

Partnering For Commercial Advantage

*Developing intellectual property
with others*





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Introduction

Many businesses find the process of innovation difficult to execute single-handedly. Some do not have all the resources in-house to take an idea through research and development to commercialisation. For others, the challenge lies in successfully incorporating external inventions that meet a market need within an existing product or service portfolio. Whatever your motivation for working with others: how can you gain and retain control to make sure your collaboration is a success?

Where security and confidentiality are important, as is often the case with ideas that are rich in intellectual property, it can be tempting to try to manage the innovation process in-house from start to finish. However, unless you are very well resourced, this may simply be too slow a route to market. Accordingly, both mature businesses and early-stage companies with financial constraints find it a more successful strategy to seek out enterprising ways of meeting market demand, and stay ahead of their competitors, by working with external partners.

Collaborations may take many different forms. You may wish to tap into academic research expertise, license-in external IP, license-out your own IP rights, or work with a sub-contractor (such as a manufacturer, designer, software engineer, photographer or website developer). In such cases, you will find that although IP rights are intangible assets, they can be used to leverage commercial value in a company just like tangible assets.

Whenever you are collaborating with others, it's important to manage the knowledge brought to or created by your project with care. Otherwise, it may be difficult to speak openly about, protect, commercialise or prevent future use of this knowledge.

Overall, trust and knowledge are key to any successful relationship. It is important to choose your partners wisely, conduct some basic due diligence before entering into a partnership and, wherever appropriate, put in place professionally drafted legal agreements. Every collaboration is different — but this guide, in conjunction with others in this series, will help you get the basics right.

Produced by IP ValueLab, these intellectual property management (IPM) business guides aim to deliver a suite of IP solutions for enterprises based on industry best practices. As the enterprise engagement arm of the Intellectual Property Office of Singapore (IPOS), IP ValueLab helps businesses establish a strong IP position for sustainable margins and higher returns. Some of these engagements may be eligible for Enterprise Singapore (ESG) funding, such as the intangible asset audit and strategy development aligned with business goals. IP ValueLab's business portal www.ipvaluelab.com.sg also contains case studies and videos of enterprises leveraging on IP to gain a competitive edge in their innovations. Should you have questions on IPM matters or wish to speak with our Intellectual Property Strategists, do email us at enquiries@ipvaluelab.com.sg or call +65 63308610.



Collaboration



01

*What are the pros and
cons of collaborating?*

1. Collaboration

What are the pros and cons of collaborating?

innovation is becoming increasingly collaborative. It is often the case that a single organisation does not have all the resources and skills required for the end-to-end delivery of a product or service, and partners are required. Businesses, industrial corporations, lone inventors and academia can all be involved in getting ideas to market.

There are many benefits of collaborating, including the ability to bring in new ideas and approaches, combine technical expertise, pool IP rights and shorten the time needed to bring an innovation to market. In many cases, due to limitations of a company's size, reach or expertise, some sort of joint working is essential for commercial success.

However, in respect of IP and ongoing ownership rights, collaborations complicate the situation. No longer are you the only company with rights. In particular, joint development can introduce risk, as two or more parties may split the rights to the IP that is developed. Depending on how ownership is divided up, this can lead to difficulties over exploitation.

Some IP collaborations may be envisaged as long-term business partnerships from the outset, such as research partnerships, licensing, manufacturing or franchising agreements. There is nothing wrong with starting off a project with fairly tactical, short-term aims; however, if such a project discovers something significant and IP is generated, then the relationship could well last as long as the IP, with all parties having a stake and a degree of ownership in the outcome.

As well as ownership, discussed in the following sections, it is important to set out how any IP to be developed in a collaborative project will overcome problems or limitations with the current 'state of the art'.

It is also critical to identify suitable partners for your intended project, conduct appropriate background checks, understand and address risks that may arise during the collaboration and actively manage the protection and exploitation of any IP generated.



“Collaborations have a number of benefits but can complicate IP ownership”

What legal documentation should we be considering?

Given the importance and closeness of the relationship in a productive collaboration, it is wise to anticipate that a number of legal agreements may be required. As well as the collaboration agreement itself, you will probably want to perform background checks and use non-disclosure and materials transfer agreements where appropriate.

