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### Acquisition Licenses in Tennessee: An Annotated Model Tennessee Acquisition License Agreement

Joan MacLeod Heminway  
*University of Tennessee College of Law*

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# ACQUISITION LICENSES IN TENNESSEE: AN ANNOTATED MODEL TENNESSEE ACQUISITION LICENSE AGREEMENT

JOAN MACLEOD HEMINWAY,\* JASON I. EPSTEIN,\*\* AND W. EDWARD RAMAGE\*\*\*

## PRELIMINARY NOTE

This Annotated Model Tennessee Acquisition License Agreement (the “Tennessee License Agreement”) and the accompanying annotations are designed to benefit drafters acting on behalf of parties to mergers and acquisitions. The Tennessee License Agreement is a short-form license agreement that is to be entered into between a seller (“Seller”) and a buyer (“Buyer”) in connection with an asset purchase agreement (the “APA”) in which Buyer is purchasing an operating division of Seller.<sup>1</sup> Seller continues to need to use, for a transition period (the “Term”) following the closing under the APA (the “Closing”), some of the intellectual property<sup>2</sup> that it is transferring to Buyer at the Closing (the “Licensed Intellectual

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<sup>1</sup> Licenses of a similar type also may be used in connection with stock acquisitions (including acquisitions of subsidiaries) and joint ventures.

<sup>2</sup> In the Tennessee License Agreement, Buyer is licensing copyrights, trademarks, and patents to Seller. Intellectual property has become ubiquitous in corporate and commercial settings. As one author notes:

Virtually every business enterprise involves the use or application of intellectual property, from the “mom and pop” restaurant whose name is critical to its recognition, to the multinational, high-technology conglomerate whose international patent portfolio is essential to its ability to compete effectively.

Property”).<sup>3</sup> Accordingly, Seller desires to license back from Buyer, for the Term, the Licensed Intellectual Property. The Tennessee License Agreement is designed to provide for that post-Closing license of the Licensed Intellectual Property by Buyer to Seller.<sup>4</sup> Licensing arrangements like this may be required, for example:

- when Seller is retaining and continuing to operate, for a limited time after the Closing, a business relating to the operations being sold by Seller to Buyer; or
- when products or operations retained by Seller after the Closing incorporate some of the Licensed Intellectual Property, and Seller needs a limited time after the Closing to identify replacement or successor intellectual property to incorporate in the retained products or operations.

Intellectual property licenses, taken alone, are complex business arrangements.

In general, licensing intellectual property rights requires greater attention to details than transferring intellectual property rights. Each intellectual property right, whether copyright, patent, trademark or trade secret, has particular issues that any license must address. For example, a naked license of a trademark, or a license where the licensor exercises no quality control over the licensee’s use of the mark, can be ineffective or even cause the licensor to lose its trademark rights. Any license, however, will contain some terms that are fairly universal. The license will address any limitations on the licensee’s use of the intellectual property and the licensee’s ability to sublicense intellectual property use. The license should state whether the license grants rights exclusively to the licensee, or not, and whether the licensee’s rights are limited to a particular industry or geographic location. The license will state a term for the license,

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GARY M. LAWRENCE, *DUE DILIGENCE IN BUSINESS TRANSACTIONS* § 13.01 (2003).

<sup>3</sup> A buyer often obtains a similar type of license from a seller if there is a transition period after the closing of an acquisition during which the buyer continues to run an acquired business that depends on intellectual property retained by the seller.

<sup>4</sup> Buyer has significant negotiating leverage over Seller in connection with the asset purchase and the related license. Accordingly, the Tennessee License Agreement is a Buyer-oriented form.

even if the term is “perpetual.” Finally, any license will address the fees or royalties the licensee agrees to pay.<sup>5</sup>

Licensing arrangements entered into in connection with a merger or acquisition further complicate negotiations on the terms of the license (and also complicate negotiations on the terms of the business combination transaction). Moreover, the combined transaction raises potential antitrust concerns, both as to the business combination and the licensing arrangement.<sup>6</sup>

Seller’s primary goal in a license agreement of this type is to ensure it (in effect) retains the rights needed to continue its business as necessary and desired.<sup>7</sup> At the same time, Seller must be certain that, for all legal and operational purposes, it effectively transfers legal ownership of the assets or business it desires to transfer, for full and fair consideration, so that the Seller can characterize the transaction as a true sale for accounting purposes.<sup>8</sup> Buyer, on the other hand, needs to ensure that it obtains full ownership rights in the assets or business it bargained to acquire.<sup>9</sup>

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<sup>5</sup> Warren E. Agin & Scott N. Kumis, *A Framework for Understanding Electronic Information Transactions*, 15 ALB. L.J. SCI. & TECH. 277, 292-293 (2005) (footnotes omitted).

<sup>6</sup> The antitrust analyses of the business combination and the licensing agreement would be somewhat complex and dependent on the nature of the parties to the arrangements, the respective markets in which the parties operate, and how the arrangements balance anticompetitive effects against procompetitive factors. See generally David A. Balto & Andrew M. Wolman, *Intellectual Property and Antitrust: General Principles*, 43 IDEA 395 (2003) (outlining the “developing legal rules that govern the intersection of antitrust law and intellectual property law”); Clovia Hamilton, *Adequacy of the 1995 Antitrust Guidelines for the Licensing of Intellectual Property in Complex High-Tech Markets*, 7 COMP. L. REV. & TECH. J. 23 (2002) (discussing the provisions of the U.S. Department of Justice’s 1995 Antitrust Guidelines for the Licensing of Intellectual Property); Richard J. Hoskins, *Antitrust Analysis of Joint Ventures and Competitor Collaborations: A Primer for the Corporate Lawyer*, 10 U. MIAMI BUS. L. REV. 119 (2002) (providing “basic guidance as to the legal parameters of competitor collaboration”); Azam H. Aziz, Note, *Defining Technology and Innovation Markets: The DOJ’s Antitrust Guidelines for the Licensing of Intellectual Property*, 24 HOFSTRA L. REV. 475, 476 (1995) (arguing that “the IP Guidelines fail to provide adequately for the difficulties present in defining relevant technology and innovation markets”). Transactions that may constitute a joint venture—a term having no well-defined meaning in law or practice—involve a similarly complex set of analyses. See Bruce D. Sokler et al., *A Consideration of Dagher and the Antitrust Standard for Joint Ventures*, 1 N.Y.U. J. L. & BUS. 307 (2004).

<sup>7</sup> Accordingly, the definition of “Licensed Intellectual Property” (including the definition of the contained defined terms—“Licensed Copyrights,” “Licensed Marks,” and “Licensed Patents”) in the Tennessee License Agreement becomes critically important to Seller. These defined terms are included *infra* in Section 1 of the Tennessee License Agreement.

