## License Term Sheet Guidelines

**DATED:** The day of 2012.

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| HEADING | | TERMS |
| **1.** | **The Parties** | **Party A:** \_\_\_\_\_ (Licensor)  **Party B:** \_\_\_\_\_ (Licensee) |
| **2.** | **Background** | 1. *Sets out background to the transaction; identifies parties and their interests in the formation of the licence;* 2. *These are not formally terms of the Agreement, but should assist the reader in understanding the context of the Agreement.* |
| **3.** | **Definitions** | 1. *Shows important terms, to be used through document and explains meaning*    1. *These are extremely important and are the tool by which the parameters and subject matter of the licence are laid out (eg Term, Field, Territory, New IP)* 2. *Definition of Intellectual Property*    1. *This should be carefully scrutinised – consider the breadth, eg should it include know-how/trade secrets. Whether or not breadth is desirable depends on the nature of the agreement and the position and objective of each of the parties.* |
| **4.** | **Intellectual Property** | 1. *Definition of Intellectual Property being Licensed*    1. *Describe the Intellectual Property Right/s being licensed, such as patents, trade marks or design rights and where appropriate associated technology.*       1. *In addition to IP rights, what know-how and/or confidential information is the Licensee being permitted to use?*       2. *Is there any other IP that the Licensee will need to be able to use the IPR’s and/or to benefit from the Licence*       3. *Does the Licensor own or is it the Licensee of all of the IP? If it licenses some, are there any terms or conditions of that licence which carry over into this licence?*       4. *If the IP is jointly owned, does the other owner/s agree to the licence?*       5. *Any need to recognise IP belonging to Licensee?*       6. *If licence is for a product/service what brand will it bear?*       7. *Any support and training to accompany IP?*       8. *Any additional tools/dies/documents/manuals etc required to allow IP to be utilised?* 2. *Brand/ Trade Marks*    1. *Are these included in the licence?* 3. *Who will own improvements? (Necessity for definition to distinguish from creation of new IP)*    1. *How will improvements be identified/notified?*    2. *What rights and restrictions will apply in respect of:*       1. *Making improvements to the subject matter of the IPR*       2. *Modifying/adapting/translating copyright works?*       3. *Incorporating the licensed work into another work/with other IP*       4. *Publication an distribution of improved works*       5. *Sharing improvements with others*       6. *Will there be any licence back of improvements/developments/modifications/translations?* |
| **5.** | **Grant of Licence** | 1. *Nature of the Licence:*    1. *Exclusive - Only the Licensor can use the IP*    2. *Sole - Licensor and Licensee only can use the IP*    3. *Non – Exclusive Licensor may use the IP and grant other licences* 2. *Right to sub-license?*    1. *If yes:*       1. *is Licensor’s consent required?*       2. *Any conditions to giving consent?*       3. *Sub-licence terms should be consistent with Licence (can only be ≤ the rights given to the licensee)* 3. *Field:*    1. *May it only be used for personal/private; academic teaching or research; non-profit-making purposes?*    2. *Is the use of the IP restricted to a particular industry sector, consumer use, or technology area?* 4. *Distribution Channels:*    1. *Where product to be manufactured is there any restraint on the distribution channel (eg luxury shops, retail only, etc)* 5. *Territories*    1. *The grant can be restricted to one or more than one geographical areas.* 6. *Use of IP Right:*    1. *Whether may manufacture/export/sell;*    2. *Any limitation on usual rights available to IP owner.*        1. *for copyright works, may licensee do all restricted acts or just some (eg reproduction but not adaptation);*       2. *for patents is there any limitation on the process licensee can use to make a patented product?*       3. *may the manufacturer manufacture, sell, import, carry out a process under the patent?* |
| **6.** | **Consideration** | 1. *How will the licensor and licensee each get benefit from the licence (licensor gets money in return licensee is permitted to use IP?)*    1. *Is the licence part of a larger transaction involving other sources of commercial benefit or trading of IP? If so, what is the nature of that transaction?*    2. *Will there be an up-front payment, or series of lump sum payments? (details)*    3. *Will there be ongoing royalties or pre-quantified sums?*    4. *If so, how are they going to be calculated?*        1. *By reference to use or items manufactured or sold*       2. *Or, a pre-determined periodic payment* 2. *Under what circumstances (if any) and by how much may these payments or royalties be increased?*    1. *Timing of payments and royalties*    2. *How frequently calculated and paid and by what mechanism* 3. *Are there any minimum payments? Details?* 4. *Are there any sales or other targets?* 5. *Will these targets be reviewed during the licence period?* 6. *What are the consequences of failing to meet targets (loss of exclusivity or termination of licence?)* 7. *What are the licensee’s accounting obligations – can the Licensor audit the books?*    1. *What, if any, interest will be payable on late payments?* 8. *Will the licensor or the licensee be responsible for registering any IP, or renewing any existing registration?*    1. *Who will bear the costs of the above?* |
| **7.** | **IP Protection and Infringement** | 1. *Will the licensor or the licensee be responsible for pursuing any infringers?* 2. *Who will bear the cost?* 3. *Will the licensor give the licensee any indemnity against the infringement of third party IP?* 4. *Will the Licensee give the Licensor any indemnity against third party claims resulting from the Licensee’s acts or omissions?* |
