

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

- § 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

- § 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
- § 5:3 —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

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
- § 7:4 —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

- § 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

- § 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

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

§ 10:32	Evaluation and selection of licensees
§ 10:33	Contents of the licensing agreement
§ 10:34	—Definition and uses of the licensed technology— Introduction
§ 10:35	— —Definition of the licensed technology
§ 10:36	— — —Statutory intellectual property rights
§ 10:37	— — —Trade secrets and proprietary information
§ 10:38	— — —Rights licensed from third parties
§ 10:39	— — —Changes in legal form of protection
§ 10:40	— — —Licensor-developed improvements and enhancements
§ 10:41	— — —Licensee-developed enhancements and improvements
§ 10:42	— —Scope of use of the licensed subject matter
§ 10:43	— — —Permitted functional uses of the licensed subject matter
§ 10:44	— — —Field-of-use restrictions: Products and applications
§ 10:45	— — —Field-of-use restrictions: Geographic and territorial
§ 10:46	— —Exclusive and nonexclusive license rights
§ 10:47	— — —Contractual restrictions on exclusivity
§ 10:48	— — —Performance conditions for exclusivity
§ 10:49	— — —“Most favored licensee”clauses
§ 10:50	— — —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
§ 10:57	— — —Due diligence procedures
§ 10:58	— — —Remedies for breach of representation
§ 10:59	— —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

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
§ 11:20	—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

- § 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
- § 11:49 — —Staffing of the research project
- § 11:50 — —Ownership of project-related technology
- § 11:51 — —Restricting disclosures to third parties
- § 11:52 — —Publications and presentations
- § 11:53 — —Indemnification and insurance coverage
- § 11:54 — —Restrictions on promotional advertising
- § 11:55 — —Rights regarding additional research projects
- § 11:56 —Individual consulting agreements with research
sponsors—In general
- § 11:57 — —Statement of services
- § 11:58 — —Compensation
- § 11:59 — —Protection and ownership of intellectual property
- § 11:60 — —Noncompetition agreement
- § 11:61 — —Termination of the consulting arrangement
- § 11:62 —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
- § 13:2 —Manufacturing strategy
- § 13:3 — —General analysis of the manufacturing function
- § 13:4 — —Key decision areas
- § 13:5 — —Performance objectives
- § 13:6 — —Internal manufacturing goals
- § 13:7 — —Organization of manufacturing function
- § 13:8 —General business and legal aspects of manufacturing activities
- § 13:9 Outsourcing manufacturing requirements—Services offered by contract manufacturers
- § 13:10 — —Product design and engineering
- § 13:11 — —Manufacturing design services
- § 13:12 — —Volume manufacturing
- § 13:13 — —Final system assembly and testing
- § 13:14 — —Direct order fulfillment
- § 13:15 — —After-sale product service and support
- § 13:16 —Advantages of outsourcing manufacturing requirements
- § 13:17 — —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

- § 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

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

- § 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
- § 15:46 — —Pricing
- § 15:47 — —Payment procedures
- § 15:48 — —Order forecast
- § 15:49 —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
 - § 18:3 — —Operator model
 - § 18:4 — —Shared control model
 - § 18:5 — —Autonomous model
 - § 18:6 —Methods for allocating control of the joint venture—In general
 - § 18:7 — —Factors for consideration in allocating control
 - § 18:8 — — —Functional and operational objectives
 - § 18:9 — — —Level of decision making
 - § 18:10 — — —Need for shared control
 - § 18:11 — — —Key commitments and performance milestones
 - § 18:12 — —Allocating control in “50-50” joint ventures
 - § 18:13 — —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
 - § 18:32 — —Maintenance of books and records
 - § 18:33 — —Independent public accountant and legal counsel
 - § 18:34 — —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

- § 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

- § 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
- § 21:100 — — —Acquisitions of corporate securities or assets
- § 21:101 — — —Exemptions
- § 21:102 — —The Hart-Scott-Rodino Antitrust Improvements Act—Corporate joint ventures
- § 21:103 — —The Hart-Scott-Rodino Antitrust Improvements Act—Non-corporate entities and interests
- § 21:104 — — —Procedural considerations
- § 21:105 — —Enforcement factors
- § 21:106 — —Remedies
- § 21:107 Tax considerations
- § 21:108 —Qualification requirements
- § 21:109 — —Form of transaction
- § 21:110 — —Plan of reorganization
- § 21:111 — —Exchange of stock or securities
- § 21:112 — —Continuity of interest
- § 21:113 — —Business purpose
- § 21:114 — —Continuity of business enterprise
- § 21:115 — —Record-keeping requirements
- § 21:116 —Tax consequences to shareholders and security holders
- § 21:117 — —Nonrecognition of gain or loss
- § 21:118 — —Receipt of additional consideration
- § 21:119 — —Assumption of liabilities
- § 21:120 — —Basis
- § 21:121 —Tax consequences to corporation—Nonrecognition of gain or loss
- § 21:122 — —Distributions of qualified property
- § 21:123 — —Basis
- § 21:124 —Carryovers
- § 21:125 —Net operating loss (NOL) carryforwards
- § 21:126 — —Limitation on loss carryforwards
- § 21:127 — —Definition of loss corporation
- § 21:128 — —Definition of prechange loss
- § 21:129 — —Value of loss corporation
- § 21:130 — —Change in ownership
- § 21:131 —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

- § 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

- § 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