<sup>8</sup> This is the principal function of the APA and not the Tennessee License Agreement. The negotiated consideration and other terms of the APA (as well as the related bill of sale delivered at the

Buyer also wants to protect its rights to the assets it is acquiring by minimizing Seller's incursions on those rights.<sup>10</sup> The Tennessee License Agreement, taken together with the APA, is designed to address these objectives. Note that there is no separate license fee payable by Seller to Buyer under the Tennessee License Agreement. Rather, the cost of the license is deemed to be built into the merger or acquisition consideration. Depending on the circumstances, retaining the license may—but does not always—affect the value of the assets or business being sold.

Because Seller's use of the Licensed Intellectual Property in the Territory for the Term either does not compete with Buyer's business or is otherwise not of concern to Buyer, the Tennessee License Agreement does not include or reference a noncompete agreement.<sup>11</sup> If the Tennessee License Agreement did include a covenant prohibiting competition, special attention would need to be paid to the drafting of that provision to ensure compliance with Tennessee law requiring reasonableness in duration, territory, and scope.<sup>12</sup>

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Closing) provides Seller comfort that it has transferred ownership of the desired assets or business to Buyer.

<sup>9</sup> See LAWRENCE, *supra* note 2, at § 13.02 (“[I]t is important that an acquiror . . . confirm that it is obtaining the rights and privileges with respect to . . . assets that it believes it has negotiated.”). This matter also is primarily the function of the APA, as well as the related bill of sale delivered at the Closing. However, the Tennessee License Agreement also plays a role—albeit a limited one—in assuring Buyer of its full ownership rights. See, e.g., *infra* the recitals on the first page and in Section 3(c) of the Tennessee License Agreement.

<sup>10</sup> The defined terms “Term” and “Territory,” as well as the definition of “Licensed Intellectual Property” (including the definition of the contained defined terms—“Licensed Copyrights,” “Licensed Marks,” and “Licensed Patents”), circumscribe the nature and extent of Seller's rights under the Tennessee License Agreement. See *infra* Section 1 of the Tennessee License Agreement. Moreover, most of the covenants in the Tennessee License Agreement are intended to provide Buyer with important protections. See, e.g., *infra* Section 3, paragraphs (a) through (f), of the Tennessee License Agreement. In addition, Buyer has negotiated termination rights that allow for protective enforcement. See *infra* Section 4, paragraphs (b) through (d), of the Tennessee License Agreement.

<sup>11</sup> Typically, an agreement prohibiting competition would be included in the principal merger or acquisition agreement, rather than in an ancillary license agreement. Any noncompete covenant in the merger or acquisition agreement necessarily would take into account (by way of an exception) Seller's business activities relating the use of the Licensed Intellectual Property in the Territory for the Term.

<sup>12</sup> See, e.g., *Sub Station II, Inc. v. Banasiak*, 1984 Tenn. App. LEXIS 2962, at \*13-\*17 (Tenn. Ct. App. June 15, 1984) (finding a noncompete covenant in an intellectual property license agreement enforceable under Tennessee law); see also GEORGE W. KUNEY, *THE ELEMENTS OF CONTRACT DRAFTING* 139-40 (2d ed. 2006) (“It is basic law throughout the United States that noncompete

In mergers or acquisitions involving a delayed closing (i.e., where the closing of the merger or acquisition occurs after execution and delivery of the merger or acquisition agreement<sup>13</sup> between or among the parties, subject to certain conditions), the substantial, negotiated form of each ancillary agreement (including, for example, a license agreement that is to be entered into between parties to a merger or acquisition incident to the closing of the merger or acquisition) typically is attached as an exhibit to the merger or acquisition agreement.<sup>14</sup> The execution (and, in some cases, delivery) of these ancillary agreements (substantially in the attached form) generally is a condition to the closing of the merger or acquisition.<sup>15</sup> Accordingly, the coauthors have drafted the Tennessee License Agreement in the form of an exhibit—Exhibit A—to the APA<sup>16</sup> that Seller and Buyer agree to execute as a condition to the Closing.<sup>17</sup>

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agreements will be enforced, if at all, if they are reasonable in duration, geographic area, and scope of employment or activity prohibited.”).

<sup>13</sup> For ease of reference, agreements and plans of merger, asset acquisition agreements, and stock acquisition agreements are referred to using the term “merger and acquisition agreements” in this Preliminary Note and the accompanying Tennessee License Agreement.

<sup>14</sup> Closing deliveries often are handled in this manner when they are not set forth in a separate section of the agreement listing instruments, agreements, and other documents required to be delivered at the closing. *See, e.g.,* Joan MacLeod Heminway & Jackie G. Prester, *Bank Mergers in Tennessee: An Annotated Model Tennessee Bank Merger Agreement*, 6 TRANSACTIONS: TENN. J. BUS. L. 247, 306-07 (2005) (providing for the attachment of a form of stock restriction agreement and investment intent letter to be signed and delivered at the closing).

<sup>15</sup> *See* KUNEY, *supra* note 12, at 31-32; *see, e.g.,* Heminway & Prester, *supra* note 14, at 306-07.

<sup>16</sup> *See infra* note 47.

<sup>17</sup> *See supra* notes 14 & 15 and accompanying text. This approach also allows Seller and Buyer to focus separately on these important issues and simplify, or at least unclutter, the main transaction document. *Cf.* HOWARD DARMSTADTER, *HEREOF, THEREOF, AND EVERYWHEREOF: A CONTRARIAN GUIDE TO LEGAL DRAFTING* 31-32 (2002) (noting, in a specific context, that “moving material from the main agreement to a . . . side agreement is one way to scratch the legal itch to define everything”). The actual terms and conditions that might be included in this Tennessee License Agreement as a “standalone” exhibit, in addition to those incorporated in this Tennessee License Agreement by reference to the APA, may differ from transaction to transaction. For example, some asset acquisition transactions do not involve patents. Accordingly, in that transaction, the drafter would omit text relating to patents from a post-acquisition license agreement like the Tennessee License Agreement. The inclusion of patents in the Tennessee License Agreement raises certain contract enforcement issues. *See infra* note 56 and accompanying text.



The coauthors have endeavored to draft the Tennessee License Agreement using certain “Plain English” drafting conventions<sup>18</sup> instead of formulaic and formalistic legalese.<sup>19</sup> The coauthors have paid particular attention to the use of words of obligation, prediction, and discretion (i.e., “shall,” “must,” “will,” and “may”). Although the coauthors have retained the typical use of and section for defined terms,<sup>20</sup> they have attempted to minimize the use of archaic and ambiguous words (in particular, “such”<sup>21</sup> or “said”<sup>22</sup> as referential terms, “witnesseth,”<sup>23</sup> “whereas,”<sup>24</sup> “whereby,”<sup>25</sup> “whereof,” “hereinbefore,”<sup>26</sup> “hereinafter,”<sup>27</sup>

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<sup>18</sup> See KUNEY, *supra* note 12, at 15-16; Thomas E. Tyner, *Drafting Principles: Strategy, Standards, and Ethics*, in DRAFTING BUSINESS CONTRACTS: PRINCIPLES, TECHNIQUES & FORMS § 2.8 (2004).

