



Agreements relating to patents

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Introduction

- Qualified CPA and EPA
- Chemist by trade; now covering MedTech and Biotech
- Daily practice: IP strategy and contentious matters (litigation/opposition)
- Currently seconded to one of my clients: agreements crop up a lot in the in-house world, less so in private (IP) practice
- This is a practical guide... you can research the law!



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Agreements

- “Agreement” and “contract” cover anything from an NDA (short and brief, 1-2 pages) through to a manufacturing and supply agreement (super detailed, 60+ pages)
- An agreement is effectively a legal document governing the relationship between two parties
- Simply stating “get an agreement in place” in an exam or in real-life is not enough...



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Various types of agreements

- NDA: non-disclosure agreement (a.k.a. “CDA”, usually in the US)
 - Allows companies to discuss confidentially, and protects for a period of time after the “term” of the NDA
 - **Does not deal with IP ownership or other substantive matters**
 - Effectively is an insurance policy against misappropriation of confidential info
- MSA (“master consultancy services agreement” or “master services agreement”) and JDA (“joint development agreement”)
 - Much more robust, cover confidentiality but also IP ownership, payments terms, other important items
 - Usually come after a discussion under NDA
 - Heavily negotiated – particularly IP terms (definition of background IP / what happens to foreground or jointly developed IP)
- Employment or consultancy agreement
 - Robust and detailed like an MCSA/JDA
 - Relevant where a business employs/contracts people to do work
 - Good practice to have robust IP provisions



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Various types of agreements

- License agreement: allowing permission for a third party to operate under a particular piece of IP
 - Specifies the terms under which the third party can work a piece of IP (e.g. purpose, how long, exclusivity, sublicensable, termination)
 - Usually registered IP accompanied by documented know-how
 - Licensed “in” (company can use another’s IP) or “out” (company allows another to use its IP)
 - Terms of license heavily negotiated – depends on relationship, bargaining power, desired outcome
- Assignment: an agreement transferring IP between parties
 - Utilised where a transaction/transfer occurs (merger/acquisition/sale)
 - Typically from A -> B, but can be (a lot more) complicated
 - Can also follow up after an agreement (“confirmatory”) – important in the US



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Licenses

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Why bother?



Licensing out:

Revenue: the big driver – you want £££s in the bank!

Market exploitation: you don't have the skills/knowledge to GTM in another country (whereas someone else does)

Expertise exploitation: you don't have the skilled/knowledge to manufacture/sell etc

Collaboration: you may want to develop new products with third parties



Licensing in:

Limited R&D resource

Limited capital

Limited expertise: external expertise may be needed

Take an exclusive license to stop others?

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Terms of licenses

- Exclusivity:
 - "Exclusive": licensee is licensed IP to the exclusion of all other parties (including the patentee)
 - "Sole": single party licensed IP, but patentee still can exercise their rights
 - "Non-exclusive": licensor may allow other licenses
- Scope and Purpose: what are you giving a license for (manufacture, sale?)
- Territory: Worldwide? Europe and US? Only in Spain?
- Duration: how long are you allowing a license for?
- Payment: % of net profit, fixed royalty (monthly/annually?), pro-forma payment
- Enforcement: who can enforce (bearing in mind exclusive licensee is dealt with in law...)
- Sub-licensable?
- Termination: breach of conditions, unacceptable performance, early termination
- Warranties and indemnities

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Cross licenses

- Agreement between two parties (competitors?) in the products covered by the license
 - A provides license to B in exchange for B providing license back to A in parallel
- Important as a tool to maintain freedom to commercialise products:
 - A has EP/US patent to a wheel with spokes, and wants to commercialise a wheel with four spokes in EP
 - B has EP/US patent to a wheel with three or four spokes, and wants to commercialise a wheel with three spokes in US
 - If A or B commercialises, they are protected but also infringe the others patent
 - Cross licensing enables both A and B to enter their own markets
- Would your client even want this?
- Exams often have marks – but must stipulate terms of that cross license:
 - Consideration?
 - Jurisdiction?
 - Exclusivity?

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Assignments

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Why bother?



Sale/Acquisition/Merger

Perfecting chain of title / effecting an instrument



Admin

Confirmatory: good for due diligence

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Terms of Assignments

- Contract: must fulfil the legal requirements (including consideration)
- Any fees or other terms: if confirmatory usually £1; otherwise can vary depending on value to business
- Specify the IP in question, including any other jurisdictions
 - e.g. if only a UK application filed, does it extend worldwide and to subsequent cases?
- Provide the rights to future applications (e.g. divisional etc too)
- Provide the rights to claim priority
- Provide the rights to start proceedings against others
- Agreement that Assignor agrees to do anything else that the Assignee needs? E.g. signing more documents?

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Assignment of priority rights

- Edwards v Cook is crucial
- Whoever files a priority establishing patent application has the right to then claim priority to it later. The “person” filing at the start is considered as a whole (important for joint applicants)
- Example:
 - GB1 is filed as a first filing, A and B are named as applicants
 - B no longer interested, so A wants to file a PCT. But A alone does not have the priority right
 - An assignment would be needed to transfer priority right (and other rights?) from A+B to A
 - **Cannot be done retrospectively**
- This crops up most often in relation to US applicants – so be extra diligent

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Registration

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Importance of registration

- Very important to register assignments or licenses
- Later assignments/licenses etc may take priority over earlier transactions if the earlier one is not registered (and the person claiming later didn't know about earlier one) – Section 33
- Date of registration is treated as registration date under Section 33(4) – i.e. not the date on the legal document!
- Exclusive licensees have to be even more careful
 - Exclusive license should be registered at UKIPO within 6 months of the date of that agreement to protect their ability to recover their costs and expenses in infringement proceedings
- Also important for good practice generally
 - Applicants/Proprietors should always be up to date (e.g. so that they or their representatives receive communications; so that they can enforce/license etc whenever they need to)
- Must be done on a territory-by-territory basis. If there's a worldwide assignment covering a worldwide portfolio, then expect a lot of admin (cost, time etc to clients?)

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Questions?

Thanks for listening!

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