

# ISSUES IN LICENSING TECHNOLOGY INTERNATIONALLY

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# I. Protection of IP Rights to be Licensed

- ◆ Local Law Issues In Protection of Technology
  - ◆ Additional Filings and Registrations
  - ◆ IP Protection may be less comprehensive
  - ◆ Licensor's Requirements/Limitations may not be given effect
  - ◆ Enforcement of judgments slow, uncertain, expensive
  - ◆ Injunctive relief may be unavailable or uncertain
  - ◆ Improvements and derivatives treated differently by local law
  - ◆ Sublicenses or transfers to a third jurisdiction

# A. IP Rights In Other Jurisdictions

## ◆ TRADEMARKS

- ◆ “First to Use” vs “First to File”
- ◆ Required showing that trademark is in use

## ◆ PATENT RIGHTS

- ◆ Requires patent in each country
- ◆ “On Sale Bar” vs. “Doctrine of Absolute Novelty”
- ◆ Software and Business Method Patents not protected everywhere

# A. IP Rights In Other Jurisdictions (continued)

## ◆ COPYRIGHTS

- ◆ Universal Copyright Convention – prohibits foreign discrimination among signatories
- ◆ Berne Convention – automatic protection without registration/deposit among signatories
- ◆ In some countries, no exclusive right to “display” works

# A. IP Rights In Other Jurisdictions (continued)

## ◆ TRADE SECRETS

- ◆ Can owner sue wrongful third-party possessors?
- ◆ Is licensing of trade secrets an accepted practice?
- ◆ Registration requires?
- ◆ Prior approval of royalty rate?

## II. What Law Will Be Applied?

- ◆ Choice not applied without a connection to parties or subject matter
- ◆ Foreign jurisdictions do not necessarily apply the parties' choice of law
  - ◆ CISG or local law
- ◆ Mandatory local law override
  - ◆ EC Jurisdiction over licenses implemented in EC

## II. What Law Will Be Applied? (continued)

- ◆ Compulsory Licensing for non-use (Brazil) not meeting demand or refusal to license against public interest
  - ◆ Invalidity without registration (Japan)
  - ◆ Antitrust considerations (EU)
  - ◆ Limitations of Warranties and Damages

### III. US Law Affecting International Licenses

- ◆ Encryption and technology
- ◆ Export controls on goods
- ◆ Anti-boycott regulations
- ◆ OFAC sanctions
- ◆ Foreign Corrupt Practices Act
- ◆ U.S. antitrust laws
- ◆ Income taxation of international license revenue

## IV. Multilateral Agreements That Affect International Licenses

- ◆ UN Convention on Contracts for the International Sale of Goods (CISG) sometimes applies and varies from UCC
- ◆ Trade related aspects of IP rights (TRIPS) applies to WTO members
  - ◆ Compulsory licensing provisions require prior attempt for authorization

## IV. Multilateral Agreements That Affect International Licenses (continued)

- ◆ EU Directives
  - ◆ Software Directive gives users broader rights (reproduce, translate, adapt to meet intended purpose)
  - ◆ Distance Selling Directive – law of the domicile of the consumer applies

## V. Additional Drafting Considerations

- ◆ Dispute resolution
  - ◆ Arbitration can be a benefit, but for enforcement in the foreign jurisdiction
- ◆ Choice of forum – does local law provide otherwise?
- ◆ Responsibility for compliance with applicable law
- ◆ Payment – U.S. dollar payment
  - ◆ Net of local taxes

## V. Additional Drafting Considerations (continued)

- ◆ Royalty terms may be subject to local central bank approval
- ◆ Exchange controls
- ◆ Licensee pays import/customs duties on items purchased from licensor
- ◆ Internationalize license agreement where possible

# CONCLUSION

- ◆ What Should Licensor Be Doing?
  - ◆ Pre-license steps to protect technology locally
  - ◆ Revise “standard” license agreement to get “local law” representatives and covenants
  - ◆ Customize per local law
  - ◆ Due diligence