



Biotech: Drafting And Negotiating A Patent License Agreement

[Fabrice Perbost](#)

When drafting or negotiating a patent license agreement, a number of pitfalls should be avoided or at least have their effects reduced. Failing that, the rights and interests of the company which you represent might be affected, if not altered. Whether you are the patent licensor or the patent licensee, you will find hereinafter the 10 main points that should be borne in mind so as to reduce or remove the major risks occurring upon drafting and negotiating such patent license agreement.

1. What is the subject matter of the license? Although it may appear obvious, the concepts of patent, biological material and know-how are very often not distinguished. However each creation/protection results in specific legal rules and, as the case may be, a specific remuneration method. Once such distinction is operated, you ought to precise the patent type, the registration location and number, etc.. You should also indicate any and all its extensions, continuations, divisions or additions together with any and all additional protection certificates. As regards the biological material, you should cover any and all replication thereof and indicate the registration number and date. Failing that, you might have to pay for a license which does not cover anything or, on the contrary, if you are the licensor, you might license more rights than you had expected. At the same time, you should also verify whether the license is exclusive or non exclusive.

2. Specify the license scope. Is the license applicable to all fields or is it applicable to specific fields (agriculture, pharmaceutical industry, etc.)? After answering this question, you should also indicate whether the license is granted for the sole purpose of experimentation, for clinical trials, or for the purposes of manufacturing, production, marketing, exportation and importation.

3. Who benefits from the license? Is it a company alone, is it some of the group's companies or is it the whole group (subsidiaries, branch offices, etc.)? In this case, you should indicate the shareholding percentage required for such companies to be entitled to said license. For further precision, you may also refer to the articles of the Commercial Code defining the concept of company control (Articles L.233-1, L.233-2 and L.233-3).

4. Which territories? It is generally indicated that the license is granted in all the countries where the patents have been registered. You had better list all the European Union countries one by one than indicate "the European Union countries" in so far as such list is open-ended. Such approach also enables you to reconsider in concrete terms the countries for which you are willing to grant or acquire a license.

5. Which term? The license term is generally the same as the validity period of the patent or any extension thereof. You should avoid the mentions such as "for an indefinite term" which are potentially dangerous but also contrary to a French legal provision prohibiting perpetual agreements.

6. At what cost? The remuneration methods may differ and be cumulative: lump sum (one single payment or payment spread out depending upon the milestones), fees, etc.. As regards the fees, you may provide for separate remunerations, depending upon whether the exploitation is direct or indirect through sublicensees or the exploitation of the product has therapeutic or diagnostic purposes or depending on the progress: pre-clinical stage, stage I, II, III or IV. In the calculation of the fees, you should clearly designate what "net revenue" means. You had better indicate the amounts exclusive of taxes invoiced or even received, from which you shall deduct reductions or discounts, credits granted for the products that have been returned or refused, transportation charges, insurance costs or expenses related to samples provided free of charge, purchase, sales, import or value added taxes. On the other hand, the licensor is entitled to terminate the license provided that a given event did not occur: sales objectives not met, no fund raising by the licensee, etc.. On the other hand, the licensee may contemplate a reduction in the amounts owed for instance if it proves very prompt in implementing the licensed technology. Of course, such recommendations must be precised and completed with the help of your counsel upon drafting and negotiating the patent license agreement. Some other aspects should not be disregarded, such as the intellectual property clause, which will be the subject matter of another article to come due to its importance and the numerous issues that it raises (scope, warranty, improvements, co-ownership, etc.).