I. IP General Background

A. Types of IP Rights and the kinds of technology or works they protect

1. Patents (Vincent)
   • Types of Patents in P.R.C.
     – Invention: refers to any new technical solution relating to a product or a method or an improvement of such (Utility patent)
     – Utility Model: refers to any new technical solution relating to the shape, structure or any combination of such that can be put to practical use (Utility patent)
     – Exterior Design: refers to any new design of shape, pattern, color or their combination, on a product that creates an aesthetic feeling and is fit for industrial application (Design patent)
• Patentability – Article 22: Any invention or utility model for which patent right may be granted must possess:
  – Novelty (section 102, novelty)
  – Inventiveness (section 103, obviousness)
  – Practical applicability (section 101, subject matter)
What is Novelty?

- Novelty means that, before the date of filing, no identical invention or utility model has been publicly disclosed in publications in the country or abroad or has been publicly used or made known to the public by any other means in the country, nor has any other person filed previously with the Patent Administration Department Under the State Council an application which described the identical invention or utility model and was published after the said date of filing. (similar to 102(b) bar)

- See Article 22, (2008 Amendment). Novelty under the current law is measured against “publication worldwide” or “usage or knowledge” in China. Under the new law, novelty will be measured against what is available worldwide. This is explained below:
上述修改将判断新颖性的标准改为世界标准，而不再适用原来的“新颖性，是指在申请日以前没有同样的发明或者实用新型在国内外出版物上公开发表过、在国内公开使用过或者以其他方式为公众所知，也没有同样的发明或者实用新型由他人向国务院专利行政部门提出过申请并且记载在申请日以后公布的专利申请文件中
• **What is Inventiveness?**

  – Inventiveness means that, as compared with the technology existing before the date of filing, the **invention** has prominent substantive features and represents a notable progress and that the **utility model** has substantive features and represents progress.

  – Article 22
• What is Industrial Application?
  – Practical applicability means that the invention or utility model can be made or used and can produce effective results. Article 22
  – PRC: certain subject matters are not patentable under current law.
  – Article 25. For any of the following, no patent right shall be granted:
    • (1) scientific discoveries;
    • (2) rules and methods for mental activities;
    • (3) methods for the diagnosis or for the treatment of diseases;
    • (4) animal and plant varieties;
    • (5) substances obtained by means of nuclear transformation.
  – See Article 25. Pursuant to Article 25(2), pure computer software/algorithm may not be patentable. Computer-implemented inventions that bring about a technical effect on hardware, however, may be patentable provided that the technical effect is itself novel and inventive
• **Contents of a patent**

  – The contents of a PRC patent are similar to what is in a U.S. patent. It must contain: (1) specification, (2) specific claims (independent claims and dependent claims), (3) abstract, and (4) necessary drawings. Article 26

  – Note that it is the claims that define the scope of the patent protection. Article 56

  – The extent of protection of the patent right for invention or utility model shall be determined by the terms of the claims. The description and the appended drawings may be used to interpret the claims. Article 56

  – The extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in the drawings or photographs. Article 56
• Right of exclusion (sale, manufacture or use)
  – After the grant of the patent right for an invention or utility model, except where otherwise provided for in this Law, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, and use, offer to sell, sell or import the product directly obtained by the patented process, for production or business purposes (section 271: makes, uses, offers to sell, or sells any patented invention, or imports into the U.S.)
• National verses international
  – patents depend primarily on national law
  – Development of Patent Laws in PRC
  – Amended December, 2008
  – Amended August, 2000
  – Amended September, 1992
  – Purpose of the PRC Patent Laws: Article 1
  – To protect patent rights for invention
  – To encourage invention
  – To foster the application of invention
  – To promote the development and innovation of science and technology
  – [To meet the needs of the construction of socialist modernization]
– international treaties
– Paris Convention of March 20, 1883 set certain minimum levels of protection for patents in signatory countries; further refined in the Strassburg Convention of November 27, 1963
– China is a signatory country to the Paris Convention, and enjoys the reciprocity regarding filing date for setting up priority date.
– certain treaties provide for reciprocity as to filing filing in one country sets the priority date in other treaty member states
– Duration of patents
– China: for Invention Patent, the patent term is 20-years from the date of filing. for Utility Model and Design patent, the term is 10 years from the date of filing.
• Europe: three prerequisites
  – susceptible to industrial application;
  – new; and
  – involve an inventive step
  – inventive step: if the invention does not belong to the state of the art; i.e., the invention is not obvious to a person skilled in the art.
- European Patent Organization / - European Patent Office (Peter)
- Created by treaty between European nations: European Patent Convention
- Convention/Organization currently has 35 members, including all 27 of the EU member states
- Bundle of patents approach
- obtaining a EU patent results in having a national patent in each member state
- unlike the proposed independent and autonomous EU patent
2. Trademarks and business names (Emilio)

- **What’s a trademark**
  - *Lanham Act* …*any word, name, symbol or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods (or services) and distinguish them from those manufactured or sold by others*”.
  - **Function:** identification of the source and quality of goods and services.
  - **Trademark Formats:** an individual letter or a group of letters; one or more numbers, slogans, distinctive symbols and designs; color combinations applied to products or packaging; shapes of packaging and containers; shape or design; unique, different or distinctive sounds or scents; three dimensional trademarks, etc.
    - Some countries are not prepared to accept sound or scent trademarks, mainly due to technical reasons.
– **Germany:**
  – Almond covered bonbon was registered as a three dimensional trademark in Germany (GRUR int 2008, Heft 2 pg. 161)
  – Porsche Boxster and 911 are protected as trademarks
  – audio marks – Sec. 3 I MarkenG
• **Duration:** In most countries trademarks have a limited term of duration, but can be renewed indefinitely if used within a term provided by the law.

• In US federal registrations issued after November 16, 1989, last ten years and can be renewed if mark is still in use.
What’s a trade or business name

- definition: “a term or symbol which denotes a business or company and its good will” - Lanham Act
- trade name includes “individual names and surnames, firm names and trade names used by manufacturers, industrialists, merchants, agriculturists, and others to identify their businesses, vocations, or occupations; the names or titles lawfully adopted and used by persons, firms, associations, corporations, companies, unions, and any manufacturing, industrial, commercial, agricultural or other organizations engaged in trade or commerce and capable of suing and being sued in a court of law”.
- Trade Name Functions: symbolizes the reputation of a business as a whole.
National verses international marks

• **national law**
• most trademark protection is national, though there are some community trademarks such as the European Community Trademark (CTM) and the Andean Community Trademark, whereby one registration provides protection in all member states.
• **international trademarks - treaties**
• Madrid Treaty: the Madrid system for the international registration of marks is the primary international system for facilitating the registration of trademarks in multiple jurisdictions around the world. Registration through the Madrid system does not create an “international” registration, as in the case of the CTM system; rather it creates a bundle of national rights, able to be administered centrally.
• The Paris Convention for the Protection of Industrial Property, signed in Paris, France, on March 20, 1883, was one of the first intellectual property treaties. This treaty provides reciprocal treatment of marks by treaty member states and established the “priority right”.
• The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is an international agreement that sets down minimum levels of protection for trademarks and other intellectual property rights. It was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994.
• EU Mark: Regulation 40/94 gives right of exclusive use throughout EU exists independently of national trademarks
3. Copyright (Peter)

