Professional Certificate in Contract Law in Technology (Germany)

Technology Licensing Agreements

Licensor is the party that owns or controls the technology and grants the right to use it to another party. In a technology licensing agreement the licensor may be a university, a research institute, a start-up, or an established corporation. The licensor's primary interest is often to obtain financial compensation while preserving the ability to exploit the technology in other markets or with other partners. For example, a German university that has developed a novel semiconductor process may license the technology to a chip manufacturer. The university (licensor) retains ownership of the underlying patents and may also retain the right to license the same technology to other manufacturers in non-competing regions.

Licensee is the party that receives the right to use the technology under the terms set out in the agreement. The licensee may be a company that wishes to incorporate the technology into its products, an individual researcher who needs access to a patented method, or a consortium that plans to develop a joint product. The licensee typically assumes the responsibility for commercialising the technology, paying royalties, and complying with any restrictions. For instance, a German automotive supplier (licensee) may obtain a licence to use a patented battery-management algorithm in its electric-vehicle systems. The licensee must ensure that the use complies with the field-of-use limitation and that royalty payments are calculated correctly.

Technology in the context of licensing refers to the subject matter of the licence, which may include inventions, patents, know-how, designs, software code, trade secrets, or a combination of these. The definition of technology in the agreement must be precise to avoid disputes. A typical definition might read: "Technology means all patents, patent applications, trade secrets, technical data, software, and related documentation that are listed in Schedule A." By enumerating the components, the parties reduce the risk of ambiguity about what is covered.

Intellectual Property (IP) is the legal construct that protects creations of the mind, encompassing patents, trademarks, copyrights, designs, and trade secrets. In technology licensing, IP is the core asset that is transferred or licensed. The agreement must specify which IP rights are being granted, whether they are exclusive or non-exclusive, and any limitations on use. For example, a German biotech firm may license a set of patent families covering a new gene-editing technique, while retaining the right to use the same patents for internal research.

Patent is a statutory right that gives the holder exclusive control over a specific invention for a limited period, usually twenty years from the filing date. When a licence grants rights to a patent, the parties must identify the patent numbers, filing dates, and jurisdictions. A common clause will reference "the patents listed in Schedule B, which includes European Patent EP 2 123 456 and the corresponding US patent US 8 765 432." The licence may also address future patent applications arising from ongoing research, often called "continuation-in-part" patents.

Trademark protects signs, logos, or words that distinguish goods or services. Although less common in pure technology licences, trademarks may be relevant when the licence includes branding rights for a product that incorporates the technology. For instance, a software developer (licensor) may allow a hardware manufacturer (licensee) to use its brand name on a device that runs the licensed software, subject to quality-control standards.

Copyright safeguards original works of authorship fixed in a tangible medium, such as software code, technical manuals, and design drawings. In a licence, the copyright holder may grant the licensee a right to reproduce, modify, and distribute the software. A typical clause will state that the licensee receives a "non-exclusive, worldwide, royalty-free licence to use the source code for internal development purposes only." The agreement must also address third-party components that may be embedded in the software and the need for appropriate licences for those components.

Trade Secret is information that derives economic value from not being generally known and is subject to reasonable measures to keep it secret. Trade-secret protection is often used for know-how, manufacturing processes, or algorithms that are not patented. Licensing trade secrets requires robust confidentiality provisions, because the loss of secrecy can destroy the value of the asset. An example is a German chemical company that licenses a proprietary catalyst formulation (trade secret) to a partner for use in a specific production line, with strict non-disclosure obligations.

Scope of License defines the breadth of the rights granted. It includes the type of IP, the specific technology, the field of use, the territory, and any exclusivity. A well-drafted scope clause will prevent the licensee from expanding beyond the agreed boundaries. For example, a licence may grant the right to use a patented sensor technology exclusively in the automotive sector within the European Economic Area, but prohibit any use in medical devices or outside Europe.

