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Coming to America: Converting a UK Technology License Agreement To A US Technology License Agreement

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Peter A. Draugelis

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US and UK technology license agreements are fundamentally similar to each other. UK licensors should take heed, though, because there are nuances that, if not addressed, can create problems - sometimes small and sometimes large - when you come across the pond to sell your wares. The following is intended to provide you with a general guide to those nuances.

Limitations of Liability: Within the limitation of liability, do not carve-out personal injury or death resulting from negligence. UK agreements typically contain this language because of the UK Unfair Contract Terms Act 1977. US agreements are silent on this. In all other respects, though, UK and US agreements contain similar disclaimers of liability whether such liability is in contract, tort, negligence or otherwise for loss of profits, goodwill, or reputation, for loss or corruption of data or the cost of restoration of data, or for any indirect or consequential costs or damages whatsoever.

US agreements also often contain internal statutes of limitation which state, for example, that all claims must be brought within one year of the event upon which the claim is based or be barred forever.

Warranty Disclaimers: Similar to the UK, US agreements allow for disclaimers of implied warranties. However, US agreements tend to specifically disclaim the implied warranty of fitness for a particular purpose (i.e., a warranty implied by law that goods are suitable for the buyer's special purpose for such goods) and merchantability (i.e., a warranty implied that the goods are fit for the ordinary purposes for which it is used).

Dispute Resolution: Think through your dispute resolution options. Many US clients will insist upon US domestic law, and the particular choice of law (e.g., New York, Delaware, Ohio, etc.) should not impact the interpretation of, or dispute resolution to, an agreement.

If an agreement is well-drafted, it should stand on its own and contain disclaimers to the applicability of the gap-filling UN Convention on the Sale of Goods and the Uniform Computer Information Transaction Act.

With respect to the location of the dispute resolution, the major US commerce centers will certainly suffice. Consideration should be given, though, to mid-market US cities that can be just as sophisticated and accessible but much more affordable.

Arbitration instead of litigation is more common and it enables the parties to control the level of sophistication of the persons presiding over the dispute. If you have enough leverage to insist upon UK law and a UK forum, strong consideration should be given to arbitration. Your US client may have no assets in the UK so it may be difficult to enforce a UK court judgment in the US. Because the United States is a party to the New York Convention on the Recognition and Enforcement of Arbitral Awards, a UK arbitral award will be enforceable in the US. You must, however, specifically refer to the applicability of this Convention in your arbitration language.

Payments and Taxes: Clarify whether payments will be made in US Dollars or British Pounds Sterling. Make sure that your accounting department knows which currency to denote on invoices and to expect in return.

Clearly state, that any payments made under the agreement are exclusive of any taxes and that the client is responsible for paying for any such taxes. In the US, we do not have the concept of the value added tax, but we do have state (and sometimes local) sales and use taxes that the provider of goods is typically responsible for collecting and paying over to the taxing authority. Use the agreement language to shift the burden of collection and payment away from you.

Confidentiality: In order to protect your proprietary information, your confidentiality language should contain a statement that the receiving party acknowledges that any breach of such confidentiality language would be competitively unfair and may cause irreparable damage to the disclosing party and that a recovery of damages at law would not be an adequate remedy. It should further state that the receiving party consents to a restraining order or injunctive relief against it for such breach, without the posting of bond, in addition to any other legal or equitable rights or remedies the disclosing party might have.

Simple Stuff: If UK law is not applicable, avoid references to it as they will only serve to confuse US clients and create more legal review. Also, convert terms from British English to American English (licence → license; expiry → expiration). This subtle touch will make the agreement easier for the client to read and it will enable the parties to focus on substantive issues instead of cosmetic ones.