- Creation by way of a form of expression: protects literary works, art, music and other original works of authorship
- *copyright does not protect ideas but only the form in which they are expressed*
- US (17 U.S.C. § 102(a): “Copyright protection subsists ... in original works of authorship fixed in any tangible medium of expression ....”
- in Germany copyright law protects the author/creator, not the copyright work
- *works must be fixed in some way*
- *software considered to be a literary work*
• French case: odor of perfume not copyright (must be the result of know-how (Court de cassation, Judgment from June 13, 2006) (same for Argentina).
• in France perfumeries must rely on trade secrets
• can enjoy copyright protection in Holland
• Copyright gives author exclusive right of use in copyrighted work (17 U.S.C. § 106)
• *types of uses:*
  – to reproduce the copyrighted work in copies
  – to prepare derivative works
  – to distribute copies of the copyrighted work to the public by sale or other transfer of ownership
  – to perform the copyrighted work publicly
  – to perform the copyrighted work publicly by means of a digital audio transmission

• *exceptions: notably fair use (17 U.S.C. § 107) - (Germany - Öffentliche Wiedergabe and Öffentliche Reden – UhrG §§ 48 - 52)*
• factors in determining if fair use:
  – the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit, educational purposes;
  – the nature of the copyrighted work;
  – the amount and substantiality of the portion used in relation to the copyrighted work as a whole;
  – the effect of the use upon the potential market for or value of the copyrighted work.
• National nature of copyright protection

• *International treaties require signatory states to provide minimum levels of protection: Bern Convention for the Protection of Literary and Artistic Works*
• **Duration**
  
  *Minimum duration of copyrights established by treaty*

• Berne Convention for the Protection of Literary and Artistic Works: life of author and fifty years after his death

• International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of October 26, 1961 (Rome Convention): twenty years from the end of the year in which the performance or recording occurred

• members of those treaties are free to protect copyrights for a longer period
• **US:** for works created on or after January 1, 1978, the life of the author plus seventy years after the author’s death (even though author transferred copyright)

• Works made for hire, ninety-five years from the date of first publication or 120 years from the year of creation of the work, whichever expires first (17 U.S.C. § 302)
• **EU Directive 2006/116**
  
  term of protection for copyright is 70 years after the death of author or 70 years after the work is lawfully made available to the public – whichever is longer

• (rights related to copyright): the rights of performers and recording manufacturers expires after fifty years after performance or recording

• *Argentina: the generic term is 70 years after the death of the author, though some specific art works have special terms (such as cinematographic works, photographic works, anonymous works belonging to corporations).*
4. Trade secrets (Peter)

- wide scope covering almost any kind of information
- *need not be technical: can be customer lists*
- *US statutory definition: “information, including a formula, pattern, compilation, program, device, method, technique, or process …*
• must be of some economic value
• *derives its economic value from not being known*
• must be secret
• Owner of trade secret has no right to exclude others from using trade secret
• Owner has claim to damages if a third party steals or misappropriates trade secret
• US: governed by state law – common law and statutory
• *Uniform trade Secrets Act*
• Provides for injunctive relief and damages
5. Other types of IP rights (not recognized in US) (Peter)

- Protection of designs (Geschacksmuster): national and EU (e.g. textile patterns) (designs such as textile patterns and furniture forms – car forms as well)
- *give owner of rights exclusive right to use the respective design*
- somewhat similar to a US design patent - §§ 171 – 173 (14 year term)
- *prerequisites: new and distinct*
- new when at time of registration (or, if not registered, at time of first disclosure to public) a similar design was not known to the public
- 12 month Neuheitsschonfrist for samples
- *only consider the state of the art existing six months prior to submission of an application or first disclosure*
- combination of existing forms can be enough
• **Registration possible, but not a prerequisite**
• **National laws have been harmonized through Directive 98/71**
• implemented in Germany through the Geschmacksmustergesetz of March 12, 2004
• **EU Regulation 6/2002 Community Designs**
• Unlike EU mark Regulation, the Design regulation provides for protection for both registered and non-registered designs
• **Designs can also fall under the protection of copyright, unfair competition and trademark**
• **Argentina grants protection to industrial designs, if registered, for a period of five years renewable twice for equal periods. It covers ornamental features (not functional), and need to have international novelty.**
• So-called “Baby Patents” Gebrauchsmuster (Germany)
• Protection for small inventions
• Originally a lesser standard of inventiveness: three prerequisites – new, involve an inventive step and are of commercial use
• new if does not belong to the state of the art (§ 3 GebrMG)
• Neuheitsschonfirst: only consider the state of the art existing six months prior to submission of an application for the Gebrauchsmuster
• inventive step (erfinderischer Schritt) is less than the inventive activity (erfinderische Taetigkeit) required for patents
• BGH decision from June 20, 2006, asserting that Gebrauchsmuster and patents require the same degree of inventiveness
• Very attractive option for biotech

• Argentina: small inventions or utility models also protected in Argentina. Their duration is shorter than for patents (10 years instead of 20, in both cases counted as from application date). The only requisites are national novelty and industrial application. Inventive step does not apply to small inventions in Argentina.
Designations of origin and geographic indications

*individual European countries and the EU accord protection to geographic reference and references to origin: e.g. Champagne / Camembert*

Registration process identical to that for marks

- filings made by associations rather than companies or individuals
- equivalence with trademarks
- Later-in-time mark registrations fall to earlier geographic / origin registrations to the extent the mark falls within the protective scope of the geographic / origin registration

EU: Regulations 2018/92 and 510/2006 (excludes wines)
• USA WTO proceedings brought in connection with the geographic / origin rules embodied in EU Regulation 2018/92 with respect to agricultural and food products forced EU to revise its rules as to third party countries (Regulation 510/2006 replaced 2018/92)

• Regulation 2081/92 ‘s equating geographic and origin references to marks was upheld in WTO proceedings

• cutoff date for geographic / origin registrations: marks filed or established prior to January 1, 1996 may continue to be used although they fall within protective scope of a geographic / origin registration

• good faith requirement
• In Argentina designations of origin have a special regulation, which foresee a registration process that has been recently implemented. Filings can be made by associations, companies and individuals. Regulation excludes wine since it has special regulation.
• Treaties

• Switzerland - France: Treaty of June 14, 1974

• Champ case – Switzerland (protection applies to all product categories)
Data banks - EU Directive 96/9/

Unfair competition laws protect certain IP against copying

- **UWG-Nachahmungs schutz** - § 4 Nr. 9 UWG- “vermeidbare Herkunftstäuschung”
- **prerequisites**: commercially distinctive and copying is done in an unfair manner (in particular, misleading as to origin of product)
- EU Directive 2006/114 (misleading and comparative advertising) also gives a remedy against copying
- these Directives have been implemented in German law through modification of §5 and § 6 UWG (§ 4 must be interpreted in conformance therewith)
6. Exhaustion (Peter)

- Putting a product associated with IP rights into circulation or permitting a third party to do so extinguishes those IP rights to that product (i.e., others can continue to use and resell those respective products so put into circulation)
- **territorial verses international: place of putting into circulation**
- **parallel imports**
- territorial rule prevents parallel imports
- **EU hybrid territorial rule**
- **Patents**
  - most jurisdictions use territorial rule
  - EU: each member uses as the exhaustion territory the entire EU, not their national borders
• **Trademarks**
  - *EU territorial Directive 89/104, § 27*
  - what constitutes putting into circulation: German Supreme Court found that a seller (located in the EU) who sells trademarked products ex works to a buyer located outside the EU who intends to resell products in its national market exhausts the EU trademark rights with respect to those products (Bundesgerichtshof, April 27, 2006)
  - *Argentina: uses international exhaustion rule.*
  - Parallel imports are consequently valid in Argentina.

