

IP DUE diligence on licence agreements for small entrepreneurs



<http://www.tginfo.com>

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When a new entrepreneur starts to look for opportunities, joining a franchise business is often one of the first business models to consider. Small business ventures seeking a new product to excite the market and expand their customer base commonly enter into licence agreements authorising them to manufacture and/or sell inventive products. The number of Thai entrepreneurs who also are innovators is smaller than those who license technology from foreign innovators. Often, small Thai entrepreneurs eager to get such technology or intellectual property rights face an imbalance in power when negotiating contracts with foreign innovators. Some inexperienced entrepreneurs get locked into a contractual relationship without having first gained proper legal advice. Before proceeding with negotiation on key issues such as rights granted, royalty payments, and termination, the intellectual property rights involved in any licensing deal need to be understood.

A challenge in identifying IP rights often occurs when the product or technology is commingled with several intellectual property rights that are not all owned by one entity. To illustrate: Company A in Thailand signs an agreement titled "Licence to Manufacture and Sell the Yenjung Ice Cream Cone," which is a green tea ice cream cone sealed in a special plastic wrapper that can prevent melting for six hours after being removed from refrigeration. The ice cream manufacturing and distribution agreement may not be as simple as the agreement title, as the ice cream manufacturing process may be a trade secret or a patented technology and the special characteristic of the plastic wrapper could have patent or design or trademark or copyright protection. Certainly, the brand Yenjung would involve some trademark rights. The sooner a local entrepreneur can identify the elements of intellectual property involved in the deal, the better positioned the licensee will be in negotiations with the licensor, as the licensee can then determine whether the licensor intends to authorise the licensee to fully utilise all relevant intellectual property rights.

Once the intellectual property rights have been identified, performing IP rights due diligence is strongly recommended. The summary of identified IP rights will become a useful tool of the licensee's to further negotiate with the licensor. Unwanted IP may be offered up despite it having no real value to the existing or planned business. Your partner should identify the IP to a degree sufficient to confirm that it fits the needs of your business. Do the patents cover what you hope them to achieve? Are the trademarks in the appropriate classes for the goods/services you will use them with? Full searches are ideal, but not always practical in the time available or if costs are limited, in which case prioritisation is crucial.

Furthermore, IP rights due diligence gives the licensee comfort that (i) the agreement fee and royalties to be paid are reason-

able and worthwhile, and (ii) should there be an infringing act in the future, the licensee's market will be protected under the related intellectual property rights law. For patent, design, trademark, and to a certain extent copyright, these are registered rights and even a minimal amount of due diligence will reveal the relevant details of important information such as (i) ownership, (ii) validity, (iii) expiry date, (iv) disputes over the rights, and (v) other encumbrances.

For any trademarks associated with licensed products, it is important to make sure that the mark is properly registered in Thailand. A pending application cannot guarantee that the mark will eventually be registered, as the law allows interested parties to oppose the mark's registration on several grounds during its prosecution period. If the trademark is already granted, it is imperative to verify that information provided in the mark certificate is accurate. The name of the rights owner must correlate to the name of the licensor, and the correct type of mark (trademark or service mark) must be verified. Since the Thai trademark law is rather strict, the mark must correspond to the nature of the business as well as the list of goods. To fully exploit legal protection at the maximum level, the mark must be registered with the correct list of goods.

Thai law requires that a trademark licence agreement must be recorded with the Department of Intellectual Property of the Ministry of Commerce. Trademark owners' awareness of this rule is improved and it has been adopted as regular practice. Before entering into a trademark licence agreement, it is wise for a licensee to check whether the specific mark has been or licensed to anyone in Thailand before. The due diligence process for patents is very similar to the process for trademarks. Of particular importance for a patent is its term. As the prosecution period to obtain a patent can be very long, it is prudent to check the remaining life of the patent to ensure that it corresponds to the terms of the licence agreement. The most important issue for a patent is that if the technology is not patented in Thailand, the enforcement of unpatented rights is extremely difficult, as patent law is sovereign; no system exists in which one patent is granted protection in several countries, though inexperienced entrepreneurs often assume otherwise.

