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CAN WE WRITE A PERFECT AGREEMENT?

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Agenda

1. Effect of Intellectual Property language in ancillary agreements:
 - Confidentiality Agreements.
 - Fee For Service and Consulting Agreements.
 - Material Transfer Agreements.
2. When should we be “reasonable” and what does the word really mean?
3. The art of drafting unambiguous terms and conditions.
4. The role of arbitration in licenses. How and when should that forum be used?

The Effect of Intellectual Property Language

Confidentiality Agreements:

Standard:

“All Confidential Information -- shall remain the property of the Discloser, and no right -- is granted or implied hereby. All Confidential Information is being delivered “AS IS” without any representations or warranties of any nature or kind and none are intended or implied.”

The Effect of Intellectual Property Language

Extreme:

“In the event that Recipient performs any activities or initiates any work projects or development utilizing the Confidential Information, any inventions, improvements or ideas relating to the subject matter of this Agreement, which are conceived and/or reduced to practice by Recipient shall be the property of Discloser. Further, Recipient will, without expense to Recipient acknowledge and deliver to Discloser all documents required by Discloser to protect such inventions, improvements or ideas by patent or otherwise in any and all countries of the world and to vest title to all patents, inventions, improvements or ideas in Discloser, and further render such assistance to Discloser as may be required in any Patent Office proceeding involving said inventions, improvements and ideas.

Retention of Confidential Information:

“It is agreed and understood that all documents and other materials which embody the Confidential Information will be returned to the Disclosure immediately upon request, and no copies, extracts or other reproductions shall be retained by the Recipient or the Representatives, except that one (1) copy may be retained for archival purposes, to insure compliance with this Agreement. Such copy shall be retained under the supervision of the Recipient’s general counsel, self-contained and marked “Confidential Information of _____”. Do Not Open.”

Purpose of Confidential Information:

“The purpose of this Agreement is for the parties to consider a potential business relationship. In that context, Recipient understands and agrees that it will not, for itself or in conjunction with others, directly or indirectly, test, modify, manipulate, research, reverse engineer, replicate the Confidential Information, or otherwise work with or manipulate the Confidential Information in an effort to understand the Discloser’s proprietary technology or learn information not explicitly stated in the Confidential Information.”

Fee for Service and Consulting Agreements

- Establish what is Company Background Intellectual Property.
- Establish what is “Services IP.”

“In addition, any and all discoveries, inventions or improvements thereto, together with any enhancements, additions, trade secrets or know-how created, developed, conceived or reduced to practice by the [“Service Provider”] (whether patentable or not), during or after the term of this Agreement and in the performance, directly or indirectly, of the Services (the “Services IP”) shall be solely owned by the Company.”

Fee for Service and Consulting Agreements

- Assignment of all Intellectual Property.

“The Company hereby assigns and, to the extent any such assignment cannot be made at present, hereby agrees to timely assign the Company, without further compensation, all of its rights, title and interest in and to all of the Services IP. The Service Provider will timely execute all documents and perform all lawful acts which the Company considers necessary or advisable to secure its rights thereunder and to carry out the intent of this Agreement. Service Provider’s obligation to assist the Company in effecting such assignment(s), in any and all countries shall continue beyond the termination or expiration of this Agreement, but the Company shall compensate Service Provider at a reasonable standard hourly rate following such termination of this Agreement for time directly spent by Service Provider at the Company’s request for assistance.”

Material Transfer Agreements.

- A Battle of The Forms.
- Academic and Commercial Settings.
- Ownership of Intellectual Property.

“Except as otherwise expressly provided in this Agreement, no rights are provided to either party under any patents, patent applications, trade secrets or other proprietary rights belong to the other. [“Owner”] shall retain all rights, title and interest in and to the Materials and uses thereof. In the event that, as a result of the Testing, any new or additional intellectual property is developed, that intellectual property shall be considered jointly owned by the parties and subject to the provisions hereof.”

- Options for Exclusive or Non-License.
- Right for Non-Commercial, Internal Use.
- Publication Rights.
- Confidentiality.

Drafting Contract Language: What Does The Word “Reasonable” Mean?

“In the context of a contract requiring “reasonable efforts,” the issue is for the trier of facts to determine.”

- The duty of “reasonable efforts” requires a party to make such efforts as are reasonable in light of that party’s ability and the means at its disposal and of the other party’s justifiable expectations.”

or

- Absent other language or agreement, the duty owed is the usual duty of a person engaged in the relevant trade or profession.

Drafting Contract Language: What Does The Word “Reasonable” Mean?

We use the language because it is an easy way out of drafting or negotiating a problem.

Drafting Contract Language: What Does The Word “Reasonable” Mean?

Due Diligence and Milestone Provisions.

“General Obligation. Licensee shall use commercially reasonable efforts, which efforts shall not be less than the efforts expended by Licensee in connection with its other high priority development projects, to diligently commercialize the Licensed Technology. In the event that Licensee shall fail to comply with its general due diligence obligations under this paragraph, Licensee shall: (i) within 60 days of Licensee’s receipt of written notice of such failure, provide to Licensor a commercially reasonable plan to remedy such failure within a time period not to exceed 180 days from the date of Licensee’s receipt of such notice and (ii) cure such failure in accordance with such plan within the time provided for under such plan.

When should the concept be used?

The Impact Of Ambiguous Provisions

- Provisions That Can Have Multiple Interpretations.

Due and Milestone Agreements.

Licensee agrees to use commercially reasonable efforts to develop and introduce a Licensed Product into the United States and thereafter, into the other Major Markets as soon as practicable, consistent with the Licensee's operating plan as approved, from time to time, by the Licensee's Board of Directors. For purposes of this Article, "commercially reasonable efforts to develop and introduce a Licensed Product" means, subject to the operating plan, having an ongoing and active research, development, manufacturing, marketing or sale program, as appropriate, directed towards: (i) identifying a clinical candidate, (ii) obtaining regulatory approval, (iii) production or (iv) sales.

The Impact Of Ambiguous Provisions

Other Provisions.

The Consultant will, at any time during or after the term of this Agreement, upon request of the Company, execute all documents and perform all lawful acts which the Company considers necessary or advisable to secure its right and to carry out the intent of this Agreement. Without limiting the generality of the foregoing, the Consultant will assist the Company in any reasonable manner to obtain all of its own benefit patents or copyrights in any and all countries with respect to all Inventions assigned pursuant to Section ____.

This will confirm the engagement of _____ to audit and report on the financial statements of the Company as of December 31, 2006 and for each of the three years then ended.

Arbitration

- Should You Agree to Arbitrate?
- What Provisions Should Not Be Arbitrated.
 - Patent Claims.
 - Infringement Actions.
- Discovery and Depositions.
- Allocation of Costs and Expenses.
- Enforceability/Jurisdiction.