License Agreement – Term Sheet Template

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*Introductory remarks*

**This document serves as a template for a licensing agreement term sheet.** It provides a starting point and outlines the general structure and elements that are typically present in such a document. However, it is crucial to understand that this template is not a one-size-fits-all solution. Each licensing agreement is unique and depends on the specific circumstances, considerations, and needs of the involved parties. Consequently, it's necessary to tailor this template to your unique situation. Some sections may need to be modified, added, or removed entirely based on your specific needs and context. It's crucial to remember that this template may not include all potential considerations or clauses that might be relevant in your case.

**Before finalizing any licensing agreement, it is strongly recommended to consult with an experienced attorney, consultant, or other expert who has contextual knowledge and understands your case.** Legal advice tailored to your specific situation is essential to ensure that your interests are protected, and your obligations and expectations are clearly outlined. It is very important to fully understand the rights, responsibilities, and potential liabilities associated with the licensing agreement you are entering.

**Note, the term sheet serves to set the expected relationships and obligations.** The term sheet should be prepared by the parties in the early phases of negotiations, before contracting has begun. Term sheets are a valuable tool in memorializing the basic terms and conditions under which a legal relationship will be formed. It may form part of the licensing agreement, as an annexed memorandum of understanding, but should not replace the license agreement.

**The term sheet is not intended to be binding on parties, unless the parties expressly agree to bound by its terms.** The final rights and obligations should be determined in the license agreement, prescribing to the legal rules and procedures of the Republic of Croatia and tailored to the needs of the parties. If you are unsure about any aspect of this template or how it should be adapted to your situation, please seek professional advice from a legal practitioner.

*How to use the template*

**The template contains placeholders for information that needs to be filled out on a case-by-case basis.** The placeholders are denoted by **[bold square brackets]**. Additionally, the placeholders may reflect some considerations and alternatives that the Parties encouraged to take into account. The placeholders should not be part of the document (either during the negotiations with potential licensees or at the execution of the term sheet) and the Parties should remove them as soon as the internal drafting of the document has been completed.

