

Table of Contents

Volume 1

PART I. GENERAL BUSINESS AND LEGAL CONSIDERATIONS

CHAPTER 1. PURPOSES AND STRUCTURES OF STRATEGIC ALLIANCES

- § 1:1 Innovation and collaboration
- § 1:2 Definitions and types of strategic alliances
- § 1:3 Summaries of basic strategic alliances
- § 1:4 —Licensing arrangements
- § 1:5 —Research and development arrangements
- § 1:6 —Product development and purchase arrangements
- § 1:7 —Manufacturing arrangements
- § 1:8 —Sales and distribution arrangements
- § 1:9 —Joint ventures
- § 1:10 —Investment relationships
- § 1:11 —Negotiated acquisitions
- § 1:12 Advantages and risks of strategic alliances
- § 1:13 Legal considerations

CHAPTER 2. ANTITRUST AND COMPETITION LAWS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 2:1 Overview
- § 2:2 U.S. antitrust laws—Introduction
- § 2:3 ——Rule of reason and per se rule
- § 2:4 ——Horizontal and vertical restraints
- § 2:5 ——Enforcement agencies
- § 2:6 Private civil antitrust actions
- § 2:7 U.S. antitrust laws—Introduction—State antitrust legislation
- § 2:8 Sherman Act Section 1—Generally
- § 2:9 ——Circumstantial evidence of agreement
- § 2:10 ——Conscious parallelism
- § 2:11 ——Single-trader doctrine

STRATEGIC ALLIANCES

- § 2:12 Sherman Act Section 2—Generally
- § 2:13 —Monopolization
- § 2:14 ——Monopoly power in the relevant market
- § 2:15 ——Willful acquisition of monopoly power
- § 2:16 —Attempts to monopolize
- § 2:17 —Conspiracy to monopolize
- § 2:18 —Special rules and restrictions for monopoly firms
- § 2:19 U.S. antitrust laws—General operation of federal antitrust laws—The Clayton Act
- § 2:20 ——FTC Act
- § 2:21 ——The Hart-Scott-Rodino Antitrust Improvements Act
- § 2:22 —The National Cooperative Research and Production Act (NCRPA)
- § 2:23 —Regulation of intellectual property licensing agreements
- § 2:24 —Regulation of joint ventures and strategic alliances
- § 2:25 —Extraterritorial application of U.S. antitrust laws

II. CHECKLISTS

- § 2:26 Antitrust compliance checklist
- § 2:27 Checklist for antitrust analysis of proposed joint venture

III. FORMS

- § 2:28 Antitrust compliance policy

CHAPTER 3. INTELLECTUAL PROPERTY LAWS

- § 3:1 Overview
- § 3:2 Patents—U.S. patent laws
- § 3:3 —Foreign patent laws
- § 3:4 Trade secrets—Defining and identifying trade secrets
- § 3:5 —Secrecy requirement
- § 3:6 —Scope of the trade secret rights
- § 3:7 —Enforcement of trade secret rights
- § 3:8 —Foreign trade secret laws
- § 3:9 Copyrights—Overview of U.S. copyright laws
- § 3:10 —Conditions for copyright protection—In general
- § 3:11 ——Work of authorship
- § 3:12 ——Originality requirement
- § 3:13 ——Tangible medium of expression requirement
- § 3:14 —Ownership of copyrights—In general

TABLE OF CONTENTS

- § 3:15 ——The “work-made-for-hire” doctrine
- § 3:16 —Creation of copyright rights—In general
- § 3:17 —Copyright registration
- § 3:18 —Scope of the copyright rights
- § 3:19 —Duration of copyright protection
- § 3:20 —Foreign copyright laws
- § 3:21 Trademarks—Overview of U.S. trademark laws
- § 3:22 —Conditions to trademark protection
- § 3:23 —Trademark registration—In general
- § 3:24 —Effect of prior use of mark
- § 3:25 —Registration procedures
- § 3:26 —Duration of trademark registration
- § 3:27 —Scope of the trademark rights
- § 3:28 —Foreign trademark laws
- § 3:29 Protection of semiconductor chips
- § 3:30 International registration of industrial designs
- § 3:31 Other examples of intellectual property rights

CHAPTER 4. LAWS PERTAINING TO SALE AND PURCHASE OF GOODS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 4:1 Overview
- § 4:2 Commercial sales laws—Introduction
- § 4:3 —Uniform Commercial Code
- § 4:4 —U.N. Convention for the International Sale of Goods—Introduction
- § 4:5 —Application of the CISG
- § 4:6 —Freedom of contract under the CISG
- § 4:7 —Obligations of the seller/remedies of the buyer
- § 4:8 —Obligations of the buyer/remedies of the seller
- § 4:9 Terms of shipment and delivery—Introduction
- § 4:10 —Incoterms 2020
- § 4:11 Terms of payment—Introduction
- § 4:12 —Cash-in-advance terms
- § 4:13 —Open account terms
- § 4:14 —Letters of credit—Introduction
- § 4:15 ——Uses of letters of credit in commercial transactions
- § 4:16 ——Commercial letters of credit
- § 4:17 ——Standby letters of credit
- § 4:18 ——Using intermediary banks in letter of credit transactions

STRATEGIC ALLIANCES

- § 4:19 ——Legal rights and obligations under letters of credit
- § 4:20 ——Issuing bank
- § 4:21 ——Intermediary banks
- § 4:22 ——Beneficiaries
- § 4:23 ——Documentary collection
- § 4:24 ——Export insurance
- § 4:25 U.S. export controls—Overview
- § 4:26 ——Department of Commerce
- § 4:27 ——Definitions
- § 4:28 ——Controlled transactions
- § 4:29 ——Export license applications
- § 4:30 ——Department of State
- § 4:31 ——Munitions list
- § 4:32 ——Registration requirements
- § 4:33 ——License requirements
- § 4:34 ——Prohibited exports and sales to certain countries
- § 4:35 ——Department of Treasury
- § 4:36 ——Sanctions for violations
- § 4:37 ——Other U.S. governmental export controls
- § 4:38 ——Multilateral export control regimes
- § 4:39 ——Compliance programs
- § 4:40 Antiboycott regulations—Introduction
- § 4:41 ——ECRA and antiboycott regulations—General restrictions
- § 4:42 ——Exceptions to restrictions
- § 4:43 ——ECRA reporting requirements
- § 4:44 ——Penalties
- § 4:45 ——The Internal Revenue Code
- § 4:46 ——Compliance programs
- § 4:47 U.S. import laws
- § 4:48 Additional laws and regulations affecting sales of goods—Product testing laws and regulations
- § 4:49 ——Foreign import controls
- § 4:50 ——Foreign product certification standards
- § 4:51 ——Products liability laws
- § 4:52 ——Consumer protection laws

II. FORMS

- § 4:53 Sales agreement
- § 4:54 Long-term volume purchase agreement with terms favorable to buyer
- § 4:55 U.S. export control compliance policy
- § 4:56 Export sales transaction evaluation checklist

TABLE OF CONTENTS

§ 4:57 End-user assurances checklist for export control compliance

CHAPTER 5. FOREIGN INVESTMENT LAWS

- § 5:1 Introduction
- § 5:2 Traditional justifications for foreign direct investment—Introduction
 - Capital
 - § 5:4 —Job training and opportunities
 - § 5:5 —Export markets
 - § 5:6 Framework for regulation of foreign investments—Introduction
 - § 5:7 —Regulation of capital markets and other related laws
 - § 5:8 —General areas of foreign investment regulation—Introduction
 - § 5:9 ——Restrictions on investing in specified industry sectors
 - § 5:10 ——Restrictions on percentage of foreign ownership
 - § 5:11 ——Incentives and guarantees for foreign investors
 - § 5:12 ——Investment controls and conditions
 - § 5:13 ——Sanctions
 - § 5:14 ——Procedural considerations—Locus of regulatory review
 - § 5:15 ——Forms of regulatory procedures
 - § 5:16 ——Required disclosures in investment application
 - § 5:17 ——Investment commitments and conditions
 - § 5:18 ——Practical considerations
 - § 5:19 ——Specific foreign investment regulatory schemes
 - § 5:20 Regulation of foreign investment in the United States

CHAPTER 6. DISPUTE RESOLUTION

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 6:1 Introduction—Nature and purpose of alternative dispute resolution
 - § 6:2 —ADR providers
 - § 6:3 —Advantages of ADR
 - § 6:4 —Applicable laws and regulations—Federal Arbitration Act
 - § 6:5 ——State arbitration laws
 - § 6:6 Alternative dispute resolution procedures
 - § 6:7 ——Negotiation
 - § 6:8 ——Mediation
 - § 6:9 ——The mediation process