• **Copyright**
B. How do the rights vest and validity issues

- 1. Patents (Vincent)
- Priority: first to file or first to issue
- **US: first to file rule**
- recognition of foreign filings (retro-active effect): 35 USC § 119
- **first to issue rule – European Patent Office**
- Exclusive right/right to exclude vests with issuance of patent
- Provisional patents
- **Argentina does not grant protection for provisional patents**
• **When to file?**
• An invention-creation for which a patent is applied for does not lose its novelty where, within six months before the date of filing, one of the following events occurred:
  • (1) where it was first exhibited at an international exhibition sponsored or recognized by the Chinese Government;
  • (2) where it was first made public at a prescribed academic or technological meeting;
  • (3) where it was disclosed by any person without the consent of the applicant.
• See Article 24, PRC patent law
- **Priority: first to file or first to issue**
- P.R.C. has the First to File system
- Where two or more applicants file applications for patent for the identical invention-creation, the patent right shall be granted to the applicant whose application was filed first (different from first to invent)  Article 9
- US: first to invent rule
- recognition of foreign filings (retro-active effect): 35 USC § 119
- Exclusive right/right to exclude vests with issuance of patent
- Under Chinese Patent Law, the patentee’s right to exclude vests upon the issuance of the patent. But the patentee may seek licensee fees prior to the patent issue, but after the publication of the patent applications. See Article 13.
- After the publication of the application for a patent for invention, the applicant may require the entity or individual exploiting the invention to pay an appropriate fee. See Article 13. After the publication of the application for a patent for invention, the applicant may require the entity or individual exploiting the invention to pay an appropriate fee
- Provisional patents
- PRC does not recognize provisional patent applications
• **Examination of patent application in PRC**

  • The Patent Office is responsible for the examination of the patent applications.

  • The examination procedure for Invention Patent on the one hand, and the Utility Model and Design patent, on the other hand, are different. See Article 48.

  • For Invention Patent, the applicant is required to request a substantive review within three-years of filing. Otherwise, the application is deemed to have been withdrawn.

  • For Utility Model and Design Patents, there is only preliminary examination, but no substantive review.
2. Trademarks - validity (Emilio)

Registration

**overview:** generally speaking registration involves a process whereby third party oppositions and official actions may occur; resolution of third party oppositions or challenges as to administrative decisions are resolved either by the national Trademark Office of each country, or by the courts (as is the case in Argentina).

- **priority ranking by first to register**
- **international:** Madrid Convention – bundles of registrations under same IR no.
- **some jurisdictions have different registers, each one providing different levels of protection**
- **US:** Principal Register and Supplemental Register - the latter provides less protection
- **On-going registration requirements**
- In additional to paying fees, some jurisdictions require periodic interventions
- **US PTO** requires the submission of affidavits in order to maximize the trademarks protection: affidavit of continuing use and affidavit of incontestability
• Can get rights to a trademark without registration simply by using – business names

• Argentina: grants protection to trade names without registration simply by use, although protection of trade names is not equal to trademarks protection (Argentina: § II Trademark Law); trade names obtain protection only in the area of business in which they are use;, and lack of use results in loss of right to the trade name.

• Germany: § 4 II d Trademark Law gives protection to non-registered trade names)

• EU mark protection tied to registration

• Right to prevent others from using a business name or symbol is somewhat limited in case of non-registration: generally can only prevent others from using the name or symbol in the area where the owner does business and uses the name or symbol in connection therewith
• Use of mark as condition of validity
• *use or intention to use may be a requirement for trademark application in some jurisdictions but is not always so (i.e., Argentina does not have this requirement)*. This notwithstanding, use is always a requirement for trademark renewal.
• **Non-use can be a grounds for invalidating a trademark registration (§ 25 and § 49 German Trademark Law)**
• Efforts to protect marks from infringement
• **Seller’s failure to have protected its trademarks and trade names against infringement might result invalidation of the rights or tolling of claims**
3. Copyright – validity (Peter)

- Vesting: copyright in a work subsists at the moment of creation by the author
- Filing requirements: generally not indispensible
- Even in jurisdictions where filing available, copyright protection still applies despite failure to register
- US: Federal copyright filings: possible to register copyright with U.S. Copyright of Office, but copyright protection does not depend on registration
  - registration and use of copyright symbol serves to give notice to third parties: use of both registration and copyright symbol enables copyright owner to obtain statutory damages and recover attorneys’ fees in the case of infringement
- Germany:
  - No possibility of registration
- Latin America
  - Argentina: only foresees mandatory copyright registration for national works that are edited in copies or specimens (such as books, periodic publications, software that is made available to the public, etc.).
- Use of copyright symbol
4. Trade Secrets - Validity: (Peter)
   - No procedural/registration requirements
   - Substantive: secret plus efforts to keep secret
5. Hybrid European IP – validity (Peter)
   - Industrial design - Geschmacksmuster
     - *Registration process, but can get protection without registration*
     - Registration gives 25 years of protection
     - Non-registered protected designs give rise to 3 years of protection

   - Baby patent Gebrauchsmuster
     - *Registration: simple process with no review*
     - Often used to get stop gap protection while inventor/owner waits for issuance of a patent
• 6. Jurisdiction for validity questions (Peter)
  – US:
    • Validity of patents and trademarks can be challenged at administrative level
    • In infringement actions – in later case patent validity decided by trial court
  – Germany:
    • validity goes to the Deutsche Patent und Meldungsamt at issuance stage (Einspruchsverfahren); appeal to Bundespatentgericht
    • Validity challenge in infringement proceedings goes to BPatG (Nichtigkeitsverfahren)
    • with final review by BGH
  – China:
    • Validity challenge (only in Patent Reexamination Board)
    • Validity questions are resolved by an administrative agency – “Patent Reexamination Board.” This procedure is available to the general public.
    • Where, starting from the date of the announcement of the grant of the patent right by the patent administration department under the State Council, any entity or individual considers that the grant of the said patent right is not in conformity with the relevant provisions of this Law, it or he may request the Patent Reexamination Board to declare the patent right invalid. Article 45
C. Who owns IP Rights

• 1. Patents – who owns them (Patti)
  – rights belong to inventor
  – were rights assigned by inventor to seller
  – if not, was there an employment agreement requiring assignment
  – it is possible seller owns technology but may not be able to practice it because another party has exclusive rights
  – more than one inventor – joint owners
  – each inventor is a co-owner

• in Germany co-inventors own the invention in common through a quasi partnership (Erfindungsgemeinschaft)
• inventor can transfer rights
• *if documentation does not exist can seller obtain it*
• patent applications
• *inventors can assign their rights to patent applications*
• invention disclosures (pre-application)
• *inventors can assign their rights to disclosure*
2. Trademarks – who owns them (Emilio)

- Marks belong to registrant
- Or the user, in case where ownership based on use
3. Copyright – who owns them (Peter)
   • In US and many other jurisdictions copyright in a work vests originally in the author
   • *work for hire exception in” anglo-saxon” jurisdictions*
     – Copyright in works created by employees or certain independent contractors (17 U.S.C. § 201 (a)) belong to employer/principal
   • Many European jurisdictions reject the “work for hire exception

