



GRAPHERGIA

# IP LICENSING

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Funded by  
the European Union

GRAPHERGIA is supported by the European Union, under Horizon Europe  
Programme (Grant Agreement n.101120832).



# WHAT IS A LICENSING AGREEMENT

- A licensing agreement allocates defined **rights** from the licensor to the licensee, limited by specific parameters such as **time**, **permitted use**, **territory**, **exclusivity**, and treatment of **improvements**.
- In exchange for these rights, the licensee provides **consideration** to the licensor, typically in the form of **royalties**, which may consist of cash payments, services, or rights to improvements.
- Ownership of the underlying intellectual property remains with the licensor, while the licensee receives only the contractually defined permission to use it.



# WHAT CAN WE LICENSE

- Patents
- Trade Secret, Know-How, Technical Assistance, Data
- Trademark
- Copyright
- Sales and/or Distribution
- Joint Venture
- Franchising



# LICENSE AGREEMENT

What is the purpose?

- Revenue
- Technology
- Legal rights (risk reduction)
- Commercial capacity or expertise
- Data



# THE 15 GEORGIA-PACIFIC FACTORS

- **Royalty rates** are payments made by one party (typically a licensee) to another party (the licensor) for the use of intellectual property (IP), such as patents, trademarks, or copyrighted material.
- **Georgia-Pacific Factors** are a set of 15 factors commonly used by courts, especially in the United States, to determine reasonable royalty rates in patent infringement cases. These factors were derived from the *Georgia-Pacific Corp. v. U.S. Plywood Corp.* case in 1970, and they help provide a framework for assessing the financial value of a patent based on a range of business and legal considerations.





# THE 15 GEORGIA-PACIFIC FACTORS

- The Royalty Rates Paid by the Licensee for the Use of Other Patents Comparable to the Patented Invention
- The Nature and Scope of the License, Including Whether it is Exclusive or Nonexclusive
- The Licensor's Established Policy and Marketing Program to Maintain the Patent's Value
- The Commercial Relationship Between the Licensor and Licensee
- The Effect of the Patented Invention on the Profitability of the Licensee
- The Portion of the Profit or Selling Price Customarily Allowable for Use of the Invention or Patented Technology
- The Duration of the Patent and the Term of the License



# **THE 15 GEORGIA-PACIFIC FACTORS**

- **The Established Profitability of the Patented Product, its Commercial Success, and its Current Popularity**
- **The Utility and Advantages of the Patent Over Other Alternatives**
- **The Nature of the Patented Technology and the Market in Which It Sells**
- **The Licensee's Established Market Share and the Role of the Patented Invention in the Market**
- **The Potential for the Patented Invention to Compete with the Licensee's Products**
- **The Licensor's Willingness to License the Patent**
- **The Rate at Which the Patent Has Been Commercialized**
- **The Effect of the Infringement on the Licensee's Business**



# **LEGAL PART**





# CONTRACT LAW

## Contract Principles Apply Offer & Acceptance

- What is the consideration (obligations between the parties to a contract)
- An intention to form a legal relationship
- Mirror Image Rule: Offer & Counteroffer [if not mirrored]. An attempt to accept the offer on different terms instead creates a counter-offer, and this constitutes a rejection of the original offer.[
- Contracts must be in writing to be valid or enforceable



# PARTIES & LEGAL CAPACITY

## Who is bound and who can be sued

- Prevents disputes about authority (e.g., subsidiaries, agents)
- Contract law requires parties to have legal personality and capacity-
- Agreements signed without authority may be void or unenforceable