“It’s worth taking time and effort to get the right documentation in place at the outset, as it can prevent disagreements downstream”

Trust and knowledge are just as important in a business partnership as they are in any other relationship, so it is important to choose your partners wisely and investigate their credentials before entering into a formal agreement. Make sure you know the standing and status of the legal entity with which you are dealing; for example, a company or subsidiary with no assets will offer little in way of security, no matter how tightly your contracts set out consequences of breach of contract or enforcement of terms, such as non-payment/delivery.

In addition to due diligence work, it is good practice to sign certain agreements at an early stage.



Non-Disclosure Agreements (NDAs), Memoranda of Understanding (MoUs) and even Material Transfer Agreements (MTAs) are often helpful to both parties in mitigating risks during negotiations.

Signing a mutual non-disclosure agreement (NDA), in particular, before any serious negotiations begin will reduce the risks of possible leakage of valuable information for both parties. It will also allow participants to speak more openly about their objectives. Use of an NDA is particularly important if there is a possibility that the information may form the basis of a patent or registered design application, as prior public disclosure in such cases may make the obtaining of such rights impossible.

Ensuring NDAs are in place early also allows collaborators to disclose and share IP, know-how or other information that may be commercially important, but not protectable using IP rights, such as relevant market research findings. Details of what is contained in a typical NDA, and why its use is important, are covered in an accompanying guide — ‘Managing Your Most Valuable Assets’.

A collaboration agreement should be agreed also before the start of a project. A typical collaboration agreement addresses the following points (not exhaustive) (Figure 1):

PARTIES	<ul style="list-style-type: none"> • Set out parties to the agreement, including any subcontractors.
DEFINITION OF IP	<ul style="list-style-type: none"> • What is the nature of the background IP?
SUBJECT MATTER OF COLLABORATION	<ul style="list-style-type: none"> • Identify each party’s expected contribution (financial; research; dissemination).
FINANCIAL/MANAGEMENT/RESPONSIBILITIES AND DELIVERABLES	<ul style="list-style-type: none"> • Include details of who is responsible for filing and costs for IP registration (for example Patent). • Include parties expected contribution to project.
DEALING WITH RISKS	<ul style="list-style-type: none"> • Internal conflicts / disputes — include means of dealing with consortium disputes (mediation / get-out clause).
OWNERSHIP OF IP	<ul style="list-style-type: none"> • Background and foreground — this should include declarations of possible third-party rights to earlier and future IP.
PROTECTION, USE AND EXPLOITATION OF IP	<ul style="list-style-type: none"> • Who owns what in relation to foreground IP? • Who covers costs for filing? • Who owns foreground IP (applicant name)? • Who has the right to exploit (license or sell)?
CONFIDENTIALITY	<ul style="list-style-type: none"> • Set out the confidentiality terms to be adhered to by parties, party employee and subcontractors.

Figure 1. Typical elements within a collaboration agreement

1. Collaboration

What IP ownership aspects should we be considering?

It is important to work out not only who will own what during the period of active collaboration, but also what access parties will have to IP that they do not own — both during the project and afterwards.

Failure to define ownership and permitted usage of IP rights at the outset of any collaboration can cause future problems. There are

variations amongst national laws on the question of 'default' ownership of IP rights when contracted or collaborative work is involved, as well as different rules for each type of IP right. Additionally, collaborative research funded by grants may carry standard contractual terms on ownership, which, unless re-negotiated at the outset, may be unduly favourable to one party.

It is therefore important to include specific clauses in any collaboration agreement clarifying the intended ownership of future rights over creative or inventive work that results from the agreement and to do this at the start.

There are a few more general points worth considering when entering into new collaborations, especially if these start to involve joint development of IP (commercial or academic). In many jurisdictions, we have observed that when IP is owned by more than one party, parties tend to own such IP in equal parts. This means that one entity owns half of the IP outright and the other party owns the other half, rather than both parties owning all the asset simultaneously.

“Even though you pay for a piece of work, you may not own the resultant IP due to variations in national laws on ownership”

The practical consequence of this ownership position is that, unless there is an agreement to the contrary, neither party can exploit, license, assign or otherwise make use of the IP in question without the agreement of the other party. This is why ownership by more than one party is generally seen as something to be avoided if at all possible — it makes prosecution, protection and enforcement of your rights much harder. It is recommended that parties should negotiate and agree in advance on the ownership and how IP may be managed during the course of commercialisation. For example, which party will own the IP right, how to finance and manage the prosecution or enforcement processes, how may a party use the IP etc.