- § 6:10 ——Selecting a mediator
- § 6:11 —Contractual arbitration
- § 6:12 ——Choosing arbitration
- § 6:13 ——Managing the arbitration process
- § 6:14 —Mini-trials and summary jury trials
- § 6:15 —ADR in the judicial system
- § 6:16 —Hybrid ADR procedures
- § 6:17 Drafting alternative dispute resolution provisions
- § 6:18 —Type and combinations of ADR
- § 6:19 —Composition and selection of ADR panel
- § 6:20 ——Number of members
- § 6:21 ——Qualifications of members
- § 6:22 ——Selection procedures
- § 6:23 —Location of proceedings
- § 6:24 —Issues and parties subject to ADR
- § 6:25 ——Issues
- § 6:26 ——Parties
- § 6:27 —Procedural rules
- § 6:28 —Discovery
- § 6:29 —Form and timing of award
- § 6:30 ——Form of award
- § 6:31 ——Timing of award
- § 6:32 ——Application of law
- § 6:33 ——Review of award
- § 6:34 —Relief available
- § 6:35 —Availability of provisional remedies

II. CHECKLISTS

- § 6:36 Alternative dispute resolution procedures—Contractual arbitration—Checklist: Ten steps for effective arbitration

III. FORMS

- § 6:37 Short-form negotiation clause
- § 6:38 Short-form agreement to mediate
- § 6:39 Dispute resolution procedures
- § 6:40 Complex mediation-arbitration clause
- § 6:41 Arbitration agreement

TABLE OF CONTENTS

PART II. PRELIMINARY ACTIONS

CHAPTER 7. LAUNCHING AND MANAGING STRATEGIC ALLIANCES

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 7:1 Overview
- § 7:2 Preliminary analysis
- § 7:3 Evaluation and selection of strategic partners
 - Evaluating potential licensing partners
 - § 7:5 —Evaluating potential joint venture partners
 - § 7:6 —Evaluating potential acquisition candidates
 - § 7:7 Guidelines for negotiating strategic alliances
 - § 7:8 Designing and implementing alliance performance metrics
- § 7:9 Final pre-launch activities
- § 7:10 Factors leading to failure of strategic alliances
- § 7:11 Crisis management
- § 7:12 Strategies for building effective alliance capabilities
- § 7:13 —Autonomous alliance management business units
- § 7:14 —Portfolio approach to strategic alliance management
- § 7:15 —Developing core competencies in collaboration skills and techniques
 - § 7:16 —Developing core competencies in change management
- § 7:17 Strategies for successful strategic alliances
- § 7:18 —Defining the specific goals and objectives of the alliance
 - § 7:19 —Proper launch of the alliance
 - § 7:20 —Respect and manage cultural differences
 - § 7:21 —Strategic and operational compatibility
 - § 7:22 —Organizational alignment and managing internal stakeholders
 - § 7:23 —Strong executive sponsorship
 - § 7:24 —Managing and measuring the progress of the alliance
- § 7:25 Representations and warranties
 - § 7:26 —Scope of representations and warranties
 - § 7:27 —Joint ventures and financing transactions
 - § 7:28 —Technology-related representations and warranties
 - § 7:29 —Disclosure-related representations and warranties
 - § 7:30 —Indemnification and other risk-allocation provisions

STRATEGIC ALLIANCES

- § 7:31 Governance and dispute resolution
- § 7:32 —Risks of opportunism in strategic alliances
- § 7:33 —Early termination rights
- § 7:34 —Management committees
- § 7:35 —Dispute resolution procedures

II. FORMS

- § 7:36 Binding letter of intent for multinational strategic partnership
- § 7:37 Letter of intent regarding development of joint business relationship
- § 7:38 Letter of intent to develop national account relationships
- § 7:39 Simple strategic alliance agreement—Cross-promotion of complementary products and services
- § 7:40 Business alliance agreement
- § 7:41 Comprehensive cooperation agreement
- § 7:42 Commercial alliance agreement
- § 7:43 Strategic alliance agreement—License of intellectual property to consortium of companies engaged in development and sale of new technology products
- § 7:44 Strategic alliance for joint promotion to secure new projects in foreign country

CHAPTER 8. CONFIDENTIALITY AND NONDISCLOSURE AGREEMENTS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 8:1 Defining and identifying trade secrets
- § 8:2 —Restatement definition of trade secrets
- § 8:3 —Uniform Act definition of trade secrets
- § 8:4 —State legislation and decisions
- § 8:5 —Examples of potential trade secrets
- § 8:6 Validity and enforceability of confidentiality agreements
- § 8:7 —Implied duties to protect confidential information
- § 8:8 —Contractual nondisclosure obligations
- § 8:9 —Advantages of express contracts
- § 8:10 —Disadvantages of express contracts
- § 8:11 Elements of confidentiality agreements—Definitions of confidential information
- § 8:12 —Procedures for identifying confidential information
- § 8:13 —Exclusions
- § 8:14 —Obligations of receiving party

TABLE OF CONTENTS

- § 8:15 —Required disclosures
- § 8:16 Types of confidentiality/nondisclosure agreements
- § 8:17 General agreements—Unilateral agreement
- § 8:18 —Mutual agreement
- § 8:19 Joint development agreements—Joint venture nondisclosure agreement
- § 8:20 —Joint product research and development arrangement
- § 8:21 —Confidential data exchange agreements
- § 8:22 License agreements
- § 8:23 Investment relationship agreements
- § 8:24 Acquisitions

II. FORMS

- § 8:25 Mutual nondisclosure agreement
- § 8:26 Proprietary information and inventions agreement
- § 8:27 Confidential disclosure to customer
- § 8:28 Vendor nondisclosure agreement
- § 8:29 Exchange of information agreement for strategic alliance negotiations

CHAPTER 9. DUE DILIGENCE

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 9:1 Definition and purposes of due diligence
- § 9:2 —Buyer's due diligence
- § 9:3 —Seller's due diligence
- § 9:4 Investigation team
- § 9:5 —Outside law firms
- § 9:6 ——Evaluation of management's compliance practices
- § 9:7 ——Evaluation of management's compliance reliability
- § 9:8 ——Selection of investigation team
- § 9:9 —In-house investigation schemes
- § 9:10 ——Lead attorney
- § 9:11 ——Topic manager
- § 9:12 ——Document manager
- § 9:13 Investigation plan
- § 9:14 Information collection procedures
- § 9:15 —Document requests
- § 9:16 ——General business information
- § 9:17 ——Functional and topical information
- § 9:18 ——Instructions

STRATEGIC ALLIANCES

- § 9:19 — Preparation and review of document lists
- § 9:20 — Questionnaires
- § 9:21 — File review
- § 9:22 — Interviews
- § 9:23 — Inspections
- § 9:24 — Public record searches
- § 9:25 — Legal opinions and independent reports
- § 9:26 Information review and analysis—Initial review of documents
- § 9:27 — Contract review and analysis
- § 9:28 — Documentation of investigation
- § 9:29 Confidentiality

II. FORMS

- § 9:30 Due diligence checklist
- § 9:31 Intellectual property questionnaire
- § 9:32 Intellectual property interview
- § 9:33 Ownership analysis
- § 9:34 Perfection and protection analysis
- § 9:35 Business matters questionnaire and interview worksheet
- § 9:36 Contract review form
- § 9:37 Employment matters questionnaire and interview worksheet
- § 9:38 Entities
- § 9:39 Business
- § 9:40 Accounting and finance
- § 9:41 Taxes
- § 9:42 Legal matters
- § 9:43 Tangible property
- § 9:44 Operations
- § 9:45 Environmental, health, and safety
- § 9:46 Marketing and sales
- § 9:47 Purchasing
- § 9:48 Government contract matters
- § 9:49 Insurance and administration
- § 9:50 Foreign operations
- § 9:51 Disclosure certificate
- § 9:52 General due diligence information request