<sup>19</sup> See KENNETH A. ADAMS, A MANUAL OF STYLE FOR CONTRACT DRAFTING 208 (2004) (consolidating some suggestions on eradicating “lawyerisms”); DARMSTADTER, *supra* note 17, at 3-5 (making useful suggestions to further the simple yet meaningful contract drafting); KUNEY, *supra* note 12, at 5-7 (identifying and describing “The Goal: Practical, *Precise* Documents.”).

<sup>20</sup> See, e.g., *infra* the preamble paragraphs on the first page and Section 1 of the Tennessee License Agreement. There are many approaches to including definitions in business contracts. See, e.g., ADAMS, *supra* note 19, at 73-83; DARMSTADTER, *supra* note 17, at 84-86; CHARLES M. FOX, WORKING WITH CONTRACTS: WHAT LAW SCHOOL DOESN'T TEACH YOU 29-32 (2002); KUNEY, *supra* note 12, at 27-30. The Tennessee License Agreement is a relatively short form of business contract. Accordingly, the coauthors chose to define general terms at first use and technical terms at the heart of the license in a separate definitional section at the beginning of the Tennessee License Agreement. See generally David C. Burgess, *Format of the Agreement: Appearance and Introductory Information*, in DRAFTING BUSINESS CONTRACTS: PRINCIPLES, TECHNIQUES & FORMS §§ 5.24-5.28 (2004) (noting, among other things, that “[t]here are three standard approaches for placement of definitions: proximity, collection, and stand-alone”).

<sup>21</sup> See ADAMS, *supra* note 19, at 166-67 (suggesting “that” and “the” as possible alternatives); DARMSTADTER, *supra* note 17, at 3 (noting that “the” generally suffices).

<sup>22</sup> See ADAMS, *supra* note 19, at 165; Tyner, *supra* note 18, at § 2.8.

<sup>23</sup> See ADAMS, *supra* note 19, at 14; FOX, *supra* note 20, at 164; KUNEY, *supra* note 12, at 41. Typically, one sees this antiquated word used to introduce the recitals in an old-form merger, acquisition, or business agreement. See *infra* note 43.

<sup>24</sup> See ADAMS, *supra* note 19, at 14; DARMSTADTER, *supra* note 17, at 83; FOX, *supra* note 20, at 164; Tyner, *supra* note 18, at § 2.8.

<sup>25</sup> See DARMSTADTER, *supra* note 17, at 6.

<sup>26</sup> See *id.*

<sup>27</sup> See ADAMS, *supra* note 19, at 8; DARMSTADTER, *supra* note 17, at 6; Tyner, *supra* note 18, at § 2.8.

“hereafter,”<sup>28</sup> “hereto,” “herein,”<sup>29</sup> “hereunder,”<sup>30</sup> “hereby,”<sup>31</sup> “hereof,”<sup>32</sup> “thereafter,”<sup>33</sup> “thereto,”<sup>34</sup> “thereof,”<sup>35</sup> and the like), to the extent practicable. Moreover, the coauthors have simplified commonly used prepositions (including by using “under” rather than “pursuant to”) and have used the discretionary comma before the conjunction preceding the last listed item in a series. As with most forms, the Tennessee License Agreement originated from the files of one of the coauthors, and like the forms passed down from time immemorial in law firms, even with editing, it is not a perfect specimen; it bears the distinguishing marks of all who have touched it over time. This gives the form its character . . . and the reader a reason to take the form and make it his or her own.

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<sup>28</sup> See DARMSTADTER, *supra* note 17, at 6.

<sup>29</sup> See ADAMS, *supra* note 19, at 156; KUNEY, *supra* note 12, at 35.

<sup>30</sup> See DARMSTADTER, *supra* note 17, at 6.

<sup>31</sup> See ADAMS, *supra* note 19, at 20-21, 156; DARMSTADTER, *supra* note 17, at 6; FOX, *supra* note 20, at 254.

<sup>32</sup> See ADAMS, *supra* note 19, at 156; DARMSTADTER, *supra* note 17, at 5.

<sup>33</sup> See DARMSTADTER, *supra* note 17, at 6.

<sup>34</sup> See ADAMS, *supra* note 19, at 156.

<sup>35</sup> See *id.*; DARMSTADTER, *supra* note 17, at 5.

## EXHIBIT A

## COPYRIGHT, PATENT, AND TRADEMARK LICENSE AGREEMENT

This Copyright, Patent, and Trademark License Agreement dated as of June [ ], 2007<sup>36</sup> (the “License Agreement”) is being entered into by Selling Company, a Tennessee corporation (“Seller”), and Acquiring Company, a Tennessee corporation (“Buyer,” and collectively with Seller, the “Parties”), in connection with the closing (the “Closing”) of the transactions contemplated by the Asset Purchase Agreement dated May 1, 2007, by and between Buyer and Seller (the “APA”).<sup>37</sup> All capitalized terms not defined in this License Agreement have the meanings set forth in the APA.<sup>38</sup> All notices, requests, and other communications to either Seller or Buyer under this License Agreement shall<sup>39</sup> be given in the manner provided in the APA.<sup>40</sup> The terms of the APA are incorporated by reference in this License Agreement,<sup>41</sup> and in the event of a conflict between the terms of this License Agreement and the APA, the terms of this License Agreement shall govern; *provided that* nothing contained in this License Agreement is intended to limit the rights of Buyer under any of Seller’s representations and warranties in the APA.<sup>42</sup>

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<sup>36</sup> For various “takes” on the dating of business contracts, see DARMSTADTER, *supra* note 17, at 81-82; FOX, *supra* note 20, at 162-63.

<sup>37</sup> For an alternative way of handling this sentence and the preceding title reference in business and commercial contracts, see DARMSTADTER, *supra* note 17, at 79-82. The approach taken here is a more standard one for license agreements, in the view of at least one of the coauthors. See KUNEY, *supra* note 12, at 26.

<sup>38</sup> This sentence can and should be omitted in the event that the drafters are able to ascertain that all capitalized terms used in the Tennessee License Agreement have been defined in the Tennessee License Agreements. Reliance on a sentence of this kind should be limited.

<sup>39</sup> “Shall” is used here to denote a duty. See *id.* at 36-37 (describing and illustrating the differences among “shall,” “will,” “must,” and “may”); ADAMS, *supra* note 19, at 22-25, 186-87.

