

Commercial Contract

INTELLECTUAL PROPERTY LICENSE AGREEMENT



*Empowered lives.
Resilient nations.*



Small and Medium Enterprises Development Authority

Ministry of Industries & Production Government of Pakistan

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January 2013

Intellectual Property License Agreement

Pro- Gole (Right to do Business)

Legal Services, B&SDS

LEGAL SERVICES, SMEDA

The Legal Services (LS) department is a part of Business & Sector Development Services Division of the Small Medium Enterprises Development Authority and plays a key role in providing an overall facilitation and support to the small businesses. The LS believes that information dissemination among the small businesses on the existing legal & regulatory environment and business to business and business to client contracting is of paramount importance and plays a pivotal role in their sustainable development.

In order to facilitate small businesses, the LS, under the Pro-GOLE (Right to do business) project, a joint SMEDA-UNDP initiative for supporting the small businesses, has developed user-friendly contract templates.

Pro-GOLE, (Right to do Business)

The UNDP has partnered with the Small and Medium Enterprises Development Authority to initiate and execute the Pillar 4 (Right to do business) component of the UNDP PRO-GOLE project which seeks to enhance the legal awareness and mobility of marginalized/ informal businesses. Under the project legal services outreach shall be extended to small businesses including home based enterprises, small shopkeepers, growers, women entrepreneurs, hawking vendors etc. In addition, small business shall be mobilized to access legal services.

The Need for Commercial Contracts Templates

In an increasingly complex and competitive industry, it is vital that suppliers and purchasers are fully protected against legal and commercial risks. To counter such risks, a viable solution; available as- of the shelf commercial contract templates- will provide the users with first class ready to use support. With obligations properly set out and liabilities accurately defined, the users will be in a far better position to look after their rights and interests and move forward from their marginalized positions to being active players of the economy. The Legal Service Providers can equally take benefit of these templates for their professional and business development.

Disclaimer

The information contained in this template is meant to facilitate the businesses in documenting transactions with reference to manufacturing. However, SMEDA, UNDP or any of their employees or representatives accept no responsibility and expressly disclaim any and all liabilities for any and all losses/shortfalls caused by or motivated by recommendations from the information contained within this document. Although SMEDA's ambition is to provide accurate and reliable information; yet, the document is not an alternative to expert legal advice and should ideally be used in conjunction with the same. Any person using this document and or benefiting from the information contained herein shall do so at his/her own risk and costs and be deemed to have accepted this disclaimer.

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All information contained in this document may be freely used provided that relevant acknowledgement is accurately quoted with each usage.

A3. INTELLECTUAL PROPERTY LICENSE AGREEMENT

THIS INTELLECTUAL PROPERTY LICENSE AGREEMENT(hereinafter referred to as the "Agreement") made and entered into at _____ (insert place) on this ____ (insert date) day of _____ (insert month) 20__ (insert year),

BY AND BETWEEN:

M/s [insert Name], a public/private company incorporated under the Companies Ordinance, 1984, having its registered office at [insert Address] through its [insert Designation], Mr/Mrs/Ms [insert Name];

OR

M/s [insert Name], a partnership concern of Mr/Mrs/Ms [insert Name] and Mr/Mrs/Ms [insert Name], having its place of business at [insert Address] through its Partner, Mr/Mrs/Ms [insert Name];

OR

M/s [insert Name], a sole proprietorship concern of Mr/Mrs/Ms [insert Name], having its place of business at [insert Address] through Mr/Mrs/Ms [insert Name];

OR

Mr/Mrs/Ms [insert Name], son/wife/daughter of [insert Name], r/o [insert Address] CNIC # [insert Number]

(hereinafter referred to as the "Licensor", which expression shall, wherever the context so provides, include its successors, assigns, nominees and agents)

AND

M/s [insert Name], a public/private company incorporated under the Companies Ordinance, 1984, having its registered office at [insert Address] through its [insert Designation], Mr/Mrs/Ms [insert Name];

OR

M/s [insert Name], a partnership concern of Mr/Mrs/Ms [insert Name] and Mr/Mrs/Ms [insert Name], having its place of business at [insert Address] through its Partner, Mr/Mrs/Ms [insert Name];

OR

M/s [insert Name], a sole proprietorship concern of Mr/Mrs/Ms [insert Name], having its place of business at [insert Address] through Mr/Mrs/Ms [insert Name];

OR

Mr/Mrs/Ms [insert Name], son/wife/daughter of [insert Name], r/o [insert Address] CNIC # [insert Number]

(hereinafter referred to as the "Licensee", which expression shall, wherever the context so provides, include its successors, assigns, nominees and agents)

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(The Licensor and the Licensee are hereinafter collectively referred to as the “Parties”, and individually as the “Party”).

WHEREAS the Licensor is a business involved in the designing and development of [insert scope of the Licensor’s business].

AND WHEREAS the Licensor has developed certain designs and formulas (hereinafter referred to as the “Intellectual Property” and described more particularly in Schedule I of the Agreement) with respect to the [insert description of the products], and such designs and formulas are registered in the name of the Licensor in the relevant records.

AND WHEREAS the Licensee is a business engaged in the manufacture and production of [insert description of the products] (hereinafter referred to as the “Products” and described more particularly in Schedule II).

AND WHEREAS the Parties have agreed to enter into an Agreement whereby the Licensor gives the license to use the Intellectual Property of the Licensor in the manufacturing of the Products against the payment of license fees and royalty in accordance with the terms and conditions of this Agreement.

NOW THEREFORE, the Parties have entered into this Agreement on the following terms and conditions:

1. TERM

The Agreement shall come into effect on [insert date], and shall continue for a period of [insert number] years unless terminated earlier in accordance with the terms of this Agreement.

2. LICENSE

(1)The Licensor hereby grants to the Licensee the license to use the Intellectual Property of the Licensor in the manufacturing of the Products.

(2)The Licensee shall not grant sub-licenses with respect to the Intellectual Property without the prior written approval of the Licensor.

3. OWNERSHIP OF INTELLECTUAL PROPERTY

(1)The Licensee acknowledges that the Licensor is the sole and exclusive owner of the Intellectual Property, and agrees that the Licensee shall not claim ownership rights to the Intellectual Property, or any derivatives, including but not limited to designs, and formulas owned by the Licensor, and the License for the use of which is granted to the Licensee under the terms and conditions of this Agreement.

(2)The Licensee agrees that nothing in this Agreement shall give the

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Licensee any right, title, or interest in the Intellectual Property other than the right to use the same in accordance with this Agreement.

4. FEES

- (1) The Licensee shall pay to the Licensor an amount of Rs. _____/- (Rupees _____) (insert amount) (hereinafter referred to as the "License Fees") in consideration of the Licensor granting the License to use the Intellectual Property to the Licensee.
- (2) In addition to the License Fees, for each unit of the Product sold which makes use of the Intellectual Property sold by the Licensee during the term of this Agreement, the Licensee shall pay to the Licensor [insert percentage]% of the total price of the Product as royalty (hereinafter referred to as the "Royalty").
- (3) The Royalty shall be payable by the Licensee to the Licensor on account of the sales of the previous month on the [insert number] day of each month, in arrears.

5. ACCOUNTING AND AUDIT

(1) Reports. The Licensee shall provide the Licensor with a written statement (hereinafter referred to as the "Royalty Report") setting forth:

- i. the number of Products sold; and
- ii. the amount of royalties due,

within [insert number] days of the end of each calendar month.

(2) Records. The Licensee shall maintain and keep, for a period of at least [insert number] years, complete and accurate records, in accordance with generally accepted accounting principles, in sufficient detail, to enable the determination of any Royalties which shall have accrued hereunder for such period.

(3) Audits. Upon the request of the Licensor, but not exceeding [insert number] in one year, the Licensee shall permit, during normal business hours, an independent public accountant, selected by the Licensor and reasonably acceptable to the Licensee, to have access to all such records of the Licensee as may be necessary to verify the accuracy of the Royalty Reports and payments submitted to Licensor under the terms of this Agreement.

(4) Audit Expenses. Any audit of the Licensee's records under Clause 5 (3) shall be at the expense of the Licensor, except that if any such inspection reveals a deficiency of [insert number] percent or more of the

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amount of the Royalties actually due to the Licensor as against the Royalties actually paid to the Licensor under this Agreement in any year, then the expense of such audit, plus any shortfall amounts, shall be borne promptly by the Licensee.

(5) *Surplus.* If any audit under Clause 5 (3) reveals a surplus in royalties actually paid to the Licensor by the Licensee, the Licensor shall refund to the Licensee the surplus amount within [insert number] days after such audit.