TABLE OF CONTENTS

PART III. CONTRACTUAL STRATEGIC ALLIANCES

CHAPTER 10. LICENSING ARRANGEMENTS

I. BUSINESS AND LEGAL CONSIDERATIONS

§ 10:1	Overview
§ 10:2	Legal and regulatory aspects of licensing arrangements
§ 10:3	General types of licensing arrangements
§ 10:4	—Classification by licensed subject matter
§ 10:5	— —Patent licenses
§ 10:6	— —Trademark license
§ 10:7	— —Copyright license
§ 10:8	— —Trade secret license
§ 10:9	— —Hybrid licenses
§ 10:10	—Classification by permitted functional uses— Introduction
§ 10:11	— —Use licenses
§ 10:12	— —Manufacturing licenses
§ 10:13	— —Modification license
§ 10:14	— —Distribution license
§ 10:15	— —Sublicenses
§ 10:16	— —Special commercial situation licenses
§ 10:17	Advantages and disadvantages of licensing arrangements—Introduction
§ 10:18	—Potential advantages of a licensing arrangement— Introduction
§ 10:19	— —Access to vertical capabilities
§ 10:20	— —Technology acquisition and exchange
§ 10:21	— —Market penetration
§ 10:22	— —Neutralizing blocking patents
§ 10:23	— —Satisfying local regulatory requirements
§ 10:24	— —Protection of intellectual property rights
§ 10:25	— —Cost reduction
§ 10:26	— —Enhancing cash flow and harvesting
§ 10:27	—Potential disadvantages of a licensing arrangement—Introduction
§ 10:28	— —Dependence
§ 10:29	— —Expropriation of licensed technology
§ 10:30	— —Risks to value of goodwill
§ 10:31	— —Licensee's costs of exploiting licensed rights

STRATEGIC ALLIANCES

- § 10:32 Evaluation and selection of licensees
- § 10:33 Contents of the licensing agreement
- § 10:34 —Definition and uses of the licensed technology—
 - Introduction
 - Definition of the licensed technology
 - Statutory intellectual property rights
 - Trade secrets and proprietary information
 - Rights licensed from third parties
 - Changes in legal form of protection
 - Licensor-developed improvements and enhancements
 - Licensee-developed enhancements and improvements
 - Scope of use of the licensed subject matter
 - Permitted functional uses of the licensed subject matter
- § 10:42 —Field-of-use restrictions: Products and applications
- § 10:45 —Field-of-use restrictions: Geographic and territorial
 - Exclusive and nonexclusive license rights
 - Contractual restrictions on exclusivity
 - Performance conditions for exclusivity
 - “Most favored licensee” clauses
 - Legal consequences of exclusive licensing
- § 10:51 —Sublicensing and assignment
- § 10:52 —Warranties and guarantees—Introduction
- § 10:53 —Warranties against infringement of third-party rights
- § 10:54 —Defending infringement claims by third parties
- § 10:55 —Right to obtain license or modify infringing technology
- § 10:56 —Risks of providing noninfringement representations
 - Due diligence procedures
 - Remedies for breach of representation
 - Performance warranties and guarantees
- § 10:60 —Additional representations and warranties—No conflicts regarding ownership or right to use
- § 10:61 —Legal validity
- § 10:62 —Regulatory matters
- § 10:63 —Government licenses
- § 10:64 —Limitations and disclaimers of warranties
- § 10:65 —Rights and obligations of the parties—
 - Introduction

TABLE OF CONTENTS

§ 10:66	— — Protection of the licensed subject matter
§ 10:67	— — — Establishment and maintenance of statutory rights
§ 10:68	— — — Infringement actions by or against third parties
§ 10:69	— — — Confidentiality
§ 10:70	— — — Use of protective notices
§ 10:71	— — — Technical assistance and commercial support
§ 10:72	— — — Transfer of technical information
§ 10:73	— — — Technical assistance and training
§ 10:74	— — — Other technical and commercial support
§ 10:75	— — — Licensee's improvements and grant-back provisions
§ 10:76	— — — Licensee's duty to exploit licensed subject matter
§ 10:77	— — — Restrictions on licensee's competitive activities
§ 10:78	— — — Quality control and products liability claims
§ 10:79	— — — Patent marking and nonendorsement
§ 10:80	— — — Breach of the terms of the licensing agreement
§ 10:81	— — — Limitations on the forms of damages
§ 10:82	— — — Limitations on the amount of damages
§ 10:83	— — — Limitations on the type of remedies
§ 10:84	— — — Injunctive relief
§ 10:85	— — — Statute of limitations
§ 10:86	— Compensation, accounting, and payment— Introduction
§ 10:87	— — Royalties
§ 10:88	— — — Scope of compensable uses
§ 10:89	— — — Royalty measurement standard
§ 10:90	— — — Royalty rate
§ 10:91	— — — Minimum and maximum royalty provisions
§ 10:92	— — — Royalty stacking provisions
§ 10:93	— — — Government-owned inventions
§ 10:94	— — — Most favored licensee clauses
§ 10:95	— — — Patent licenses
§ 10:96	— — — Trade secret licenses
§ 10:97	— — — — Research and development costs
§ 10:98	— — — — Abandoned technical information
§ 10:99	— — — — Cost of next best available alternative
§ 10:100	— — — — Share of licensee's profits
§ 10:101	— — — — Improvements
§ 10:102	— — — — Duration
§ 10:103	— — — — “Lump-sum” or nonroyalty payments
§ 10:104	— — — — Mature technologies
§ 10:105	— — — — Limited life of licensed technology

- § 10:106 — — —Cost recovery
- § 10:107 — — —Incentive for exploitation
- § 10:108 — — —Protection against country risk
- § 10:109 — — —Relation to royalty payments
- § 10:110 — — —In-kind payments
- § 10:111 — — —Accounting and payment procedures
- § 10:112 — — —Term and termination of the license agreement—
Introduction
- § 10:113 — — —Term of the licensing agreement
- § 10:114 — — —Early termination provisions
- § 10:115 — — —Effect of termination and post-termination
covenants
- § 10:116 — — —Final settlement of accounts
- § 10:117 — — —Protection of confidential information
- § 10:118 — — —Continued service to existing customers
- § 10:119 — — —Termination damages
- § 10:120 Transferring federally owned technology by licensing
- § 10:121 U.S. antitrust laws—Regulation of intellectual
property licensing agreements

II. FORMS

- § 10:122 License agreement
- § 10:123 Manufacturing license and product purchase
agreement
- § 10:124 Development and license agreement (hardware)
- § 10:125 Development and license agreement
- § 10:126 License and supply agreement
- § 10:127 Exclusive license agreement
- § 10:128 Collaborative license and supply agreement
- § 10:129 Software license agreement
- § 10:130 OEM software license agreement (with reproduction
rights) (licensee's perspective)
- § 10:131 OEM software license agreement (licensor's
perspective)
- § 10:132 Manufacturing license and distribution agreement
- § 10:133 Software design license and distribution agreement
- § 10:134 Manufacturing, sales and distribution exclusive
license agreement
- § 10:135 Manufacturing license and distribution agreement—
Issuance of equity interest in distributor as
consideration for agreement

TABLE OF CONTENTS

CHAPTER 11. RESEARCH AND DEVELOPMENT ARRANGEMENTS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 11:1 Overview
- § 11:2 Cooperative research and development agreements
- § 11:3 The research program—Introduction
- § 11:4 —Scope and content of the research program—
 - Introduction
- § 11:5 —The research budget
- § 11:6 ——Components of the research budget
- § 11:7 ——Capital equipment and facilities
- § 11:8 ——Researching party's profit on research project
- § 11:9 ——Supplemental funding from third parties
- § 11:10 ——Amendments and modifications
- § 11:11 ——Payment procedures
- § 11:12 ——Accounting procedures
- § 11:13 ——Equipment, maintenance, and other support
- § 11:14 ——Staffing of the research project
- § 11:15 ——Management and reporting procedures
- § 11:16 ——Technology exchange and technical assistance
- § 11:17 Representations and covenants—Introduction
- § 11:18 —Representations and warranties
- § 11:19 —Researching party's obligation to conduct research work
 - Restrictions on competitive activities
- § 11:21 —Confidentiality
- § 11:22 —Insurance and products liability
- § 11:23 —Publications and presentations
- § 11:24 —Publicity
- § 11:25 —Additional research projects
- § 11:26 Ownership, protection, and exploitation of the technology—Introduction
- § 11:27 —Ownership of project-related technology—
 - Introduction
- § 11:28 ——Ownership of project-related technology
- § 11:29 ——Technology outside field of activity
- § 11:30 ——Ownership of contributed technologies
- § 11:31 ——Rights to technology created under CRDAs
- § 11:32 —Perfection and maintenance of intellectual property rights
- § 11:33 —Uses of project-related technology—Introduction
- § 11:34 ——Uses of sponsor-owned technology by researching party