# PARTS OF A LICENSE AGREEMENT

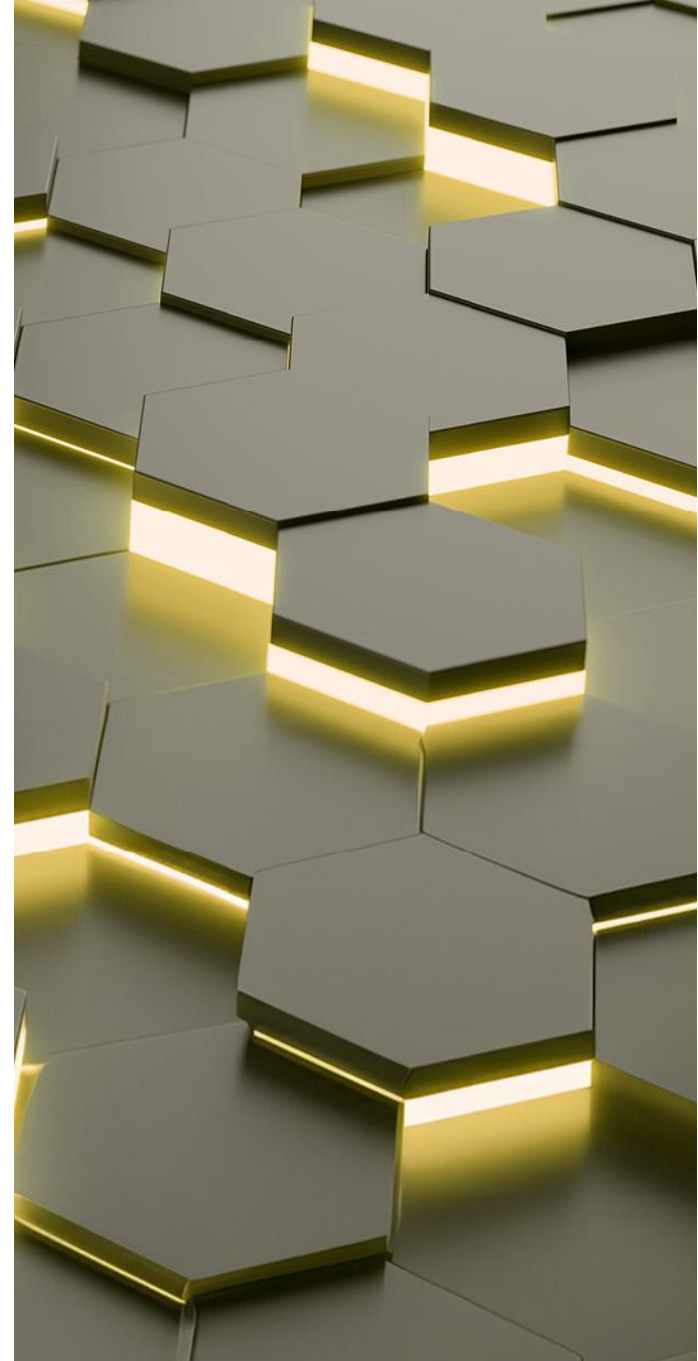
- Recitals
- Definitions
- Grant
- Royalty, Reports and Payments
- Best (or Commercially-Reasonable) Efforts
- Sublicense
- Ownership of IP
- Enforcement of IP Rights
- Assignability & Transferability
- Representations and Warranties
- Indemnification
- Term & Termination
- Confidentiality





# OTHER PARTS

- Releases for past infringement
- “Most Favored Nations” rights (to licensee)
- Improvements, grant-backs, claw-backs
- Integration & modification
- Arbitration, Governing law, Severability, *Force Majeure*, Notices, Forum Selection, Counterparts