Spending just a little time to confirm basic details of the IP rights being offered up for your project is of invaluable benefit. In the short run, it may help to better balance negotiations to settle on agreement fees and royalties. In the long run, it may help you to better protect yourself and the business you have built up. Do not let the pressure to enter the market blind you to the advantages of a thorough investigation of the licensor's intellectual property portfolio.

Source: <http://www.bangkokpost.com>



Technology transfer in Viet Nam

<http://vietnambusiness.asia>

The state of Viet Nam encourages technology development and transfer. All organisations and individuals as technology property owners or authorised by the technology owners in technology transfer shall be encouraged to technology transfer and entitled to capital contribution in technology in investment projects in Viet Nam. Viet Nam has been active in investing in basic infrastructure for technology market, providing information of, disseminating, demonstrating and introducing technology, and participating in exhibitions in the country and abroad.

The government of Viet Nam also pays special attention to develop and encourage technology transfer to rural, mountainous and difficult socio-economic areas, promote the advanced and hi-technology transfer. The national technology fund is used for providing favorable loan or loan with low interest, loan guarantee etc. to support small and medium enterprises in technology transfer, renovation or completion, especially in technology transfer in agricultural, forestry and hydro-development in rural areas, to support the establishment or growth of technology enterprises.

Particularly the state applies different preferences/incentives to promote technology transfer:

- Exemption of income tax for organisations or individuals who have capital contribution by technology inventions.
- Import tax exemption applied to goods used directly for technology research and renovation including machines, facilities, materials and transportation means which have not been possibly produced in Viet Nam; and applied to technology documents or scientific publications.
- Valued added tax exemption applied to machinery, equipment, specialised transportation means which have not been possibly produced in Viet Nam for the purpose of technology transfer.
- Any enterprises or manufacturers who invest in production lines upgrading, operation expansion, technology renovation, ecological environment improvement and enhancing production capacity, shall be entitled to income tax exemption for the increased income for 4 years and tax reduction of 50% for the next 7 years.
- Any enterprises investing in technology renovation in the category of encouraged technology list shall be entitled to income tax exemption for 4 years provided that total tax exemption amount is not exceeding 50% of total investment in technology renovation.

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Any enterprises in difficult socio-economic areas shall be entitled to receive the following preferences or incentives when implementing investment projects relating to technology:

- Entitled to revenue tax exemption for 4 years since the dates of having taxed income and tax reduction of 50% taxed revenue in the next 9 years provided that total tax exemption amount does not exceed total investment in technology renovation.
- Entitled to import tax exemption to goods and materials for the shake of technology renovation and alternation, and to materials, equipment or production items for the production purposes for 5 years since the application of new technology for production.
- Any organisations or individuals involved in technology transfer in prioritised areas, in rural, remote and difficult socio-economic areas, shall be entitled to income tax reduction of 50% applying to income generated from technology transfer, provision of planting seeds and husbandry.
- Any organisations involved in developing or establishing technology enterprises shall be entitled to income tax exemption for 4 years and income tax reduction of 50% for next 9 years, and to land-use rights tax exemption.

Technology transfer must be conducted based on contractual documents or other similar papers. Contractual documents or attached papers must be written in Viet Nameese, and popular foreign languages as agreed among concerned parties.

In cases of technology transfer involved in limited technology list, the transfer must be conducted under permission. In cases of offshore technology transfer, the side handing over technology must apply for license or legal papers while receivers must apply for license of technology transfer if it is transferred to Viet Nam from other countries.

Foreigners and overseas Viet Nameese participating in technology transfer belonging to encouraged technology list or technology transfer in difficult socio-economic areas, shall be entitled to receive additional incentives such as visa application for their family members, multiple visa, visa expiry in line with contracts of technology transfer, and favourable conditions of residency, travelling and other preferences or incentives in accordance with the law.