   • Germany:
     • Author/creator owns the copyright
     • this principle applies to employees (§ 43 UrhG))
     • all the employer can get is a right to “use” or exploit the copyright, including the production of copies
       – exception for software (§ 69): employer gets automatic and exclusive right to exploit the copyright material – unless agreed otherwise
Ownership rights can be transferred in most “anglo-saxon” jurisdictions

- US – limitation to the freedom to transfer rule: the transfer of copyright after January 1, 1978 by creator (or a license given by the latter after that date) may be rescinded by the author or his/her heirs 35 years after the grant (17 U.S.C. § 203) (protects authors against free or undervalued transfers)
  - Window for termination is the five year period during a period of five years beginning at the end of thirty-five years from the date of execution of the grant
  - Author’s right to rescission cannot be waived or given up by contract in advance

Distinction between ownership of copyright and right to make copies of copyright material

- If creator gives a right of use to a manufacturer allowing later to make copies, the manufacturer has all rights with respect to the copies
• Argentina
• *the creator owns the copyright rights*
• similar to Germany: employers do not get automatic right to copyright material created by employees
• exception for software (§ 4.d)): employer is the owner of the rights – unless agreed otherwise
• 4. Trade secrets – who owns them (Peter)

• Trade secrets belong to persons who rightfully have knowledge of them: the developer and third parties to whom the developer has disclosed the respective know-how
II. Identifying Seller’s IP, Verifying the Validity of such Rights and Determining Seller’s Proprietary Interest therein

- **A. Due diligence techniques (Leianne and Patti)**
- **1. Identifying Seller’s IP (Patti)**
- Schedule identifying all its IP rights and the jurisdictions in which those rights apply
- *Usually require separate schedules for each of the different types of IP rights*
- some models do both: requiring an all-encompassing list as well as separate lists breaking the IP done by IP type
- *patents: issued, pending and potentially patentable inventions in development*
- *marks: granted and pending registrations; use of business names*
- *copyright registrations: require target to identify all material subject to copyright protection or marked as such*
• *Trade secrets*:

  * Given the confidential nature of trade secrets, sellers often refuse to list trade secrets in a schedule
  * At least key trade secrets
  * Require seller to indicate location of each document that contains a description of the trade secret

• *Software*

  * Some model agreements have a separate schedule for software

• *RMSPA*

  * All Software owned, licensed, or used by any Acquired Company (other than commonly available, non-customized third party software licensed to an Acquired Company for internal use on a non-exclusive basis) is listed in Parts ___.

• *Net Names*

  * RMSPA

  * Part ___ lists all net Names, including the name of the Acquired Company that owns or uses such Net Name.
• require target to produce all registrations and assignments with respect to all the pertinent jurisdictions

• the IP schedules should list any restrictions on third party rights in and encumbrances against such scheduled IP rights

• a sub-schedule to the IP schedules should identify all contracts concerning IP
• “MAPA”
• Part _____ contains a complete and accurate list and summary description, including any royalties aid or received by Seller, and Seller has delivered to Buyer accurate and complete copies, of all Seller Contracts relating to the Intellectual Property Assets, except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly available Software programs with a value of less than $ ____ under which Seller is the licensee. There are no outstanding and, to Seller’s Knowledge, no threatened disputes or disagreements with respect to any such Contract.
• Independent review of registries to determine completeness of targets’ IP schedule (Patti)
• 2. Due diligence as to the validity and enforceability of Seller’s IP rights (Patti)
  • Patents: anticipation and obviousness
  • *review prior art*
  • Trademarks: strength of the mark
  • *distinctiveness of the mark*
  • usage
  • policing
  • Copyright
  • Trade secrets
  • *Review documents and measures taken to keep trade secrets confidential*
  • *Confirm whether trade secrets in the public domain*
• 3. Due diligence as to seller’s proprietary interest in IP (Patti)
  • verify ownership
  • evaluate strength of IP
• 4. Due diligence as to third parties’ violating targets IP rights (Patti)
• steps taken by seller to protect IP
• evaluate against buyer’s business objectives
B. Definition of IP assets (Peter)
possible approaches in asset deals:

define as all IP in which seller has a proprietary interest

ABA Model Asset Purchase Agreement (“MAPA”):

“The term `Intellectual Property Assets’ means all intellectual property
owned or licensed (as licensor or licensee) by Seller in which Seller
has a proprietary interest, including … [business names, patents,
know-how and trade, copyright secrets and internet domain names]”

define as IP all that appearing in a specific schedule

hybrid approach

define as all IP in which seller has a proprietary interest

require seller to identify respectively in separate schedules all patents,
trademarks, copyright and domain names

hybrid approach has a all inclusive effect, picking up IP not identified
in schedules, but at the same time requires seller to make a diligent
effort to identity its IP
• possible approaches in stock purchase deals
  – “owned, licensed or used by seller
  – Revised Model Stock Purchase Agreement (“RMSPA”)
    • “The term ‘Intellectual Property Assets’ means all intellectual property owned, licensed (as licensor or licensee), or used by an Acquired Company, including: [patents, marks, copyright, trade secrets, software and net names] ....”
    – RMSPA requires seller to list IP in schedules, respectively for patents, marks, copyright, trade secrets, software and net names

• “necessary to business” limitation
  – “For the purposes of this Section _, “Intellectual Property” means all intellectual property owned and/or used by Seller or any of its Subsidiaries that is necessary to conduct their business as and where currently conducted, including ....”
• C. Reps and warranties as to IP schedules
  (Leianne)
  Reps should go to accuracy and completeness of schedules
  model language as to identification of IP:
  MAPA
  “Part ___ contains a complete and accurate list and summary
description of all Patents [i.e., all patent rights in which seller has a
proprietary interest]
  “Part ___ contains a complete and accurate list and summary
description of all Marks [i.e., all trademark rights in which seller has a
proprietary interest]
  Part ___ contains a complete and accurate list and summary
description of all Copyrights [i.e., all copyright in which seller has a
proprietary interest]
  Part ___ contains a complete and accurate list and summary
description of all Net Names [i.e., all Net Names in which seller has a
proprietary interest]
RMSPA