<sup>40</sup> This device prevents a complete renegotiation and redrafting of the notice provisions already agreed to by the Seller and Buyer. Each party should ensure, however, that the notice provisions in the APA adequately serve its needs under the APA and the Tennessee License Agreement before including this provision in the Tennessee License Agreement. For more on notice provisions, see DARMSTADTER, *supra* note 17, at 109-13.

<sup>41</sup> See ADAMS, *supra* note 19, at 157-59 (arguing that incorporation by reference is seldom, if ever, necessary).

<sup>42</sup> This sentence is designed to effectively separate the operative obligations of Seller and Buyer under

The Parties entered into the APA, which provides for the acquisition by Buyer from Seller of the assets comprising the XYZ division of Seller (as identified in the APA, the “Assets”).<sup>43</sup>

Effective as of the Closing, Buyer has acquired and now owns all right, title, and interest<sup>44</sup> in and to the Assets, including certain intellectual property necessary to the conduct of the business of the XYZ division of Seller prior to the Closing (the “XYZ Intellectual Property”).

Seller has retained and plans to continue conducting certain business operations, including business operations that use some of the XYZ Intellectual Property (the “Retained Business”).

Seller desires to be granted from Buyer, and Buyer is willing to grant to Seller, non-exclusive licenses to use certain of the XYZ Intellectual Property under the terms and subject to the conditions set forth in this License Agreement.

In consideration of the mutual covenants contained in the APA and this License Agreement, the Parties agree as set forth below.<sup>45</sup>

## 1. DEFINITIONS

The following terms used in this License Agreement have the following meanings:

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the two key contracts between them. While the transactions under each are interrelated (and, in fact, the execution of the Tennessee License Agreement is conditioned on completion of the Closing), the obligations under each contract are distinct.

<sup>43</sup> This paragraph and the three succeeding paragraphs often are referenced as the “recitals” and form a part of the preamble paragraphs of most merger or acquisitions agreements and many other business contracts. See ADAMS, *supra* note 19, at 12-14; DARMSTADTER, *supra* note 17, at 82-83; FOX, *supra* note 20, at 163-64; KUNEY, *supra* note 12, at 26-27. For information on the purposes and legal effect of recitals, see Burgess, *supra* note 20, at §§ 5.17-5.21; Michael J. Ram & Benjamin A. Ram, *Factual Basis of the Agreement: Recitals, Representations, and Warranties*, in DRAFTING BUSINESS CONTRACTS: PRINCIPLES, TECHNIQUES & FORMS § 7.3 (2004).

<sup>44</sup> See KUNEY, *supra* note 12, at 37-39 (cautioning against the use of “Doublets, Triplets, and Other Forms of Synonymous Repetition,” including this “triplet”).

<sup>45</sup> See ADAMS, *supra* note 19, at 14-16 (outlining legal and contract drafting issues relating to consideration); KUNEY, *supra* note 12, at 59-60 (same).

(a) “Licensed Copyrights” means those copyrights<sup>46</sup> listed on Schedule 1<sup>47</sup> to and incorporated by reference<sup>48</sup> in this License Agreement.<sup>49</sup>

(b) “Licensed Intellectual Property” means the Licensed Marks, Licensed Copyrights, and Licensed Patents.<sup>50</sup>

(c) “Licensed Marks” means those trademarks<sup>51</sup> listed on Schedule 2<sup>52</sup> to and incorporated by reference<sup>53</sup> in this License Agreement.

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<sup>46</sup> “Copyright protects the particular form of expression in a work of authorship or artistry that has been recorded in a tangible medium.” LAWRENCE, *supra* note 2, at § 13.02A[3].

<sup>47</sup> Note that, as attachments to the APA, the schedules to the Tennessee License Agreement are schedules to Exhibit A to the APA. *See supra* note 16 and accompanying text. This nesting of schedules in exhibits and other attachments can be confusing to readers of the master transaction document (here, the APA), especially where the drafter has not taken care, as we have here, to ensure that the attachments are denominated by distinct terms, based on the primary document in which they are referenced, using different terms (e.g., exhibits followed by capital letters, schedules followed by Arabic numbers, etc.). *See DARMSTADTER, supra* note 17, at 96-99.

<sup>48</sup> *See supra* note 41.

<sup>49</sup> Interesting questions arise in the enforcement of copyright license agreements. Jurisdiction for court cases arising under the U.S. copyright laws lies exclusively in the federal courts. 28 U.S.C. § 1338(a) (2000) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.”). However, not every case involving a copyright license is a case arising under the U.S. copyright laws. Many actions are more in the nature of state law title assertions or contract enforcement or avoidance claims, and these may be adjudicated in state courts. *See generally* Sub Station II, Inc. v. Banasiak, 1984 Tenn. App. LEXIS 2962 (Tenn. Ct. App. June 15, 1984) (enforcing a copyright license under state law); *infra* note 56 (regarding jurisdiction for court cases arising under the U.S. patent laws).

<sup>50</sup> The scope of each of the defined terms included in “Licensed Intellectual Property” is framed by due diligence investigations conducted by Buyer (and, perhaps, Seller) and negotiations between Seller and Buyer. For useful guidance on conducting intellectual property due diligence, see LAWRENCE, *supra* note 2, at §§ 13.01-13.08. In addition, intellectual property license agreements often contemplate the inclusion of any improvements or modifications of the licensed intellectual property during the term of the license agreement.

<sup>51</sup> “A trademark is a commercial symbol that is used by a business enterprise to identify its products and/or services, and to distinguish them from the products and services of others.” *Id.* at § 13.02A[4].

<sup>52</sup> *See infra* note 64 and accompanying text.

(d) “Licensed Patents” means those patents<sup>54</sup> listed on Schedule 3 to and incorporated by reference<sup>55</sup> in this License Agreement.<sup>56</sup>

(e) “Term” means the period beginning at the Closing and ending at 6:00 P.M., New York time,<sup>57</sup> one year from the date of the Closing, unless this License Agreement is earlier terminated in accordance with its terms and provisions.<sup>58</sup>

(f) “Territory” means the United States of America.

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<sup>53</sup> See *supra* note 41.

<sup>54</sup> “Patents are generally considered to afford the greatest degree of intellectual property protection. There are three classes of patents in the United States—utility patents, design patents and plant patents.” LAWRENCE, *supra* note 2, at § 13.02A[1]. “Utility patents are obtainable for products, processes, machines or compositions of matter.” *Id.* at § 13.02A[1][a]. “Design patents are obtainable for ornamental designs for articles of manufacture.” *Id.* at § 13.02A[1][b]. “Plant patents are obtainable for new and distinct varieties of asexually reproduced plants.” *Id.* at § 13.02A[1][c].

<sup>55</sup> See *supra* note 41.