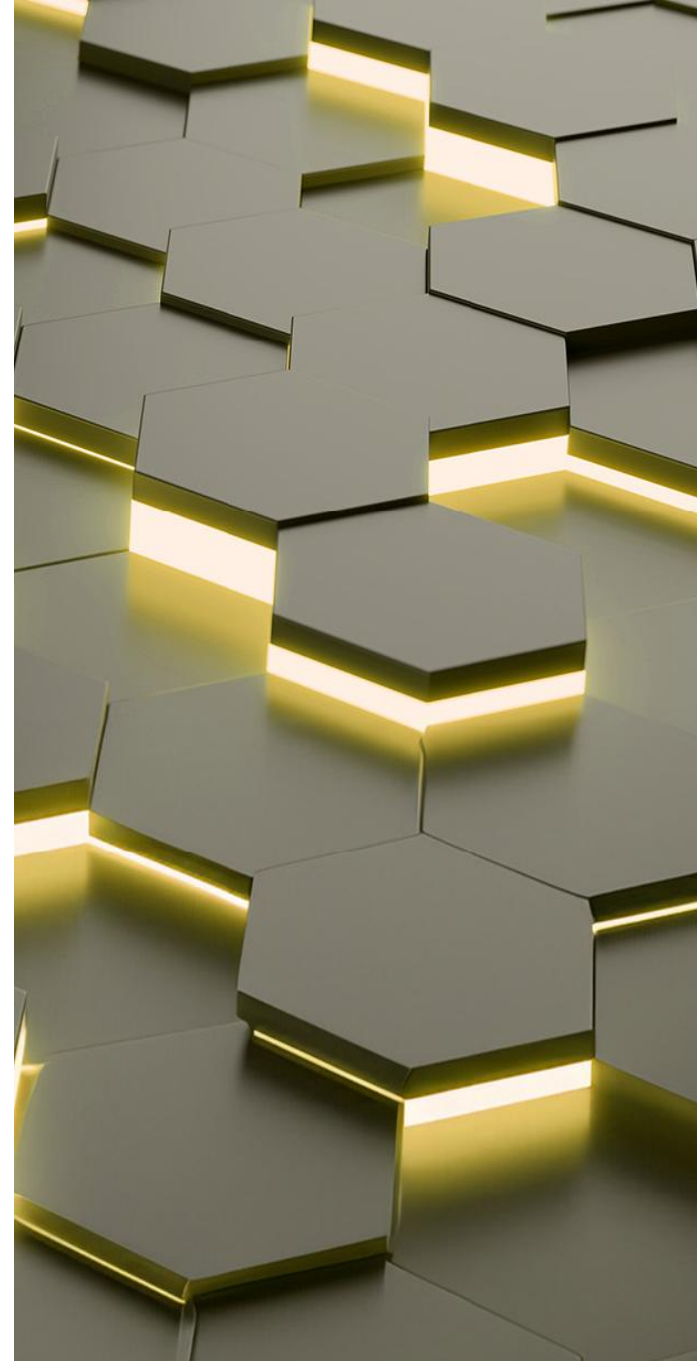


# RECITALS

Recitals provide context and intent.

## Example clauses

- “WHEREAS, Licensor owns certain intellectual property rights in and to the technology described herein;
- WHEREAS, Licensee desires to obtain a license to use such intellectual property under the terms of this Agreement;
- NOW, THEREFORE, in consideration of the mutual covenants herein, the parties agree as follows.”





# DEFINITIONS

- Eliminate ambiguity, increase clarity: Definitions fix the exact meaning of key terms so there's no confusion later.
- Ensure consistency: A defined term means the same thing everywhere in the contract.
- Reduce disputes: Clear definitions limit room for conflicting interpretations.
- Improve readability - introduce brevity: They avoid repetition and keep the contract concise.
- Aid enforcement: Courts rely on defined terms to interpret and enforce the agreement.

*“Licensed Products’ means any product developed, manufactured, or sold by Licensee that incorporates or relies upon the Licensed Technology.”*



Is the section that defines what rights are being given, to whom, and how they can be used.

A grant clause typically covers:

- What is being licensed – e.g., software, IP, trademarks, art content, patents.
- Scope of use – how the licensee may be used (make, sell, modify, distribute, etc.).
- Exclusivity – exclusive, non-exclusive, or sole.
- Territory
- Duration



The rights granted or the specific acts authorized must correspond to the legal rights of the IP

- Rights for Patents: make, use, sell, import
- For Copyrights: reproduce, perform, make derivative works

Example clause

*“Licensor hereby grants to Licensee a non-exclusive, non-transferable license to use the Licensed Technology solely in accordance with the terms of this Agreement.”*





# PAYMENT

Payment rate: lump sum, unit royalty, percent royalty, etc.

Type of payment:

- Cash, in-kind, Services ...
- Value: non-cash consideration (equity)
- Foreign currency issues

Royalty base: the measure against which the royalty payment amount is calculated

Frequency of payment(s); Deferred payment

Tax issues



# PAYMENT & ROYALTY BASE

One-time payment

Lump sum, up-front payment regardless of the amount of use of the licensed technology

Is it Non-refundable?

Running or periodic royalty

- Periodic payments based on the use of the technology licensed.

Is it Non-refundable?

Hybrid



# ROYALTY BASE

Royalty base refers to the acts to which the royalty rate applies

Example clause “*Licensee shall pay Licensor a royalty equal to five percent (5%) of Net Sales of Licensed Products. Licensee shall provide quarterly royalty reports within thirty (30) days following the end of each calendar quarter.*”



# BEST EFFORTS / COMMERCIALY REASONABLE EFFORTS

“Licensee shall use commercially reasonable efforts to develop, market, and sell the Licensed Products within the Territory.”

