**Questions and Answers with Mark Snelgrove, Partner, Potter Clarkson**

Here Mark answers audience questions he didn’t have time to address on the EUIPO-4iP Council webinar “[**Generating income and impact with IP licensing**](https://www.4ipcouncil.com/research/generating-income-and-impact-ip-licensing)” , 8-6-21.

Listen to the webinar recording to hear further responses from Mark and from his co-presenter, Mojca Zupan, PlanetCare founder and CEO. Mojca also answers a number of questions in her 4iP Council feature.

1. **Are NDAs still necessary under (now Europe wide) Trade Secret law?**

The new trade secrets regime does not alter the fundamental importance of putting an NDA in place before the disclosure of any valuable proprietary information. Indeed, information can only be protected as a trade secret under the new regime if it is secret, has commercial value because it is secret and is subject to reasonable steps to keep it secret. Reasonable steps would clearly include, as a minimum, not disclosing the trade secret to anyone else except pursuant to binding confidentiality obligations.

1. **In case of unsuccessful negotiation, how can you be sure that correspondence will be destroyed considering that nowadays most correspondence is digital? Maybe it is better to insert a clear and strong termination date?**

It is sensible to have a termination date in an NDA, if only as a default trigger for the obligation to destroy, return or delete (as the case may be) information received from the other party. I am not sure that there is any reasonably practical way of ensuring that the obligation has been complied with. Including the common supplemental obligation for a director of the recipient company to certify that this is the case should, however, make it unlikely that a reputable company would deliberately breach the obligation.

1. **With regard to a Heads of Terms: what is the (legal) value of a non-binding Heads of Terms which is signed by both parties?**

Generally speaking, non-binding Heads of Terms will not have, and are not intended to have, any legal effect. Their purpose is to set out the key terms of an agreement reached in principle (i.e. subject to contract) between the parties and to form the basis of the full, legally binding agreement. This does mean that the parties are, from a legal perspective, free, in the subsequent negotiations, to change their position from that set out in the Heads of Terms but doing so, at least without good reason, is unlikely to be conducive to the successful conclusion of the agreement.

For the sake of completeness, I should note that, under English law at least, there are circumstances in which “non-binding” Heads of Terms could form part of a legally binding agreement. This could happen, for example, where, although no full agreement is ever signed, the parties begin performing the “in principle” agreement set out in the Heads of Terms. Further discussion of such a scenario is, however, outside the scope of this webinar.

1. **Written dispute settlement agreements usually include Belgian Law as applicable law. Is this law, the one with the most advantages and, if so, what are they? Is it done for convenience or out of habit? Are there any other with more advantages and if so, what?**

The law specified as governing agreements settling disputes between parties located in different countries is often a matter of serious contention. Each party will typically want the agreement to be governed by its own laws with any disputes about the agreement litigated exclusively in its own country. Where this cannot be agreed, a third country’s laws and courts are sometimes chosen but this should only be done with the benefit of the advice of a suitable attorney in the relevant country.

As an English solicitor, I have never negotiated or otherwise been involved in an agreement governed by Belgian law so cannot comment on whether or not it may have any particular advantages.

1. **Are there any pitfalls when dealing in a license across EU Borders? which law is applicable? where should we get a lawyer?**

The main possible pitfall in a cross-border agreement is breaching EU competition law, particularly where any kind of exclusivity is given to the licensee. Wherever possible, the agreement should be drafted so as to be in compliance with Commission Regulation (EU) no. 316/2014.

As regards governing law, when the parties are located in different countries, it is advisable that the law that governs the agreement should be agreed at an early stage. This will likely be the law where one of the parties is located or of a compromise, third country.

If the agreed governing law is not of the country in which you are located, you can either instruct a suitable lawyer in that other country or have your usual lawyer negotiate the agreement but take advice on the effect of the specified governing law from a suitable lawyer in the other country.

In the absence of an express choice of applicable law, the governing law of an EU licence agreement will be determined by the Rome I Regulation (which, in the case of the UK, is retained law following Brexit). Broadly, the agreement will be governed by the law of the country in which the party required to effect the “characteristic performance” of the contract is habitually resident (in the case of a straightforward licence agreement, this is taken to be the licensor), unless the agreement is manifestly more closely connected with another country (in which case, the law of that other country shall apply).

1. **If you have a licensee who is very interested in being the first to start commercialising products that are subject to a pending patent, can you as a licensor validly disclaim any warranties with regard to the validity of the same patent, as long as it is pending, without rendering the license agreement void?**

Most patent licence agreements include a disclaimer or exclusion of warranties with respect to the validity of any patent or patent application licensed under the agreement since the validity of any patent is never known for certain until it has been challenged in litigation. Under English law at least, such a disclaimer or exclusion should be effective and does not affect the validity of the agreement.

