnership, joint venture, firm or other entity in any country of the world in which a party hereto, on or after the Effective Date, directly and/or indirectly, owns or controls:

(a) in the case of corporate entities, equal to or greater than fifty percent (50%) or, in jurisdictions other than the United States, the maximum percentage that a foreign investor may own if less than fifty percent (50%), pursuant to local laws and regulations of such jurisdictions when such entity was formed, of the stock or participating shares entitled to vote for the election of directors; and

(b) in the case of non-corporate entities, equal to or greater than fifty percent (50%) or, in jurisdictions other the United States, the maximum percentage that a foreign investor may own if less than fifty percent (50%), pursuant to local laws and regulations of such jurisdictions when such entity was formed, of the equity interest with the power to direct management policies of such non-corporate entity.

**Optional Clause to Paragraph (c):**

(c) Notwithstanding the foregoing, the following shall be considered Subsidiaries under the Agreement: [names of subsidiaries].

**Drafting Note to Optional Clause to Paragraph 1.3.(c)**

Certain foreign jurisdictions do not allow companies to own or control 50% or more of another company. Therefore, a licensee may wish to expand the definition of Subsidiary to include listed companies in such jurisdictions.

**Drafting Note to Paragraph 1.3.**

Pay attention to the entities included under the definition of "subsidiaries" in this section, often defined to include all relevant related companies who may require rights. As illustrated in this agreement, licenses may be granted not only to the licensee, but also its defined subsidiaries. In this example, rights under the agreement extend to future subsidiaries of the licensee, which may be important for potential business development of the licensee. As shown in Optional Clause to Paragraph (c), it may be prudent in some licenses to name some or all of the subsidiaries expected to use the license, under the written language of the agreement. As alluded to in Paragraph 1.3. as written, certain jurisdictions do not allow foreign investors to own a majority interest in a domestic company and thus these foreign entities may not qualify, or be easily identified as, a subsidiary. By specifically naming the entities meant to be treated as licensees, the parties to the agreement may avoid confusion and future disputes.

1.4. “Licensed Patents” shall mean all patents and patent applications now or hereafter owned or controlled by LICENSOR that are based on applications filed on or before [date], including, but not limited to U.S. Patent Nos. [number], [number] and [number], together with all foreign counterparts, and any divisions, continuations, continuations-in-part, reexaminations, renewals, reissues and extensions thereof, and any further patents anywhere in the world issuing from applications whose priority is based upon any of the aforementioned patents or patent applications.

**Drafting Note to Paragraph 1.4.**

Ensure that the agreement provides for all of the intellectual property required for the licensee’s intended use. The above definition is a broad one that includes all patents and applications owned or controlled by the LICENSOR, as well as related and foreign patents. The Licensed Patents provision commonly includes the existing patent family members, such as continuations, continuations-in-part, divisionals, reexaminations, renewals, reissues, and extensions, including future issued patents. Licensees are reluctant to limit the licensed patents to exclude such patent family members because the claims therein may well capture the licensee’s products, and by including the family, the licensor gains the advantage of potentially extending the duration of the license’s royalties. Where the licensor’s business is focused on the technology being licensed, an alternative approach may be to define the licensed technology by subject matter rather than specific patent or application numbers. In drafting these terms, the licensed subject matter would include all patents and applications owned by the patentee that are related to the process or product embodying certain features of the desired technology. For licensor companies with a broader portfolio of technologies, however, granting rights to all patents in its control would not be appropriate. The licensor may, by contrast, seek to limit the Licensed Patents to a specific list of enumerated patents. In addition, the licensed technology may extend beyond patents if the licensee requires related rights, such as copyright, trademark, trade secret and proprietary know-how. Such know-how may well be critical to successfully practicing the licensed patents. If drafting the license as sampled, make every effort to verify all relevant patent applications filed by the licensor through due diligence, and requesting a representation of the licensor. An additional provision worth considering and negotiating is the notion of improvements. Should the licensee develop new intellectual property by virtue of its use of the licensed patents, the licensor will desire an assignment, an exclusive license back, or at least a first option for same thereto. Such improvements definition would address the potential of co-inventorship as well, and specify the party in which the resulting IP is intended to reside. See also drafting note 2.2.

