



EUROPEAN PATENT AND
TRADEMARK ATTORNEYS

Intellectual Property

Agreements





Agreements

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Agreements play a significant role in business transactions. Experience shows that it is best to record agreements, even if the parties trust each other completely. Say you own a patent, trademark, design and/or a copyrighted work and you wish to reach agreements with other parties about how they may use it. In that case, it is very important to have a good licence agreement.

QUESTION 1

What is an agreement?

An agreement interpreted, based on the Dutch Civil Code: It is important to remember that an agreement means that both parties have undertaken commitments towards each other, and that both parties have accepted these commitments, the so-called consensus. An agreement comes about after one party makes an offer which is accepted by the other party. Usually parties will sign a document, although an oral agreement may also be considered an agreement. In the Netherlands, the term 'freedom of contract' also exists, meaning that in principle, both parties may determine the shape and contents of the agreement.

QUESTION 2

What types of agreements are available for Intellectual Property?

Different types of agreements exist. Such as (sub)licence agreements, settlement agreements, confidentiality agreements, transfer agreements, joint venture agreements, franchise agreements and R&D agreements.

Each agreement has its own peculiarities and specific legal pitfalls. NLO Shieldmark prepares the agreements mentioned above for patents, trademarks, designs, copyright, trade names and various IP-related subjects. Because these advisors are experienced in these fields, they know the pitfalls of all the different agreements. NLO Shieldmark also assesses existing (draft) agreements to ensure that clients are well prepared when dealing with potential contract partners.

QUESTION 3

Are there any standard agreements and is it possible for me to draw up an agreement myself?

There is no such thing as a standard agreement. This is because of the freedom of contracts and the many different provisions which can be included in one agreement. Obviously, there are a number of recurring issues, but the context itself can be quite different. Recurring issues:

- › The parties involved in the agreement and their legal representatives.
- › The subject of the agreement, i.e. what the agreement covers. If it concerns a licence, then the agreement must specify what the licence is being granted for. In the case of a transfer, the subject of the transfer must be described.
- › The duration of the agreement.
- › The termination options.
- › The financial agreements, insofar as applicable.
- › The applicable law and court authorised to rule in the event of a conflict.

Also, our advisors are often engaged after the client has drawn up the (initial) commercial agreements and the contract has to be drafted based on these agreements. It is not wise to prepare an agreement yourself.

This requires specific legal expertise. When preparing agreements, it is important to use the right statutory and legal terms. No part of the agreement may contradict any of the other parts and no elements may be left uncovered.

QUESTION 4

Does an agreement have to be registered with the official authorities?

The legal validity of an IP agreement does not require registration with an official authority. However, it is often wise to do so in order to inform third parties about the existence of the agreement. If rights are being transferred, the change must be recorded in the registers of the official authorities. NLO Shieldmark can help you with this matter too.

QUESTION 5

What is a licence agreement?

If you do not wish to commercialise your patented invention, copyrighted work or registered trademark and/or design yourself, and if you intend to engage third parties, a licence agreement is your best option. While retaining your property rights, you give others permission to manufacture, use and/or commercialise your invention, work, trademark and/or design under your terms. You agree that you will not invoke your rights against third parties and that, according to the conditions laid down in the agreement, these third parties will be entitled to make (limited) use of your invention, work, trademark and/or design. There is often mention of exclusive, non-exclusive and sole licence agreements.

Although 'exclusive', 'non-exclusive' and 'sole' are not legal terms, in our field of expertise they mean the following:

- › Exclusive: the licensee is the only person (also with the exception of the patent or trademark proprietor, for example) who is entitled to use the patent, trademark, design, work, etc.
- › Non-exclusive: the licensor is free to grant other licences and they may also use the patent, trademark, design, work, etc. himself.
- › Sole: the licensee is the only licensee, however the licensor may continue to use the patent, trademark, design, work, etc.

QUESTION 6

How are royalties and other licence fees determined?

The parties involved must decide on the amount of royalties or other fees as well as how these should be calculated. There are various options, such as a royalty percentage of the gross turnover or net profit, or a fixed amount for each product, kilo, metre or cubic metre sold. For percentages, parties may also apply graduated scales, while indexation is vital for fixed amounts. Fixed amounts (disclosure fee, signing-on fee and upfront fee), reclaimable or otherwise, are also often mentioned in the agreement. Our advisors have extensive experience when it comes to determining fees and how these are calculated.



QUESTION 7

What is a transfer agreement?

If, for whatever reason, you wish to transfer your patent, trademark, design or copyrights, you may sell or in some cases, waive these rights. To do so, a written agreement is required at all times. In case of a transfer, parties must clearly state which rights are to be transferred including the amounts involved. A waiver or a deed of transfer, for example, should clearly state who is waiving what.

QUESTION 8

What is a confidentiality agreement?

You may first wish to explore the market potential for your invention. In patent law, there is an absolute novelty requirement and you want to prevent someone else from making off with your idea. It is good to know that you can use a non-disclosure statement or non-disclosure agreement. A declaration of confidentiality is a brief declaration in which the party receiving the information undertakes in advance to maintain secrecy. Unlike the declaration of confidentiality, a confidentiality agreement is a slightly more detailed document. It usually contains specific stipulations for both parties. Incidentally, licence, transfer and R&D agreements usually include confidentiality clauses as well.

QUESTION 9

What is a settlement agreement?

If you unexpectedly find yourself in a (legal) conflict, it is usually best to reach a settlement rather than instigate proceedings. Of course, in some cases starting legal proceedings cannot be avoided, but a settlement is usually preferable. NLO Shieldmark will advise and assist you throughout the procedure, which may entail preparing a settlement agreement if a settlement is reached. Or if the other party has already drawn up a draft agreement, then you need to have it examined carefully.

Settlement agreements should include the following:

- › What a party may and may not do.
- › What a party must and must not do.

QUESTION 10

How much does it cost to draw up an agreement?

NLO Shieldmark advisors charge by the hour. The costs therefore depend on the amount of work involved. Activities vary from a quick scan of an existing agreement to the full preparation of a complicated agreement. On request, the advisors will estimate the number of hours required, to give you an idea of the costs you may expect.

NLO patent attorneys are regulated by Netherlands Institute of Patent Attorneys, EPI and IPReg. www.nlo.eu

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