

# Considerations in Cross-Border Intellectual Property License and Transfer Agreements

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In today's global economy, emerging companies often enter into agreements with vendors, suppliers, partners, distributors, and other individuals or entities in different countries that require licenses or transfers of intellectual property (IP agreements). Engaging in cross-border transactions can provide opportunities to expand into new markets, establish a cost-effective supply chain and obtain access to new and advanced technologies.

However, each country – and jurisdictions within a country – may have different approaches to contract terms (such as warranties and enforceability), as well as different rules relating to the licensing, transfer and ownership of intellectual property. While courts in most countries will respect the parties' agreement to apply a specific governing law to a contract, it is still important to understand the laws of the applicable jurisdictions of the counterparty when negotiating cross-border IP agreements, as those laws may still apply to certain aspects of the agreement.

This article is intended to identify some – but not all – considerations to keep in mind when negotiating cross-border transactions, focusing specifically on IP agreements.

## **Formalities**

Understand what formalities are required under the laws of the applicable jurisdictions. For example, certain jurisdictions may require IP agreements to be in writing, while others require specific proscribed language to effectuate such license or transfer. In some cases, IP agreements need to be registered with a government entity to ensure the parties (or sublicensees) are able to avail themselves of certain benefits. There also are jurisdictions that require contracts to be translated into the native language of the foreign entity or individual.

## **Intellectual property rights**

Understand which rights are protectable and enforceable within each applicable jurisdiction. Different countries recognize different intellectual property rights and concepts. For example, the work-for-hire doctrine, a copyright principle under US laws, is not recognized by a number of countries outside the US. Where those laws are not recognized by applicable foreign jurisdictions, it is important to clearly state the intention of the parties with respect to transfer of intellectual property rights.

Further, countries may apply the same legal concept differently. The concept of "moral rights" in copyright law – while recognized in European Union countries and in the US – is applied much more broadly in the EU, where protection is provided to all copyrightable works, rather than just visual works, which is the case in the US. To avoid any ambiguity, the parties should specifically set forth the rights agreed to be covered by the contract. Simply relying on certain terminology may not be adequate in memorializing the parties' intent.

## **Warranties and limitations of liability**

Understand how and whether different laws allow you to exclude express and implied warranties or limit your liability under a contract. Not only do different statutes imply different warranties or prohibit certain warranties or liability to be excluded by law (despite any contractual agreement to the contrary), but also the way statutes approach warranties and liability may vary depending on whether you are contracting with a consumer or another business. Many jurisdictions have extensive laws that apply to the way you contract with consumers in that jurisdiction (and may even prohibit your ability to deny a consumer the right to litigate in his or her home court).

Generally, there are fewer restrictions – or less rigid restrictions – that are imposed by laws with respect to contracting with a foreign business. However, there still may be restrictions (such as a requirement to countersign limitations or exclusions, or a requirement to ensure such limitations or exclusions are conspicuous) or prohibitions on excluding certain types of warranties under contracts – although in certain cases, such risks can be mitigated or managed in other ways under the contract. It is important to be mindful that merely including certain limitations or disclaimers in a contract does not ensure the enforceability of those limitations or

disclaimers under applicable laws or when litigating in a court of competent jurisdiction.

#### Dispute resolution

Understand how your rights and liabilities under an IP agreement may be affected by application of different legal frameworks and dispute resolution mechanisms. Selecting one governing law over another may have a significant impact on your ability to protect or enforce your rights to intellectual property under a contract. As mentioned previously, even if the parties agree to apply the laws of a specific jurisdiction, foreign laws may still be applicable and need to be taken into consideration.

Similarly, the dispute resolution process you agree to under a contract may impact the manner in which the provisions under your contract – and applicable laws – are interpreted. A court in one jurisdiction may apply certain laws, rules or regulations differently than a court in another jurisdiction. Arbitrators, who may not be bound by court rules or procedures, generally have more flexibility in interpreting relevant statutes and rendering judgments. While that flexibility may be desirable in certain instances, in others, it may be more favorable to apply a strict interpretation of a statute. Moreover, you must consider costs related to any such dispute resolution process, including travel expenses, fees for arbitrators and the costs of filing motions or other documents.

There are numerous other factors to consider before entering into a cross-border IP agreement, – including commercial considerations and other legal considerations, such as tax, competition and antitrust, export, privacy, and data-related issues.

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