Legal agreements in academic collaborations should cover individual university-employed inventors, undergraduates and the institutions themselves, to be sure ownership is not ambiguous. Such agreements should also be clear on who will take responsibility for filing/prosecution of any patent filing or other application for IP rights (including costs), who decides what IP protection will be sought in which countries, and who has the right to sue for infringement.



SUMMARY

The following summary highlights guidelines to bear in mind when looking to maintain your competitive advantage with IP:

Choose your
collaboration
partners
carefully

Do your due
diligence

Use legal
agreements
appropriately

Agree on IP
ownership
early on

Consider IP
ownership
by university
undergraduates



Concepts in collaborative working



02

*What are background, foreground
and sideground IP?*

What are the typical terms to describe IP in collaboration agreements?

During any creative or inventive process involving different parties, you need to know who controls which IP rights. This is important so that you can take appropriate action to manage your ownership, and work out how to avoid possible future disputes over new IP created in the course of collaborating.

Formalised collaborations can take many forms, such as consortium, franchise, manufacturing, subcontracting or licensing agreements. Whilst the purpose and outcome of these agreements may be different, they often have standard terms and definitions for the management of IP rights in common, in particular, the use of three key terms: background, foreground and (occasionally) sideground IP. These are especially likely to feature in joint development agreements or R&D projects with research institutions, so it is important to understand what they mean and what usage and ownership rights are being requested or proposed.



Background IP is the IP of a party that has been generated before the collaboration commences. It may also cover IP that is generated outside, but during the term of the collaboration (unless this is separately described as sideground IP — see below). This may relate to registered IP rights, copyright (such as software) or unregistered intangible assets such as know-how.

It is important to set out the nature of the background IP (in a suitable section of a collaboration agreement) at the outset, to ensure there is no confusion over ownership or access to things you already know and use, either during or after the proposed project. Your background IP is what you are bringing to the table: your collaborator's background IP is what they are bringing.

Foreground (or resulting) IP is often defined as IP rights of any description arising from and developed in the course of the collaboration or project by any of the parties. It is treatment of these rights (and the background IP required to use/access these rights) that will be important for the parties to agree, in terms of protection, use and exploitation rights. For the reasons outlined in the previous chapter of this guide, it may make sense for protection of the rights to be overseen by one party (and one applicant) to avoid complications later, and for exploitation rights to be limited to a particular sector or territory for the parties.

Sideground IP is IP developed during the term of a collaborative project that is not part of the project scope, and so is not foreground IP (and is therefore not subject to any undertaking agreed in respect of foreground IP). It is advisable to include a clause in a collaboration agreement to emphasise that parties must seek the right of use of such sideground IP directly in writing from the owner, to ensure there is no confusion with background or foreground IP rights.

“Once you are clear on the terminology, make sure you understand what you expect ‘background’ and ‘foreground’ IP to mean in practice”

2. Concepts in collaborative working

Can I 'ring-fence' my background IP?

You may own IP that is critical to the success of a collaborative project. You will want to maintain control over what's yours — but you also want to make sure that you have access to background IP belonging to your fellow partners. They will feel the same way about your IP and theirs.

For the most part, all parties will wish to ensure they are not prevented from using any foreground IP rights generated in a collaboration agreement once the project has stopped because someone owns essential background IP to which there is no longer access. Appropriate terms are needed to set out access rights to both foreground and background IP. If the background IP is particularly important, the parties may conduct due diligence on each other's assets to confirm that their future use will not be compromised, for example by an existing exclusive licence or assignment with a third party.

Background IP should be defined in a collaborative agreement, in order to ensure the parties to the agreement understand what IP was in existence before the start of the project and, importantly, who owns it. It is worthwhile setting out details of the background IP, as well as any rights to use and access the background IP for the project (for example, you may want to limit use of the background IP just to research and development, and exclude commercial uses). Access may also be limited to the duration of the project only, or if not, should state for what purposes it is permitted, and for how long.

Access to the background IP will often be contained in a separate licence agreement (exclusive or non-exclusive). It may be limited by time, sector and/or geography.

What about background IP that isn't owned by a collaborator?

Often, different parties to the collaboration will bring IP to the agreement. However, sometimes, they may not own the IP outright — some of it may be licensed in from other sources.