Efforts clauses impose a performance standard without guaranteeing results. They are often used where future outcomes depend on market conditions rather than pure contractual control.



# SUBLICENSE

- “Licensee shall not grant sublicenses without the prior written consent of Licensor, which shall not be unreasonably withheld\*.
- Without express permission, sublicensing is generally prohibited, and unauthorized sublicenses may be invalid.



# ASSIGNABILITY & TRANSFERABILITY

*“Licensee may not assign or transfer this Agreement, in whole or in part, without the prior written consent of Licensor, except in connection with a merger or sale of substantially all assets.”*

This clause restricts who may benefit from the license and protects the licensor from unintended counterparties.



# OWNERSHIP

Ownership of IP: This allocates control and costs of infringement actions and clarifies who has standing to sue.

All rights, title, and interest in and to the Licensed Technology shall remain exclusively with Licensor. No ownership rights are transferred under this Agreement.”



# IMPROVEMENTS, GRANT-BACKS, AND CLAW-BACKS

This clause allocates ownership and usage rights in derivative innovation. Grant-backs preserve the licensor's control, while claw-backs prevent permanent loss of strategic developments.

“All improvements to the Licensed Technology developed by Licensee shall be promptly disclosed to Licensor. Licensee hereby grants Licensor a non-exclusive, royalty-free license to use such improvements. In the event this Agreement is terminated, all rights in such improvements shall revert to Licensor.”





# MOST FAVORED NATIONS (MFN) RIGHTS

- “Licensor represents that the financial and commercial terms granted to Licensee are no less favorable than those granted to any similarly situated licensee. In the event Licensor grants more favorable terms to any third party, such terms shall automatically apply to Licensee.”
- **What this does legally**
- MFN clauses protect the licensee against competitive disadvantage by ensuring parity. They can significantly restrict the licensor’s future freedom to negotiate.



# ARBITRATION

- “Any dispute arising out of or relating to this Agreement shall be finally resolved by binding arbitration under the Rules of the International Chamber of Commerce, conducted in English.”
- Arbitration clauses replace court litigation with private dispute resolution and determine procedural rules, confidentiality, and enforceability of awards.
- Also a clause is required for **Governing Law**



# RISK SHIFTING PROVISIONS

Risk-shifting provisions determine who bears the legal and financial consequences if assumptions underlying the agreement turn out to be false.

In licensing agreements, these provisions often appear through **r**  
**representations,**  
**warranties,**  
**disclaimers,**  
**limitations of liability,**  
**and indemnities.**



# REPRESENTATIONS & WARRANTIES

Explicitly Providing for Rights and Obligations

*“Licensor represents and warrants that it owns or controls all intellectual property rights necessary to grant the license set forth in this Agreement, and that Licensee’s authorized use of the Licensed Technology will not infringe any third-party intellectual property rights.”*

This clause explicitly allocates risk to the licensor. If the statement is untrue, the licensor bears responsibility, regardless of intent or negligence.



# TYPES OF WARRANTIES

- An express warranty is affirmatively stated and contractually enforceable on its own terms (Explicit warranty)

Licensor expressly warrants that the Licensed Software shall substantially conform to the specifications set forth in Exhibit A.

- A national law ie. U.S. law may imply warranties, depending on the transaction (Implicit Warranty)
- Disclaimer of implied warranty eliminates implied warranties to the extent permitted by law and shifts risk to the licensee.

“EXCEPT AS EXPRESSLY SET FORTH HEREIN, THE LICENSED TECHNOLOGY IS PROVIDED ‘AS IS’ AND LICENSOR DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT.”



# WARRANTIES

Imputed warranties acknowledges mandatory legal protections and avoids invalidating the entire agreement due to over-broad disclaimers

“Nothing in this Agreement shall exclude or limit any warranty or liability that may not be excluded under applicable law.”



# CAPS ON LIABILITY

## Caps on Liability

*“Licensor’s total cumulative liability under this Agreement shall not exceed the total amounts paid by Licensee to Licensor in the twelve (12) months preceding the claim.”*

This clause quantifies maximum exposure and makes risk financially predictable.



# EXCULPATORY CLAUSES

- An **exculpatory clause** is a contractual provision in which one party **limits or eliminates its liability** for certain types of omissions or legal claims arising out of the agreement as negligence or product liability .