“Part __ lists all Patents and invention disclosures relating to inventions conceived or reduced to practice by one or more officers, employees, independent contractors, or other parties with whom any Acquired Company may have collaborated in connection with developments on behalf of such Acquired Company’s business (`Invention Disclosures’), including the name of the Acquired Company that owns or uses such Patent or Invention Disclosure.”
• **D. Reps and warranties as to validity of IP**
  • procedural (Patti)
  • **full compliance with filing and procedural formalities, including the ongoing payment of maintenance, annuity, and registration fees**
  • *model language:*
  • MAPA
  • Patents
  • All of the issued Patents are currently in compliance with formal legal requirements (including payment of filing, examination and maintenance fees and proofs of working or use), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date.
• Marks
  All Marks have been registered with the United States Patent and Trademark Office, are currently in compliance with all formal legal Requirements (including the timely post-registration filing affidavits of use and incontestability and renewal applications), are valid and enforceable and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date.
• Copyright (to extent registered)
• All of the registered Copyrights are currently in compliance with formal Legal Requirements, are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the date of Closing.
• Substantive – validity issues
• *patents (Patti)*
• patent claims are not anticipated, obvious or otherwise invalid, and absence of material prior art
• Rep as to absence of challenges
• Rep as to knowledge of prior art; use or filings which might invalidated the scheduled patents
• model language
• MAPA
• No patent has been or is now involved in any interference, reissue, reexamination, or opposition Proceeding. To Seller’s Knowledge, there is no potentially interfering patent or patent application of any Third Party.
• patents are enforceable
• Trademarks – Reps as to validity (Emilio)
• no knowledge of prior registrations or use with respect to marks or of any grounds which might invalidate the registrations
• model language
• MAPA
• To Seller’s Knowledge, there is no potentially interfering trademark of trademark application of any other Person
• systematic use of trademarks by target
• model language
• Emilio:
• Seller hereby represents and warrants that all trademark registrations included in Exhibit X hereto are in full force and effect. Likewise, Seller represents and warrants that, to the best of Seller’s knowledge and as of the date hereof, there is no material legal proceeding pending and served or pending and not served or threatened against Seller or any of its affiliates, (i) with respect to the trademarks included in Exhibit X hereto, or (ii) regarding their ownership or scope, or (iii) that may otherwise be adverse to their use, registration, right to use, validity or enforceability. Finally, Seller represents and warrants that all trademarks included in Exhibit X hereto are currently being used by Seller and/or its affiliates and are not subject to cancellation actions.
• **Copyrights – reps as to validity (Peter)**
• fulfillment of requirement that work be original
• copies or direct derivatives of other peoples works are not entitled to protection
• **model language – no challenges**
• MAPA
  • “No Copyright…to Seller’s Knowledge, has been challenged or threatened in any way”
• **insist on registration of copyright and use of copyright symbol in connection therewith**
• model language
• MAPA
  • “All works encompassed by the Copyrights have been marked with the proper copyright notice.”
• **Trade secrets (Peter)**
• **Validity of trade secret depends on seller’s having taken measures to keep it confidential**
• MAPA
• “Seller has taken all reasonable precautions to protect the secrecy, confidentiality and value of all Trade Secrets…”
• **confidentially undertakings by target employees having knowledge as to the trade secret**
• MAPA
• “Seller has taken all reasonable precautions to protect the secrecy … (including the enforcement by Seller of a policy requiring each employee or contractor to execute proprietary information and confidentiality agreements substantially in the Seller’s standard form, and all current and former employees and contractors of Seller have executed such an agreement”. ]
E. Reps and warranties as to ownership (Leianne)

- Target has full ownership of all scheduled IP, except for restrictions, third party rights and encumbrances indicated in IP schedules
- *model language*
- *MAPA*
  - “Seller is the owner or licensee of all right, title and interest in and to each of the Intellectual Property Assets, free and clear of all Encumbrances, and has the right to use without payment to a Third Party all of the Intellectual Property Assets, other than in respect of licenses listed in Part ____.”
- *RMSPA*
  - “One or more Acquired Companies is the owner of each of the owned Intellectual Property Assets, free and clear of any Encumbrance, and has the right to use without payment to any Person such Intellectual Property Assets.”
  - “Except as set forth in Exhibit X hereto, the Seller is the owner and has good, uncontested and marketable title to all its Intellectual Property, including all applications and registrations thereof, free and clear of any claims, oppositions, options, liens, pledges or encumbrances. To the best of Seller’s knowledge, and except as set forth in Exhibit X hereto, none of Seller’s Intellectual Property is subject to any actions, and no action, whether judicial, administrative or otherwise, has been instituted or is pending or, to the knowledge of Seller, threatened that challenges or affects the rights of Seller or any of its affiliates with respect to such Intellectual Property, except for any action that would not have a material adverse effect.” (model language provided by Emilio)
• all steps has been taken to establish and record such ownership
• *model language*
  
  “*The ownership by Seller of all Intellectual Property is duly recorded with the relevant governmental offices or other equivalent bodies.*” *(model language supplied by Emilio)*

• Trade secrets need special language since title and ownership is the absence of disclosure to public or third parties (Peter)
  
  – *MAPA*

  • *Seller has good title to and an absolute right to use the Trade Secrets. The Trade Secrets are not part of the public knowledge or literature and, to Seller’s Knowledge, have not been used, divulged or appropriated either for the benefit of any Person (other than Seller) or to the detriment of Seller. No Trade Secret is subject to any adverse claim or has been challenged or threatened in any way ....*
F. Reps and Warranties as to Infringement of Target’s IP Rights by Third Parties (Patti)

• Model language
• RMSPA
• “No Patent is or has been infringed or has been challenged or, to the Knowledge of Sellers, no such challenge is threatened….
• No Mark is or has been infringed or has been challenged and, to the Knowledge of Sellers, no such challenge is threatened….
• No Copyright listed in Part __ is or has been infringed or has been challenged, and, to the Knowledge of Sellers, no such challenge is threatened.”
III. Target’s Transfer of IP Rights to Buyer

- A. Situations where IP rights do not stay with target and need to be transferred to buyer or surviving entity (Peter)
  - 1. asset deals
  - 2. mergers
  - 3. transfer to special purpose or holding company
• **B. Procedural requirements for transfer**
  • **Patents – transfer of rights (Patti)**
    - Ownership rights in patents can be transferred by the inventor to a third party
    - *Transfer normally need not be registered with patent authorities to be valid, but failure to do so can have consequences.*
    - U.S.: if transfer of patent ownership not recorded at USPTO within 3 months of its date it is void against subsequent purchaser for valuable consideration without notice unless recorded before subsequent purchase
    - Germany: only the registered owner of the patent rights (not the unregistered transferee) can sue for patent infringement (§ 30 III 2 PatG)
    - Argentina: The transfer has to be recorded with the Trademark Office in order to be effective as to third parties.
• Trademarks – transfer of rights Emilio
  – ownership rights to marks are generally readily transferable
  – Germany: § 27 MarkenG
  – Whether registration of transfer is necessary
    – EU trademark: registration of new owner probably necessary (Peter); not the case in European national jurisdictions
    – until the new owner is registered, neither the prior owner nor the new owner have rights to the trademark
    – transfers must be in writing (Art 17)
Argentina: The transfer has to be recorded with the Trademark Office in order to be effective as to third parties.

**Copyright – transfer of rights (Peter)**
- Some jurisdictions do not permit the transfer of rights in copyright; they stay with the artists/creator
- **Germany: they cannot be transfer (§ 29 of Copyright Law)**
- in this context “transfers” are effectuated by the artist/creator giving a third party an exclusive right to use (i.e., exploit) the copyrighted material (Nutzungsrecht)
- in turn, such licensee can then transfer its exclusive right of use to another third party  (BGH Decision from July 10, 1986)
- **Argentina: patrimonial rights can be transferred. Moral rights cannot be transferred but can be waived. The transfer has to be recorded with the local Copyright Office in order to be valid.**
• trade secrets – transfer of rights (Peter)
  – transfers of ownership as to trade secrets occur through authorized disclosure thereof
  – MAPA
  – “With respect to each Trade Secret, the documentation relating to such Trade Secret is current, accurate and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual.”
  – RMSPA
  – “The documentation relating to each Trade Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual.”
C. Reps and Warranties as to Seller’s ability to transfer IP Rights (Patti)

• Target in position to transfer scheduled IP to buyer
• no contractual obligations owed to third parties barring transfer

