

Guideline for filling the IP Licensing Agreement Templates

This guideline document aims to provide assistance and support in understanding the different IP licensing template agreements provided by AD.iP.

Please note that the present guideline and related IP Licensing Agreement Templates are non-exhaustive and are intended to be considered as guidelines. The Agreements' content should be adapted case by case to your specific business and situation; it should not be signed before being reviewed by and aligned with a legal professional familiar with the laws of Abu Dhabi to ensure compliance with the latest legal requirements.

Preamble

This section introduces the object of the contract (e.g. providing an exclusive, sole, or non-exclusive licence on IP assets to a Licensee) as well as the parties who enter into agreement: the owner of the intellectual property rights or person entitled to grant the licence on the IPR (the Licensor) and the party who wishes to take a licensing agreement (the Licensee).

The contract must indicate the names and the registered addresses of the companies. When a party is a private person, they can refer to their name and private address.

The effective date is the date of the signature of the contract. Unless stated otherwise, the contract becomes applicable and enforceable from this date. If you wish to differ the enforcement of the contract, you must mention it expressly such as in the Scope of the contract and/or in the Preamble.

For clarity purposes, you can also indicate directly in the Preamble the exact scope of the licence (such as allowing the Licensee to use and/or manufacture and/or sell, etc. the licensed IP).

Patent licensing agreements must be registered to the Minister of Economy, incurring a registration fee of AED 200 for individuals and 400 AED for companies (see article 50 and following articles of the Federal Law No. (11) of 2021 Concerning the Regulation and Protection of Industrial Property Rights).

Definitions

This section is used to define the most important terms of the licence agreement and will be used to clarify their interpretation by establishing a mutual understanding of the key terms by each Party, to ensure consistency, and to avoid confusion and misinterpretations.

Do not hesitate to define the words that you judge important, there is no limitation. Specific definitions will vary based on the context and requirements set in the licensing agreement.



Purpose and scope of the agreement

You can use this section to frame the extent and limitations of the licensing agreement such as the type of licence (exclusive, sole, non-exclusive), the possibility to sub-license, the territory, and the duration. The objective is to define clearly what the Licensee can and cannot do to avoid further litigation.

Restricting the Licensee in its utilization of the licensed Intellectual Property Rights will impact the payment.

Type of Licence (exclusive, sole, non-exclusive)

Typically, three types of licensing exist:

- **Exclusive licence:** Agreement in which a Licensor **renounces** to exploit himself and **transfers** the right to exploit its patents, certificate of utility, trademarks, design, know-how, and/or other intellectual property rights for the manufacture and/or distribution of a product to an **exclusive and unique** Licensee, under specific conditions and duration.

Example: under the licence agreement, I renounce to use my inventions and allow the company XXX to use the patent in all jurisdictions covered except India, for the next 3 years.

- **Non-exclusive licence:** Agreement in which the Licensor **transfers** the right to exploit its patents, trademarks, know-how, and/or other intellectual property rights for the manufacture and/or distribution of a product to **several Licensees** under specific conditions and duration while **conserving** the right to exploit the IPR licensed himself or via others.

Example: under the licence agreement:

- *I will continue to use my invention in the UAE*
- *I allow the company ABC to exploit my invention (certificate of utility) in the USA market for the next 10 years*
- *I allow the company XYZ to exploit my invention (certificate of utility and trademark) in France, Germany, and the UK for the next 6 years for the specific use only*

Where three years after its grant a patent or certificate of utility has not been exploited or has been inadequately exploited, any interested party who has been denied a licence against reasonable conditions on the invention can apply to the Abu Dhabi Federal Court of Appeal for a non-exclusive compulsory licence on the invention¹.

- **Sole licence:** Agreement in which the Licensee **transfers** the right to exploit its patents, trademarks, know-how, and/or other intellectual property rights for the manufacture

¹ Subject to articles 25 to 35 of the Federal Law No. (11) of 2021 concerning the Regulation and Protection of Industrial Property Rights

and/or distribution of a product to an **exclusive and unique** Licensee, under specific conditions and duration, while **conserving** the right to exploit the IPR licensed himself

Example: under the licensing agreement, I will continue to use my invention in the UAE market, and exclusively allow the company DEF to exploit my invention in China, Japan, and South Korea for the next 3 years

In addition, this section also clarifies the utilization that the Licensee can make out of the licensed IP such as: exploit, use, manufacture, have manufactured, market, sell, import, etc. This paragraph is particularly important if you want to restrict the exploitation or utilization of the intellectual property by the Licensee.