Field of Use limits the licence to a particular industry or application. This restriction allows the licensor to license the same technology to different parties in non-overlapping fields. In a German context, a licence may be limited to "automotive safety systems" while a separate licence may be granted for "industrial automation." The field-of-use clause must be clearly defined, using industry terminology and, where possible, product classifications such as the Harmonised System (HS) codes.

Territory specifies the geographical area where the licensee may exploit the technology. Territories may be defined by countries, regions, or economic zones. A licence could be "worldwide except for the United States and Canada," or it could be limited to "the Federal Republic of Germany, Austria, and Switzerland." The territory clause is crucial for determining royalty calculations, especially when sales are made across borders.

Exclusivity determines whether the licensor can grant the same rights to other parties. An exclusive licence means the licensee is the only party with the right to use the technology in the defined field and territory, and the licensor may not even use the technology itself. A sole licence allows the licensor to continue using the technology but prohibits granting rights to third parties. A non-exclusive licence permits the licensor to grant identical rights to multiple licensees. The choice of exclusivity impacts the licence value, negotiation dynamics, and the level of protection the licensee receives.

Sub-licensing is the ability of the licensee to grant part or all of its rights to a third party. Sub-licensing may be permitted, restricted, or prohibited. If allowed, the agreement should state whether the sub-license must be on the same terms as the original licence and whether the licensor retains a right of first refusal. For example, a German software company (licensee) may be allowed to sub-license a component of its product to a cloud service provider, provided the sub-license is limited to the same field of use and territory.

Assignment refers to the transfer of the licence itself to another party. Most licences contain a clause that prohibits assignment without the licensor's consent, to protect the licensor's control over who uses its technology. However, some licences may allow assignment to an affiliate or in connection with a merger, subject to notice and consent. An assignment clause might read: "The licensee may not assign its rights or obligations under this Agreement without the prior written consent of the licensor, except to an affiliate of the licensee."

Grant of Rights is the operative clause that conveys the specific IP rights from the licensor to the licensee. It must be precise, stating the nature of the rights (e.G., "The right to make, use, sell, offer for sale, and import"), the IP covered, and any limitations. The grant of rights may also include "the right to file continuations, continuations-in-part, and divisionals" for patents, ensuring that the licensee can protect improvements that arise during development.

Royalty is the recurring payment made by the licensee to the licensor for the use of the technology. Royalties can be structured in several ways: As a percentage of net sales, a fixed amount per unit, a tiered rate, or a combination of upfront and running payments. The agreement should define the basis of calculation, the timing of payments, and any audit rights. For example, a licence may require a "5 % royalty on net sales of products incorporating the licensed technology, payable quarterly."

Up-front Fee is a one-time payment made at the signing of the agreement. It is often used to compensate the licensor for the value of the technology and to cover initial due-diligence costs. The amount may be negotiated based on the perceived market potential, the stage of development, and the risk profile. An example clause could state: "The licensee shall pay an up-front fee of €250 000 within thirty days of the Effective Date."

Milestone Payments are contingent payments triggered by the achievement of specific development or commercial milestones, such as the filing of a patent, the completion of a prototype, or the first commercial sale. Milestone payments help align the interests of the parties and provide the licensor with cash flow as the technology matures. A typical schedule might include €50 000 upon successful completion of a pilot plant, €100 000 upon regulatory approval, and €150 000 upon the first sale in the European market.

Minimum Royalty imposes a floor on the royalty amount, ensuring that the licensor receives a baseline level of compensation even if sales are low. This clause is common in licences where the licensor has invested heavily in research and wants to protect its return on investment. A clause could read: "If the calculated royalty for any calendar year is less than €100 000, the licensee shall pay the difference as a minimum royalty."

Running Royalty is the ongoing royalty based on sales or usage after the licence has commenced. It is distinguished from the upfront fee and milestone payments. The running royalty may be calculated on “net sales,” “gross revenue,” or “units sold,” each having different implications for the licensee’s accounting. The agreement should define the term used and any deductions, such as taxes, discounts, or returns.

Net Sales is a common royalty base that represents gross sales less certain deductions, typically including returns, rebates, taxes, and freight. Defining net sales precisely is essential to avoid disputes. For example, a clause may state: “Net sales shall mean the gross amount invoiced to customers, less returns, allowances, discounts, and value-added tax (VAT).”

