

## **IP Representations in Business Agreements**

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*By Guido Galvez, Aida Lebbos and Bernard Rhee*

It is important for any general business lawyer to be able to identify when intellectual property is part of a transaction, and to understand which of the fundamental representations regarding intellectual property rights are appropriate. What is meant by intellectual property in business agreements? Patents are a typical, easily-recognized form of intellectual property, but trademarks, copyrights, trade secrets, know-how and other proprietary material and concepts (“Intellectual Property”) may also be the subject of business transactions.

### **Examples of Business Agreements That Often Involve Intellectual Property Rights**

There are many types of agreements that are either specifically for Intellectual Property rights or that include the transfer of Intellectual Property rights as a component of a larger transaction. For instance, your client may enter into a license agreement to obtain the right to use a patent or trademark owned by another party. On the other hand, your client may acquire ownership of the patent or trademark through an acquisition of assets or businesses.

Examples of other agreements that may contain Intellectual Property representations are: manufacturing, supply or purchase agreements in which one party will make, provide or buy products or services that are covered by Intellectual Property rights; asset purchase or other agreements that are common in mergers and acquisitions; franchise agreements; non-disclosure agreements; and research and development and other similar collaborative agreements. In addition to these typical agreements, Intellectual Property representations may also be part of marketing and advertising agreements, employment contracts and general services agreements. Parties to business agreements are often asked to make similar statements in the form of warranties or covenants. This article only addresses forms of representations.

### **Examples of Common Intellectual Property Representations for Business Agreements**

It is typical for the seller, licensor or assignor of Intellectual Property (“Transferor”) to be asked to give some form of one or more of the following representations in any agreement that includes a transfer of Intellectual Property rights:

1. **Inventorship/Authorship/Ownership.** Transferor owns the entire right, title and interest in the Intellectual Property, and no claims have been asserted challenging Transferor’s inventorship, ownership or right to use the Intellectual Property.

2. Valid and Enforceable. The Intellectual Property is valid and enforceable and there are no pending or threatened claims or legal actions asserting that such Intellectual Property is invalid or unenforceable.

3. Right to Transfer. Transferor has the right to sell, license or otherwise transfer the Intellectual Property, and has obtained the assignment of all interests and all rights to the Intellectual Property from any and all third parties (including employees).

4. No Disputes or Litigation. The Intellectual Property is not and has not been the subject matter of any dispute or potential dispute.

5. No Conflicting Rights. Transferor has not granted any right, license or interest in or to the Intellectual Property that is in conflict with the rights or licenses granted under this agreement, nor has Transferor encumbered any Intellectual Property.

6. No Infringement. Use of the Intellectual Property does not infringe upon the rights of any third parties; and no third party has infringed upon or misappropriated any Intellectual Property right.

7. Registration. Transferor possesses all necessary rights and privileges to cause the Intellectual Property to be duly and appropriately registered in, filed in or issued by the United States Patent and Trademark Office, United States Copyright Office or the corresponding offices of other jurisdictions and countries, and there is no fact or circumstance which would prevent such registration, filing and/or issuance.

8. Status. The Intellectual Property rights have been properly maintained and all applicable maintenance fees and renewal fees have been paid.

9. No Misappropriation of Trade Secrets. (This representation may be particularly applicable to employment or consulting agreements.) The use of the Intellectual Property as contemplated would not constitute a misappropriation of a third party's trade secrets or violate any non-compete agreement.

10. Full Disclosure. Transferor has not withheld any material information in its possession relating to the Intellectual Property, and the information related to the Intellectual Property that Transferor has provided is up-to-date and accurate in all material respects.

11. Safety and Efficacy. (This representation may be particularly applicable to agreements involving biological or chemical materials.) Transferor has not intentionally concealed the existence of any data or information concerning the Intellectual Property that suggests that there may exist quality, toxicity, safety and/or efficacy concerns that could materially impair the utility and/or safety of the product, or anticipated components thereof.

12. All Intellectual Property Needed for Business. Transferor owns or has valid licenses

to use, free and clear of all liens, including, without limitation, any claim of ownership or other right all Intellectual Property that is necessary to conduct the business as currently operated or as expected to be operated in the future.

### **Limitations on Representations**

These representations may be qualified by the use of schedules wherein specific exceptions to the representation would be disclosed. The party making the representation may also try to qualify the applicable statements “to its knowledge.” In response to a knowledge qualification, the other party may require that there be “reasonable inquiry.” There are a number of issues related to UCC warranties, infringement and indemnification which should be considered in conjunction with negotiating any business transaction that involves Intellectual Property.

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