External IP may be required that is crucial to a collaboration. For example, a party with exclusive

rights to IP (by way of an exclusive licence from an external party) may offer to bring and use these rights in your collaboration. However, do they have permission to use the IP for this particular purpose? Their exclusive licence may limit use of the IP to a particular sector or territory that does not cover the scope of your proposed collaboration.

“Ensure adequate protection for any background IP before it is disclosed to another party”

“Make sure that you have the licence to use your collaborator's existing IP for the purposes of the collaboration — and for exploitation of the resulting product or technology”

This example illustrates why it is important to conduct due diligence on all IP to be used during a collaboration. Just because someone says it is their IP to use — have you taken time to check?

Obtaining IP ownership of background IP is not necessarily essential for your project. It is possible that the goals of a project can be met simply by being able to use a piece of IP and therefore the terms on which access rights are granted are critical. IP agreements should, therefore, be negotiated for key background IP on a case-by-case basis.

Why is IP searching important, and what searches should I perform?

Conducting market research for your business plan is commonly accepted to be part of developing an effective strategy, and the same applies to IP. It is important to understand the landscape and assess the state of the art before you invest collaborative time, money and effort developing IP that may already exist. It may already be protected heavily by others, putting you at risk of future infringement of their rights.



Patent databases

Patent databases such as Espacenet offer free access to more than 90 million patent documents worldwide, containing information about inventions and technical developments from 1836 to today. This is an invaluable source of intelligence: just because a product is not available on the market, it does not mean that it has not been patented (or published) previously. There is no point in ‘reinventing the wheel’ when you may be able to access an innovation more easily and cheaply by licensing access to or buying IP rights from the IP holder.

“ Use of IP databases can help you to identify IP of interest, design around prior IP rights, avoid infringing acts and keep track of competitor activity. ”

Additionally, it is commercially important to detect any risks presented by existing third-party rights by conducting basic IP checks before you become guilty of an infringing act (which may include making, disposing of, offering to dispose of, using or importing a product, or keeping it — whether for disposal or otherwise) and which may have criminal or civil law consequences. Another guide in this series covering IP intelligence gathering details how you can perform searches of patents and other registered IP rights, to discover whether the proposed subject of the collaboration is actually novel, and also to access the IP landscape of the area that is going to be investigated.



If you seek a grant or other finance to fund any collaborative research, your evaluator will generally seek proof of how innovative your proposed collaboration is likely to be. To help with this, it is important to set out the state of the art. This typically involves searching patent databases, scientific literature and market data to analyse the landscape and potential market for your proposed innovation, in order to check the quality of your proposed collaboration — as well as whether there is a genuine market need.

2. Concepts in collaborative working

An evaluator will also require a description of the collaborative project's objectives, the problems to be overcome and details of how (and by whom) your resulting IP will be protected and exploited. It is important, therefore, before any collaboration commences, to determine how the results of any collaboration differ from the prior art as well as how you propose to overcome likely hurdles during development.

Are there risks after the project has finished?

You may have negotiated access to your collaborators' background IP during the collaboration and used it, together with your own efforts, to produce some very useful foreground IP to which you now have rights. Once the collaboration finishes, though,

can you use your foreground IP without infringing your collaborators' background rights?

It is not uncommon to find that once a collaboration ends, you no longer have any rights to use your collaborators' background IP and this may, in turn, make it impossible to use the foreground IP you generated during the project without permission or a license from your (now former) collaborator. If this situation is not anticipated and accommodated early on, it could leave you in a weak negotiating position, having to accept harsh conditions to be able to continue to use the results from the collaboration.

“It is important to consider whether you will still need access to your collaborators' background IP once the project has finished”

For this reason, R&D collaboration agreements should always establish what IP access rights and obligations each party will have to the other on an ongoing basis after the project has finished. It is common for the agreement to state that during the project, a royalty-free licence to each party's background IP will be provided, and that once the project has finished, a licence will be provided on fair, reasonable and non-discriminatory (FRAND) terms — i.e. a licence cannot be refused, although a payment may be insisted upon.



This provides what is generally regarded to be a fair way of ensuring that there is some financial compensation for the ongoing contribution made by other people towards the project's outcomes, even if they are no longer directly involved in it.



SUMMARY

The following summary is a reminder of the three key types of IP involved in collaborative working. You need to understand their meaning and be able to determine how they apply to your particular situation, at the time that you formulate collaborative agreements.