• model language:
  – MAPA
  – “Seller is the owner or licensee of all right, title and interest in and to each of the Intellectual Property Assets, free and clear of all Encumbrances, and has the right to use without payment to a Third Party all of the Intellectual Property assets....”
• all of requisite documentation for effectuating the scheduled actions have been prepare
• deposited with escrow agent, in the case of an escrow arrangement
   – model language:
   – “Seller represents and warrants (i) that it has duly prepared and subscribed all the
documentation which is necessary in order to transfer to Buyer all Seller’s Intellectual
Property included in Exhibit X hereto, (ii) that said documentation is accurate and
complete, and (iii) that said documentation has been deposited in escrow in
accordance with the Escrow Agreement included in Exhibit Y hereto. The Escrow
Agreement will authorize the notary public to deliver the documentation to a credited
representative of Buyer immediately after Buyer exhibits a copy of the [document that
triggers the delivery of the documentation in escrow].” (model language provide by
Emilio)
• validity of assignment to target and proper registration thereof
  – model language
  – “In case of Intellectual Property that has been assigned to Seller by third parties, the
assignment has been duly recorded with the relevant governmental offices or other
equivalent bodies, and Seller appears as the current owner of such Intellectual
Property, except as set forth in Exhibit X hereto.” (model language provided by Emilio)
IV. Third Party Rights in Seller’s IP

A. Patents

1. Third-party inventors (Patti)

Confirm seller’s rights are transferable and whether third party permissions are necessary for buyer to practice the invention
• 2. employee - inventors (Peter)
• Germany: patents and Gebrauchmuster - Arbeitnehmererfindergesetz (Peter)

• employer can cause the rights vested in an employee/inventor to go over to the employer by unconditionally claiming such rights (§6 and §7) – to the extent the employee/inventor makes the invention in the scope of his or her employment
  – the employer can waive in the respective employment agreement this right to claim rights to inventions made by the respective employee

• employer can either file a patent application for the invention or exploit the invention as a trade secret

• employer’s unconditional claiming a right to an employee’s invention gives the employee right to reasonable compensation (§9)
  – employer and employee agree after the invention takes place as to the amount of reasonable compensation

• if employer and employee cannot agree then employer fixes an amount and pays it in a lump sum
  – the Labor Ministry establishes guidelines for each industry as to what constitutes a reasonable amount
  – employee can then challenge the amount within two months of receipt of payment
  – in the event of multiple employee/inventors a challenge by one employee/inventor results in challenging all of the agreements reached with all the other employee/inventors as to the amount of reasonable compensation

• Disputes (in particular as to what is reasonable compensation or whether invention occurred in scope of employment)
  – obligatory non-binding arbitration procedure provided by the German patent office
  – the arbitration panel makes a proposal to the parties

• special regime for inventors working at public universities and research institutes
• **Argentina:**
  – *employer is the owner of the inventions made by its employees if hired for that purpose.*
  – *Employee may be entitled to compensation if his personal contribution to the invention and the importance of the invention for the company and employer exceeds the purpose of his labor agreement.*
  – *If the purpose of the labor agreement is not the development of inventions, but the invention is related to employee’s activity in the company and in its development employee has used knowledge acquired within the company or means provided by the company, employer may have the right to either claim ownership or exploitation rights. Option has to be done within 90 days of development of the invention.*
  – *In case employer claims ownership or reserves exploitation rights, employee will be entitled to compensation. If employer grants licenses to third parties, employee may claim payment of up to 50% of royalties.*
• China:
  – An inventor/employee has no right to apply for a patent, or assert a patent’s exclusion right
  – On the other hand, PRC patent law requires that the employer give the inventor a reward for his/her invention. It further requires that the employer pay the inventor fees for using or practicing of the invention
• **B. Copyright (Peter)**

• **Germany: (employees)**
  
  – Employees get a statutory right to “reasonable” compensation for giving employer a right to use copyright (§ 32 of Copyright Law)
  
  – *if the contractually agreed compensation is not “reasonable,” the statutory claim prevails*
  
  – Exception for software: employer gets rights to the source code developed in the course of employment
• **Latin America:**
  
  – Argentinean Intellectual Property law remains silent as to the ownership of works developed by employees except in the case of software. As regards software the law provides ownership by the natural or legal persons whose employees hired for developing a computer program had produced a computer program in performing their job functions, unless otherwise agreed.
• C. Possible reps and warranties (Leianne) as to 3rd party rights

• 1. such third party rights other than those itemized in schedule

2. Compliance with local law as to employee’s / inventor’s rights to compensation

3. Obtained all the possible releases and limitations
• model language
• MAPA
  – “Except as set forth in Part __, all former and current employees of Seller have executed written Contracts with the Seller that assign to Seller all rights to any inventions, improvements, discoveries or information relating to the business of Seller.”
• RMSPA
  – “No Acquired Company is bound by, and none of the owned Intellectual Property Asset is subject to, any Contract that in any way limits or restricts the ability of any Acquired Company to use, exploit, assert, or enforce any such Intellectual Property Asset anywhere in the world.”
  – “No funding, facilities, or personnel of any Governmental Body, any educational institution, or any other Person (other than an Acquired Company) were used, directly or indirectly, to develop or create, in whole or in part, any owned Intellectual Property Asset.”
V. Possible Infringement of Third Party Property Rights

- A. Principles of infringement
  - 1. Patents (Vincent)
    - direct infringement: manufacture, sale or use of invention or equipment containing invention
    - use: any conduct undertaken to promote the sale of the infringing product
    - issue of overlapping or dependent patents: target has patented an invention, but it depends on previously patented technology
    - manufacturer’s general duty to inquire whether its products or production methods infringe third party patent rights
    - indirect patent infringement

  - indirect use German law - Section 10 PG
    - An indirect infringement can occur when means which are related to an important part of a patented invention are delivered or offered in Germany to a party who is not authorized to use the invention, when those means will be used to produce products covered by the patent, insofar as the products are intended for use in Germany (case law has extended the doctrine to situations even where the means are delivered outside of Germany (BGB Decision from January 30, 2007))
      - even though the means (often a component) does not directly infringe patent rights
      - the means can be related to the production of the invention or application of a method
      - subjective prerequisites: the offeror or supplier knew (or should have known) the means would be use in order to make or use the patented invention
      - merely knowledge of a risk that the buyer could use the component so as to produce a product or combination which violates a third parties’ patent right could suffice
      - Can get both injunctive relief and damages
      - in Germany only get damages where wrongful conduct
      - the indirect infringer incurs joint and several liability with the direct infringer

- Necessary review (Sorgfaltspflicht):
  - determine how customers intend on using means
  - not enough to investigate if supplier’s products by themselves infringe patent rights; must see if the final product does so; or if the combination of the supplier’s products together with other components in the final product might violate patent rights
  - sun lotion fact scenario: a specific creme component provided by a supplier to a sun lotion manufacturer does not violate any patent right
    - but its combination with a particular filter added by the sun lotion manufacturer does violate patent rights
  - German courts are hostile to attempts by suppliers to transfer the risk of indirect infringement onto the buyer through terms in the supply contract
2. copyright infringement (Peter)

Elements of infringement

- Author/creator has exclusive right to exploit his/her work in its physical form: to copy; distribute; ex exhibit
- Integral parts of works are protected from exploitation by non-authorized third parties
- The originality and creativeness of a work depends on its distinguishing itself from former works (§ 2 of the German Copyright law – UrhG. The new work must involve a creative process
- Possibility of secondary infringement (DMCA) – facilitating someone else’s infringement
- e.g., message boards
- rep as to compliance and inquiries as to DMCA
3. Trademarks (Emilio)

- **Identical**: the unauthorized use of words or symbols identical to a first-in-time registered trademark generally infringes the latter, even if the identical words or symbols are used in conjunction with different products than those used in connection with the first-in-time trademark.

- **Confusingly similar**: words or symbols which are confusingly similar to a first-in-time trademark generally do not infringe the latter unless the confusingly similar words or symbols are used in connection with the same products covered by the first-in-time registered trademark.