STRATEGIC ALLIANCES

- § 11:35 ——Uses of project-related technology owned by the researching party
- § 11:36 ——Sponsor's right of first refusal for exclusive license
- § 11:37 ——Sponsor's option to act as sole distributor
- § 11:38 ——Creation of joint venture to commercialize technology
- § 11:39 Termination of the research arrangement—
 - Introduction
- § 11:40 —Events causing termination of the research arrangement—Failure or nonviability of the research program
- § 11:41 —Inability of sponsor to fund the research program
- § 11:42 —Other events causing termination of the research program
- § 11:43 —Rights and obligations of the parties upon termination
- § 11:44 —Escrow arrangements
- § 11:45 Research arrangements with universities—
 - Introduction
- § 11:46 —Organization of university technology development activities
- § 11:47 —Internal university intellectual property policies
- § 11:48 —University/private industry research arrangements—Overview
 - Staffing of the research project
 - Ownership of project-related technology
 - Restricting disclosures to third parties
 - Publications and presentations
 - Indemnification and insurance coverage
 - Restrictions on promotional advertising
 - Rights regarding additional research projects
 - Individual consulting agreements with research sponsors—In general
 - Statement of services
 - Compensation
 - Protection and ownership of intellectual property
 - Noncompetition agreement
 - Termination of the consulting arrangement
 - Other structures for commercializing university technology
 - § 11:63 Certain tax aspects of research and development arrangements

II. FORMS

- § 11:64 Research agreement

TABLE OF CONTENTS

- § 11:65 Agreement to sponsor research for development of candidate compounds
- § 11:66 —Collaborative research letter agreement
- § 11:67 Consulting agreement
- § 11:68 Strategic alliance for research and development and product commercialization project
- § 11:69 University patent and know how license agreement
- § 11:70 Collaborative research agreement

CHAPTER 12. SUPPLY AND PURCHASE ARRANGEMENTS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 12:1 General business and legal aspects of purchasing activities
- § 12:2 Organization and administration of purchasing function
- § 12:3 Purchasing planning and strategy
- § 12:4 Development and management of long-term supplier relationships
- § 12:5 Order and fulfillment process
- § 12:6 —Requisitions
- § 12:7 —Requests for quotations
- § 12:8 —Identification of prospective suppliers
- § 12:9 —Evaluation of prospective suppliers
- § 12:10 —Selection of suppliers
- § 12:11 General types of supply and purchase contracts
- § 12:12 Supply and purchase contracts—Requirements contracts
 - § 12:13 —Output contracts
 - § 12:14 —Technology transfer arrangements
 - § 12:15 —Supply chain management arrangements
 - § 12:16 Key terms of supply and purchase contracts
 - § 12:17 —Scope and specifications of goods
 - § 12:18 —Orders and forecasts
 - § 12:19 —Logistics
 - § 12:20 —Pricing and payment terms
 - § 12:21 —Warranties and indemnities
 - § 12:22 —Term and termination of agreement
 - § 12:23 Supplier management
 - § 12:24 —Supplier certification programs
 - § 12:25 —Supplier credentialing programs
 - § 12:26 —Extending compliance programs to suppliers

II. FORMS

- § 12:27 Basic form of supply and purchase agreement
- § 12:28 Supply and equipment purchase agreement
- § 12:29 Development, manufacturing, and purchasing agreement
- § 12:30 Accessories supply chain agreement
- § 12:31 Exclusive supplier agreement
- § 12:32 International purchase agreement
- § 12:33 Manufacturing and purchase agreement—Computer systems
- § 12:34 Standards for suppliers
- § 12:35 Supplier audit process
- § 12:36 Disclosure statement in compliance with California Transparency in Supply Chains Act
- § 12:37 Slide deck presentation on supplier selection and management
- § 12:38 Executive summary for clients regarding supplier selection and management

CHAPTER 13. MANUFACTURING ARRANGEMENTS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 13:1 General business considerations—Competitive advantages of manufacturing
 - Manufacturing strategy
 - General analysis of the manufacturing function
 - Key decision areas
 - Performance objectives
 - Internal manufacturing goals
 - Organization of manufacturing function
- § 13:8 General business and legal aspects of manufacturing activities
- § 13:9 Outsourcing manufacturing requirements—Services offered by contract manufacturers
 - Product design and engineering
 - Manufacturing design services
 - Volume manufacturing
 - Final system assembly and testing
 - Direct order fulfillment
 - After-sale product service and support
- § 13:16 Advantages of outsourcing manufacturing requirements
 - Factor cost advantage

TABLE OF CONTENTS

- § 13:18 ——Cost savings
- § 13:19 ——Superior competencies of outsourcing partners
- § 13:20 ——Asset transfer
- § 13:21 ——Economies of scale
- § 13:22 ——Mitigation and management of business risks
- § 13:23 ——Outsourcing decision
- § 13:24 ——Manufacturer selection process
- § 13:25 Establishing manufacturing arrangements—
 - Preliminary negotiations
- § 13:26 ——Confidentiality agreements
- § 13:27 ——Letter of intent
- § 13:28 ——Limited prototype manufacturing agreement
- § 13:29 ——Product or process development agreement
- § 13:30 ——Contract manufacturing arrangements
- § 13:31 ——Products developed by manufacturer
- § 13:32 ——Products developed by purchaser
- § 13:33 ——Master manufacturing agreements
- § 13:34 ——Requirements contracts
- § 13:35 ——Manufacturing facilities and equipment arrangements
- § 13:36 ——Subcontracting arrangements
- § 13:37 ——Original equipment manufacturer arrangements
- § 13:38 ——Product design and acceptance procedures
- § 13:39 ——Spare parts and supplies
- § 13:40 ——Software updates
- § 13:41 ——Warranties
- § 13:42 ——Confidentiality obligations
- § 13:43 ——Termination
- § 13:44 ——Manufacturing and distribution arrangements
- § 13:45 ——Ancillary agreements
- § 13:46 Specific terms and conditions of manufacturing arrangements—In general
 - § 13:47 ——Standard terms of product purchase agreements
 - § 13:48 ——Ordering procedures
 - § 13:49 ——Pricing
 - § 13:50 ——Terms of payment
 - § 13:51 ——Default by manufacturer
 - § 13:52 Management of the manufacturer relationship
 - § 13:53 ——Designation of company representatives
 - § 13:54 ——Managing the initial production ramp up
 - § 13:55 ——Forecasts and order procedures
 - § 13:56 ——Quality control
 - § 13:57 ——Additional services
 - § 13:58 Tax considerations

II. FORMS

- § 13:59 Exclusive supply agreement
- § 13:60 Term sheet and letter of agreement for manufacturing relationship
- § 13:61 OEM purchase and development agreement
- § 13:62 Branded product manufacturing agreement
- § 13:63 Exclusive foreign manufacturing agreement
- § 13:64 Contract manufacturer terms and conditions of sale and purchase
- § 13:65 Exclusive manufacturing and supply agreement
- § 13:66 Manufacturing supply agreement
- § 13:67 Manufacturing agreements—Clause library

Volume 2

CHAPTER 14. FOREIGN SALES REPRESENTATION ARRANGEMENTS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 14:1 Chapter summary
- § 14:2 In general; scope of discussion
- § 14:3 Locating and selecting a foreign sales representative
- § 14:4 General drafting considerations; nature of manufacturer-representation relationship
- § 14:5 Confidentiality obligations; intellectual property protection
- § 14:6 Governing law and choice of forum; choice of language
- § 14:7 Foreign Corrupt Practices Act compliance program and procedures
- § 14:8 Transaction checklist
- § 14:9 Selling into foreign markets
- § 14:10 Exclusivity
- § 14:11 Representative's compensation
- § 14:12 Representative's duties and obligations
- § 14:13 Representative's authority to bind manufacturer
- § 14:14 Term and termination of the agreement
- § 14:15 —Just cause for termination
- § 14:16 —Post-termination issues
- § 14:17 Due diligence on foreign agents
- § 14:18 Guidelines for successfully managing independent sales representatives

TABLE OF CONTENTS

- § 14:19 —Selecting the most qualified local representative
- § 14:20 —Training
- § 14:21 —Compensation
- § 14:22 —Communication
- § 14:23 Foreign Corrupt Practices Act
- § 14:24 —Persons subject to FCPA prohibitions
- § 14:25 —Requirement of corrupt intent
- § 14:26 —Recipient: foreign officials
- § 14:27 —Form of payment
- § 14:28 —Permissible payments and affirmative defenses
- § 14:29 —Accounting provisions
- § 14:30 —Sanctions
- § 14:31 —Criminal and civil penalties for individuals
- § 14:32 —Criminal and civil penalties for corporations
- § 14:33 —Additional penalties and sanctions
- § 14:34 —Private rights of action
- § 14:35 —Attorney liability under the FCPA
- § 14:36 —Securities law violations
- § 14:37 —Recent and anticipated developments
- § 14:38 —Internal Revenue Code
- § 14:39 Antiboycott laws and regulations
- § 14:40 Foreign regulation of sales representatives
- § 14:41 —Definition of covered persons and entities
- § 14:42 —Citizenship requirements
- § 14:43 —Licensing or registration requirements
- § 14:44 —Agent remuneration
- § 14:45 —Termination of agreement
- § 14:46 —Other local rules regulating sales representative agreements
- § 14:47 Other laws and regulations affecting sales arrangements
- § 14:48 Tax considerations

II. CHECKLISTS

- § 14:49 Drafting checklist for sales representative agreement

III. FORMS

A. COMPLETE FORMS

- § 14:50 Sales representative agreement
- § 14:51 Marketing agreement
- § 14:52 Export sales representation agreement
- § 14:53 Non-Exclusive territorial sales representative agreement

STRATEGIC ALLIANCES

- § 14:54 Business development services letter agreement
- § 14:55 Strategic alliance agreement with independent business developer
- § 14:56 Exclusive sales agency agreement
- § 14:57 Foreign Corrupt Practices Act compliance policy
- § 14:58 —Additional company guidance

B. ALTERNATIVE AND OPTIONAL CLAUSES

- § 14:59 Alternative: nonexclusive appointment
- § 14:60 Option: specific exclusion of sales outside territory and certain sales of products by third parties
- § 14:61 Alternative: customer limitations
- § 14:62 Alternative: manufacturer to determine competitiveness of other products
- § 14:63 Alternative: representative's right to handle competitive products
- § 14:64 Option: specification of duties in international sales representative agreement
- § 14:65 Option: sales quotas
- § 14:66 Option: export control laws
- § 14:67 Option: representative's reports
- § 14:68 Option: representative's expenses
- § 14:69 Option: compliance with law
- § 14:70 Option: force majeure
- § 14:71 Option: order fulfillment
- § 14:72 Option: demonstrations and briefings
- § 14:73 Option: technical assistance
- § 14:74 Alternative: commission limited to orders solicited by representative
- § 14:75 Alternative: commission limited to revenues received during term of agreement
- § 14:76 Option: eligibility for commission for orders received after termination
- § 14:77 Alternative: commission paid following payment by customers
- § 14:78 Option: advances/draws
- § 14:79 Option: statements and records
- § 14:80 Option: termination on bankruptcy
- § 14:81 Alternative: cessation of use of manufacturer's intellectual property rights and return of materials to manufacturer
- § 14:82 Option: patents, trademarks and tradenames
- § 14:83 Option: detailed definition of order
- § 14:84 Option: mutual indemnification
- § 14:85 Option: arbitration

TABLE OF CONTENTS

CHAPTER 15. DISTRIBUTION ARRANGEMENTS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 15:1 Introduction
- § 15:2 Types of distributorship arrangements—Nonexclusive distribution agreements
 - § 15:3 —Exclusive distribution agreements
 - § 15:4 —International distributor agreements
 - § 15:5 —Dealer arrangements
- § 15:6 Basic issues in distribution relationships—Goods covered by the relationship—In general
 - § 15:7 —Products
 - § 15:8 —Parts and supplies
 - § 15:9 —Enhancements and improvements
 - § 15:10 —Rights to new products
 - § 15:11 —Manufacturing responsibilities
 - § 15:12 —Technical support and service—Introduction
 - § 15:13 ——Technical assistance
 - § 15:14 ——Service
 - § 15:15 —Warranties
 - § 15:16 —Protection of technical information
 - § 15:17 —Indemnification
 - § 15:18 —Other issues
 - § 15:19 ——Ordering procedures
 - § 15:20 ——Compensation
 - § 15:21 ——Duties and obligations
 - § 15:22 ——Defaults and termination
 - § 15:23 Specific terms and conditions of distribution arrangements—Exclusivity
 - § 15:24 —Pricing and payment terms
 - § 15:25 —Resale pricing
 - § 15:26 —Product changes
 - § 15:27 —Ordering and shipping procedures—Introduction
 - § 15:28 ——Forecasts and orders
 - § 15:29 ——Increases in distributor's orders
 - § 15:30 ——Assistance in development of manufacturing resources
 - § 15:31 —Duties of the distributor
 - § 15:32 —Warranty obligations
 - § 15:33 —Promotional activities
 - § 15:34 —Trademarks and goodwill
 - § 15:35 —Distributor review
 - § 15:36 —Returns and credits

STRATEGIC ALLIANCES

- § 15:37 —Termination of the distribution arrangement
- § 15:38 Licenses to manufacture and distribute products—
 - Introduction
- § 15:39 —Definition of licensed products
- § 15:40 —Manufacturing activities—In general
- § 15:41 ——Transfer of technical information
- § 15:42 ——Training and assistance
- § 15:43 ——Cooperative purchasing
- § 15:44 —Scope of manufacturing and distribution licenses
- § 15:45 —Senior party's obligation to purchase products—In general
 - Pricing
 - Payment procedures
 - Order forecast
 - Developer's right to purchase products
- § 15:50 Tax considerations

II. FORMS

- § 15:51 Territorial distribution agreement—Pro-distributor form
- § 15:52 Distributor agreement—Pro-vendor form
- § 15:53 Consignment agreement—Pro-consignee form
- § 15:54 International exclusive distribution agreement
- § 15:55 International non-exclusive distribution agreement
- § 15:56 U.S. regional distribution agreement for computers
- § 15:57 Worldwide distribution agreement
- § 15:58 Marketing and technology license agreement
- § 15:59 Equipment distribution agreement
- § 15:60 Limited liability company operating agreement of joint sales company
- § 15:61 Marketing and distribution agreement

PART IV. JOINT VENTURES

CHAPTER 16. INTRODUCTION TO JOINT VENTURES

- § 16:1 Overview
- § 16:2 General legal characteristics of joint ventures
- § 16:3 U.S. antitrust law regulation of joint ventures—
 - Introduction
- § 16:4 —Analyzing the competitive effects of the joint venture
- § 16:5 —Application of rule of reason analysis

TABLE OF CONTENTS

§ 16:6	—Collateral agreements
§ 16:7	—Spill-over effects of joint ventures
§ 16:8	—Bottleneck or essential facilities concerns
§ 16:9	—Competitor collaborations guidelines
§ 16:10	Functional types of joint venture relationships
§ 16:11	—Research and development joint ventures
§ 16:12	—Manufacturing or production joint ventures
§ 16:13	—Marketing and distribution joint ventures
§ 16:14	—Purchasing joint ventures
§ 16:15	—Hybrid joint venture relationships
§ 16:16	Motivations for joint venture relationships
§ 16:17	Structural components of equity joint ventures
§ 16:18	—Basic structural components
§ 16:19	—Ancillary agreements
§ 16:20	— —Patent, technology, and technical assistance agreement
§ 16:21	— —Real estate transfer agreement
§ 16:22	— —Supply agreement
§ 16:23	— —Equipment and machinery agreement
§ 16:24	— —Administrative services agreement
§ 16:25	— —Marketing agreement
§ 16:26	— —Trademark/trade name agreement
§ 16:27	— —Other ancillary agreements
§ 16:28	Selecting the form of business entity for joint ventures
§ 16:29	—Business organizations in the United States—Partnerships
§ 16:30	— —Corporations
§ 16:31	— —Limited liability companies
§ 16:32	—Business organizations outside the United States
§ 16:33	— —Public companies
§ 16:34	— —“Private” limited liability or stock companies
§ 16:35	Selecting the form of business entity for joint—Business organizations outside the United States—Special European Community entities
§ 16:36	Selecting the form of business entity for joint ventures—Business organizations outside the United States—Limited liability and other pass-through entities
§ 16:37	— —Company law in emerging markets
§ 16:38	Public joint ventures
§ 16:39	Factors affecting the success or failure of relationships
§ 16:40	Top Dozen list of issues for attorneys to discuss with clients regarding joint ventures

§ 16:41 Executive summary for clients regarding joint ventures

CHAPTER 17. FORMATION OF THE JOINT VENTURE

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 17:1 Introduction
- § 17:2 Selection and evaluation of joint venture partners
- § 17:3 Exchange of information
- § 17:4 Confidentiality and non-disclosure agreements
- § 17:5 Preliminary activities
- § 17:6 Joint venture business plan
- § 17:7 —Business purpose of the joint venture
- § 17:8 —Scope of the joint venture business
- § 17:9 ——Field of activity
- § 17:10 ——Products and markets
- § 17:11 ——Territory
- § 17:12 —Financing joint venture activities
- § 17:13 —Management of the joint venture
- § 17:14 —Duration of the joint venture
- § 17:15 —Additional items
- § 17:16 Contributions to the joint venture—Introduction
- § 17:17 —Tangible and intangible assets—Introduction
- § 17:18 ——Cash and cash equivalents
- § 17:19 ——Services
- § 17:20 ——Tangible property
- § 17:21 ——Intangible property
- § 17:22 —Other forms of contributions to the joint venture
- § 17:23 —Valuation considerations
- § 17:24 —Income tax considerations of joint venture contributions—Contributions to corporate joint ventures
- § 17:25 —Income considerations of joint venture contributions—Contributions to partnership joint ventures
- § 17:26 ——Sale or license of intangible property
- § 17:27 Capital structure—Introduction
- § 17:28 —Alternative forms of capital structure—Introduction
- § 17:29 ——Single class of common stock
- § 17:30 ——Multiclass capital structure
- § 17:31 —Accounting for additional capital contributions
- § 17:32 Completing formation of the joint venture
- § 17:33 —Managing the formation process

TABLE OF CONTENTS

- § 17:34 —Venturers' agreement
- § 17:35 ——Representations and warranties
- § 17:36 ——Closing conditions
- § 17:37 ——Covenants and termination
- § 17:38 ——Closing documents
- § 17:39 ———Closing certificates
- § 17:40 ———Third-party consents and permissions
- § 17:41 ———Legal opinions
- § 17:42 ———Transfer documents
- § 17:43 ———Ancillary agreements and documents
- § 17:44 ——Cash contributions
- § 17:45 ——Post-closing actions
- § 17:46 Use and role of project directors in joint venture formation process

II. CHECKLISTS

- § 17:47 Transaction checklist for forming a joint venture
- § 17:48 Checklist: drafting a venturers' agreement
- § 17:49 Checklist: closing procedures for the joint venture

III. FORMS

- § 17:50 Memorandum of understanding for distribution joint venture
- § 17:51 Binding letter of intent for joint venture to be formed as a limited liability company
- § 17:52 Joint venture shareholders' agreement
- § 17:53 Shareholders' agreement
- § 17:54 Joint venture agreement (investment and incubator business)
- § 17:55 Shareholder agreement
- § 17:56 Capital contribution and joint venture agreement for proposed limited liability company
- § 17:57 LLC operating agreement of joint sales company
- § 17:58 Joint venture agreement for development of new product complementary to existing products
- § 17:59 Comprehensive operating agreement for joint venture operated as a manager-managed limited liability company
- § 17:60 Contribution agreement—Comprehensive form
- § 17:61 Limited liability company operating agreement for Joint venture
- § 17:62 Call option agreement for change of control over joint venture

CHAPTER 18. MANAGING AND OPERATING THE JOINT VENTURE

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 18:1 Introduction
- § 18:2 Management and control of the joint venture—Basic governance structures
 - Operator model
 - Shared control model
 - Autonomous model
- § 18:6 Methods for allocating control of the joint venture—
 - In general
 - Factors for consideration in allocating control
 - Functional and operational objectives
 - Level of decision making
 - Need for shared control
 - Key commitments and performance milestones
 - Allocating control in “50-50” joint ventures
 - Allocating control in “non-50-50” joint ventures
- § 18:14 Selection of the board of directors—In general
- § 18:15 — Size and composition of the board of directors
- § 18:16 — Control of the board of directors
- § 18:17 — Role of the board of directors
- § 18:18 — Changing control of the board of directors
- § 18:19 Selection of officers
- § 18:20 — Matters subject to unanimous shareholder approval
- § 18:21 — Dispute resolution procedures
- § 18:22 — Checklist of principles for successful meetings
- § 18:23 — Limited liability companies
- § 18:24 Functional activities of the joint venture
- § 18:25 Operational activities of the joint venture
- § 18:26 — Staffing
- § 18:27 — Immigration laws
- § 18:28 — Administrative services agreements
- § 18:29 — Government relations
- § 18:30 — Covenants on internal operations
- § 18:31 — Accounting matters and financial reporting—In general
 - Maintenance of books and records
 - Independent public accountant and legal counsel
 - Financial information
- § 18:35 Allocations and distributions of joint venture income
- § 18:36 Other contractual obligations of the parties

TABLE OF CONTENTS

- § 18:37 Taxation of Americans working abroad—Overview
- § 18:38 —Foreign tax home requirement
- § 18:39 —Bona fide residence and physical presence tests
- § 18:40 —Foreign earned income

II. FORMS

- § 18:41 Assignment and license agreement: Technology joint venture
- § 18:42 License and technical assistance agreement from joint venture partner
- § 18:43 Development and supply agreement
- § 18:44 Management services agreement

CHAPTER 19. TERMINATION OF THE JOINT VENTURE

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 19:1 Introduction
- § 19:2 Duration of the joint venture
- § 19:3 Restrictions on transfers of ownership
- § 19:4 Pre-termination withdrawals of a joint venture partner—Introduction
- § 19:5 —Fundamental changes involving a joint venture partner
- § 19:6 —Withdrawal events relating to joint venture operations
- § 19:7 —Procedures for facilitating withdrawal of a party
- § 19:8 —Valuing the interest of the withdrawing party—Introduction
- § 19:9 —Common valuation methods
- § 19:10 Termination of the joint venture—Election to terminate the joint venture
- § 19:11 —Liquidation and dissolution of the joint venture—General business considerations
- § 19:12 —Valuation of noncash assets and intangibles
- § 19:13 —Liquidation and dissolution procedures
- § 19:14 Pre-termination withdrawals and termination of the joint venture—Joint ventures organized as limited liability companies
- § 19:15 Post-termination considerations

II. CHECKLISTS

- § 19:16 Checklist for dissolving and liquidating a corporate joint venture

III. FORMS

- § 19:17 Assignment of joint venture interest—“Right to transfer interest to a related individual” provision
- § 19:18 —“Validity of transfer of interest of joint venture” provision
- § 19:19 —“Right of first refusal to other joint venturer” provision
- § 19:20 —“Right to purchase in event of bankruptcy, garnishment, or attachment or tax-lien proceeding” provision
- § 19:21 —Notice of intent to assign interest in joint venture agreement
- § 19:22 —Assignment of interest in joint venture agreement (short-form assignment)
- § 19:23 —Sale and assignment of joint venture interest agreement (long-form assignment)
- § 19:24 —Consent of other joint venturers to assignment of interest in joint venture agreement
- § 19:25 —Acceptance and assumption by assignee of assignment of interest in joint venture agreement
- § 19:26 Dissolution agreement
- § 19:27 Joint venture termination agreement—Termination of joint venture prior to formation and organization of joint venture company

CHAPTER 20. TAX ASPECTS OF JOINT VENTURE ACTIVITIES

- § 20:1 Introduction
- § 20:2 Taxation of business activities
- § 20:3 —Determination of tax classification
- § 20:4 —Tax treatment of individuals and corporations
- § 20:5 —Tax treatment of conduit entities
- § 20:6 —Determining income from business activity
- § 20:7 ——Gross income
- § 20:8 ——Deductions
- § 20:9 ———Ordinary and necessary requirement
- § 20:10 ———Trade or business requirement
- § 20:11 ———Current expense requirement
- § 20:12 ———Distributions to owners
- § 20:13 ———Research and development expenses
- § 20:14 ———Special deductions for corporations
- § 20:15 Income tax aspects of forming a U.S. corporation
- § 20:16 —Treatment as a corporation
- § 20:17 —Treatment of organizational expenses

TABLE OF CONTENTS

§ 20:18	—Section 351 transactions
§ 20:19	—Definition of property
§ 20:20	—Definition of stock
§ 20:21	—Definition of exchange
§ 20:22	—Definition of control
§ 20:23	—Tax effect on incorporation
§ 20:24	Income tax aspects of forming a U.S. partnership
§ 20:25	—Partnership defined
§ 20:26	—Acquisition of partnership interest
§ 20:27	—Basis of partnership interest acquired—Initial basis
§ 20:28	—Increase in basis
§ 20:29	—Decrease in basis
§ 20:30	Tax aspects of joint ventures
§ 20:31	—Determining taxable form of joint venture
§ 20:32	Special considerations for foreign joint venture entities
§ 20:33	—Contributions to foreign corporations and partnerships
§ 20:34	—Foreign tax credits
§ 20:35	—Controlled or noncontrolled foreign corporation
§ 20:36	—Subpart F
§ 20:37	—Foreign tax credit limitation
§ 20:38	—Transfer pricing issues
§ 20:39	—Statutory overview
§ 20:40	—Methods for determining arm's-length prices
§ 20:41	—Outbound transfers of intangible property
§ 20:42	—Overview of the source rules
§ 20:43	—Withholding issues
§ 20:44	—Transfers to a controlled foreign corporation

PART V. NEGOTIATED ACQUISITIONS

CHAPTER 21. NEGOTIATED ACQUISITIONS

§ 21:1	Introduction
§ 21:2	Preliminary considerations—Locating potential acquisition partners
§ 21:3	—Sources
§ 21:4	—Brokers' or finders' agreements
§ 21:5	—Evaluation of prospective acquisition partners
§ 21:6	—Motives of acquisition partner
§ 21:7	—Managerial and financial matters

STRATEGIC ALLIANCES

- § 21:8 ——Development, manufacturing, and labor matters
- § 21:9 ——Distribution matters
- § 21:10 —Preparation of businesses for sale
- § 21:11 Due diligence investigation
- § 21:12 —Goals and objectives
- § 21:13 —Buyer's due diligence
- § 21:14 ——Nonfinancial due diligence
- § 21:15 ——Buyer's financial due diligence
- § 21:16 ——Accounts receivable
- § 21:17 ——Inventories
- § 21:18 ——Employee benefits
- § 21:19 ——Seller's due diligence
- § 21:20 ——Business history of buyer
- § 21:21 ——Creditworthiness of buyer
- § 21:22 ——Projected business performance of buyer
- § 21:23 ——Conduct of business following closing
- § 21:24 ——Confidentiality
- § 21:25 Form and structure of transaction
- § 21:26 —Methods for purchase and sale of corporate businesses
 - § 21:27 —Asset sales
 - § 21:28 —Sale of shares
 - § 21:29 —Mergers
 - § 21:30 —Tax considerations
 - § 21:31 —Liability considerations
 - § 21:32 —Accounting considerations
 - § 21:33 —Pooling of interests
 - § 21:34 —Purchase method
 - § 21:35 —Miscellaneous considerations—Choice and selection of assets
 - § 21:36 —Transfer restrictions
 - § 21:37 —Shareholder approval
 - § 21:38 —Liens and encumbrances
 - § 21:39 Summary of terms or letter of intent
 - § 21:40 Purchase and sale transactions—Management and administration of transaction
 - § 21:41 —Planning and coordination
 - § 21:42 —Action items
 - § 21:43 —Definitive agreement
 - § 21:44 —Purchase price
 - § 21:45 —Valuation
 - § 21:46 ——Adjustments to purchase price
 - § 21:47 ——Contingent payments or “earnouts”
 - § 21:48 ——Release of guarantees

TABLE OF CONTENTS

§ 21:49	— Allocation of purchase price
§ 21:50	— Financing the transaction
§ 21:51	— Internal financing
§ 21:52	— Loans
§ 21:53	— Sale of securities
§ 21:54	— Terms of payment and consideration
§ 21:55	— Shares of stock
§ 21:56	— Convertible debentures
§ 21:57	— Inventory purchase
§ 21:58	— Loans to seller's business
§ 21:59	— Lease with purchase option
§ 21:60	— Installment payments and security agreements
§ 21:61	— Conditions and covenants—Closing conditions and procedures
§ 21:62	— Covenants
§ 21:63	— Representations and warranties
§ 21:64	— Use and purpose
§ 21:65	— Breach of representations and warranties
§ 21:66	— Indemnification
§ 21:67	— Escrow arrangements
§ 21:68	— Ancillary agreements and documents
§ 21:69	— Disclosure schedules
§ 21:70	— Escrow agreements
§ 21:71	— Employment and consulting agreements
§ 21:72	— Noncompetition agreements
§ 21:73	— Registration rights agreements
§ 21:74	— Promissory notes and security agreements
§ 21:75	— Transfer documents
§ 21:76	— Closing procedures and documents
§ 21:77	— Preclosing and closing memorandum
§ 21:78	— Closing certificates
§ 21:79	— Third-party consents and permits
§ 21:80	— Legal opinions
§ 21:81	Post-closing actions
§ 21:82	— Transition of ownership
§ 21:83	— Audit of seller's books and records
§ 21:84	— Organization of documents
§ 21:85	Legal considerations—Approvals and consent
§ 21:86	— Successor liability
§ 21:87	— Employee benefits liability
§ 21:88	— Products liability
§ 21:89	— Pending or threatened litigation
§ 21:90	— Tax liability
§ 21:91	— Environmental liability

STRATEGIC ALLIANCES

- § 21:92 —Regulatory approvals
- § 21:93 —Federal securities laws
- § 21:94 ——Registration requirements
- § 21:95 ——Antifraud provisions
- § 21:96 ——Duty to disclose
- § 21:97 —U.S. antitrust laws
- § 21:98 ——Substantive standards
- § 21:99 ——The Hart-Scott-Rodino Antitrust Improvements Act
 - Acquisitions of corporate securities or assets
 - Exemptions
- § 21:100 —The Hart-Scott-Rodino Antitrust Improvements Act—Corporate joint ventures
- § 21:102 —The Hart-Scott-Rodino Antitrust Improvements Act—Non-corporate entities and interests
 - Procedural considerations
 - Enforcement factors
 - Remedies
- § 21:103 Tax considerations
 - Qualification requirements
 - Form of transaction
 - Plan of reorganization
 - Exchange of stock or securities
 - Continuity of interest
 - Business purpose
 - Continuity of business enterprise
 - Record-keeping requirements
- § 21:104 —Tax consequences to shareholders and security holders
 - Nonrecognition of gain or loss
 - Receipt of additional consideration
 - Assumption of liabilities
 - Basis
- § 21:105 —Tax consequences to corporation—Nonrecognition of gain or loss
 - Distributions of qualified property
 - Basis
- § 21:106 —Carryovers
- § 21:107 —Net operating loss (NOL) carryforwards
 - Limitation on loss carryforwards
 - Definition of loss corporation
 - Definition of prechange loss
 - Value of loss corporation
- § 21:108 —Change in ownership
- § 21:109 —Limitation on use of losses to offset built-in gains

TABLE OF CONTENTS

- § 21:132 —Sales and transfer taxes
- § 21:133 Post-closing considerations
- § 21:134 Organizational culture and merger success
- § 21:135 Integration planning

CHAPTER 22. LETTERS OF INTENT

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 22:1 Practical considerations
- § 22:2 —Practical uses of a letter of intent
- § 22:3 —Strategic uses of a letter of intent
- § 22:4 ——Commitment
- § 22:5 ——Binding and nonbinding provisions
- § 22:6 ——Form of the transaction
- § 22:7 ——Psychological effect on future negotiations
- § 22:8 —Form of letters of intent
- § 22:9 —Contents of letters of intent
- § 22:10 ——Nonbinding provisions
- § 22:11 ——Binding provisions
- § 22:12 ——Vagueness
- § 22:13 —Preparation and negotiation of letters of intent
- § 22:14 ——Preparing legally binding letters of intent
- § 22:15 ——Preparing nonbinding letters of intent
- § 22:16 Business considerations
- § 22:17 —Agreement upon structure of the transaction
- § 22:18 —Determination of the purchase price
- § 22:19 —Security arrangements
- § 22:20 —Financial covenants
- § 22:21 —Timetable and closing date
- § 22:22 —Negotiation and drafting of definitive agreement
- § 22:23 —Conditions to proposed transaction
- § 22:24 —Employment and noncompetition agreements
- § 22:25 —Due diligence investigation and confidentiality provisions
- § 22:26 —Exclusive dealing or “no shop” restrictions
- § 22:27 —Break-up fees
- § 22:28 —Conduct of business prior to closing
- § 22:29 Legal considerations—Enforceability of letters of intent
- § 22:30 ——Specificity
- § 22:31 ——Execution of definitive documents
- § 22:32 ——Conditional third-party approvals
- § 22:33 ——Language choice and verb tense
- § 22:34 ——Subsequent conduct

§ 22:35 ——Complexity and size of transaction

II. FORMS

- § 22:36 —Letter of intent for acquisition of all outstanding shares of company
- § 22:37 —Letter of intent for purchase of all assets of company
- § 22:38 —Letter of intent for proposed purchase of assets and limited assumption of liabilities of seller

CHAPTER 23. BUSINESS VALUATION

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 23:1 Introduction
- § 23:2 Concepts of value
- § 23:3 —Fair market value
- § 23:4 —Fair value
- § 23:5 —Investment value
- § 23:6 —Intrinsic or fundamental value
- § 23:7 —Going concern and liquidation values
- § 23:8 —Financial Accounting Standard 157
- § 23:9 Due diligence investigation
- § 23:10 —Business operations
- § 23:11 —Financial information—Finance-related issues
- § 23:12 ——Types of financial statements
- § 23:13 ——Compilation of financial statements
- § 23:14 ——Review of financial statements
- § 23:15 ——Audit of financial statements
- § 23:16 —Interviews
- § 23:17 —Economic and industry information
- § 23:18 —Comparable companies and transactions
- § 23:19 ——Sources and collection of information
- § 23:20 ——Review and evaluation of information
- § 23:21 ——Selection of comparable companies
- § 23:22 —Specialized information
- § 23:23 Analysis of financial information
- § 23:24 —Inventories
- § 23:25 —Investments
- § 23:26 —Depreciable assets
- § 23:27 —Intellectual property rights
- § 23:28 —Compensation and other benefits
- § 23:29 —Research and development expenditures
- § 23:30 —Nonrecurring income and expense items