Gross Revenue is a broader base that includes the total amount received from customers before any deductions. Some licences prefer gross revenue to simplify calculations and reduce the licensee’s ability to manipulate deductions. However, gross revenue can result in higher royalty payments for the licensee. The choice between net sales and gross revenue reflects the bargaining power of the parties.

Accounting provisions require the licensee to keep detailed records of sales, royalty calculations, and related expenses. The agreement should specify the format of reports, the frequency (e.G., Quarterly), and the level of detail (e.G., Product-by-product breakdown). Accurate accounting is essential for royalty audits and for maintaining trust between the parties.

Audit Rights give the licensor the ability to verify the accuracy of royalty statements. An audit clause typically allows the licensor to appoint an independent auditor, to examine the licensee’s books and records, and to recover any under-paid royalties plus interest. The clause may also limit the audit to a specific period (e.G., The last three years) and require the licensee to bear the audit cost if no discrepancy is found. For example: “The licensor may, upon reasonable notice, audit the licensee’s records for any period within the preceding three fiscal years. If the audit reveals an under-payment exceeding 1 % of the amount due, the licensee shall reimburse the licensor for the audit costs.”

Confidentiality obligations protect the exchange of proprietary information between the parties. A confidentiality clause (often called a non-disclosure clause) defines “confidential information,” outlines permissible uses, and sets the duration of the obligation (commonly five years after the agreement ends). It may also include exceptions for information that is publicly known, independently developed, or required by law. An example: “Each party shall treat as confidential all technical data, business information, and other proprietary material disclosed by the other party and shall not disclose such information to any third party without prior written consent, except as required by law.”

Non-Disclosure is synonymous with confidentiality but may be used to refer specifically to the act of not revealing information. The agreement may include a separate non-disclosure agreement (NDA) that survives the termination of the licence. For instance, a German start-up may require its licensee to sign a stand-alone NDA that remains in effect for ten years after the licence expires.

Confidential Information is the term used to identify the material that must be protected. It typically includes technical data, know-how, software, business strategies, and any information marked as confidential. The definition should be broad enough to capture all relevant data but specific enough to avoid ambiguity. A clause might read: “Confidential Information means any non-public information disclosed in writing, orally, or electronically, that is designated as confidential or that a reasonable person would understand to be confidential under the circumstances."

Infringement occurs when a third party uses, makes, sells, or imports a product that falls within the scope of a patent or other IP right without permission. In a licence, the parties must allocate responsibility for dealing with infringement claims. The licensor may agree to prosecute infringement, while the licensee may be required to assist by providing evidence. Conversely, the licensee may be obliged to defend itself against claims of infringement arising from its own products. A typical clause: "The licensor shall be responsible for enforcing the licensed patents against third-party infringers, and the licensee shall cooperate by providing relevant sales data and technical assistance."

Indemnity obligates one party to compensate the other for losses arising from certain events, such as third-party IP infringement claims. The indemnitor (often the licensor) may agree to cover the licensee's legal costs, damages, and settlements, subject to certain limitations. The indemnity clause should define the scope (e.G., "Any claim that the licensed technology infringes a third-party patent"), the procedure for notice, and the remedies. For example: "The licensor shall indemnify and hold harmless the licensee against any claim, suit, or proceeding alleging that the use of the licensed technology infringes any third-party patent, provided that the licensee promptly notifies the licensor and gives the licensor sole control of the defense."

Warranty is a promise that the technology meets certain standards or does not infringe third-party rights. In technology licences, warranties are often limited to "as-is" and "no infringement" representations, with exclusions for consequential damages. A typical warranty clause may state: "The licensor warrants that, to the best of its knowledge, the licensed patents are valid and enforceable and do not infringe any third-party rights as of the Effective Date."