<sup>56</sup> As is true for copyrights, see *supra* note 49, jurisdiction for court cases arising under the U.S. patent laws lies exclusively in the federal courts. 28 U.S.C. § 1338(a) (2000); *Brewer v. Fi-Shock, Inc.*, No. E1999-01988-COA-R9-CV, 2000 Tenn. App. LEXIS 760, at \*8 (Tenn. Ct. App. Nov. 17, 2000) (“[T]he Federal courts have exclusive jurisdiction of all cases arising under the patent laws . . . .”); see *Hold Stitch Fabric Mach. Co. v. May Hosiery Mills*, 184 Tenn. 19, 24-34 (1946). Of course, as is true for litigation concerning copyrights, many actions are more in the nature of state law title assertions or contract enforcement or avoidance claims, and these may be adjudicated in state courts. See, e.g., *Brewer*, 2000 Tenn. App. LEXIS 760, at \*8-\*16.

<sup>57</sup> See KUNEY, *supra* note 12, at 70 (advising on the effective date and termination of business contracts). The limited term of the license is very important to the protection of Buyer’s overall rights in the XYZ Intellectual Property and Seller’s and Buyer’s specific rights in the Licensed Intellectual Property. Accordingly, clarity as to the precise time at which the license expires should be important to both Seller and Buyer. Among other things, the Parties will want to ensure that the Term does not extend beyond the expiration date of any of the Licensed Patents. See *Brulotte v. Thys Co.*, 379 U.S. 29, 32-34 (1964) (invalidating license royalties that extended beyond the expiration date of the subject patent because, at expiration, the patent entered the public domain); *Scheiber v. Dolby Labs., Inc.*, 293 F.3d 1014, 1022 (7th Cir. 2002) (critiquing and applying *Brulotte*). Further, the Parties should evaluate whether the licenses for the Licensed Patents may be extended past the Term if Seller is to continue use of the related assets.

<sup>58</sup> For general guidance on setting up the term of a contract, see David C. Burgess, *Duration of the Agreement*, in DRAFTING BUSINESS CONTRACTS: PRINCIPLES, TECHNIQUES & FORMS § 6.3 (2004).

## 2. GRANT

During the Term and subject to the other terms and conditions of this License Agreement, Buyer grants to Seller a royalty-free, perpetual,<sup>59</sup> revocable, non-exclusive, non-transferable license (without rights to assign or sublicense) to:

(a) make, have made, use, copy, reproduce, or import

(i) the Licensed Intellectual Property or

(ii) to the extent expressly approved in advance in writing by Buyer, any parts, alterations, or derivatives of the Licensed Intellectual Property (“Modified Licensed Intellectual Property”)

alone, in combination with, or as a composite of other matter or invention, including, but not limited to,<sup>60</sup> text, data, images, photographs, illustrations, animation, graphics, video, and audio segments of any nature, and

(b) embody reproductions of the Licensed Intellectual Property in any media or embodiment now known or to become known, tangible or intangible (not limited to CD-ROM technology),

in each case in the Territory in connection with continued operation of the Retained Business and for no other purpose. It is understood that the Retained Business

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<sup>59</sup> The words “perpetual” and “revocable” are both needed to accurately convey the intention of the Parties. A perpetual license can literally mean a license that exists “until the end of time” or “until the expiration of the underlying intellectual property rights,” but it also can mean a license that extends continuously for the term of the license. See, e.g., Elizabeth I. Winston, *Why Sell What You Can License? Contracting Around Statutory Protection of Intellectual Property*, 14 GEO. MASON L. REV. 93, 124 (2006) (defining a perpetual license as “one with no limits as to its duration, requiring no renewal”). Generally, the deciding factor is whether the perpetual license survives the termination of the agreement. A perpetual license can be terminated if it is “revocable.” An “irrevocable” license generally cannot be terminated for any reason, even on a breach of the licensee. See Mark D. Janis, *A Tale of the Apocryphal Axe: Repair, Reconstruction, and the Implied License in Intellectual Property Law*, 58 MD. L. REV. 423, 510 (1999) (describing irrevocable licenses as those that “cannot simply be revoked at the licensor’s whim, although they may have a limited duration”). If a licensor demands that the license be revocable (such as upon a breach), then the licensee should consider requesting from the licensor a “wind-down” period (which is especially appropriate if an immediate termination of the license would cause damages to the licensee that would exceed the damages to the licensor upon a breach).

<sup>60</sup> See ADAMS, *supra* note 19, at 156-57 (explaining conventions and alternatives for expressing “including without limitation”).

includes the manufacture, reproduction, distribution, broadcast, and transmission of products incorporating part or all of the Licensed Intellectual Property. This license grant does not include the right to use or incorporate in any way the Intellectual Property as trade names or Internet domain names.

### 3. COVENANTS

(a) Form of Notice. The form of trademark notice for the Licensed Marks that<sup>61</sup> Seller shall include on products and published and unpublished works (whether on printed, handwritten, or machine-readable material) is specified in Schedule 1. The form of copyright notice for the Licensed Copyrights that<sup>62</sup> Seller shall include on published and unpublished works (whether on printed, handwritten, or machine-readable material) is specified in Schedule 2.

#### (b) Quality Control.

(i) Appearance of Licensed Intellectual Property. With the exception of Modified Licensed Intellectual Property, all uses of the Licensed Marks by Seller<sup>63</sup> shall appear identical in substance to the Licensed Marks as they appear in Schedule 1, and all uses of the Licensed Copyrights by Seller shall appear identical in substance to the Licensed Copyrights as they appear in Schedule 2.<sup>64</sup> All uses of Modified Licensed Intellectual Property by Seller shall appear in the form approved in advance in writing by Buyer.

(ii) Licensed Intellectual Property Usage. All uses of the Licensed Intellectual Property by Seller shall comply with Buyer's then current Intellectual Property Usage Guidelines, a current copy of which is attached as Schedule 4 (the "Guidelines"), which Buyer may<sup>65</sup> modify from time to time on 60 days' notice to Seller.

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<sup>61</sup> See ADAMS, *supra* note 19, at 151-53 (discussing the respective uses of "which" and "that"); KUNEY, *supra* note 12, at 46-47 (same).

<sup>62</sup> See *id.*

<sup>63</sup> Alternatively, this concept (and others like it) could be restated in active voice with a singular subject to avoid some awkwardness in construction (i.e., "each of Seller's uses of the Licensed Marks shall appear").

<sup>64</sup> Buyer and Seller would attach the entire copyrighted work as part of the referenced agreement schedule.

<sup>65</sup> "May" is used here to indicate the permissive nature of the action. See KUNEY, *supra* note 12, at 36-37 (describing and illustrating the differences among "shall," "will," "must," and "may"); ADAMS, *supra* note 19, at 31-33.