1.5. “Products” shall mean any and all past, present and future products manufactured or sold by or for LICENSEE, or used, leased, sold, offered for sale, imported, exported or otherwise disposed of by LICENSEE, which may have been previously covered by, are now covered by or in the future are covered by one or more claims of the Licensed Patents, or which are manufactured by or utilize a method covered by one or more claims of the Licensed Patents and, but for the rights, licenses, privileges, releases, non-assertions and immunities granted hereunder, would or could be alleged to infringe directly or indirectly, by contributory infringement, by inducement or otherwise, one or more claims of the Licensed Patents.

**Drafting Note to Paragraph 1.5.**

This definition broadly yet specifically defines the Licensed Products. For a licensee, it is important to be broad in order to capture all possible products that may use the Licensed Patents. It is important to be specific, particularly when running royalties are to be paid on each Licensed Product, so your client, the licensee, does not pay more than needed. By contrast, the licensor may seek to negotiate for a definition that enumerates certain product categories or types, or is limited to certain fields of use. Sometimes, these provisions recite “valid claims” rather than simply “claims” and specify that a valid claim is one which has not been held invalid in the territory, nor pending in an application for more than x years. This latter point is to ensure that a licensor does not simply keep claims pending which will never issue in order to maintain royalties.

1.6. “Effective Date” shall mean the last of the dates, if different, on which this Agreement is executed by LICENSOR and LICENSEE, which Effective Date will be entered in the preamble of this Agreement in accordance with para. 8.6 hereof.

ARTICLE II. **LICENSES, RELEASES AND NON-ASSERTIONS.**

2.1. LICENSOR, on behalf of itself and any successors and/or assigns, grants to LICENSEE a non-exclusive, non-transferable, fully paid-up, irrevocable and perpetual right, license, privilege and immunity, with the right to grant sublicenses only to LICENSEE's Subsidiaries, under all claims of the Licensed Patents, to make, have made, use, sell, offer for sale, lease, import, export or otherwise dispose of Products throughout the world.

**Drafting Note to Paragraph 2.1.**

The owner of a patent has the right to exclude others from making, using, offering for sale, selling, or importing into the U.S. the covered invention during the patent term; thus, make sure this grant clause covers all of the necessary rights to the licensed technology, including: the scope of use, geographic territory, market segment, field of use, and the rights retained by the licensor. It is best to be as specific as possible to avoid future disputes. For example, if a third party contractor might be used to manufacture part of the licensed technology rather than an entity falling under the agreement's LICENSEE definition, be sure to include rights to "have made" the product, or a right to sublicense, such that the terms of the license will not have to be renegotiated at a later time. If a need to sublicense is expected, suggest to the licensor in negotiations that sublicenses could be subject to prior consent by the licensor, or limited to a list of pre-approved companies. On another note, be aware that, if an exclusive license to the licensed technology is required, the licensor may insist on reciprocal obligations, such as "best efforts" or other performance obligations.

2.2. LICENSOR hereby releases and discharges LICENSEE, as well as any end-users, distributors, customers, including OEM and private label customers, dealers and suppliers of LICENSEE, whether direct or indirect, or immediate or remote, throughout the world, from any and all actions, causes of action, claims or demands whatsoever in law or equity as to all claims for patent infringement, direct and/or contributory and/or by inducement or otherwise, which LICENSOR has or may have had at any time prior to the Effective Date, which could be asserted against LICENSEE, or against any of LICENSEE's end-users, distributors, customers, including OEM and private label customers, dealers and suppliers of LICENSEE, whether direct or indirect, or immediate or remote, arising out of the manufacture, having manufactured, use, sale, offer for sale, lease, import, export or other disposition of Products.