Representations and Warranties are statements of fact made by each party at the time of signing. They may cover ownership of IP, authority to enter the agreement, compliance with laws, and the absence of litigation. The agreement should list each representation and the remedies for breach, which may include termination or damages. For instance, the licensor may represent that "it is the sole owner of the patents listed in Schedule B and that no third party has any claim to those patents."

Liability defines the extent to which each party is responsible for damages arising from breach, negligence, or other wrongful acts. Technology licences often limit liability to the amount of royalties paid, or to a multiple of the fees, to protect both parties from excessive exposure. A clause could read: "Neither party shall be liable for indirect, incidental, or consequential damages, and each party's total liability shall not exceed the greater of €500 000 or the total royalties paid in the preceding twelve months."

Limitation of Liability is a specific provision that caps the amount of damages recoverable. It may be expressed as a fixed sum, a multiple of fees, or a percentage of the contract value. The limitation may be excluded for certain breaches, such as willful misconduct or breach of confidentiality. For example: "The licensor's liability for breach of the confidentiality obligations shall be unlimited, but all other liabilities shall be limited to the total amount of royalties paid in the twelve months preceding the claim."

Term is the duration of the licence, often expressed as a number of years from the Effective Date or tied to the life of the underlying patents. The term may be renewable upon mutual agreement, or it may automatically extend if certain milestones are met. An example: “The licence shall commence on the Effective Date and continue for ten (10) years, unless terminated earlier in accordance with this Agreement. The term may be extended by mutual written agreement for additional five-year periods.”

Termination outlines the circumstances under which the agreement may be ended by either party. Grounds for termination may include breach, insolvency, failure to meet milestones, or mutual consent. The clause should also describe the effect of termination on the parties’ rights, such as the return of confidential information, payment of outstanding royalties, and the cessation of use of the technology. For instance: “Either party may terminate this Agreement upon thirty (30) days’ written notice if the other party materially breaches any provision and fails to cure the breach within the notice period.”

Automatic Termination occurs when the licence ends without the need for notice, typically upon expiration of the patent term, the occurrence of a force-majeure event, or failure to meet a milestone. The agreement should specify the conditions that trigger automatic termination and the post-termination obligations. For example: “If the licensed patents lapse or become unenforceable, this Agreement shall automatically terminate, and the licensee shall cease all use of the technology immediately.”

Breach is a violation of a contractual obligation. In technology licences, breaches may involve non-payment of royalties, unauthorized use outside the defined field, failure to maintain confidentiality, or infringement of third-party rights. The agreement should define what constitutes a breach and the remedies available, such as cure periods, damages, or termination. A typical clause: “A material breach shall be any failure to pay royalties when due, any unauthorized sublicensing, or any breach of the confidentiality obligations.”

Force Majeure covers events beyond the control of the parties that prevent performance, such as natural disasters, war, or governmental actions. A force-majeure clause may suspend obligations temporarily and may allow either party to terminate if the event persists for a specified period. For example: “If either party is prevented from performing its obligations due to an event of force majeure, the affected party shall notify the other party within ten (10) days, and the performance obligations shall be suspended for the duration of the event.”

Governing Law designates the legal system that will interpret the contract. In a German context, parties may choose German law (the Bürgerliches Gesetzbuch) or another jurisdiction, such as English law, depending on the parties’ preferences and the nature of the technology. The clause might read: “This Agreement shall be governed by and construed in accordance with the laws of the Federal Republic of Germany.”

Jurisdiction determines which courts have the authority to hear disputes. Parties often select a specific court, such as the Berlin Regional Court, or an arbitration institution. The jurisdiction clause should be consistent with the governing law and the dispute-resolution mechanism. An example: “All disputes arising out of or in connection with this Agreement shall be submitted to the exclusive jurisdiction of the courts of Berlin, Germany.”

Dispute Resolution outlines the process for handling disagreements, which may include negotiation, mediation, and arbitration before resorting to litigation. A multi-step approach can preserve business relationships and reduce costs. For instance, the agreement may require the parties to attempt good-faith negotiations for thirty days, followed by mediation administered by the German Institution of Arbitration (DIS), and finally arbitration if the dispute remains unresolved.