Sub-licensing

It grants the Licensee the right to grant licences to third parties on the Intellectual Property Rights listed in Exhibit A.

When the payment of the licence is based on the revenues generated by the Licensee with the Intellectual Property Right, sub-licensing can increase the Licensee's revenues, and thus increase the payment of the Licensor. However, the sub-licensees will also decrease the control of the Licensor over the Intellectual Property Rights.

If you want, you can use this section to restrict (e.g. subject to the review and authorization of the sub-licensee by the Licensor) or forbid the right of the Licensee to grant sub-licensees.

Territory

This paragraph defines the jurisdiction where the Licensee is authorized to exploit the licensed IP.

Duration

This section defines the duration of the licensing agreement.

The Parties are free to decide how long they want to be bound. Therefore, the contract may include a fixed term or be valid for an indefinite duration. In this latter case, the contract must include a notice period (which must be a reasonable delay allowing the other Party to recover) and conditions (e.g. in writing).

Where the contract is set for a fixed duration, the Parties can decide that the contract may be renewed tacitly or expressly, for a fixed term (e.g. 5 years from the date of signature) or until the IPR expires.

In any case, the duration of the contract cannot exceed the date of expiration of the IPR.

Any unauthorized use of IP rights beyond the prescribed duration constitutes an act of infringement.

Obligations of the Licensor

Traditionally, the Licensor has the obligation to provide the Licensee with the know-how required to use, develop, manufacture, or sell products covered by the IPR.

Depending on your specific situation or business need, you can increase the Licensor's obligations for instance by including an obligation of warranty which obliges the Licensor to provide a warranty that they own the intellectual property licensed and that they are not infringing third party rights.

Provision of know-how

The Licensor must enable the Licensee to fully enjoy its exploitation of the IPR, including by providing all required information or knowledge developed in relation to the IPR or required to produce the products covered by the IPR.

At the Licensee's request, the Licensor may provide the Licensee with technical assistance, by making available the personnel required to implement the know-how provided in the best possible conditions. In this case, the Licensee shall bear all costs incurred by the visit of the Licensor's personnel.

Obligations of the Licensee

Traditionally, the obligations of the Licensee include the obligation to exploit the licensed IPR.

However, the Parties can decide to include further obligations such as:

- a non-competition clause;
- an indemnity clause according to which the Licensee should provide the Licensor with an indemnity against any claims that may arise from their use of the intellectual property;
- an obligation to allow the Licensor to access, at its request, the Licensee's accounting information required to evaluate the business transactions carried out within the execution of the licensing agreement;
- etc.

Exploitation

The licensee commits to exploiting the invention personally or through a third party (if sub-licensing is authorized), in a genuine and serious manner.

The exploitation must be quantitatively and qualitatively effective and serious, i.e. the most complete commercially and technically complete. The exploitation must also be fair; therefore, the Licensee must inform the Licensor of any improvements made and/or developed during the duration of the agreement.

IPR maintenance

All acts of maintenance to enable the full exploitation of the IPR must be performed, such as the payment of the regular fees (patent annuity fees, trademark renewal fees, etc.).

Depending on the licensing agreement type (exclusive, non-exclusive, sole), this charge may be borne by the Licensee or Licensor.

Defence or infringement of the IPR

In theory, only the Licensor can decide to bring an action against third parties in case of any event affecting the undisturbed enjoyment of the IPR. Exceptionally, with the exclusive licensing agreement, the action can be initiated by the Licensee when specific conditions, which have been defined in the contract, are met.

Confidentiality

This clause secures and preserves the secrecy surrounding the IPR, for instance, if the transfer of the IPR comes with a transfer of documents and/or know-how.

All confidential information shared by anticipation before the signature of the Licensing agreement should be protected by an NDA signed by the Parties.

Payment

The Parties can freely decide on the financial terms of the contract.

Usually, this payment takes the form of:

- **a lump sum:** a fixed amount determined upfront, it can be a one-time payment or instalment;
- **or royalties:** periodic fees paid by a licensee for the utilization of the licensed IPR, based on pre-defined criteria (e.g. fee per product sold under the licence, or percentage on the sales, revenues resulting from the Licensee, etc.).

