

IP Agreements and the Impact of COVID-19

As our Intellectual Property (IP) Group frequently says, if you are doing business in commerce, then you probably have valuable IP, whether you know it or not. And if you have valuable IP, you should be taking affirmative steps, or at least be giving serious consideration to taking affirmative steps to protect your IP. After all, for many businesses, their most valuable asset, after their employees, is their IP.

One affirmative step many of you have likely taken, or at least considered taking, is licensing your company's IP to one or more third parties in order to monetize your IP assets. In addition, or in the alternative, your company may have agreed to take a license from a third party in order to make, use, sell, or sublicense the third party's IP.

Below are important considerations for license agreement provisions that relate to the emergence of the COVID-19 pandemic.

License Agreement Provisions

Force Majeure

This is a common provision that protects the parties against existential circumstances and events that (a) prevent one or more parties from performing as required under the license agreement and (b) are beyond the reasonable control of the non-performing party. Typically, force majeure events include acts of God, riots, power outages, embargoes, and the like. While [force majeure clauses](#) typically appear near the end of a license agreement under the heading "Miscellaneous" and are often referred to as "boilerplate," in the new landscape created by the COVID-19 pandemic, these clauses now take on a significantly elevated degree of importance. Here are some questions that you should be asking about the force majeure provisions in your license agreements:

- Is COVID-19 within the scope of protection provided by the provision?
- What obligation(s), action(s), and/or inaction(s) does the provision apply to?
- What steps must be taken to invoke and enforce the provision?
- Does the provision require the parties to mitigate the effects of a force majeure?

Performance Obligations

The parties' performance obligations set forth in a license agreement are particularly significant because, in general, a court is more likely to enforce an express remedy for the breach of a performance obligation than a force majeure provision. COVID-19 may very well be an exception to this general rule, but nevertheless, the written performance obligations in a license agreement should be carefully considered vis-à-vis any force majeure provision. The following performance obligations, if applicable, should be carefully considered:

- Minimum sales requirements;
- Minimum production requirements;
- Minimum royalty requirements; and
- Timing requirements.

Termination

Termination provisions may vary widely from one license agreement to another. When analyzing termination provisions, the following questions should be carefully considered:

- What are the reasons for which termination is permitted, e.g., for cause, for no cause, for material breach, etc.?
- Does the provision permit a temporary suspension of the agreement in lieu of termination?
- Does the provision include a liquidated damages clause?
- What steps must be taken to invoke and enforce the provision?

Bankruptcy

Bankruptcy provisions should also be reviewed and carefully analyzed. In addition to the rights of and the remedies available to the non-bankruptcy party, the types of event(s) that permit the non-bankruptcy party to invoke and enforce the terms of the bankruptcy provision should be carefully reviewed.

Other Considerations

In addition to the above license agreement provisions, there are other potential legal strategies and tools that may provide your company with some degree of relief from the impact of COVID-19. For example, the equitable doctrines of impossibility, impracticability, and/or frustration of purpose may be available to relieve a party to a license agreement of its performance obligations in view of an unforeseeable event such as the current COVID-19 pandemic.

If you would like to discuss your company's existing or contemplated license agreement(s) and how to best protect and enforce your company's IP rights in the new landscape created by the emergence of COVID-19, please contact one of our [IP Group's](#) attorneys.

Visit our COVID-19 Insight Center for our latest legislative and legal updates, articles, and resources.

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