Background IP

- IP owned by one of the collaborators that existed before the project starts or is generated outside the project
- Essential for the project
- Access may be required for all collaborators both during the project and afterwards if the results of the project are to be exploited

Foreground IP

- IP arising from the project
- All collaborators need to agree on who owns and who has which rights to use/exploit and sell going forward
- Best practice is to avoid shared ownership if possible

Sideground IP

- New IP generated while the project is running by one of the parties to the collaboration
- Not developed during the collaboration itself
- Other collaborators have no access or rights to sideground IP



Transfer of IP rights



03

*What types of ownership and
usage arrangements can be
negotiated for my IP?*

What types of ownership and usage arrangements can be negotiated for my IP?

“ Licensing or assigning your IP can open up new opportunities or bring additional revenue into your business ”

Commercial agreements, such as licences or assignments, can be used to generate revenue for your IP, open up new routes to market, identify further uses and accelerate development of your IP. However, they do involve giving up some or all control over it.

Whenever you work with others to develop IP or others come to you wishing to have access to your IP, some sort of agreement will be required to control what can and cannot be done with your property (and in what territories or market sectors). The same will apply to other people's IP to which you need to have ongoing access, which would typically be provided by way of assignment or licence.

This chapter explores the various types of agreements that you can choose to enter into, what their typical clauses are, and how they can be used to transfer some of, or all of, your rights in a particular set of IP to a third party.



In general, when negotiating any agreement, it is important to realise it may involve an element of compromise. There will often be provisions that either party would have preferred not to agree. The important thing is to ensure that each party understands the implications of what they are signing and is comfortable with any risk it takes, based on the bargain it receives in return.

How do assignments and licences differ?

There is a range of ways in which tangible property may change ownership, or its use be shared: it may be sold, borrowed, leased or hired. The most commonly used equivalents when dealing in IP are to assign it (broadly equivalent to a sale) or to license it (granting specified permission to use, without ownership changing hands).

When the legal title (ownership) of a piece of IP changes, it is usually associated with an assignment agreement. In many ways, an assignment is similar to the sale of a piece of physical property. However, the associated agreement can place additional obligations on the assignee (the new owner), which are not commonly found during a 'normal' sale.



Assignments
& Licences

The wording of an assignment may request that the assignee license back use of the IP to the assignor for a certain purpose. The assignment may also place some obligations on the assignor (the old owner). For example, it may request that the assignor indemnify the assignee for any infringement claims for a certain period of time or, if it is a copyrighted work, request that the assignor waives any moral rights it may have in the work. It is not uncommon for either the assignee or the assignor to insist that official registers are updated to reflect the new ownership status of the IP, and in some jurisdictions, for some types of right, this is also a legal requirement prior to any enforcement action.

3. Transfer of IP rights

In addition to assigning your IP, it is also possible to maintain legal ownership of the right but to grant some rights to another party. This is generally called a licence and is in many ways analogous to renting out your physical property.

Unlike physical property, though, it is fairly straightforward to subdivide rights in an intangible asset, and so it is not at all uncommon for the same piece of IP to be licensed multiple times to multiple parties simultaneously — a point that is very important to bear in mind if you are negotiating to obtain one!



Assignments & Licences

A licence may define a variety of uses (for example, commercial or non-commercial; to import, to make or to sell). It may also define different geographic regions, and different market sectors, where the IP can be used, or define different time periods during which it can be used.

“Assignment of IP may carry more obligations than would typically be associated with an outright sale”

Negotiating a licence can result in a very successful commercial relationship for both parties if all relevant points are considered and a satisfactory agreement is reached for both parties at the end. For clarity, the licensee is the party that receives a licence, while the licensor is the party that grants it).



A licence not only creates economic value (monetary value in the form of royalties from the licensing-in or licensing-out of IP) but also strategic value. This strategic advantage might influence, for example, the view of potential funders or grant bodies based on the image, quality or quantity of an IP owner's combined rights and licensed portfolio.

What are the different types of licences?

It is possible to license your IP exclusively or non-exclusively. It is also possible to agree a sole licence, which is like an exclusive licence, except rights to exploit are also reserved for yourself to continue to use the IP. This section sets out the main differences.