(iii) Right to Inspect. Upon 30 days' prior express written notice by Buyer to Seller no more than four times per calendar year, Seller shall provide specimens and samples of usage of the Licensed Intellectual Property to Buyer or, as Buyer may notify Seller from time to time, to Buyer's authorized representative. In the event that Buyer determines that any manner in which Seller uses the Licensed Intellectual Property is inconsistent with the Guidelines or the other requirements regarding use of the Licensed Intellectual Property imposed on Seller by Buyer under this License Agreement, then Buyer shall notify Seller about Buyer's determination in accordance with this Section 3(b)(iii), and Seller shall promptly correct the inconsistencies identified by Buyer in the notice.<sup>66</sup>

(c) Acknowledgement of Ownership. Seller acknowledges Buyer's ownership of all right, title, and interest<sup>67</sup> in and to the Licensed Intellectual Property worldwide. Seller shall not acquire and shall not claim any rights in or title to the Licensed Intellectual Property adverse to Buyer by virtue of this License Agreement. If at any time Seller acquires any rights in, Intellectual Property applications or registrations for, or domain names incorporating any of, the Licensed Intellectual Property, upon Buyer's request and at no expense to Buyer, Seller shall assign all of Seller's acquired rights, applications, registrations, or domain names to Buyer. Seller's use of the Licensed Intellectual Property inures to the benefit of Buyer. Seller is estopped from challenging the validity of the Licensed Intellectual Property or asserting any claim to the Licensed Intellectual Property adverse to Buyer.

(d) No Disparagement. Seller shall not: (i) use the Licensed Intellectual Property on any material or in any manner that directly or indirectly disparages Buyer, its products or services, or its partners, resellers, or related companies, or their products or services; or (ii) in any way infringe upon any of Buyer's intellectual property rights. Seller shall not use the Licensed Intellectual Property in any medium in violation of any applicable laws or government regulations.

(e) Infringement. As reasonably requested by Buyer and at Buyer's expense, Seller shall cooperate with Buyer in responding to any existing or potential infringement of, or unfair competition affecting, the Licensed Intellectual Property that comes to Buyer's attention. Buyer, in its sole discretion, may commence,

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<sup>66</sup> This provision is Buyer-oriented because it does not provide an opportunity for Seller to argue about the asserted inconsistencies; rather, Buyer decides, and Seller must comply by correcting the inconsistencies or risk termination for breach under Section 4(c) of the Tennessee License Agreement. In many cases, a provision of this kind is linked to a dispute resolution provision.

<sup>67</sup> See *supra* note 44.

prosecute, or defend any action concerning the Licensed Intellectual Property (a “Protective Action”). In the event of any Protective Action, Seller agrees to assist Buyer, as reasonably requested by Buyer and at Buyer’s expense. Recovery of damages resulting from any Protective Action shall be solely for the account of Buyer. Seller has no right to commence, prosecute, or defend any Protective Action against a third party concerning the Licensed Intellectual Property without the prior express written approval of Buyer.

(f) Buyer’s Remedy of Specific Performance. Seller acknowledges that its failure to cease use of the Licensed Intellectual Property in accordance with the provisions of this License Agreement after expiration or termination of this License Agreement results in immediate and irreparable harm to Buyer for which there is no adequate remedy at law. Buyer is entitled to bring an action or proceeding for specific performance, injunctive relief, or other equitable relief to compel Seller to discontinue use of the Licensed Intellectual Property, to take all affirmative acts necessary to ensure discontinuance of such use, and to obtain any necessary or proper relief.<sup>68</sup>

(g) Confidentiality. The Parties incorporate by reference<sup>69</sup> the Non-Disclosure Agreement, dated March 30, 2007, between them (the “Non-Disclosure Agreement”) and agree that confidential information of either of them used in connection with this License Agreement is subject to the terms of the Non-Disclosure Agreement.

#### 4. TERMINATION

(a) Term. This License Agreement automatically and without notice terminates at the end of the Term unless mutually agreed by the Parties in writing. When this License Agreement terminates under this Section 4(a), Seller shall immediately cease use of the Licensed Intellectual Property. Buyer may request that the Chief Financial Officer of Seller certify non-use of the Licensed Intellectual Property during the period 60 to 90 days after termination of this License Agreement under this Section 4(a) to verify that Seller is no longer using the Licensed Intellectual Property.

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<sup>68</sup> Provisions expressly permitting actions for specific performance or injunctive relief are common in license agreements. *See, e.g.*, *Sub Station II, Inc. v. Banasiak*, 1984 Tenn. App. LEXIS 2962, at \*20-\*24 (Tenn. Ct. App. June 15, 1984) (discussing the validity and enforcement of an injunctive relief provision in an intellectual property license agreement).

<sup>69</sup> *See supra* note 41.

(b) Optional Termination. If Seller fails to use some or all of the Licensed Intellectual Property in the Territory within a period of six months during the Term (the “Unused Licensed Intellectual Property”), then Buyer may, in its sole discretion, terminate this License Agreement as to the Unused Licensed Intellectual Property. If Buyer’s ownership or right to use or license use of some or all of the Licensed Intellectual Property is challenged in a legal action commenced by a third party (the “Challenged Licensed Intellectual Property”), Buyer may terminate this License Agreement as to the Challenged Licensed Intellectual Property. If Buyer terminates the License Agreement as to Unused Licensed Intellectual Property or Challenged Licensed Intellectual Property (in either case, “Terminated Licensed Intellectual Property”) under this Section 4(b), Seller shall immediately cease use of the Terminated Licensed Intellectual Property. Buyer may request that the Chief Financial Officer of Seller certify non-use of the Terminated Licensed Intellectual Property during the period 60 to 90 days after termination of this License Agreement as to any Terminated Licensed Intellectual Property under this Section 4(b) to verify that Seller is no longer using the Terminated Licensed Intellectual Property.

(c) Termination for Breach. If Seller breaches any provision of this License Agreement, Buyer may immediately give written notice of each breach and of its intention to terminate this License Agreement (the “Breach Notice”) 30 days after the date of the Breach Notice. Unless Seller remedies each breach referenced in the Breach Notice and notifies Buyer in writing within the 30-day period after the date of the Breach Notice that Seller has remedied each breach referenced in the Breach Notice, this License Agreement automatically terminates at the expiration of the 30-day period after the date of the Breach Notice without further notice. In the event of a termination of the License Agreement under this Section 4(c), Seller shall immediately cease use of the Licensed Intellectual Property. Buyer may request that the Chief Financial Officer of Seller certify non-use of the Licensed Intellectual Property during the period 60 to 90 days after termination of this License Agreement under this Section 4(c) to verify that Seller is no longer using the Licensed Intellectual Property.