**Drafting Note to Paragraph 2.3.**

Although the licensor in a license agreement agrees not to bring suit against the licensee for its agreed-to use of the licensed technology, the licensee is generally still allowed to challenge the enforceability of a licensed patent. Correspondingly, "no contest" clauses are generally not permitted in license agreements, unless the agreement resulted from the settlement of litigation. However, a licensor may insist on reasonable monetary penalty provisions in the event of an unsuccessful challenge. Other provisions that may be negotiated include: (i) indemnifications for product liability claims or infringement claims by third parties that may arise through the use of the licensed technology, (ii) obligations of the licensee in using the licensed technology, such as properly marking all of its products with the relevant patent numbers in accordance with 35 U.S.C. § 287, and (iii) "grant back" provisions which grant the licensor a non-exclusive right to practice any improvements to the licensed technology developed by the licensee. Furthermore, even though a licensee is protected from assertion of the licensed subject matter throughout the term of the agreement, a licensee may negotiate for additional protection in a non-assertion clause, illustrated by Optional Paragraph 2.3.. The non-assertion clause may cover the licensee's use of the licensed technology before or after the term of the license agreement, or cover the use of the licensed technology by other's in the licensee's supply chain. Principles of patent exhaustion may apply to insulate other entities in the downstream supply chain but the licensee may want to expressly protect its customers and supplier from any assertion of the licensed patents.

**Optional Paragraph 2.3.:**

2.3. LICENSOR further agrees, on behalf of itself and any successors and assigns of the Licensed Patents, in whole or in part, that they will not, at any time or in any capacity, assert any claim or commence or prosecute any action, suit or proceeding, against LICENSEE or against any of LICENSEE's end-users, distributors, customers, including OEM and private label customers, dealers and suppliers of LICENSEE, whether direct or indirect, or immediate or remote, based in whole or in part on infringement of the Licensed Patents, direct and/or contributory and/or by inducement or otherwise, arising out of any past, present or future manufacture, having manufactured, use, sale, offer for sale, lease, import, export or other disposition of Products throughout the world.

ARTICLE III. **PAYMENT.**

3.1. In consideration of the rights, licenses, privileges, releases, non-assertions and immunities granted by LICENSOR under this Agreement, LICENSEE agrees to pay to LICENSOR [amount in words] U.S. Dollars (US$ [amount in numbers]) ("Payment").

**Drafting Note to Paragraph 3.1.**

Choosing a lump sum payment as provided for here does have the advantage of being easier to administrate, and it is a one-time payment rather than a continuing drain on profits, but it carries some risk in valuing the licensed IP. Lump sum payments may also be specified to be paid in portions according to a timed schedule, and/or with milestone payments accruing upon certain achievements such as first sale, regulatory approval, net sales amounts, and the like. Additionally, particularly in the pharmaceutical field, collecting additional payments as a running royalty might be more suitable as it allows for payment to be made over time and in sync with revenue stream from the licensed products. Royalties may carry the administrative burden of generating royalty reports and potentially allowing the licensor to conduct an audit. If the parties choose to use a royalty structure instead, consider substituting Alternate Clause to Paragraph 3.1.. The Alternate Clause specifies the royalty rate (the percentage applied to the sales), the royalty base (the sales that fall within the royalty structure), the frequency of payments, the content of the sales reports, and whether the licensor will have a right to audit. Each of these items is negotiable, and may be important to the ultimate cost of the license. Although royalty rates vary widely across industries, may be set up to be variable depending on sales or other factors, and depend on the terms of the agreement, one rule of thumb is that the licensee should expect to pay as a royalty 25 to 33 percent of the expected increase in profitability resulting from the implementation of the licensed technology. If the overall cost of the royalty payments is a concern, the agreement might include a royalty cap, or maximum on the fees to be paid, as shown in Optional Clause 1 to Paragraph 3.2.. If the license is non-exclusive, a "most favored licensee" clause (see Optional Clause 2 to Paragraph 3.2.) may be included so that any more favorable terms from a future license agreement with another licensee will be adopted into this agreement. However, this type of provision may be too difficult to administrate, and may be objectionable to the licensor. In order to avoid the possibility of apparent patent misuse, it is also important to provide for at least a reduction, and sometimes a cessation, of royalties once all the licensed patents in the territory have expired. Where know-how is also part of the license, a strong argument can be made that its value continues beyond the expiration of the patents and thus a royalty, albeit at a lower rate than pre-expiration, is still appropriate. If neither a lump sum payment nor running royalty works is appropriate, endless other forms of monetary consideration for the license may be implemented, including: hybrid royalties, an annual license fee, and milestone payments.

