

Insights: Alerts

7 Key Takeaways: Important Considerations in Licensing Know-How with Patents

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Here are seven key takeaways from the discussion:

- There is no one size fits all in licensing patents and know-how. Each license should be tailored to the specific circumstances of the transaction considering such factors as the complexity of the invention, the field of use, and the overall value of the transaction.
- A patent license is the owner's grant of authority to infringe the claims of the licensed patent. The license of know-how is the information necessary or beneficial to the commercialization of the patented invention. A patent license combines matters of federal and state law, whereas a know-how license is subject only to state law since it is not subject to federal statutory protection.
- Key provisions that differ when licensing patents and know-how include the definition and transfer of the know-how, royalties, term and termination, confidentiality and other protections, and transferability.
- Defining the licensed know-how and how it will be transferred to the licensee is a fundamental component of the transaction. Differentiate it from the patented information, and tailor the definition and transfer based on the type of know-how to be shared. Consider whether the licensor will provide any implementation and/or support with respect to the transfer of know-how.
- Know-how can be licensed indefinitely while patent licenses are limited by the patent's duration. Thus, a know-how license can have a longer term and royalty structure than a patent license, provided that it is subject to a different royalty rate or if there is clear intent that any royalty due after the duration of the patent is tied to the know-how. Whether the license of the know-how should be subject to a separate royalty structure or an upfront payment is an issue for commercial negotiation based on whether the know-how provides a clear competitive advantage and/or weighing its contributed value to the licensed product.

- A know-how license must include protections for the know-how. Accordingly, confidentiality, security, and equitable relief provisions are integral to a know-how license.
- Finally, carefully draft provisions that address (a) the ownership of developments (both modifications to the know-how as well as using the know-how to develop new IP) or limit the licensee's rights with respect to developments, and (b) the transferability of the know-how license (e.g., to affiliates or sublicensees, or upon an assignment or change of control).