(d) Buyer’s Remedy of Specific Performance.<sup>70</sup> Seller acknowledges that its failure to cease use of the Terminated Licensed Intellectual Property or Licensed Intellectual Property, as applicable, in accordance with the provisions of Section 4(a), 4(b), or 4(c) of this License Agreement results in immediate and irreparable harm to Buyer for which there is no adequate remedy at law. Buyer is entitled to: (i) bring an action or proceeding for specific performance, injunctive relief, or other equitable

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<sup>70</sup> For information on equitable remedies provisions, see TINA L. STARK, NEGOTIATING AND DRAFTING CONTRACT BOILERPLATE 208-09 (2003).

relief to compel Seller to discontinue use of the Terminated Licensed Intellectual Property or Licensed Intellectual Property, as applicable; (ii) take all other affirmative acts necessary to ensure discontinuance of Seller's use of the Terminated Licensed Intellectual Property or Licensed Intellectual Property, as applicable; and (iii) obtain any necessary or proper relief.

(e) No Damages.<sup>71</sup> The Parties acknowledge and agree that the License Agreement is a limited-term arrangement entered into for the convenience and short-term benefit of Seller in connection with the APA. Notwithstanding any other provision in this License Agreement or any other agreement between the Parties, should this License Agreement be terminated for any reason, Seller shall not be able to claim from Buyer any actual, consequential, or incidental damages.

(f) Continuing Obligations. Termination of this License Agreement for any reason does not affect any continuing obligations of Seller or Buyer (i) under the APA or (ii) under this License Agreement, to the extent that, from the context of this License Agreement, those obligations are intended to be performed after or survive termination of this License Agreement.<sup>72</sup>

## 5. INDEMNIFICATION; ATTORNEYS' FEES

Seller agrees to indemnify Buyer and hold Buyer harmless from any loss, liability, damage, cost, or expense<sup>73</sup> (including reasonable attorneys' fees) to the extent arising out of any claim or suit that may be brought or made against Buyer by reason of any use by Seller of the Licensed Intellectual Property or otherwise in connection with this License Agreement.<sup>74</sup> Moreover, upon receipt of notice by

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<sup>71</sup> This provision is drafted broadly in light of the unusual circumstances of this license. Accordingly, the first sentence of the provision reminds the reader of those circumstances. See STARK, *supra* note 70, at 217-25.

<sup>72</sup> Examples include Buyer's inspection rights in Sections 4(a), 4(b), and 4(c), the damages provisions in Section 4(e), and this Section 4(f). The approach taken in the text here is fraught with some peril in that it may be unclear from some contexts whether the Parties intend that a particular obligation (e.g., an obligation under Section 3(d) or Section and (3(e)) survive termination of the Tennessee License Agreement.

<sup>73</sup> This is a fairly common "quintuplet." Query how many of the listed terms really are needed here, even if the litany is customary. See KUNEY, *supra* note 12, at 37-39; STARK, *supra* note 70, at 265-66.

<sup>74</sup> Under some circumstances, Seller or Buyer may be able to bring an action under the Tennessee Consumer Protection Act as well as, or in lieu of, an action for breach of the Tennessee License Agreement. An action under the Tennessee Consumer Protection Act may result in indemnification obligations different from those provided for here. A plaintiff in a private action under Tennessee

Seller of any claim or suit referenced in the immediately preceding sentence, Seller shall diligently defend against the claim or suit on behalf of Buyer (or diligently assist Buyer in defending against the claim or suit) at Seller's expense, using counsel reasonably acceptable to Buyer. If Seller fails or refuses to conduct or assist in Buyer's defense against the claim or suit, or if Buyer has been advised by counsel that it may have defenses available to it that are different from or additional to those available to Seller, then Buyer may defend against the claim or suit at Seller's expense. Finally, if any legal action is filed by Seller against Buyer or by Buyer against Seller in relation to this License Agreement, the successful party in the action is entitled to recover its costs in the action, including reasonable attorneys' fees, from the unsuccessful party.<sup>75</sup>

## 6. DISCLAIMER OF WARRANTIES<sup>76</sup>

BUYER DISCLAIMS ALL WARRANTIES, EXPRESS AND IMPLIED, REGARDING THE LICENSED INTELLECTUAL PROPERTY, INCLUDING WITHOUT LIMITATION NON-INFRINGEMENT, SATISFACTORY QUALITY, AND MERCHANTABILITY. BUYER DOES NOT GRANT ANY INDEMNITY AGAINST INFRINGEMENT OR OTHER CLAIMS ARISING FROM SELLER'S USE OF THE INTELLECTUAL PROPERTY. SELLER'S USE OF THE INTELLECTUAL PROPERTY IS AT SELLER'S OWN RISK.

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Code Annotated section 47-18-109 (part of the Tennessee Consumer Protection Act) may be required by court order to indemnify the defendant in the action for damages incurred, including reasonable attorneys' fees and costs, if the court finds that the action is "frivolous, without legal or factual merit, or brought for the purpose of harassment." TENN. CODE ANN. § 47-18-109(e)(2) (2007).

<sup>75</sup> Buyer insisted on an attorneys' fee provision as a means of disincentivizing Seller's breach of the important protective covenants benefiting Buyer. Seller acceded to that demand. "Tennessee follows the American Rule requiring 'litigants to pay their own attorney's fees in the absence of a statute or contractual provision otherwise.'" *Hall v. Hamblen*, No. M2002-00562-COA-R3-CV, 2004 Tenn. App. LEXIS 524, at \*7 (Tenn. Ct. App. Aug. 16, 2004) (citing *State v. Brown & Williamson Tobacco Corp.*, 18 S.W.3d 186, 194 (Tenn. 2000); *John Kohl & Co. v. Dearborn & Ewing*, 977 S.W.2d 528, 534 (Tenn. 1998)). Accordingly, in Tennessee, an express affirmative covenant is required to assess attorneys' fees against the non-prevailing party. *Hall*, 2004 Tenn. App. LEXIS 524 at \*7-\*8; see STARK, *supra* note 70, at 267-68. Litigants that can prove a violation of the Tennessee Consumer Protection Act may be entitled to attorneys' fees under that statute. See TENN. CODE ANN. § 47-18-109(e)(1); *Hall*, 2004 Tenn. App. LEXIS 524 at \*8-\*12.

<sup>76</sup> Generally, these disclaimers are appropriate when, as here, a licensee is in the best position to understand and know the status of the licensed intellectual property; however, they may not be appropriate in other licensing arrangements that may be negotiated at arm's length between unaffiliated parties. For general information on disclaimers of warranties, see STARK, *supra* note 70, at 232-34; Ram & Ram, *supra* note 43, at §§ 7.10-7.13.

