

LEGAL REVIEW OF PATENT LICENSING AGREEMENTS

The Intellectual Property Counsel of the Army is tasked with the final legal review of all license agreements under Army-owned patent or patent applications. See AR 27-60, Chapter 7 and AR 70-57, Chapter 1. The federal regulations for licensing of Government owned inventions issued by the Department of Commerce require that all licenses include certain provisions. These regulations appear at 37 CFR Part 404 and are restated at Chapter 3, Section IV, of AR 70-57 (with "laboratory Director" substituted for "Federal agency" and "Army laboratory-owned" substituted for "federally owned").

A significant number of patent licensing agreements are being recommended for disapproval or modification by this office because the license clauses appearing in the patent licensing agreements are not in compliance with the federal regulations. Either the required clauses are missing or the included clauses are inconsistent with the federal regulations. Before submitting patent licensing agreements to this office, all agreements should be reviewed carefully to insure the propriety of the agreements. For this purpose, it is suggested that use be made of the check list provided below.

CHECK LIST

(All references are to 37 CFR. Headings correspond to the Articles of a typical patent licensing agreement)

LICENSE GRANT

1. Is the duration of the license for a period specified in the license agreement? § 404.5(b)(1)
2. Is the license nonassignable without approval of the Federal Agency? § 404.5(b)(3)

LICENSEE'S PERFORMANCE

1. Has licensee agreed that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States? § 404.5(a)(2)
2. Does the license require the licensee to carry out the plan for development or marketing of the invention, or both, to bring the invention to practical application within a period specified in the license? § 404.5(5)

REPRESENTATIONS AND WARRANTIES

_____ Does the license state that nothing relating to the grant of the license, nor the grant itself, shall be construed to

confer upon any person any immunity from or defenses under the antitrust laws or from a charge of patent misuse?
404.5(11)

REPORTS

1. Does the license require the licensee to report periodically on the utilization? § 404.5(6)

MODIFICATION AND TERMINATION

1. Does the license provide for the right of the Federal Agency to terminate the license, in whole or in part?
§ 404.5(9)

1. May the license be modified or terminated upon mutual agreement of the Federal agency and the licensee?
§ 404.5(10)

3. Does the license provide that a licensee whose license has been modified or terminated, in whole or in part, may appeal to the agency head? § 404.11

SUBLICENSING

1. Does the license provide that each sublicense shall make reference to the license, including the rights retained by the Government? § 404.5(4)

RESERVATION OF RIGHTS (Exclusive and Partially Exclusive licenses)

1. Is the license subject to the irrevocable, royalty-free right of the Government to practice and have practiced the invention? § 404.7(a)(2)(i) and (b)(2)(i)

2. If a domestic license, does it reserve to the Federal agency the right to require the licensee to grant sublicenses to responsible applicants, on reasonable terms, when necessary to fulfill health or safety needs?
§ 404.7(a)(2)(i)

3. Is the license subject to any licenses in force at the time of the grant of the license? § 404.7(a)(2)(iii) and (b)(2)(ii)

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