| **8.** | **Confidentiality** | 1. *What information provided by the parties is to be treated as and kept confidential?* 2. *Does this obligation survive termination or expiry of the licence?*   8.1. Each party acknowledges that the contents, in particular the financial details of this Agreement, are confidential, as is all information (written or oral) concerning the business and affairs of the other party which it has obtained or received as a result of discussions leading up to entry into this Agreement, or which it has obtained during the course of this Agreement, except any information that is already in the public domain.  8.2. Each party agrees that it will not disclose any confidential information regarding this Agreement or the business and affairs of the other party or make any announcement in relation to this Agreement without the prior written consent of the other, except as required by law or as reasonably necessary for the operation of the Agreement.  8.3. Each party undertakes to the other to take all steps that are necessary from time to time to ensure compliance with the provisions of this Clause by its employees, agents and subcontractors. |
| **9.** | **Warranty and Liability** | 1. *Will the Licensor give any warranty:*    1. *As to its ownership of the IP/its right to licence?*    2. *That the licensed IP will not infringe third party rights*    3. *That the licensed IP/material will comply with specification?*    4. *In relation to anything else?* 2. *Will there be any financial cap of the liability of the licensor?* 3. *Is that exclusion to apply where an indemnity has been given?* |
| **10.** | **Term and Termination** | 1. *Is the licence:*    1. *Of indefinite duration*    2. *For the life of the IP?*    3. *For a fixed period?* 2. *Is the licence terminable by either party giving notice to the other in circumstances other than breach?* 3. *Re termination for breach – what conduct by either party will constitute a terminable breach?* 4. *What about insolvency?* 5. *May either party terminate if there is a change in the ownership of the either party?* 6. *What will happen on the termination/expiry of the licence?*    1. *Disposal of inventories and work in progress*    2. *Fulfillment of existing contracts/warranties*    3. *Return of confidential documents*    4. *Payment of accrued royalties* |
| **11.** | **Dispute Resolution** | 1. *Process to include:*    1. *Informal discussions/good faith;*    2. *Mediation (non binding);*    3. *Litigation or arbitration (binding);*    4. *Right to appeal from arbitral award?*    5. *If arbitration, can parties still seek urgent legal remedies?*   *NB remember that an arbitration clause will prevent parties from taking legal action* |
| **12.** | **Standard Boilerplate Clauses** | 12.1. The obligations and liabilities of the Recipient under this Agreement continue notwithstanding return of the Material to the Provider;  12.2. Continuing Obligations: The parties will not circumvent or attempt to circumvent the provisions and/or intent of this Agreement.  12.3. Burden of Proof: The burden of proof of showing that any Confidential Information is not subject to the obligations of this Agreement will rest on the Recipient.  12.4. Force Majeure Event means an act of God, nature, war or government, any civil disturbance, or any labour disruption.  12.5. General: Neither party shall be liable for any failure or delay in complying with any obligation imposed on it under this Agreement if:  12.6. the failure or delay arises from a Force Majeure Event;  12.7. that party, on becoming aware of the Force Majeure Event, promptly notifies the other party advising of the nature and expected duration of, and the obligation affected by, the Force Majeure Event; and  12.8. that party uses its best endeavours:  (a) to mitigate the effects of the Force Majeure Event on that party's obligations under this Agreement; and  (b) to perform that party's obligations under this Agreement on time despite the Force Majeure Event.  12.9. No Assignment: The Recipient may not assign, transfer, novate or subcontract this Agreement or any rights or obligations under this Agreement, without the prior written consent of the Discloser.  12.10. No Partnership: Nothing in this agreement creates a partnership, agency, or joint venture between the Discloser and the Recipient.  12.11. Waiver: A failure by a party to enforce a provision of this agreement will not constitute a waiver of any right to future enforcement of that or any other provision.  12.12. Severability: Should any part or provision of this agreement be held unenforceable or in conflict with the applicable laws or regulations of any jurisdiction, the invalid or unenforceable part or provision shall be replaced with a provision which accomplishes, to the extent possible, the original business purpose of such part or provision in a valid and enforceable manner, and the remainder of the agreement will remain binding upon the parties;  12.13. Entire Agreement: This Agreement represents the entire agreement and understanding between the parties as to the subject matter of this Agreement and merges all prior discussions between them.  12.14. Governing Law: This Agreement will be subject to and interpreted in accordance with the laws of New Zealand and will be subject to the exclusive jurisdiction of the Courts of New Zealand.  12.15. Counterparts: This Agreement may be executed in counterparts (which may be facsimile copies) and all of which, when taken together constitute the one document. |

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| **[KiwiNet Member Company]** | | |  | Address |
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| Authorised signatory |  | Authorised signatory’s full name (please print) |
| Witnessed by: |  |  |
|  |  |  |
| Signature |  | Full name (please print) |
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|  |  | Occupation |
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|  |  | Address |
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| **[Company A]** | | |  | Address |
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| Authorised signatory |  | Authorised signatory’s full name (please print) |
| Witnessed by: |  |  |
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| Signature |  | Full name (please print) |
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