“Exclusive, non-exclusive and sole are terms normally used to describe different and specific types of licence agreements”



Exclusive licence, sole licence, non-exclusive licence

The first thing to decide upon when considering licensing your IP is the type of licence you want to use. An exclusive licence is a licence to the exclusion of all others, including yourself, for certain agreed conditions. It should be used with care because it provides the licensee with a very wide range of benefits.

What flexibility do I have in terms of how licences are formulated?

An exclusive licence can, however, be limited to certain territories. For example, an exclusive licence might be granted for the use of a company's IP (patent, trade mark etc.) in China to 'Licensee 1', but use in Europe granted to another party 'Licensee 2', whilst the IP owner itself retains rights everywhere else except Europe and China.

An exclusive licence may also grant very specific rights — this may be for manufacture but not use of a patented invention, for example.

A sole licence is similar to an exclusive licence except you, as the owner of the IP, retain rights to the IP yourself and the rights are shared between yourself and your licensee. The word 'sole' means that you will only grant one licence to one party in respect of the specific 'bundle' of rights and entitlements that are described. As with an exclusive licence, however, there are various ways in which this may be qualified or limited.

A non-exclusive licence means that the licensor retains the right to issue as many additional licences as they wish. This means that ultimately, as a licensee, you could find yourself competing with many others. Such competition tends to drive down margins, and the returns to the licensor from each individual deal done may be less, but the philosophy adopted by the licensor is to maximise return by increased volume.

A licence is a highly flexible form of legal agreement. If you are the licensor, there are many ways in which you can 'slice and dice' the rights that you make available. If you are the licensee, your main concern is to be absolutely clear which rights you are getting and whether these are sufficient for the intended purpose.

1.

The first point will be what you include in the licence, which can be anything from a single patent or trade mark to a large 'basket' of associated rights and know-how. This will be determined by what is needed to successfully permit the product to be made or service to be offered. In the collaborative context, when discussing background IP, making sure that the basket contains everything you need is critical.

2.

Within a licensing agreement, you may see references to the 'field of application'. Some technologies that lend themselves to a range of different uses, contexts or 'fields', might be licensed to different entities for each of these opportunities.

3. Transfer of IP rights

It is important to pay careful attention to the definition of 'field', as it could mean an area of science, a specific application (such as a particular product) or an industrial sector. This type of licensing approach also extends to agreements with manufacturers who you commission to make goods on your behalf (or who approach you to seek formal permission to use rights that you own).

“Licensing provides a very flexible form of IP exploitation”

3.

Territory is normally dealt with separately from field of application. Depending on your business model and how you wish to operate, you may define a very broad geographical area (such as a whole country) or a very narrow one (such as a town, or even an area within a town, if for example you are licensing branding for a fast food franchise outlet). As the licensor, the key consideration is not to give away territory to a licensee that does not have a credible plan or capacity to be able to exploit your IP in it effectively.

4.

Licences are also generally time-bound. Sometimes, this is governed by the remaining life of the rights (such as the period left before a patent expires). More often, it is for a set period of time, which may also set minimum performance criteria associated with the period (such as a minimum sales volume or minimum licence fee).

5.

Most importantly of all, the licence should state how much money will change hands, and on what basis. Some thoughts on structuring are provided in the following section, but the principle that usually applies is that any payment relates to sales (not profits, as these are too easily manipulated) with reference to the lowest single saleable unit element which the IP covers (which could be a component or an entire product, depending on the context).

What sort of complications typically arise with licensing?

The usual issue that licensors face when giving others permission to use their IP rights is a degree of uncertainty over whether they will receive their fair share of incomes. However, there are other considerations regarding cost-sharing, improvements and

sub-licensing which a well-drafted agreement should cover.

Making sure you get paid is a vital consideration. A wide range of options is available for licence structuring, including up-front fees, advance payments and minimum payments that can help to de-risk this aspect of

“As well as ensuring you get paid, your licensing agreement should anticipate other common requests such as access to improvements”

the agreement, which should always be backed by a reasonable right of audit, so that you can request and receive (or organise your own inspection to obtain) a clear picture of what has been used or sold, and when.

Depending on the type of licence being used, clauses may be introduced which place an obligation on the licensee to support the IP by contributing to its protection in the territory where it delivers benefit to them. In some cases, this might be a condition of obtaining exclusive rights (it would be less usual with non-exclusive arrangements).