# INDEMNIFICATION

- A party agrees to compensate, or accept liability
- In a licensing agreement, a warranty is a **contractual promise about the accuracy of a fact**, while an indemnification is a **contractual obligation to defend and compensate** the other party for losses arising from specified claims, particularly third-party claims.



# INDEMNIFICATION

- An indemnification clause in a licensing agreement obligates one party to defend and compensate the other **for losses arising from specified third-party claims**, most commonly intellectual property infringement.
- *“Licensor shall indemnify, defend, and hold harmless Licensee, its affiliates, officers, directors, employees, and agents from and against any and all third-party claims, demands, actions, or proceedings arising out of or alleging that the Licensed Technology, when used in accordance with this Agreement, infringes or misappropriates any patent, copyright, trademark, or trade secret, and shall pay all damages, settlements, and reasonable attorneys’ fees finally awarded or agreed to in settlement.”*



# INDEMNIFICATION: KEY STRUCTURING QUESTIONS

- Direction of the indemnity, namely whether the obligation runs from the licensor to the licensee, from the licensee to the licensor, or operates on a mutual basis. This allocation determines **which party ultimately bears the risk of third-party** claims arising from use of the licensed rights.
- A second consideration is the scope of protected parties. The indemnity may be limited to **the licensee alone or extended to additional beneficiaries**, such as the licensee's affiliates, customers, distributors, retailers, or end users.
- The final element concerns the breadth of coverage provided by the indemnity. This includes whether the indemnifying party **must cover only final judgments or also the costs of defense**, such as attorneys' fees, litigation expenses, settlements, and other liabilities arising from claims that trigger the indemnification obligation.



# INDEMNIFICATION

- **Indemnify, defend, and hold harmless**” obligates the licensor not only to pay losses but also to take over the legal defense. This is stronger than simple reimbursement.
- **“Third-party claims”** limits the clause to lawsuits brought by outsiders, which is the classic use of indemnification in IP licensing.
- **“When used in accordance with this Agreement”** narrows the licensor’s exposure so it does not cover misuse by the licensee.
- **“Infringes or misappropriates”** ties the indemnity to recognized IP violations.
- **“Damages, settlements, and reasonable attorneys’ fees”** clarifies the scope of financial responsibility and avoids disputes over recoverable costs.



# OTHER TOPICS

- Patent exhaustion
- Bankruptcy
- Tax laws
- Competition law
- Cross-border issues in licensing
- Currency exchange
- Data rights (medical & patient data, regulatory dossiers, clinical trial data, etc.)
- Defense sector



# TERM SHEET

A term sheet for a license agreement is a short, non-binding (usually) document that captures the commercial deal points before lawyers draft the full contract.



# TERM SHEET

1. Parties.
2. Licensed Subject Matter
3. Type of License
4. Scope of Use
5. Territory
6. Term
7. Financial Terms
8. Sublicensing
9. Ownership of IP
10. Improvements / Derivatives
11. Enforcement
12. Indemnification (High-Level)
13. Termination Rights
14. Governing Law & Forum
15. Confidentiality
16. Binding / Non-Binding Status



# CLOSING THE DEAL

- Review all terms carefully prior to execution
- Confirm consistency with the term sheet and final negotiations
- Compare the signed agreement against the final signature version
- Verify continued strategic alignment
- Establish a compliance plan
- Assign internal ownership and responsibility
- Implement reporting and record-keeping procedures
- Conduct ongoing review to ensure use remains consistent with intended purpose





# PAROL EVIDENCE RULE

The Parol Evidence Rule provides that once parties have entered into a final, written agreement, evidence of prior or contemporaneous oral statements or written agreements cannot be used to vary, contradict, or add to the terms of that written contract.

An integration (entire agreement) clause, which states that the written contract supersedes all prior negotiations, drafts, and understandings. When such a clause is present, courts are more likely to exclude outside evidence, but it is not certain.



# CONTRA PROFERENTEM

- Under the doctrine of **contra proferentem**, contractual ambiguities are interpreted against the party that drafted the agreement.
- The rule is most commonly applied in standardized contracts and in situations involving unequal bargaining power.
- Its application may be limited or excluded where the parties expressly disclaim its use, particularly in negotiated agreements between expert parties.



# THANK YOU!



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