**Alternate Clause 1 to Paragraph 3.1.:**

3.1. In consideration of the rights, licenses, privileges, releases, non-assertions and immunities granted by LICENSOR under this Agreement, LICENSEE agrees to pay to LICENSOR a royalty on all products covered by the Licensed Patents ("Payment"). The Payment shall be in the amount of [amount in words] U.S. Dollars (US$ [amount in numbers]) per unit sold, or [percentage] percentage of net sales, whichever is greater. LICENSEE shall provide LICENSOR with a written report no later than forty-five (45) days after the end of each calendar year for the life of this Agreement that identifies all net sales of the products covered by the Licensed Patents over the immediately preceding calendar year. Accompanying the annual written report will be the full payment due in U.S. Dollars, for the preceding calendar year, pursuant to the terms of this Agreement. LICENSOR shall have the right, no more frequently than once per year, upon reasonable prior notice and subject to appropriate confidentiality provisions, to audit LICENSEE's records to determine the accuracy of LICENSEE's royalty payments.

**Alternate Clause 2 to Paragraph 3.1.:**

3.1. In consideration of the rights, licenses, privileges, releases, non-assertions and immunities granted by LICENSOR under this Agreement, LICENSEE agrees to pay to LICENSOR the following:

a payment in the amount of [amount in words] U.S. Dollars (US$[amount in numbers) ("Payment");

payments in the amount of [amount in words] U.S. Dollars (US$[amount in numbers]) upon completion of each of the following milestones: [milestone achievements here, or in an additional paragraph of the agreement]; and

a royalty on all products covered by the Licensed Patents ("Payment"). The Payment shall be in the amount of [amount in words] U.S. Dollars (US$[amount in numbers]) per unit sold, or [percentage] percentage of net sales, whichever is greater ("Royalty Rate"). LICENSEE shall provide LICENSOR with a written report no later than forty-five (45) days after the end of each calendar year for the life of this Agreement that identifies all net sales of the products covered by the Licensed Patents over the immediately preceding calendar year. Accompanying the annual written report will be the full payment due in U.S. Dollars, for the preceding calendar year, pursuant to the terms of this Agreement. LICENSOR shall have the right, no more frequently than once per year, upon reasonable prior notice and subject to appropriate confidentiality provisions, to audit LICENSEE's records to determine the accuracy of LICENSEE's royalty payments.

**Optional Clause 1 to Paragraph 3.2.:**

3.2. LICENSEE's Payment shall not exceed [amount in words] U.S. Dollars (US$[amount in numbers]) under Paragraph 3.1..

**Optional Clause 2 to Paragraph 3.2.:**

3.2. The terms of this Agreement are at least as favorable as the terms granted by LICENSOR to any previous licensee of the Licensed Patents in this Agreement. In the event that LICENSOR enters into any subsequent licensing agreement concerning the Licensed Patents under substantially the same terms and conditions during the term of this Agreement, LICENSOR shall notify LICENSEE of the terms of that subsequent agreement and LICENSEE shall have the right to receive those terms. If LICENSEE wishes to adopt the terms of that subsequent agreement, LICENSEE shall request, in writing, that LICENSOR amend this Agreement to contain the more favorable terms.

3.2. Subject to para. 3.4, LICENSEE will remit the Payment to LICENSOR, by the electronic transfer of funds to the following bank account within forty-five (45) calendar days after the Effective Date.

[LICENSOR Bank Information]

[LICENSOR Bank Information]

[LICENSOR Bank Information]

[LICENSOR Bank Information]

3.3. LICENSEE shall bear any bank charges of such transfer charged by a bank which transfers the payment to LICENSOR. LICENSOR shall bear any bank charges incurred after the money is transferred from the bank.

3.4. LICENSOR agrees that there is and will be no payment of any kind from LICENSEE which is due or which would become due or is to be made hereafter, including any payments to LICENSOR's successors or assignees of any of the Licensed Patents or to its counsel, other than the Payment pursuant to para. 3.1 hereof.

ARTICLE IV. **TERM, RENEWAL AND SURVIVAL.**

4.1. The term of this Agreement, as well as the term of the rights, licenses, privileges, immunities, releases and non-assertions granted herein under the Licensed Patents as set forth in paras. 2.1 and 2.2, shall exist from, and including, the Effective Date (i) to and including the expiration date of the last to expire of the Licensed Patents, or (ii) until all claims for alleged infringement of all of the Licensed Patents are barred by U.S. laws and the U.S. Patent Statute and by the laws and statutes of any foreign country in which any one of the Licensed Patents are in force and effect, whichever is longer.

