Licensing to Foreign Entities

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What happens if the only potential licensee manufactures overseas?

• The licensing statute says:
  Manufacture in United States.—A Federal agency shall normally grant a license under section 207(a)(2) to use or sell any federally owned invention in the United States only to a licensee who agrees that any products embodying the invention or produced through the use of the invention will be manufactured substantially in the United States. 35 U.S.C. § 209(b)

• The regulation adds:
  ... However, this condition may be waived or modified if reasonable but unsuccessful efforts have been made to grant licenses to potential licensees that would be likely to manufacture substantially in the United States or if domestic manufacture is not commercially feasible. 37 C.F.R. § 404.5(a)(2)
Who gives you a waiver?

- Foreign licensing of contractor inventions must be approved by the funding Federal agency. 35 U.S.C. § 204
- Licenses of Government inventions to foreign entities must be approved by:
  - The U.S. Trade Rep – Does the Foreign government give similar opportunities to U.S. entities?
  - Security – Is there any security related information that will be disclosed as part of the license agreement?
  - Head of designated DoN laboratory with the advice of the intellectual property counsel. (The signatory will be under scrutiny if questions are raised about the agreement.)
Who prepares a waiver?

- Joint effort of the ORTA and the Intellectual Property attorney
- ORTA documents the steps that were taken to locate a U.S. manufacturer
- IP Attorney prepares an analysis of these steps with supporting steps from the licensee’s business plan.
- Typically, this would be contained in the IP Attorney’s license approval.
Things to Include in Documentation

- What steps did you take to find potential licensees?
- How did you advertise?
- Did you go to trade shows or cold call?
- Who did you contact?
- What types of responses did you get from U.S. manufacturers?

These efforts should be thorough and nationwide.

Foreign licensing cannot be justified by the fact that the foreign manufacturer will pay greater royalties.
Supporting Statements from the Licensee’s Business Plan*

• If only a small number of units or units having low prices will be manufactured, the licensee may not want to establish a new facility.
• The licensee may have a primary center for manufacturing in a foreign country.
• Licensee may have a significant business presence in the U.S. through R & D.
• The licensed item may be an intermediate part that could benefit U.S. manufacturers
• The licensed item may provide significant benefits to U.S. consumers.

*Should check that this isn’t proprietary info
Is there any language that is recommended for licenses involving foreign manufacturers?

• None...

• Language could include:
  – Consideration of U.S. manufacturing if it becomes commercially feasible
  – Other ameliorating terms – future U.S. research or U.S. employment
That’s All Folks!

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