1. **Licensees, that are selling the licensed product usually want to have full control over any potential infringement proceedings of the sold product – Is there any risk for the Licensor on agreeing to this or, on the other hand, is there any (legal) way how to leverage not to agree to such provision?**

A licensor should typically seek to retain control over any infringement proceedings arising under a licence agreement, so that it can decide how best to protect its licensed rights. This is particularly important in the case of registered rights, where a counterclaim for revocation or invalidity is almost certain to be raised. If the licensee has the right to take infringement proceedings in all circumstances without reference to the licensor, it could jeopardise the licensed rights through an infringement action that the licensor would never have chosen to launch.

Whether the licensor can resist such a position will depend upon the relative bargaining strength of the parties. If the licensor is unable to negotiate a position under which it retains complete control over possible infringement proceedings, it may nevertheless seek to exercise a degree of control by permitting the licensee to take such proceedings only where it can produce an opinion from experienced IP counsel that, in such proceedings, the patent rights are likely to be found both valid and infringed.

1. **In relation to licences, does the obligation to notify the licensor, i.e. to make it known that you are going to sue the infringer, only operate in the case of non-exclusive licensees? I mean, in case you are an exclusive licensee, could you directly sue independently or should you make it known to the licensor first.**

Whether the licensee has the right to pursue infringement proceedings in its own name and, if so, whether it must first notify/obtain consent from its licensor will depend upon a mixture of the applicable IP laws and the terms of the licence agreement. For example, an exclusive licensee of a UK patent is given the right by statute to take infringement proceedings in its own name and without notifying the patent proprietor. However, this right can be excluded and most patent licence agreements drafted for a licensor will seek to restrict the right as discussed in answer to the previous question.

1. **Further to Christos' question on applicable law: how do you usually deal with discussions regarding applicable law? Would you accept a foreign law system in exchange for a concession elsewhere? What is your view on clauses setting forth that the applicable law is the law of the defending party in a given dispute?**

The question of governing law in a licence agreement can be a contentious one although, unless the licensee has a strong bargaining position, the licensor’s choice of governing law is more likely to prevail.

A preferred choice of governing law could possibly be given up in exchange for a concession elsewhere in the agreement. However, you would need to factor in the additional costs of obtaining legal advice on the effect of the agreement under the other party’s chosen law.

I have seen a few agreements in which the governing law is stated to be the law of the country in which the defendant party is situated but I have serious reservations about such a provision. It does not seem to me satisfactory that the correct interpretation of the agreement may depend upon which party is claimant and which defendant. You could need to draft the same provision in two different ways in order to ensure that it has the same effect under both potentially applicable laws!

1. **May I know, how you determine on the license fee? How would you value your IP/ technology?**

There are expert IP valuers who can help you determine the value of your IP and extensive writings, particularly by US jurists, about how to calculate and negotiate licence fees and royalties. If licensing is common in your industry sector, then the royalty rates agreed in existing licences may well be the best guide – or at least, a starting point – to the determination of an appropriate royalty for your proposed licence agreement. If not, then it may be a case of considering many different factors including the cost to the licensor of developing and obtaining the IP, the size of the possible market for the licensed products, the licensee’s likely profit margins and the terms of the proposed licence agreement including, in particular, whether the licensee will be granted any exclusivity. Ultimately, of course, there is the question of what the licensee is prepared to pay and the licensor is prepared to accept.

1. **With regard to NDA's: is it possible to foresee the possibility to refuse certain information in order to avoid contamination with your own proprietary information?**

You could consider seeking to limit the definition of the confidential information that will be protected to information of the type that is strictly relevant to the purpose of the discussions and promptly return any information that does not fall into this category. You could also specify in the NDA that any information not falling within the protected category will not be treated as confidential.

1. **How does an SME bridge the cash-flow gap between filing for IP rights and the rights being granted?**

Looking at the matter purely from an IP lawyer’s perspective, there is no reason in principle, at least under UK law, why licences should not be granted while applications for registered IP remain pending. The main IP in issue here is, of course, patents which typically take several years to reach grant.

If the cost of prosecuting the patent application(s) to grant is a potential problem for the licensor, this may be offset by licence fees and royalties payable in the meantime. Alternatively, the licensor could seek a direct contribution from the licensee to the patent prosecution costs, particularly if any applications are filed at the specific request of the licensee. On the other hand, a licensee contributing in this way may well want a say in how the patent applications are prosecuted.

1. **Is sub-licensing common and contractually how should it be dealt with?**

The default position for a licensor is probably to prohibit sub-licensing. Moreover, under English law, there will be no right for the licensee to grant sub-licences unless this is expressly permitted by the agreement. Having said that, some deals will specifically envisage the grant of sub-licences by the licensee and provide for this accordingly in the licence agreement.

If sub-licensing is to be permitted, the licensor will need to consider what controls it should have over the identity of any sub-licensees and the terms of their sub-licences as well as the royalties that should be payable by the licensee on sub-licensee sales. Typically, the licensor will want a right of approval over any proposed sub-licensee, will want the terms of any sub-licence to be substantially the same as the terms of the licence and will make the licensee responsible for any acts or omissions on the part of its sub-licensees.