**Drafting Note to Paragraph 4.1.**

If the license term is defined by a number of years rather than the life of the relevant IP, there is an additional burden of monitoring the agreement, and possibly taking action to renew it. However, a shorter license term, with an option of renewal, may be cost saving, depending on the payment structure as the licensee may avoid paying for a right to use the patented technology during a period when the license is no longer needed. Alternative paragraph 4.1. would account for the situation where royalties continue beyond the expiration of the last patents. Such alternative paragraph would state that once the last patent expires, royalties continue at a specified rate (lower than when patents were extant) and, ordinarily, the agreement would terminate upon negotiated specified conditions.

4.2. The following provisions will survive termination or expiration of this Agreement: Articles I, III, V, VI, VII and VIII and this para. 4.2.

**Drafting Note to Paragraph 4.2.**

An additional provision (such as Optional Paragraph 4.3.) outlining the circumstances under which the agreement may be terminated, such as a change in the business, may be included. If such a termination provision is included, with triggers that may be pulled by the licensor, ensure that there are appropriate measures in place to minimize losses, such as the ability to sell off extra inventory after termination. Importantly, the agreement should make clear that the obligation to pay royalties only continues for the term of the license. Article III. should survive if part of the payments include royalties which diminish after expiration of the patents (e.g., based on know-how). Further, it may be desirable to specify certain conditions under which the licensor may terminate immediately, for example in the case of insolvency or bankruptcy.

**Optional Paragraph 4.3.:**

4.3. LICENSEE may terminate this Agreement at any time by providing written notice of termination ("Notice of Termination") forty-five days before such termination to LICENSOR. Within forty-five (45) days of termination, LICENSEE must submit a report to LICENSOR attesting to LICENSEE's destruction of any remaining products covered by the Licensed Patents and destruction of any non-public information it acquired in connection with this Agreement. Upon termination of this Agreement, LICENSEE owes no further Payment to LICENSOR.

ARTICLE V. **WARRANTIES, REPRESENTATIONS AND DISCLAIMERS.**

5.1. LICENSEE warrants and represents that it has the right to enter into this Agreement with LICENSOR.

5.2. LICENSOR makes the following warranties and representations:

(a) LICENSOR is the owner of the Licensed Patents and/or has the right to grant rights, licenses, privileges, releases, non-assertions and immunities under or relating to the Licensed Patents. In the event LICENSOR breaches this warranty and representation, it will indemnify LICENSEE and, without limitation, at LICENSOR's own expense shall secure any rights necessary for LICENSEE to enjoy the rights, licenses, privileges, releases, non-assertions and immunities granted herein under or relating to the Licensed Patents.

(b) LICENSOR has the full power to enter into and perform all terms, conditions and obligations under this Agreement with LICENSEE. To the extent required, LICENSOR shall obtain any and all needed consents for entering into and discharging all of its obligations under this Agreement.

(c) There are no liens, conveyances, mortgages, assignments, encumbrances, other licenses, or other agreements which would prevent or impair the full and complete exercise of the rights, licenses, privileges, releases, non-assertions and immunities granted by LICENSOR to LICENSEE, its respective successors and assigns, customers, whether immediate or remote, and suppliers with respect to the Licensed Patents pursuant to the specific terms and conditions of this Agreement.

(d) No agreements have been or shall be entered into which would interfere with the rights, licenses, privileges, releases, non-assertions and immunities granted by LICENSOR to LICENSEE, its respective successors and assigns, or its customers, whether immediate or remote, and its suppliers with respect to the Licensed Patents during the full term as set forth in para. 4.1.

**Optional Clause to Paragraph (e):**

(e) Other than the Licensed Patents, as of the Effective Date, LICENSOR does not own or control any patents or patent applications that could be asserted (if and when issued) against LICENSEE or against LICENSEE's end-users, distributors, customers, including OEM and private label customers, dealers and suppliers of LICENSEE, whether direct or indirect, or immediate or remote, with respect to any past or present products of LICENSEE.