Arbitration is a private dispute-resolution method where an arbitrator (or panel) renders a binding decision. Arbitration clauses often specify the institution (e.G., DIS), the seat of arbitration (e.G., Berlin), the language (e.G., English), and the number of arbitrators. Arbitration can be faster and more confidential than court proceedings. A clause could read: “Any dispute not resolved by negotiation or mediation shall be finally settled by arbitration under the DIS Rules, with a sole arbitrator appointed by the DIS, and the award shall be enforceable in any jurisdiction.”

Mediation is a facilitated negotiation process where a neutral third party helps the parties reach a settlement. Mediation is non-binding unless an agreement is reached, and it can preserve the commercial relationship. The agreement may stipulate that mediation be conducted by a certified mediator in the German Mediation Association, within a specified timeframe.

Change of Control provisions address the impact of a merger, acquisition, or sale of a controlling interest in either party. The clause may require the non-selling party’s consent to the transfer of rights, or it may trigger termination rights. For example: “If the licensee undergoes a change of control, the licensor shall have the right to terminate this Agreement upon ninety (90) days’ written notice.”

Improvement refers to any enhancement, modification, or derivative work that the licensee creates based on the licensed technology. The agreement should allocate ownership of improvements, often granting the licensor a royalty-free licence to use them, while the licensee retains ownership of its own background technology. An example clause: “All improvements to the licensed technology made by the licensee shall be owned by the licensee, but the licensee hereby grants the licensor a royalty-free, worldwide licence to practice such improvements.”

Background Technology is the pre-existing IP owned by each party before the licence. The agreement should identify the background technology that each party brings to the collaboration, usually listed in a schedule. This distinction helps to determine ownership of any jointly created IP. For instance, Schedule C may list the licensor’s patents, while Schedule D lists the licensee’s proprietary software modules.

Foreground Technology is the IP generated during the course of the licence, often as a result of joint development or the licensee’s exploitation activities. Ownership of foreground technology must be addressed to avoid future disputes. A common approach is to allocate ownership to the party that creates the IP, with a cross-licence back to the other party. For example: “All foreground technology developed by the licensee shall be owned by the licensee, and the licensor shall receive a non-exclusive, royalty-free licence to use such technology for internal research.”

Joint Development occurs when both parties contribute resources, expertise, or capital to create new technology. Joint development agreements (JDAs) are often embedded within licensing contracts or attached as annexes. The JDA should detail each party’s contributions, the governance structure, decision-making processes, and IP ownership. An example: “The parties shall establish a Joint Development Committee (JDC) consisting of two representatives from each party to oversee the development of the next-generation sensor platform.”

Work Product encompasses the deliverables, documents, data, and other materials produced under the licence. The agreement should define who owns the work product and whether it is considered background or foreground. For example: “All work product produced by the licensee in the performance of its obligations shall be deemed foreground technology and owned by the licensee, subject to the licence back to the licensor.”

Patent Prosecution refers to the process of obtaining and maintaining patent rights, including filing applications, responding to office actions, and paying fees. The licence must allocate responsibility for prosecution, especially for continuation applications that may arise from improvements. A clause may state: “The licensor shall be responsible for prosecuting the patents listed in Schedule B, while the licensee shall cooperate by providing technical data and may be required to reimburse the licensor for official fees.”

Patent Maintenance involves paying periodic renewal fees to keep patents in force. The agreement should specify who bears the cost of maintenance fees in each jurisdiction and the timing of payments. For instance: “The licensee shall reimburse the licensor for all maintenance fees payable on the licensed patents in the European Patent Office, within thirty days of receipt of the invoice.”

Patent Enforcement is the act of defending patent rights against infringement. The licence may allocate enforcement duties to the licensor, the licensee, or a joint effort. Enforcement clauses often require the non-enforcing party to cooperate and provide evidence. A typical provision: “The licensor shall have the exclusive right to enforce the licensed patents against third parties, and the licensee shall provide all relevant sales data and technical assistance upon reasonable request.”