- **Confusingly similar**: right to exclude only applies to marks used in connection with similar products.

- **Right to exclude only applies to marks used in connection with similar products, but in the reps and warranties Seller should declare not to own or either mention all identical or confusingly similar trademarks, either covering similar or dissimilar products.**

- **Example of not confusingly similar**: EU marks – Bud/Bitt (EU court of first instance (October 19, 2006))
4. Damages of infringement of IP rights (no discussion)

Calculation

US
- Patents: Damages adequate to compensate for infringement and in no event less than a reasonable royalty for use of invention by infringer together with costs and interests fixed by a court
- Lost profits for the sales the patent owner would have made “but for” the infringement
- Injunctive relief
- Enhanced damages for wilfulness

Trademarks: Infringer’s profits, any damages sustained by trademark owner and costs of action. Plaintiff only has to prove infringer’s sales – infringer burden to prove deductions
- Injunctive relief
- Enhanced damages

Copyrights: Actual damages attributable to infringement and infringer’s profits
- Statutory damages
- Injunctive relief

Trade Secrets: Damages need to account for uniqueness of asset erosion – value derived through secrecy need to compensate for economic loss
- State law governs compensation and punitive damages
- Injunctive relief
China – damages as to patents (Vincent)
The law seems to require both a lost-profit type of calculation (but not exactly the same as the US method) or a reasonable royalty type (again, not exactly the same as the US method). It is provided in Article 60 of the law.
The amount of compensation for the damage caused by the infringement of the patent right shall be assessed on the basis of the losses suffered by the patentee or the profits which the infringer has earned through the infringement. If it is difficult to determine the losses which the patentee has suffered or the profits which the infringer has earned, the amount may be assessed by reference to the appropriate multiple of the amount of the exploitation fee of that patent under contractual license
See Article 60. The damages theory seems to be based on a tort theory whereby the objective is to make the patentee whole.
In addition, the law also sets forth a statutory damage in case the previous two methods are unworkable.
Injunctive Relief
Injunctory relief will be granted under PRC patent law. Both the Court and the administrative agency has such powers.
When the administrative authority for patent affairs handling the matter considers that the infringement is established, it may order the infringer to stop the infringing act immediately. See Article 57
Where any patentee or interested party has evidence to prove that another person is infringing or will soon infringe its or his patent right and that if such infringing act is not checked or prevented from occurring in time, it is likely to cause irreparable harm to it or him, it or he may, before any legal proceedings are instituted, request the people’s court to adopt measures for ordering the suspension of relevant acts and the preservation of property. See Article 61
Who has claim for infringement damages in China
Patentee, or any interested parties. Article 57
• **Argentina**
  - damages can be awarded in case of fault or malice. The laws do not contain calculation methods, but, as in Europe, they may include a reasonable royalty; ill-gotten profits; or a figure somewhere in between.

• **EU Directive 2004/48/EU – in event of wrongful infringement of any IP rights IP owner can recover reasonable damages (infringer knew or should have known standard):**

• **Wrongful infringement standard**
  - Different duties with respect to review for possible infringement of third party IP rights – manufacturers verses distributors
  - **Higher duty of review for manufacturers**
  - **sales agents and dealers can incur liability if do not perform requisite review**
  - Germany: recent case
    - appellate court imposed a duty of review for even non-specialized dealers importing mobile telephones into German: a mobile telephone network operator still had a duty to review IP rights of telephones which it distributed (such non-specialized distributors cannot rely on presumption that well known manufacturers undertook necessary review, especially where the products are imported) – OLG Dusseldorf – InstGE 6, 152
  - target’s agents and distributors may have contractual rights to indemnification
  - **Directive refers to three calculation methods: a reasonable license royalty; ill-gotten profits; or a figure somewhere in between**
  - Germany has not yet implemented Directive, but is considering legislation
  - **German law now permits double and treble damages in certain circumstances**
• **B. Due diligence as to seller’s possible infringement of 3rd parties’ IP rights (Patti)**
  
  • Schedules:
  
  • Require target to identify in a schedule pending or threatened infringements claims as well as third party IP rights which it suspects to have infringed in the course of its business operations (Patti)
  
  • Seller should disclose to Buyer all claims, protests, warnings and accusations in which a third party alleges that Seller has violated its or another’s IP rights. This should include lawsuits, warning letters or any other way in which Seller is aware of a claim or potential claim.
  
  • Buyer wants to put Seller under an obligation to disclose all such claims and warnings and to represent that it knows of no other claims or warnings.
  
  • Buyer also wants Seller to disclose any situations in which Seller’s conduct might potentially violate third parties’ IP rights, even though the third party has not protested, perhaps because it is unaware of the particular activity.
  
  • Best efforts undertaken to discover any possible infringement of third party rights (Grace)
  
  • *schedule setting out the measures which target needs to take in order to fulfill best efforts requirement*
• C. Reps and warranties as to possible infringement of third party IP rights (Patti)
• 1. “To the best of our knowledge” rep and warranty
• except for pending and threatened claims and third party rights identified in schedule
• General IP/infringement rep
• Model language:

• Except as otherwise set forth in Exhibit X hereto, to the best knowledge of Seller (i) none of the Intellectual Property infringes upon or misappropriates the rights of any other person nor is infringed upon or misappropriated by any other person or its property; (ii) nor Seller or any of its controlled subsidiaries or, to the knowledge of Seller, the non-controlled subsidiaries, has received any written claim, any cease and desist or equivalent letter or any other written notice of any allegation that any of the Intellectual Property or the business of the Seller or its subsidiaries materially infringes upon, misappropriates or otherwise violates the Intellectual Property of any third parties. (model text provided by Emilio)
• IP/infringement reps as to specific types of IP
• *Patents*
• MAPA
• “Except as set forth in Part ___, …(B) none of the products manufactured or sold, nor any process or know-how used, by Seller infringes or is alleged to infringe any patent or other proprietary right of any other person.”
• *Copyright*
• MAPA
• None of the subject matter of any of the Copyrights infringes or is alleged to infringe any copyright of any Third Party or is a derivative work based upon the work of any other Person.
• *trademarks*
• “identical and confusingly similar: target should declare not to own identical nor confusingly similar trademarks in the relevant jurisdictions to those included in the transaction. In case it owns identical and/or confusingly similar trademarks in other jurisdictions, same should be mentioned.” (model language supplied by Emilio)
• MAPA
• “None of the marks used by Seller infringes or is alleged to infringe any trade name, trademark or service mark of any other Person.”
• *Trade secrets*
• MAPA
• “No Trade Secret … infringes any intellectual property right of any other Person.”
VI. Licensing Issues (In and Out)

A. Particularities of licensing depending on type of IP
   1. Patents (Patti)
      Rights with respect to infringement: both the owner and the licensee have action to enjoin in case of infringement of underlying patent right
      U.S.: patent owner is indispensable party to infringement action
      Germany: exclusive licensee of patent rights has standing to bring on its own infringement and injunctive actions (139 PatG) (Art. 4 EU Directive 2004/48)
      not the case with respect to Gebrauchsmuster
      Argentina: licensee of patent rights has standing to bring on its own infringement actions
• Germany
• Implied or secondary obligations
• Germany
• German supreme court has found that licensor of patent rights impliedly also extended a license as to related patent rights not identified in the license insofar as the exploitation of the licensed patent rights depended on the related patent rights (dependent patents) (BGH GRUR 205, 406)
• implied obligation on part of licensor to defend the IP rights against infringement
• compulsory licenses
• **grounds:**
  – patent misuse
  – failure to exploit
  – dominant market power
  – public interest – e.g., public health