**Drafting Note to Paragraph 5.2.**

Ideally, the licensee will obtain a license under the agreement which grants a right to practice a broad set of patents in the licensee's required fields of use such that the licensee is assured that it will not infringe any of the licensor's intellectual property. However, in the case that a licensor will not agree to such a provision in II., the licensee can propose a representation and warranty (Optional Clause to Paragraph 5.2.) that provides some assurances. By proposing such a representation and warranty, the licensee also may end up fleshing out whether additional patents exist that it should seek to license, if, licensor is reluctant to agree to this point. Moreover, the addition of this clause gives some recourse to a licensee should the licensor attempt to enforce an unlicensed patent that the licensor knew it could assert at the time of the agreement. In that case, the licensee could countersue for a breach of warranty.

5.3. Nothing herein contained shall be construed as an admission by LICENSEE, its distributors, dealers, suppliers, agents, or customers, including OEM and private label customers, whether direct or indirect, or immediate or remote that (i) there has been direct and/or contributory infringement of, and/or inducement to infringe, the Licensed Patents hereunder, or (ii) the Licensed Patents are valid.

ARTICLE VI. **CONFIDENTIALITY AND PUBLICITY.**

6.1. Neither party will issue a press release after the execution of this Agreement, unless the other party has approved the contents of such press release in writing in advance of its release to the public. LICENSEE shall have the right to refer to the existence of this Agreement and to disclose the substance thereof, but not the amount of the Payment, in response to any inquiry by any distributor, dealer, supplier, agent or customer, including OEM or private label customers, whether direct or indirect, or immediate or remote, to the extent deemed reasonably necessary by LICENSEE, to conduct its business on or in connection with or relating to its products. LICENSOR may refer to the existence of this Agreement incident to their continued licensing and enforcement of the Licensed Patents, but shall not disclose or publicize the terms and conditions of this Agreement.

6.2. Each party agrees that, during and after the term of this Agreement, it shall not publicize the existence of or otherwise disclose this Agreement, or the terms and conditions hereof, except: (i) as permitted under para. 6.1 above;

(ii) with the prior written consent of the other party; or (iii) pursuant to an order or directive of a court or other governmental body having jurisdiction to call therefor; or (iv) in the enforcement of the Licensed Patents, but subject to the existence of a Protective Order in any such litigation which would be acceptable to LICENSEE; or (v) as may be required by law; or (vi) as may be necessary to establish or assert its rights hereunder. With regard to the above-mentioned exceptions (iii) through (vi), the disclosing party (a) shall give prior written notice to the other party, (b) shall not disclose this Agreement until twenty (20) business days after such written notice, and (c) shall make its best efforts to ensure that the disclosure is made pursuant to the highest level of confidentiality afforded by the applicable Protective Order or other governing agreement, order or regulation.

ARTICLE VII. **ARBITRATION.**

Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be finally settled by a binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules (or Patent Arbitration Rules if applicable), and judgment on any award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitration shall be conducted in New York, New York under the laws of the State of New York in English before one (1) arbitrator who shall render a reasoned award and who may make an award of reasonable attorneys' fees to the prevailing party. If not mutually agreed upon, the arbitrator shall be selected according to the American Arbitration Association Rules from among persons having patent expertise in the subject matter of this Agreement. The parties may exercise reasonable discovery rights in any such arbitration and the arbitrator will be instructed to follow applicable rules of substantive law in deciding the dispute.

**Drafting Note to Paragraph VII.**

Since the success of many license agreements depends on the preservation of a cooperative relationship between the licensor and licensee, it is common for licenses to provide that disputes under the agreement are to be resolved by negotiation, mediation, binding or non-binding arbitration, or some combination of these techniques, rather than adversarial litigation. The types of disputes subject to this dispute resolution may be specified, as well as the rules to be used, the timing and place of the proceedings, the entity that will resolve the dispute, and any other rules that the parties wish to define up front.