Patent Infringement claims arise when a third party uses a technology that falls within the scope of a licensed patent without permission. The licence should address who will initiate infringement actions, who will bear the costs, and how any recoveries will be shared. For example: “If a third party infringes the licensed patents, the licensor shall be responsible for initiating legal action, and any monetary recovery shall be shared on a 70 % (licensor) / 30 % (licensee) basis after deduction of legal expenses.”

Defensive Patent strategy involves acquiring patents to block competitors or to create a bargaining chip in cross-licensing negotiations. While not always explicit in a licence, parties may agree to share defensive patents or to refrain from asserting certain patents against each other. A clause could read: “The parties agree to a defensive patent pool, wherein any patents filed by either party relating to the licensed technology shall be made available to the other party on a royalty-free basis for defensive purposes.”

Patent Pool is a collective of patents contributed by multiple owners, allowing licensees to obtain a single licence covering all relevant patents. In technology licensing, a patent pool can simplify royalty calculations and reduce the risk of infringement. The agreement may reference participation in a specific pool, such as the “European Telecommunications Standards Institute (ETSI) patent pool.” An example: “The licensor represents that the licensed patents are part of the ETSI patent pool, and the licensee shall be bound by the pool's standard licensing terms."

Open Source software may be incorporated into a licensed product, creating compatibility and compliance challenges. The licence should address open-source obligations, such as attribution, source-code disclosure, and license compatibility. For instance: "If the licensee incorporates any open-source components into the licensed product, the licensee shall comply with the applicable open-source licences and shall provide the licensor with copies of the source code upon request, to the extent required by those licences."

Compliance obligations require the licensee to adhere to applicable laws, regulations, and standards, such as export controls, data-privacy rules, and industry-specific certifications. The agreement may impose a duty to obtain necessary approvals before commercialising the technology. A clause might state: "The licensee shall obtain all required regulatory approvals for the use of the licensed technology in the European Union, including CE marking where applicable, and shall provide the licensor with copies of the certifications."

Export Control regulations restrict the transfer of certain technologies across national borders. The licence must contain provisions that prohibit the licensee from exporting the technology to prohibited destinations or parties without prior consent. For example: "The licensee shall not export the licensed technology or any derived products to any country or entity subject to United Nations sanctions or German export-control restrictions without the prior written consent of the licensor."

Regulatory Approvals are often necessary for medical devices, automotive components, or aerospace products. The agreement should allocate responsibility for obtaining approvals, such as CE marking, FDA clearance, or EASA certification. A typical clause: "The licensee shall be responsible for obtaining all necessary regulatory approvals for the commercialisation of products incorporating the licensed technology, and shall keep the licensor informed of the status of such approvals."

Compliance with Standards may be required to ensure interoperability or market acceptance. The licence may obligate the licensee to adhere to industry standards (e.G., ISO, IEC) when implementing the technology. For example: "The licensee shall implement the licensed communication protocol in accordance with the ISO 26262 functional safety standard for automotive applications."

Technical Support provisions may require the licensor to provide assistance, training, or troubleshooting to the licensee. Support can be offered for a defined period or on a continuous basis, and may be compensated by a support fee. A clause could read: "The licensor shall provide technical support to the licensee for a period of twelve (12) months following the delivery of the first product, at a rate of €150 per hour, payable in arrears."

Training is often necessary to enable the licensee's staff to use the technology effectively. The agreement may specify the scope of training, the number of participants, and any associated costs. For instance: "The licensor shall conduct two on-site training sessions for up to ten (10) licensee engineers, each session lasting three (3) days, with travel and accommodation expenses reimbursed by the licensee."

Documentation includes manuals, specifications, schematics, and other written materials that describe the technology. The licence should define the extent of documentation to be provided, updates, and the format (electronic or hard copy). An example: “The licensor shall deliver to the licensee the complete technical documentation set listed in Schedule E, and shall provide updated versions within thirty (30) days of any material change.”

