

CATALYST PROGRAM IP WORKSHOP: LICENSING CHECKLIST

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- I. Importance of early stage license agreements—hire IP licensing counsel early on to guide you through the process (agreements are not where you should try to save money by trying to negotiate them yourself)**
 - A. Generate revenue/expenses**
 - B. Enable/ limit your ability to commercialize the IP**
 - C. Potentially can make/break your company if drafted poorly in terms of litigation, lost rights to IP**

- II. Elements of licensing agreement to consider:**
 - A. Ownership of IP—*who owns the IP to be licensed?***
 - B. Exclusive vs. Nonexclusive—*when should the license be exclusive? Nonexclusive?***
 - C. Field of Use—*when is a broad field of use best? A narrow field of use?***
 - D. Territory—*is this a worldwide territory? A country-specific territory?***
 - E. Patent Rights—*what is included in the definition?***
 - F. Scope of License—*what uses of the IP are permitted? Can you sublicense?***
 - G. Improvements—*what happens with improvements?***
 - H. Royalties—*are there different tiers of royalties? Is the payout largely upfront or down the road? Are royalties based on Net Sales or some other unit?***
 - I. Audit rights—*what are the terms for auditing royalties?***
 - J. Milestones—*how are milestone payments structured?***
 - K. Best efforts—*do you want a best efforts clause imposed on the obligation to commercialize the IP?***
 - L. Patent prosecution—*which party is responsible for the costs? Does one party have the right to prosecute a particular patent if the other party declines?***

- M. **Patent infringement**—*which party has the right to control and/or pay for the litigation? Which party will get the proceeds from any settlement or judgment?*
- N. **Indemnification**—*which party has the responsibility to indemnify the other? What are the terms of that obligation?*
- O. **Insurance**—*are you agreeing to obtain more insurance than you have or can get?*
- P. **Limitation of liability**—*what limits are imposed on liability?*
- Q. **Term**--*what is the term of the agreement?*
- R. **Assignment**—*do you want to have approval rights over any potential assignment*
- S. **Dispute resolution**—*do you want the court to decide any disputes that arise or should arbitration decide them?*

III. Common Pitfalls

- A. **Not contemplating the “rainy day”**--*remember that your early stage company may run into financial problems in its early years and contemplate that possibility in the agreement (whether you are the licensor or the licensee), so that the business can survive*
- B. **Tying up your IP too much**—*keep the scope of any agreement licensing out your IP as narrow as you can, so that you don’t preclude yourself from negotiating other licenses to generate more revenue down the road*
- C. **Not providing for audits**—*it has been well-established by companies running audits that most royalties are underpaid, whether by accident or intentionally. Take this into account when you are negotiating the agreement.*
- D. **Not addressing what happens in various scenarios when one side decides not to maintain the patent rights**
- E. **Not adopting tight language on how royalties are calculated**—*if you leave anything subject to interpretation, then you should expect that it will get interpreted against you*
- F. **Not contemplating the possibility of disputes or litigation arising**
- G. **Poorly drafting the scope of the license, so that it is interpreted either more narrowly or more broadly than you intended**