ARTICLE VIII. **OTHER PROVISIONS.**

8.1. If any of the provisions of this Agreement shall contravene the laws of any country, it is agreed that such invalidity or illegality shall not invalidate this Agreement, but instead this Agreement shall be construed as if it did not contain the provision(s) claimed or held to be invalid or illegal in the particular jurisdiction concerned, insofar as such construction does not materially affect the substance of this Agreement, and the rights and obligations of the parties hereto shall be construed and enforced accordingly. In the event, however, that such claimed invalidity or illegality shall substantially alter the relationship between the parties hereto, materially affecting adversely the interest of either party in such jurisdiction, then the parties hereto shall negotiate an alternative provision not conflicting with such laws so as to maintain, to the degree reasonably possible, the business and economic benefits and liabilities as initially set forth herein. If such invalidity or illegality is such that it is not possible to reasonably restore the business and economic benefits and liabilities of the parties, then the party whose interests are adversely affected shall have the right to terminate only that portion of this Agreement that is materially impacted by such invalidity or illegality.

8.2. The terms of this Agreement shall be binding upon the direct or indirect successors or assigns of the parties.

8.3. This Agreement sets forth the entire understanding of the parties relating to the subject matter hereof and cancels and supersedes all other agreements or understandings leading up to the execution of this Agreement. No amendment or modification of this Agreement shall be valid or binding upon the parties unless made in writing and signed on behalf of the parties by their respective duly authorized representatives.

8.4. In the event of a transfer or assignment of one or more of the Licensed Patents by LICENSOR, the assignee thereof shall take such assignment subject to the rights, licenses, privileges, releases, non-assertions and immunities granted under this Agreement. If LICENSEE transfers and sells to a third party a substantial portion of its business to which the Licensed Patents relate, LICENSEE may assign its rights under this Agreement upon written notice to LICENSOR and the assignee thereof shall take such assignment and receive the rights, licenses, privileges, releases, non-assertions and immunities granted under this Agreement, provided however, that the rights, licenses, privileges, releases, non-assertions and immunities provided to LICENSEE under this Agreement shall not apply to any products of the assignee being manufactured or sold prior to such transfer or assignment. Any Subsidiary or division of LICENSEE that is divested shall continue to retain its rights, licenses, privileges, releases, non-assertions and immunities granted under this Agreement.

**Drafting Note to Paragraph 8.4.**

The default rule is that, without a provision specifying for a right of assignment, a licensee may not transfer the license rights it receives without the express permission of the licensor. However, having to obtain such permission might derail a corporate deal. Thus, the inclusion of this provision may be important to future business transactions, including mergers and asset sales. A licensor may attempt to add limitations to a right of assignment, such as requiring advance written consent or prohibiting assignment to a designated list of competitors. In negotiating these terms, consider how these limitations might affect the licensee's ability to do business in the future. Conditions may also be placed on the right of the licensor to assign its interest in the agreement, which it typically holds absent personal obligations to the licensee under the agreement. If anticipated that the licensor might assign its rights to a party with which the licensee does not wish to contract, a right to terminate the license agreement in the event of an assignment by the licensor may be negotiated. In any case, a requirement that the licensor gives notice of the assignment may be appropriate.

8.5. No act, delay or omission by any party shall be deemed a waiver of any right, power, or remedy of such party unless such waiver is in writing, and then only to the extent set forth therein. All remedies, either under this Agreement or by law or otherwise afforded to a party, shall be cumulative and not alternative. No waiver of any provision, right or remedy under this Agreement on any one occasion shall constitute a waiver of any other provision, right or remedy on said occasion or the same or any other provision, right or remedy on any other occasion.

8.6. This Agreement shall be executed in two originals by the parties. This Agreement will first be executed by LICENSOR, with two executed originals delivered to counsel for LICENSEE. Upon receipt of this Agreement as executed by LICENSOR, LICENSEE will execute two originals of this Agreement and deliver one fully executed original to counsel for LICENSOR. The execution of this agreement by the parties shall be valid and binding as of the Effective Date which will be inserted in the preamble by LICENSEE.

