

How Can You Use A Patent License

Question: If a patent holder licenses to you the full use of a patent filed in your country, what can you do with that license? What are you allowed to do? What are you not allowed to do?

What can you do?

A licensee of a patent has most of the rights of the patent holder in the country where the patent is filed, and during the term of the license. Whereas a patent usually has a full life of twenty (20) years, a license may only be granted for a shorter term, and/or subject to renewal.

Other restrictions can apply to the license, if they are specified in the license contract. For example, the full patent originally filed may apply to all “fields of use” (ie: use of a patented process to produce all forms of sliced fruit), but a restriction may apply that exempts the use of the patented process on grapefruit. In that case, the license must specify that the processing of grapefruit is not permitted by the license).

Licenses may be restricted to specific geographic areas in the same country where multiple licensees exist or are anticipated.

Another restriction or “condition” of the license may require that all derivative improvements to the patent, however created or claimed by the licensee shall inure to the benefit of the patent holder. In other words, the patent holder and patent licensee jointly benefit from all intellectual property derived from the patent, its license and its ongoing development. For example, the licensee may determine that modification of the patented process may work on vegetables. If that is the case, the modification shall inure to the patent holder as well.

Notwithstanding stated restrictions and conditions, the licensee is entitled to commercialize the use of the patent within his region subject to term and geographic area, that the patent holder would be entitled to in that same region.

Utility Patents apply to the fundamental design of a machine. The Licensee has the right to design, build, sell or lease, or use the same patented machine in his country or region.

Method Patents apply to any design of a machine or process that satisfies the claims of the patent, without regard to its design. In this case, the licensee may design a different embodiment of the machine or process, even though it is not essentially identical to the original patented embodiment of the machine or process. It is important to understand that a Process Patent carries a greater amount of protection to the patent holder and licensee, from would-be competitors.

In some cases, a patent license includes a technical assistance agreement between the patent holder and the licensee, in which the licensee is given all the technical information to enable the licensee to build essentially, or exactly the same machine, equipment or process, making all parts interchangeable across multiple countries or regions. None-the-less, authority to manufacture such components, machines or processes remains with the licensee. In such cases however, licensee's in different regions or countries can "partner" to share components between them, where both licensees are aware and approve the exchange of parts or data.

Sub-licensed Distributors

A licensee may elect to control the manufacture and distribution of patented equipment, but otherwise create a network of sublicensed sales and/or service distributors. The licensee may want to give exclusive or non-exclusive territories of distribution to these sub-licensees. In this case, the patent licensee may condition any terms between himself and the sub-licensee, as long as the sub-licensee does not compromise the terms of the patent or the patent holder.

What Can't You Do?

A licensee may not transfer title of the license to a third party in his or any other region or country. A licensee may not manufacture, sell or distribute to end users in any other region or country where the licensee does not have a license.

When Does A License End?

A license ends whenever the licensee willfully, or un-willfully ceases to pay licensee renewal fees and/or patent maintenance fees for its region. Or, the license may end after a term provided for in the license agreement.

What is Best Practice?

A licensee should protect himself by providing and requiring an NDA agreement and/or a Non-compete agreement to all distributors and suppliers before entering into contracts for performance with them. In the case of technical documents and drawings, a statement of patent protection should be visible on the document.

Note: Having clarified the options above, we (the patent holder) prefer to license unrestricted exclusive licenses to a single company or person in each country.

Apples To Go - March 28, 2021 - Scott Berglin