There may also be a need to accommodate the ownership of improvements to the licensed property. This raises questions of what an improvement is (is it any modification or an enhancement of the licensed IP?). You may wish to consider whether there is a legitimate expectation that the licensor or licensee will make improvements, whether there is an automatic right for these to be shared, and whose property they will ultimately be. Generally, the view will be taken that anything that improves the IP is good for all parties and so usage by the licensee should be permitted (because it will tend to increase royalties).

Sub-licensing is another issue. A licensee may wish to grant sub-licenses, and the licensor may wish to have the benefit of increased incomes from their 'head' contract, but also the right of refusal. This can either be dealt with on a case-by-case basis, or the restrictions can be built into the agreement. A licensor may have legitimate concerns about deals being done with competitors or companies that might bring its goods into disrepute, but there should be a principle that if sub-licensing is permitted at all, then it should not be unreasonably refused.

3. Transfer of IP rights



SUMMARY

There are plenty of risks to watch out for when drafting a collaborative agreement, such as the terms of any proposed licensing agreement. It is important to seek professional advice to ensure the scope and terms of licence agreement are sufficient for your purposes. However, the following table will provide you with a list of key considerations to bear in mind during negotiations.

Definition of IP being licensed	Scope of licence — limited to territory; sector; use; manufacture?	Defined ability to sub-licence (if at all)
Nature of licence — sole / exclusive / non-exclusive	Duration of licence	Is licence transferable or not?
Exit options — a 'get-out' clause due to non-compliance, not meeting important terms and obligations or breach of confidentiality	Payment terms — up-front payment; milestones; royalties	Terms to ensure best efforts by licensee — with regards to commercialisation; manufacture; quality; minimum sales volume
Warranties and indemnities, and rights to audit	Infringement terms — who is responsible for enforcement and prosecution of infringers?	Termination
<input type="checkbox"/> Dealing with disputes	<input type="checkbox"/> Change of control	<input type="checkbox"/> Governing law



Master checklist for collaborations



04

*Making sure you cover
all the basics.*

4. Master checklist for collaborations

Making sure you cover all the basics

In any R&D collaboration activity, it is desirable to have a management system in place which ensures that you are using accepted best practices to effectively manage all aspects of the collaboration, both internally and externally and highlights

what practices and procedures you should have in place for doing this.

At the commencement of a collaborative project, having read the information in this guide, your company should be able to say YES to all the following fifteen questions:

NO	QUESTION	TICK <input checked="" type="checkbox"/>
i)	Are confidentiality (non-disclosure) agreements in place?	<input type="checkbox"/>
ii)	Are ownership safeguards, in particular contractual terms in agreements with contractors, consultants, licensees and other partners in place?	<input type="checkbox"/>
iii)	Do we know what all our background IP is and who else's background IP might be needed — both during the project and following completion?	<input type="checkbox"/>
iv)	Are there job descriptions for key staff and agreed terms for any non-executive directors — do we know who is supposed to be doing what?	<input type="checkbox"/>
v)	Are mechanisms in place for capturing and recording know-how and other confidential information generated during the project that might not be registrable as IP (such as copyright material)?	<input type="checkbox"/>
vi)	Have we got our infringement clearance procedures in place and have we used them to make sure the collaboration has been correctly scoped?	<input type="checkbox"/>
vii)	Are we ready to record evidence of use of any IP we own in the collaboration or its outputs, such as our trade marks?	<input type="checkbox"/>
viii)	Are we confident we will capture and evaluate all potentially registrable IP (patentable inventions, registrable designs and trade marks)?	<input type="checkbox"/>
ix)	Do we know who is taking the lead on registering any IP, in line with the agreed business plan?	<input type="checkbox"/>
x)	Are we more generally aware of relevant third party IP rights that might have an impact on our work, and are we monitoring for new ones?	<input type="checkbox"/>
xi)	Have we taken proper advice on IP-relevant contracts?	<input type="checkbox"/>
xii)	Do we have publication clearance procedures to avoid loss of protectable IP?	<input type="checkbox"/>
xiii)	Are we marking or flagging application and registration numbers on literature associated with our project and correctly acknowledging all partner rights using ™, ® and © symbols as needed?	<input type="checkbox"/>
xiv)	Are all staff aware of IP issues and policies?	<input type="checkbox"/>
xv)	Are we regularly reviewing progress through an IP lens?	<input type="checkbox"/>



Where can my business get help?



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5. Where can my business get help?



GETTING RIGHTS GRANTED

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