Maintenance refers to the ongoing provision of updates, bug fixes, and improvements to software or firmware. The agreement may distinguish between routine maintenance (included) and major upgrades (subject to additional fees). A clause might state: “The licensor shall provide routine maintenance updates for the licensed software at no additional cost, and shall offer major upgrades upon mutual agreement of a separate upgrade fee.”

Updates are minor enhancements or patches that improve functionality or security. The licence may require the licensor to deliver updates on a regular schedule, such as quarterly. For example: “The licensor shall provide quarterly security updates for the licensed software, and shall notify the licensee of the availability of each update at least five (5) business days prior to release.”

Upgrade denotes a significant new version that adds new features or substantially improves performance. Upgrades may be optional and priced separately. The agreement should specify the licensing terms for upgrades, such as whether they are covered by the existing royalty structure or require a new licence. An example: “Any major upgrade to the licensed technology shall be subject to a separate licence, with royalty rates to be negotiated in good faith.”

Transfer of Rights may occur when the licensor wishes to assign its rights to a third party, or when the licensee wishes to transfer the licence as part of a corporate restructuring. The agreement should stipulate the conditions, notice requirements, and any consent needed. For instance: “The licensor may assign its rights under this Agreement to an affiliate, provided that the licensee receives written notice at least thirty (30) days prior to the effective date of the assignment.”

Assignment Clause is the specific provision that governs the transfer of contractual rights and obligations. It typically restricts assignment without consent, except in certain circumstances such as a merger. The clause may also require the assigning party to remain liable for the performance of the contract after assignment. A sample wording: “Any assignment of this Agreement shall be ineffective unless preceded by the prior written consent of the non-assigning party, which shall not be unreasonably withheld. The assigning party shall remain liable for all obligations under this Agreement.”

Non-Compete obligations prevent the licensee from developing or commercialising competing technology for a specified period and within a defined geographic area. Such clauses must be reasonable in scope to be enforceable under German competition law. An example: “The licensee shall not, for a period of two (2) years after termination, develop or market any technology that directly competes with the licensed patents within the European Union.”

Non-Solicitation clauses restrict the licensee from poaching the licensor’s employees or contractors. The provision typically covers a period after the termination of the agreement. For example: “The licensee shall not solicit or hire any employee of the licensor who was involved in the development of the licensed technology for a period of twelve (12) months following the termination of this Agreement.”

Good Faith is a general principle that requires parties to act honestly and fairly in the performance of the contract. In licensing agreements, good-faith obligations may be implied, especially in negotiations and in the exercise of discretion, such as in royalty adjustments. While not always expressly stated, a clause may reinforce the expectation: “The parties shall negotiate any amendment to the royalty rate in good faith, taking into account market conditions and the commercial success of the licensed products.”

Best Efforts is a higher standard than ordinary diligence, requiring a party to use all reasonable measures to achieve a particular result, such as commercialisation or regulatory approval. The clause should delineate what constitutes best efforts, often referencing industry standards or specific milestones. For instance: “The licensee shall use its best efforts to achieve first commercial sales of the licensed product within eighteen (18) months of the Effective Date.”

Commercial Reasonableness is a standard used to assess the fairness of actions like pricing, royalty adjustments, or enforcement decisions. The agreement may require parties to act in a commercially reasonable manner, which is judged by an objective market perspective. A clause could state: “Any decision to modify the royalty rate shall be made in a commercially reasonable manner, taking into account the profitability of the licensed products and prevailing market rates.”

Force Majeure (re-mentioned for emphasis) provides a safety net for unforeseeable events that impede performance. The clause should list examples (e.G., Natural disasters, war, strikes) and specify the notice requirements and the consequences, such as suspension of obligations or termination after a prolonged period. An example: “If a force-majeure event continues for more than ninety (90) days, either party may terminate this Agreement upon written notice, without liability for damages.”

Governing Law (re-mentioned) is essential for interpreting the licence, especially when parties are from different jurisdictions. The selection of German law may be advantageous for parties familiar with the German legal system, while English law may be preferred for international transactions. The clause should be unambiguous: “This Agreement shall be governed by the laws of the Federal Republic of Germany, excluding its conflict-of-laws rules.