*<PLEASE DELETE UPON COMPLETION>*

**License Agreement – Term Sheet**

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| PREAMBLE **[PLEASE** **DESCRIBE THE PURPOSE OF THE COOPERATION AND EXPECTATIONS OF THE PARTIES AS CLEARLY AS POSSIBLE]** | The parties express their mutual interest in the commercialization of the **[Insert technology name]** technology (further referred to as “Technology”) developed by the **[Insert name of research organization or institution]**. The aim of this commercialization is to implement the findings of the research through **[Insert purpose of license, e.g., the establishment of a start-up, its evaluation, and subsequent sale to a strategic partner].**  The **[Insert name of first party]** expects the following benefits from this cooperation:  • The practical application of technology through licensing to a company named **[Insert name of second party and/or applicable entity, e.g., an affiliated start-up or spin-off]**  • Securing funds to cover the costs of development, patent protection, originator's fees, and further research in the form of **[insert all that apply, e.g.:**   * **royalties,** * **share of revenue from the sale of products/services,** * **share in the success of the start-up (upon the sale of the company, etc.),** * **revenue from contract research for the start-up].**   **[Insert name of second party]** expects from the cooperation:  • The involvement of **[Insert name of first party and/or applicable entity]** in the technology development  • Support from **[Insert name of first party and/or applicable entity]** in addressing and consulting on challenges for the start-up (e.g., meeting KPIs, etc.) |
| LICENSOR | **[Insert name and details]** |
| LICENSEE | **[Insert name and details]** |
| PROJECT | * The Licensee will prepare a draft Technology Utilization Plandescribing the evaluation of the **[Insert name of second party and/or applicable entity]** and the patent from Application No. [●] according to the agreed Milestones * **[Insert name of second party and/or applicable entity]** will arrange a regular meeting to brief the designated representative of the Licensor on the implementation of the Technology Utilization Plan or to discuss any changes to it. |
| MILESTONES | * M1: **[Insert milestone, e.g., signing of License Agreement]** (**[Insert responsible party],** deadline **[Insert date of maturity]**) * M2: **[Insert milestone, e.g., obtain patents in territory/ies X]** (**[Insert responsible party],** deadline **[Insert date of maturity]**) * M3:… |
| LICENSED RIGHTS | * the rights from the **[Insert patent or patent application]** * rights to **[insert other rights, e.g., know-how relating the Technology]** |
| LICENSE CONTENTS | **[Insert the potential contents and limits on the license, e.g.,**   * **non-exclusive** * **non-transferable** * **for commercial use** * **enabling the production of products, provision of services and sales by own forces** * **enabling the production of the product with the help of sub-suppliers** * **binding the acquirer to use** * **The Licensor retains the right to free non-commercial use (for research purposes)]** |
| AREA AND LICENSED PRODUCT | * Area of application   + **[Insert the area of application, e.g., bioplastics]** * Product   + **[Insert the technology in question]** * Territory   + **[Insert the relevant territories in which the licensed technology will be and/or may be used by the Licensee]** |
| OTHER POTENTIAL AREAS OF APPLICATION | **[Optional - Insert same as above]** |
| SUBLICENCE | * **[Optional – the Licensee has the right to grant sublicenses with prior approval of the Licensor]** |
| OPTION | * subject of the option: **[insert option, e.g., exclusive, non-exclusive, etc.]** licence for the specified field of use for the rights associated with **[insert patent or patent applications, e.g., international PCT application in the territories designated in M2 and related know-how]** * **[insert the duration of the option, e.g., from M2 to M3]**   **[You may also consider the following options:**   * **the exercise price of the option corresponds to the patent costs in the national phases (selected territories) and is payable before payment of the patent costs to the relevant patent offices** * **within the option period, it is expected that the pricing terms of licenses for other potential fields of use will be negotiated** * **Licensor is also interested in licensing other technologies that will enable Technology development and will inform Licensee well in advance of the creation of the related intellectual property.]** |
| ROYALTY AND FEES | * **[Insert provisional terms of royalties and fees, e.g., Up-front fee of EUR 100,000 payable by 31. 12. 2023** * **Royalty of 6% of Licensee revenues, secured by a minimum annual payment due on the 6th month of the year (100k: 2024, 110k:2025, 120k:2026, 200k:2027 and thereafter for the term of the patent)]** * The "Exit Fee" based on the "Entry of a Strategic Investor and Divestiture of a Shareholding in **[Insert name of applicable party and/or entity]** is payable to the Licensor for each transfer of any share or part of a shareholding in Licensee and is set at **[Insert value of Exit Fee, e.g., 10%]** of the purchase price of the share being transferred. The Exit Fee is only payable to the Licensor in the event of a transfer of a shareholding in **[Insert name of applicable party and/or entity]** as such, and does not apply to other investments in **[Insert name of applicable party and/or entity],** e.g., in the form of a capital increase or a supplementary obligation outside the share capital. No exit fee is payable in the event of a transfer of shares between shareholders. |
| IMPROVEMENT OF THE SUBJECT MATTER OF THE LICENCE (FOREGROUND) | * If the cooperation between the parties results in intellectual property that improves the subject matter of the licence, it shall become the property of the Licensor; the newly created rights shall become part of the licence free of charge. |
| PATENT TERRITORIES | * Licensor will seek to obtain patents in the territories **[Insert milestone or timespan, e.g., up to M2 or within 12 months of licensing]** |
| PATENTING COSTS | * **[Insert party to bear the patenting costs, extent of costs, and milestone or timeframe e.g., Licensee shall bear all patent costs** **from the time the PCT application enters the national phases (in the countries it designates in Milestone M2)]** * if the Licensor finds another acquirer for a different application area than the one used by the Licensee, both parties agree on how to settle the patent costs in that region. |
| ENFORCEMENT OF PATENT RIGHTS | * [●] |
| USE OF INFRASTRUCTURE OF THE LICENSOR | * [●] |
| PR (PUBLICITY) | * Mutually agreed PR outputs include **[Insert agreed to outputs, e.g., social media campaign, advertisements in scientific journals, publication on respective webpages]** * **[if applicable, refer to the existence of PR guidelines (copying the principles for protecting the reputation of both Licensor and Licensee)]** |
| DURATION | * **[Insert patent term and patent number/patent application number]** |
| WARRANTIES | * The Licensor shall not be liable for any direct or indirect damage or other harm suffered by Licensee in connection with the use of the Technology. |
| NOTICE (LICENSOR) | * non-fulfilment of the Technology Utilisation Plan (milestones) * non-use of technology * breach of contract by the acquirer * **[Insert name of party]** insolvency |
| NOTICE (LICENSEE) | * breach of contract by the Licensor * **[Insert other potential reasons for which notice may be extended]** |
| APPLICABLE LAW / DISPUTE RESOLUTION | **[Insert laws and jurisdictions, e.g.,**   * **Croatian applicable law** * **Jurisdiction of Croatian courts]** * **[Insert other applicable laws, jurisdictions, and/or procedures, e.g., alternative dispute resolution mechanism]** |
| CONTACT PERSONS | * Licensor [●] * Licensee [●] |