• *EU Regulation 816/2006 as to pharma products for export to countries with public health problems*

• **Compulsory license in PRC (Vincent)**
• PRC patent law mandates compulsory licensing.
• Where any entity which is qualified to exploit the invention or utility model has made requests for authorization from the patentee of an invention or utility model to exploit its or his patent on reasonable terms and conditions and such efforts have not been successful within a reasonable period of time, the Patent Administration Department Under the State Council may, upon the request of that entity, grant a compulsory license to exploit the patent for invention or utility model. See Article 48, requiring the party taking the compulsory license to pay a reasonable fee to the patentee, and granting the Patent Administration Department right to adjudicate any dispute). Article 57
2. Trademarks (Emilio)

Overview (Argentina)

- can get a license from trademark owner or from a licensee only in case the latter has sublicensing rights.
- license agreement registration is not mandatory in Argentina, except in cases where foreign licensors want to take advantage of tax benefits that arise out of Transfer of Technology and tax regulations.

Licensor’s warranties:

- licensor is the holder of the licensed trademark, and same is and will be valid through the whole license term;
- licensor has sufficient rights to grant the license (i.e., his rights have not been limited by private agreements);
- there are no third parties capable of legally interfering with licensee’s use
- the use of the trademark by licensee will not infringe third parties’ rights nor any applicable law or regulation
- in case of exclusive licenses, undertaking to pursue infringements.
Licensee’s obligations:

- payment of royalties
- trademark exploitation

Licensor may incur liability if licensee used the trademark in connection with products which violate other IP rights (copyright, patent or protected designs)

- possible liability for product defects as well: Germany § 4 I ProdHaftG
- Argentina, section 40 Consumer Protection Law
- exclusive licensee in case of trademark does not have an independent action to enjoin and recover damages in case of infringement of licensed trademark (Germany / EU/Argentina)
3. Copyright (Peter)

Germany:

- Germany: special treatment of software: dispute as to whether the giving of copies of software is a license or a Softwareüberlassungsvertrag (qualifying as a sales or service contract) (McGuire, Grur 2009-1, pg 19)

- the Abstractionsprinzip does not apply in the case of Copyright and possibly other IP rights
  - if the grantor of a sublicense did not have rights to the copyright because of a invalid contract entered into with the owner of the copyright, then the down stream sublicense does not get valid rights of use under the sublicense, even if it was in good faith (OLG Karlsruhe, decision from October 25, 2006)

- exclusive licensee of a copyright has standing to bring on its own infringement actions (§ 97 UrhG) (BGH, GRUR 1992, 310)
  - conflicting claims for infringement damages: since both owner of the IP right and an exclusive licensee have a claim for damages arising out of infringement, conflicts between these claims can arise
• Argentina
  – can get a license from owner (i.e., the artist or creator) or from a licensee only in case the latter has explicit sublicensing rights.
  – the giving of copies of software is considered a license; copyright stays with licensor.
  – exclusive licensee of a copyright has NO standing to bring on its own infringement actions.
• Transferability of licensed rights (sublicenses) (Peter)
• Germany / Europe
  – **Trademarks**: assumed that exclusive trademark licenses are not transferable unless license explicitly so provides § 399 BGB
  – **Copyright**: a further transfer of an exclusive right of use (sublicense) is generally subject to the consent of the artist/creator or upstream licensee (BGH July 10, 1986; § 35 UrhG)
  – **Patents** – sublicense generally permitted, unless contractually prohibited
• **Factors to keep in mind:**
  • a further transfer of the right of the exclusive right of use without such authorization can expose the transferor to damages for the transferee’s (sublicensee’s) unauthorized exploitation of the copyright
  • adhesion clauses (allgemeine Geschäftsbedingungen)
  • authorizations obtained through adhesion clauses for sublicensing may not hold up
• Argentina:
  – *IP licenses are transferable unless license explicitly provides the contrary.*
  – *a further license of an exclusive right of use (sublicense) is usually subject to consent of the right holder in the license agreement.*
  – a further transfer of the right of the exclusive right of use without such authorization can expose the transferor to damages for the transeree’s (sub-licensee’s) unauthorized exploitation of the IP right.
  – *Argentina: mandatory recording of license agreement if foreign licensor wants to obtain tax benefits that arise from Transfer of Technology and tax regulations.*
• **China: (Vincent)**
  - The licensee is not entitled to sub-license the patent without the express agreement of the licensor.
B. Foreign target is licensor (out-licensing)
• 1. Schedule identifying all out licenses (Leianne)
• MAPA –Section 3.25 (b)
• “Part 3.23(b) contains a complete and accurate list and summary description, including any royalties paid or received by Seller, and Seller has delivered to Buyer accurate and complete copies, of all Seller Contracts relating to the Intellectual Property Assets, except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly available Software programs with a value of less than $____ under which Seller is the licensee.”
2. Reps and warranties (Leianne)
- licensor and licensee are in compliance w/ terms of license
- terms of license conform with all applicable laws
- purchase of target or assignment of license to buyer will not breach terms of license
- economic viability of licensee
C. **Foreign target as licensee**

- 1. Schedule identifying all licenses which target has taken (Leianne)

  - Buyer should require Seller to prepare a schedule in which it identifies all licenses it has taken from third parties (i.e. software licenses).

  - MAPA – see Section 3.25 (b)
2. Reps and warranties
   - licensor and licensee are in compliance w/ terms of license (Leianne)
     - model language
     - Possible wording for SPA clause: “To Seller’s knowledge, both licensors and licensees of all License Agreements listed in Exhibit X hereto are in compliance with their terms and conditions, and no breach or default by Seller or its subsidiaries exists under any of the listed License Agreements pursuant to which Seller or any of its Subsidiaries uses Intellectual Property.” (supplied by Emilio)

   - terms of license conform with all applicable laws (Patti)

   - make sure in the case of patent license that the patent owner is registered as such (Patti)

   - purchase of target or assignment of license to buyer will not breach terms of license and is permissible under local law (Patti)
• Risk of bankruptcy by licensor (Peter)
  – *German law Section 10 PG – indirect use (Peter)*
  – German bankruptcy law allows trustee to cancel contracts (including licenses), resulting in the licensed right reverting back to licensor (§ 103 InsO)
  – contracts giving a right of use to IP are considered as licenses for purposes of bankruptcy law – even with respect to software
  – new proposed bankruptcy provision (§108 a InsO-E) carves out exception for licensing of IP rights (all kinds) – license stays in effect
  – *chain of licenses problem: draft law would prevent a bankrupt sub-licensor from cancelling the license to the sublicensee*
• *Latin America:*

• In Argentina both in case of insolvency proceedings or even bankruptcy, under certain conditions, the continuation of a license agreement is possible, but it is always subject to the decision of the court.
Panelists

• **Leianne Crittenden, Oracle, Palo Alto;**
• **Patricia Kane Schmidt, K & L Gates, Chicago;**
• **Peter M. Haver, Denkl Mirow & Haver, Dusseldorf, Germany;**
• **Emilio Beccar Varela, Estudio Beccar Varela, Buenos Aires, Argentina;**
• **Vincent K. Yip, Paul Hastings, Los Angeles.**
Moderator

• Patrick J. Whalen, Spencer Fane Britt & Browne, Kansas City