8.7. All rights, licenses, privileges, releases, non assertions and immunities granted under or pursuant to this Agreement by LICENSOR to LICENSEE are, and shall otherwise be deemed to be, for the purpose of Section 365(n) of the United States Bankruptcy Code, as amended ("the Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Section 101 (35A) of the Bankruptcy Code. The parties hereto agree that LICENSEE, as licensee of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections under the Bankruptcy Code. The parties hereto further agree that, if a Bankruptcy Code case is commenced by or against LICENSOR and this Agreement is rejected as provided in the Bankruptcy Code, then LICENSOR (in any capacity, including debtor-in-possession) and their successors and assigns (including, without limitation, a Bankruptcy Code trustee) shall take such steps as are necessary to permit LICENSEE to exercise all of their rights under this Agreement. All rights, powers and remedies of LICENSEE provided under this Article are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, the Bankruptcy Code) in the event of any such commencement of a bankruptcy proceeding by or against LICENSOR. LICENSEE, in addition to the rights, powers and remedies expressly provided herein, shall be entitled to exercise all other such rights and powers and resort to all other such remedies as may now or hereafter exist at law or in equity (including the Bankruptcy Code) in such event. LICENSOR acknowledges that the Payment represents at least equivalent value for the rights granted under this Agreement.

**Drafting Note to Paragraph 8.7.**

This proposed clause, clearly invoking 11 U.S.C. § 365(n), protects the licensee from a licensor's bankruptcy by giving the licensee the option of (1) treating the license as terminated and seeking remedy for breach or (2) providing written notice to the bankruptcy trustee and electing to retain the licensed rights. In the case of a licensee's bankruptcy, the bankruptcy trustee may not freely assume and assign the license beyond the rights of assignability granted to the licensee under the agreement (as intellectual property agreements are typically non-assignable without consent of the licensor). Though many licenses include provisions providing for a right of termination in the event that one of the parties enters bankruptcy, this is expressly forbidden by statute. See 11 U.S.C. § 365(e)(1). This statute trumps even the express written agreement of the parties. However, an agreement may include a termination provision that is based on a trigger event that occurs prior to formal bankruptcy, such as insolvency, failure to make royalty payments over an extended period of time, or leveraging intellectual property assets as collateral to take on debt.

8.8. All notices required or permitted by this Agreement shall be in writing and shall be given by first class postage pre-paid mail, or by facsimile transmission, effective in each case upon the date of mailing or facsimile transmission thereof to the parties addressed as follows:

If to LICENSOR:

____________________

____________________

____________________

____________________

If to LICENSEE:

____________________

____________________

____________________

____________________

or to such other address as the party to receive such notice shall have designated by written notice to the other party hereto.

8.9. This Agreement shall be governed and construed and the relations between the Parties determined in all respects by the laws of the United States of America and the State of New York without regard to any conflict of laws principles.

8.10. All titles used in this Agreement herein are for the convenience of reference only and shall not affect the construction of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

LICENSOR:

By ___________________

Title [title]

Date [date]

Witness:

___________________

Date [date]

LICENSEE:

By ___________________

Title [title]

Date [date]

Witness:

___________________

Date [date]

**Michael J. Kasdan, Partner, Wiggin and Dana LLP**

Michael J. Kasdan is a partner in the Intellectual Property Practice at Wiggin and Dana LLP. Michael has spent his career handling litigations, licensing matters, and transactional work, performing analyses and providing opinions, and advising companies on all aspects of intellectual property. Trained in electrical engineering and with a business background as a technology consultant, Michael works with a broad range of technologies, including consumer electronics, mobile devices, computer architecture, semiconductor chips, Internet and e-commerce, and medical devices.

In addition to his diverse experience as outside counsel, Michael has served as in-house patent counsel to Panasonic Corporation in Japan while working on secondment in Panasonic's licensing center. In that role, he acted as lead counsel in numerous third-party patent assertions and license negotiations, negotiated complex agreements, including portfolio cross-license agreements, and worked with the company to identify high value patents and strengthen their protection.

Michael also teaches as an adjunct professor at his alma mater, NYU School of Law, and has served as an adjunct professor at Seton Hall University School of Law, addressing topics such as patent and trade secret law, IP Licensing, global patent litigation, patent exhaustion, and inequitable conduct. He also frequently writes and speaks on a range of topics including IP litigation, patent monetization and licensing practices, strategic portfolio development, patent eligibility, patent exhaustion, willful infringement, patent misuse and standards estoppel, standards essential patents, damages and patent valuation, inequitable conduct, social media and privacy issues, and legal ethics.