To avoid any further legal dispute, the Parties should agree on a fair payment that will take into consideration the market and the different limitations and liberties conferred to the Licensee, as well as the risks taken by each Party.

Professional service providers can support you in evaluating or valuing your intellectual property to determine an appropriate and fair price.

Several methods have also been used in the industry to determine royalty rates in IP licensing agreements, such as:

- **The “25%” method:** a rule of thumb according to which the Licensee and Licensor should negotiate royalties ranging from 25% to 33% of the **Licensee’s expected**

profits or EBITBA (Earnings Before Interest, Taxes, Depreciation, And Amortization) **from the patented technology**. The 25% can be applied as such or used by the Parties as a starting point for the payment negotiation.

- **Some private providers offer benchmarks on typical royalty rates and payments**, for example, www.royaltysource.com and www.royaltystat.com

The payment can also be set in consideration of the industry. Hence, a 2022 study conducted between 2020 and 2022 indicates the typical royalty rates applied in 15 industries:

Industry	Typical royalty rate (from 2020 to 2022)
Semiconductors	4% to 6%
Electrical & Electronics	4% to 6%
Chemicals	4% to 6%
Computers & Office Equipment	4% to 6%
Automotive	4% to 6%
Food	4% to 6%
Consumer goods, Retail & Leisure	4% to 6%
Energy & Environment	4% to 6%
Machine & Tools	4% to 6%
Medical & Health products	4% to 6%
Telecom (excluding Media)	6% to 8%
Pharmaceuticals & Biotechnology	6% to 8%
Media & Entertainment	10% to 12%
Software	14% to 16%
Internet	14% to 16%

Source: 2022-study from Royalty Rate Data Source, on "[Royalty Rate Industry Summary Reports Overview](#)"

Intellectual Property derived from the Agreement

Any improvement of the invention or product covered by the licensing agreement may itself be registered as a new intellectual property right.

This section focuses on such developments, improvements, or evolutions of the invention covered by the licensed Intellectual Property Rights which originate from the Licensor or the Licensee (when authorized to do so).

The Parties can freely decide on how to handle such an event while taking into consideration the conditions of the improvement (Was the improvement achieved by the Licensee or Licensor? Did the Licensor participate in its development? etc.).

- **Improvements made by the Licensor**

Usually, improvements achieved by the Licensor before the signature of the Licensing Agreement must be communicated to the Licensee.

However, the Parties can freely decide how to handle improvements realized after the Effective date, while taking into consideration the conditions of the improvement (who

achieved or participated in the development of the invention, etc.). The Licensor is not required to transfer the improvement realized after the Effective date. However, it might be in the interest of the Licensor to collaborate with the Licensee and provide them with a licence on the improvements to avoid restricting the exploitation of the Licensee, and thus to avoid any further legal dispute.

- **Improvements made by the Licensee**

The Licensee must inform the Licensor of any improvements made to the licensed invention/IPR.

The Licensor can also forbid the Licensee to improve the invention or request a future licence on any improvements made by the Licensee on the invention. In this case, it should prevent setting up abusive conditions to avoid any further legal dispute.

Early termination

In most cases, the Licensing Agreement is terminated on a fixed date, or at the expiration of the IPR.

If the contract does not specify an end date, either party can terminate the contract unilaterally, provided the other party has been notified in advance.

However, where a termination date is set, a Party can ask for an early termination of the contract:

- In any case, if the other Party does not respect one of their obligations despite having been notified to do so;
- When a specific condition is met specified in the contract (e.g. if the sales realized by the Licensee are lower than a contractually determined threshold)

To avoid any further legal dispute, The Parties can also agree in advance on the consequences and modalities of such early termination (how the Party must communicate to the other Party their intention to terminate the contract early, the duration of the notice period, the financial consequences of early termination of the contract, etc.).

Application laws and settlement of disputes

This section clarifies the law applicable to the contract and provides for the settlement of disputes.

The Parties can plan in advance to resort to mediation or arbitration before going to court.

Exhibit A – List of licensed IPR

This table lists the intellectual property rights covered by the licensing contract. It should be filled out carefully.