## 7. ASSIGNMENT; THIRD PARTY BENEFICIARIES

This License Agreement is personal to Seller. By its terms, the license granted in this License Agreement is non-transferable (without rights to assign or sublicense). Accordingly, Seller shall not transfer, license, sublicense, or otherwise convey the license granted under Section 2 or Seller's other rights under this License Agreement, in whole or in part, voluntarily or involuntarily, whether by merger, consolidation, dissolution, operation of law, or any other matter, to any other person or entity (a "Seller Transfer") without the express prior written consent of Buyer. Any attempted Seller Transfer without the express prior written consent of Buyer is invalid.<sup>77</sup> Any valid transfer, license, sublicense, or other conveyance of rights under this License Agreement (a) inures to the benefit of, and is binding upon, the respective successor, assign, transferee, licensee, or sublicensee and (b) does not relieve the transferor, licensor, sublicensor, or conveyor of its continuing obligations under this License Agreement. Nothing in this License Agreement is intended to, or shall be construed to, confer upon any person or entity other than Seller or Buyer any rights or benefits under this License Agreement.<sup>78</sup>

## 8. SEVERABILITY<sup>79</sup>

If any term or provision of this License Agreement or the application of any term or provision of this License Agreement to Seller or Buyer in any set of circumstances is, in any jurisdiction and to any extent, finally determined to be invalid or unenforceable:

(a) that term or provision shall be ineffective only as to that jurisdiction and only to the extent of the adjudicated invalidity or unenforceability, without invalidating or rendering unenforceable (i) any other term or provision of this License Agreement, (ii) the application of any term or provision of this License

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<sup>77</sup> This Tennessee License Agreement expressly provides (at the beginning of Section 7) that it is personal to Seller. However, even absent an express provision in a patent license agreement, "a licensee cannot transfer the right to the use of a patent without the consent of the patentee." *Am. Lead Pencil Co. v. Musgrave Pencil Co.*, 170 Tenn. 60, 91 S.W.2d 573, 575 (Tenn. 1935) (citing *Simpson v. Wilson*, 45 U.S. 709 (1846); *Troy Iron & Nail Factory v. Corning*, 55 U.S. 193 (1852); and *Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893)). For more on drafting assignment provisions, see STARK, *supra* note 70, at 54-63.

<sup>78</sup> For background and drafting suggestions relating to provisions excluding third party beneficiaries, see STARK, *supra* note 70, at 97-104.

<sup>79</sup> See FOX, *supra* note 20, at 248 (briefly explaining severability provisions); STARK, *supra* note 70, at 541-57 (offering general information and drafting suggestions on severability provisions).

Agreement under any other circumstances, or (iii) the same term, provision, or application in any other jurisdiction; and

(b) the Parties shall negotiate in good faith a valid and enforceable substitute term or provision that comes as close as possible to providing the rights and obligations intended to be provided by the invalidated or unenforceable term, provision, or application and puts the Parties in a position as nearly comparable as possible to the position they would have been in but for the finding of invalidity or unenforceability.

#### 10. GOVERNING LAW<sup>80</sup>

The interpretation and construction of this License Agreement and (unless otherwise expressly provided in this License Agreement) all amendments of and waiver and consents under this License Agreement are, to the extent the particular subject matter is controlled by state law, governed by and be construed in accordance with the substantive law of the State of Tennessee without regard to the conflicts of law principles of the State of Tennessee; U.S. federal law governs any particular subject matter controlled by U.S. federal law.<sup>81</sup>

#### 11. WAIVER; INTEGRATION; AMENDMENTS<sup>82</sup>

Failure of either Seller or Buyer to insist upon strict adherence to any term of this License Agreement on any occasion is not considered a waiver or deprivation by Seller or Buyer, respectively, of its right to insist later on strict adherence to that or any other term of this License Agreement. Any waiver shall be in writing in order to be effective. No oral explanation or oral information by Seller or Buyer or a representative of either of them alters the meaning or interpretation of this License

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<sup>80</sup> See STARK, *supra* note 70, at 111-28 (outlining history, enforceability, and drafting suggestions on governing law provisions).

<sup>81</sup> This bifurcated choice of law provision appropriately reflects the possibility that either state law issues (e.g., title assertions or contract enforcement or avoidance claims), federal law issues (e.g., inventorship or infringement independent of the terms and conditions of the license agreement), or construction of the meaning or effect of the subject intellectual property may arise under the Tennessee License Agreement. Note that jurisdiction to hear cases on these issues also is split between state and federal courts. See *supra* notes 49 & 56. Finally, note that the coauthors have chosen not to include a choice of venue clause, since both Buyer and Seller are organized and domiciled in Tennessee.

<sup>82</sup> See FOX, *supra* note 20, at 248-49 (providing general information about waiver, integration, and amendments provisions).

Agreement. Except as expressly incorporated in this License Agreement by reference and except for applicable provisions of the APA:<sup>83</sup> (a) all prior proposals or understandings, either oral or written, with regard to the subject matter of this License Agreement are hereby canceled; and (b) this License Agreement constitutes the entire agreement between the Parties with regard to the subject matter of this License Agreement.<sup>84</sup> No modification, alteration, addition, or change<sup>85</sup> in the terms of this License Agreement is binding on either party unless it is as set forth on or subsequent to the date of this License Agreement in a written document signed by a duly authorized representative of the party to be bound by that modification, alteration, addition, or change.

Each of Seller and Buyer is causing this License Agreement to be signed by its duly authorized representative.<sup>86</sup> This Agreement may be executed in two counterparts, each of which is considered an original, but both of which together constitute the same instrument.<sup>87</sup>

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<sup>83</sup> Care should be taken to ensure that any other agreements referenced in or intended by the parties to be applicable to the Tennessee License Agreement are included as exceptions to any non-integration clause. Otherwise, the Parties and courts may logically—and perhaps legally—choose to ignore external provisions in giving effect to or interpreting the provisions of the Tennessee License Agreement. Here, “applicable provisions of the APA” are excepted. This exception is itself subject to interpretation as to the APA provisions that may be “applicable” in specific contexts.

<sup>84</sup> This sentence and the preceding sentence are known as “merger” or “integration” provisions. For a description of integration clauses and the way in which they come into play in contract enforcement disputes, see KUNEY, *supra* note 12, at 118-19. See also STARK, *supra* note 7070, at 561-75.

<sup>85</sup> This “quadruplet” also is common in legal drafting, although the word “amendment” often also is included. (Somehow, the word “amendment” got left off the list here . . . .) Almost any of the listed four words, alone, could provide the same meaning. See KUNEY, *supra* note 12, at 37-39.

<sup>86</sup> For alternative formulations of this sentence and information about drafting signature blocks in this and other contexts, see ADAMS, *supra* note 19, at 63-68; FOX, *supra* note 20, at 153-57; KUNEY, *supra* note 12, at 125-28.

<sup>87</sup> For explanations of and rationales for this “counterparts clause,” see DARMSTADTER, *supra* note 17, at 101-05; STARK, *supra* note 7070, at 579-88.



SELLING COMPANY

ACQUIRING COMPANY

By \_\_\_\_\_

Name:

Title:

By \_\_\_\_\_

Name:

Title: