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8 KEY TAKEAWAYS

Biggest Surprises in Cross-Border IP and Patent Deals

Kilpatrick Townsend Partners Siegmar Pohl and Joseph Snyder recently participated in a panel discussion at the Licensing Executives Society 2022 Annual Meeting in San Francisco. They were joined by Pallavi Shah, Managing Director of Mobity. Their session covered key provisions that all cross-border agreements have in common, including: choice-of-law and forum selection clauses; foreign filing licenses & export control; compulsory licenses; no challenge clause; EU antitrust law on tech transfer agreements; grace period for an inventor's own work; prophetic examples and post-filing data; and exclusions from patentability.

Here are key takeaways addressing the 8 biggest surprises discussed during the presentation:

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Choice-of-law Clauses: If choice-of-law clause is too narrow, not the intended law, but e.g. the law of the place where are related tort occurred might apply. Parties lack control over how the forum court decides whether a matter, such as statute of limitations, or the statute of repose, is: (1) procedural (i.e., the law of the forum governs); or (2) substantive (i.e., the applicable substantive law governs).

Forum Selection Clauses: If European law applies (under Convention law): forum selection clause is deemed exclusive, unless it expressly states that it is non-exclusive: The exact opposite!

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Cultural Differences and Surprises on Chain of Title: Patents are viewed and valued differently globally and patents that seem worthless to a party in one county might be considered extremely valuable assets in another. Also, it is surprising that sometimes even very sophisticated parties do not have adequate processes in place, issues with chain of title to the patents and their ownership may arise during a cross-border deal.

Foreign Filing Licenses and Export Control: Separate from a foreign filing license, information regarding certain technologies (typically those which can have military applications) may not be communicated to persons in foreign countries, or to foreign nationals living in the United States, without first obtaining an export license.

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Grace Period for an Inventor's Own Work: Some countries operate "grace periods" whereby if an applicant files a patent application within a certain time after publicizing the invention, then the earlier disclosure is not considered to be prior art to the patent application. The US has a 1 year grace period for an inventor's own work. Other countries have a grace period as well.

- **Post expiration royalties**

  While charging royalties after the expiration of a patents is considered per se unlawful in the US based on patent misuse, post expiration royalties do not pose any antitrust concerns in the EU in most contexts!

- **Exclusive Grant Back Clauses**

  Exclusive grant back clauses requiring the licensee to grant an exclusive license to any improvements to the licensor are often upheld by US courts in competitive markets, but in the EU, they will be only upheld under certain circumstances, e.g., if licensee receives remuneration, or if available technologies are in control of larger number of licensors.

Tax Withholding: Parties sometimes overlook in cross-border deals that withholding tax will be owed in in countries where the seller does not have operations.

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Prophetic Examples and Post-Filing Data: In the US, prophetic examples are allowed in an application. Prophetic examples illustrate reasonably expected results or anticipated results. In contrast, working examples result from experiments that were actual performed. Other countries do not view prophetic examples favorably. Post filing data is permitted in most countries to establish non-obviousness/inventive step. Post-filed data in China is allowed only if the such unexpected effects are mentioned in the as-filed application.

Government Relationships: Some countries place higher value on relationships with the government than on subject matter qualifications of the contract parties.

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