TABLE OF CONTENTS

- § 23:31 Methods for valuing a business
- § 23:32 —Asset-oriented financial statement valuation methods
 - § 23:33 —Book value
 - § 23:34 —Adjusted book value
 - § 23:35 —Liquidation value
 - § 23:36 —Income statement valuation methods
 - § 23:37 ——Computation of future revenues or earnings
 - § 23:38 ——Capitalization or discount rates
 - § 23:39 ——Common income statement valuation methods
 - § 23:40 ——Capitalization of gross revenues
 - § 23:41 ——Capitalization of historical earnings
 - § 23:42 ——Prize-earnings ratios
 - § 23:43 ——Discounted present value of future earnings
 - § 23:44 ——Discounted cash flow valuation methods
 - § 23:45 —Nonfinancial statement valuation elements
 - § 23:46 —Asset items
 - § 23:47 —Liability items
 - § 23:48 —Effects of method of payment
 - § 23:49 —Payment in purchaser's stock
 - § 23:50 —Inventory purchase
 - § 23:51 —Contingent payments ("earnouts")
 - § 23:52 Valuing newly formed emerging growth companies
 - § 23:53 —Assumptions underlying financial projections
 - § 23:54 —Length of projection period
 - § 23:55 —Residual value
 - § 23:56 —Discount rate
 - § 23:57 —Valuation and pricing negotiations
 - § 23:58 Professional valuation assistance
 - § 23:59 —Locating qualified valuation experts
 - § 23:60 —Engagement letter
 - § 23:61 —Fee arrangements

II. FORMS

- § 23:62 Appraisal engagement letter
- § 23:63 Appraisal document and information checklist

CHAPTER 24. ACQUISITION AGREEMENTS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 24:1 Introduction
- § 24:2 Description of parties and transaction
- § 24:3 Representations and warranties of the acquired company—Introduction

STRATEGIC ALLIANCES

- § 24:4 —Qualifications and limitations
- § 24:5 —Schedule of exceptions
- § 24:6 —Organization and structure—Organization, standing, and power
 - § 24:7 —Authority
 - § 24:8 —No conflicts
 - § 24:9 —Capitalization
 - § 24:10 —Subsidiaries
- § 24:11 —Financial condition of acquired company
- § 24:12 —Topics covered by representations
- § 24:13 —Periods covered by financial statements
- § 24:14 —Generally accepted accounting principles
- § 24:15 —Interim period financial statements
- § 24:16 —Consolidated or unconsolidated financial statements
- § 24:17 —Post-signing and closing financial statements
- § 24:18 —Financial information for SEC reporting companies
 - § 24:19 —No undisclosed liabilities
 - § 24:20 —Absence of changes
 - § 24:21 —Bank accounts and powers of attorney
 - § 24:22 —Properties and assets
 - § 24:23 —Title to property and assets
 - § 24:24 —Intellectual property rights
 - § 24:25 —Material real property leases
 - § 24:26 —Condition of assets
 - § 24:27 —Insurance
 - § 24:28 —Products and customers—Inventories
 - § 24:29 —Manufacturing rights
 - § 24:30 —Customer relationships
 - § 24:31 —Product warranties
 - § 24:32 —Accounts receivable
 - § 24:33 —Legal and tax matters—Litigation
 - § 24:34 —Compliance with laws and regulations
 - § 24:35 —Taxes
 - § 24:36 —Material contracts and commitments
 - § 24:37 —Environmental laws
 - § 24:38 —Disclosures
 - § 24:39 —Employees, founders, and related parties—Employee matters
 - § 24:40 —Representations of founders
 - § 24:41 —Related-party transactions
 - § 24:42 —Selling shareholders' representations in nonmerger acquisitions
 - § 24:43 Representations and warranties of the purchaser

TABLE OF CONTENTS

- § 24:44 Covenants of the acquired company
- § 24:45 —Documents to be furnished
- § 24:46 —Actions prior to closing
- § 24:47 Purchaser's closing conditions
- § 24:48 —Representations and warranties correct
- § 24:49 —Covenants
- § 24:50 —Governmental consents
- § 24:51 —Opinion of acquired company's counsel
- § 24:52 —Compliance certificate
- § 24:53 —Other closing conditions
- § 24:54 ——Absence of litigation
- § 24:55 ——Shareholders' authorization
- § 24:56 ——No material adverse change
- § 24:57 ——Financial information
- § 24:58 ——Listing of shares
- § 24:59 ——Employment-related agreements

II. FORMS

- § 24:60 Merger agreement
- § 24:61 Asset purchase agreement
- § 24:62 Sale of shares agreement
- § 24:63 Earnout agreement (earnings-based formula)
- § 24:64 Cross-border merger agreement—Acquisition of UK company by U.S. public company

PART VI. INVESTMENT CORPORATE PARTNERING RELATIONSHIPS

CHAPTER 25. INVESTMENT CORPORATE PARTNERING RELATIONSHIPS

I. BUSINESS AND LEGAL CONSIDERATIONS

- § 25:1 Overview
- § 25:2 Characteristics of the parties
- § 25:3 —Senior partner characteristics
- § 25:4 —Junior partner characteristics
- § 25:5 Basic forms of corporate partnering relationships
- § 25:6 —Research and development relationships
- § 25:7 —Product development relationships
- § 25:8 —Investment relationships

STRATEGIC ALLIANCES

- § 25:9 Negotiation considerations
- § 25:10 General legal considerations—Introduction
- § 25:11 —Corporate law considerations
- § 25:12 —Securities law considerations
- § 25:13 —Protection of confidential information
- § 25:14 —Accounting and tax considerations
- § 25:15 —Antitrust laws
- § 25:16 —International transactional considerations
- § 25:17 Investment terms—Selecting the investment instrument—In general
 - § 25:18 —Common stock
 - § 25:19 —Convertible preferred stock
 - § 25:20 —Convertible debt securities
 - § 25:21 —Nonconvertible equity or debt securities
 - § 25:22 —Terms of convertible preferred stock—In general
 - § 25:23 —Dividends
 - § 25:24 —Liquidation preference
 - § 25:25 —Voting rights
 - § 25:26 —Conversion provisions
 - § 25:27 —Redemption
 - § 25:28 —Integration with rights of other investors
 - § 25:29 —Valuation and pricing considerations—In general
 - § 25:30 —Size of the investment
 - § 25:31 —Pricing the investment
 - § 25:32 The investment agreement—Introduction
 - § 25:33 —Description of the transaction
 - § 25:34 —Junior partner’s representations and warranties
 - § 25:35 —Investor representations and warranties
 - § 25:36 —Agreements and covenants of the junior partner—In general
 - § 25:37 —Information rights
 - § 25:38 —Management participation
 - § 25:39 —Registration rights
 - § 25:40 —Right to participate in subsequent financings
 - § 25:41 —Covenants regarding conduct of business activities
 - § 25:42 Ancillary agreements—Shareholders’ agreement
 - § 25:43 —Employee stock purchase arrangements
 - § 25:44 —Other employee agreements
 - § 25:45 Noninvestment transactional components—Introduction
 - § 25:46 —Equity investment and funding for research and development—Introduction
 - § 25:47 —Development program
 - § 25:48 —Funding for development projects

TABLE OF CONTENTS

- § 25:49 ——Ownership and use of developed technology
- § 25:50 ——Technical interaction and assistance
- § 25:51 —Future acquisition of junior partner by senior partner—Senior partner's option to acquire junior partner
- § 25:52 ——Shareholders' right to compel liquidity
- § 25:53 —Other functional relationships

II. FORMS

- § 25:54 Letter agreement regarding exchange of information and right of first negotiation for business relationship in corporate partnering arrangement
- § 25:55 Stock purchase agreement
- § 25:56 Share purchase and option agreement
- § 25:57 Summary of terms of preferred stock financing
- § 25:58 Investors' rights agreement
- § 25:59 Right of first refusal and co-sale agreement
- § 25:60 Restated articles of incorporation
- § 25:61 Secured loan agreement
- § 25:62 Unsecured loan agreement
- § 25:63 Subordinate note and warrant purchase agreement
- § 25:64 Strategic alliance and joint development agreement
- § 25:65 Strategic alliance for cross-promotion, investment and coordination
- § 25:66 Manufacturing license and distribution agreement—Issuance of equity interest in distributor as consideration for agreement

Table of Laws and Rules

Table of Cases

Index