6. REPRESENTATION OF THE LICENSOR

The Licensor represents that the Intellectual Property is the sole ownership of the Licensor, and the Licensor has the authority to grant the license thereof to the Licensee without affecting the rights of any third party.

7. INDEMNIFICATION

(1)The Licensee shall fully indemnify, defend, and hold harmless the Licensor from and against any and all claims, losses, damages, expenses, and liability, other than those for infringement, including without limitation, suits arising from offering, promoting, advertising, sale, or use by the Licensee of the Intellectual Property, whether or not such use conforms to standards set by Licensor, provided that such claim, loss, damage, expense, or liability does not arise from the negligence of Licensor.

(2)The Licensor shall fully indemnify, defend, and hold harmless the Licensee from and against any and all claims, losses, damages, expenses and liability, including claims of infringement arising out of the Licensee's authorized use of the Intellectual Property. Licensor does not agree to indemnify Licensee for claims of infringement directed at the appearance or design of the packaging and advertising for the Intellectual Property which has been created, or is owned, by Licensee.

8. ASSIGNMENT

Neither Party hereto may assign, convey or otherwise transfer any of its rights, obligations, or interest herein without prior express written consent of the other Party.

9. INDEPENDENT BUSINESS RELATIONSHIP

(1)The Licensor and the Licensee are independent contractors, and nothing contained in this Agreement shall be construed to be a relationship of joint venturers, partners, employer/employee, or agency between the

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Parties.

- (2) Neither Party shall have the power to bind or obligate the other, except as set forth in this Agreement.

10. FORCE MAJEURE

- (1) Force Majeure shall mean any event that is beyond the reasonable control of a Party, or the effects of which adversely affect the performance by such Party of its obligations under this Agreement, including, but not limited to, acts of God, sabotage, insurrection, terrorism, riots, hostilities or war (whether declared or not), acts of the public enemy, civil disturbances, any kind of fire, explosion, flood or accidental damage, epidemics, landslides, washouts, lightening, storms, earthquakes, lockouts, blockades, shortage of labor or material, major equipment failure, or other causes beyond the control of the Party affected.
- (2) Notwithstanding anything contained hereinabove, neither Party shall be liable to the other if it is unable to perform any of its obligations under this Agreement due to the occurrence of Force Majeure.
- (3) The Party affected by the Force Majeure event shall be entitled to suspend performance of its obligations under the Agreement to the extent that such performance is impeded or made impossible by the events of Force Majeure.
- (4) Each Party shall give a notice within [insert number] days of the occurrence of the event of Force Majeure and shall promptly thereafter consult the other Party for the purpose of finding a mutually acceptable solution to the Force Majeure event.

11. GOVERNING LAW AND EXCLUSIVE JURISDICTION

This Agreement in all respects be read and construed and shall operate as a contract, in conformity with the laws of Pakistan, and the courts at [insert place] shall have exclusive jurisdiction for adjudicating any dispute arising hereunder.

12. SETTLEMENT OF DISPUTE

Any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or invalidity thereof, shall be settled by arbitration

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in accordance with the Pakistan Arbitration Act, 1940, subject to the exclusive jurisdiction of the Courts of [insert place].

13. MISCELLANEOUS

(1) This Agreement represents the complete agreement between the Parties with regard to the subject matter and supersedes any prior understanding or agreements, oral or written.

(2) This Agreement may be amended or revised only by an instrument in writing signed by either the Parties or their duly authorized representatives.

(3) No provision hereof or breach of any provision may be waived except by a written waiver, signed by the waiving Party. No waiver of any right under or breach of this Agreement shall be construed to be a waiver of any other right or breach under the Agreement.

(4) Any provision of this Agreement which is prohibited or unenforceable under any law, rule or regulation applicable in Pakistan for the time being shall be ineffective only to the extent of such prohibition or lack of enforceability, and shall not invalidate the remaining provisions hereof.

IN WITNESS WHEREOF, the Parties have set their respective hands on this Agreement at the place, and on the date, mentioned hereinabove.

For and on behalf of
The Licensor

For and on behalf of
The Licensee

WITNESS NO. 1

WITNESS NO. 2

Signature: _____

Signature: _____

Name: _____

Name: _____

Designation: _____

Designation: _____

Date: _____

Date: _____

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SCHEDULE I DESCRIPTION OF LICENSOR'S INTELLECTUAL PROPERTY

SCHEDULE II DESCRIPTION OF LICENSEE'S PRODUCTS