LICENSING: HOW TO AVOID ENTERING INTO A BADLY DRAFTED AGREEMENT (PART II)

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This is the second and last part of François Painchaud and Panagiota Koutsogiannis's article concerning licence agreements. The authors will now comment on the field of use in such agreements.

The field of use provision requires careful and precise drafting in order to clearly separate the various fields of use which are often too finely divided. The difficulty lies in trying to divide fields of use in areas where the technologies are complex and there is a high potential for overlap between the licensed products. The task becomes even more challenging when the usefulness of technology has yet to be proven.

In order to avoid disputes, the licensor should attempt to licence uses that are indeed separable and non competitive. A problem that may result from the inclusion of a field of use clause in the licensing agreement is the division of a naturally competitive market,which in the U.S. gives rise to antitrust issues. When the division is a commercial one instead of a technical one, the interference in natural competition is even more apparent. For example, if the licensee is prohibited from selling to companies and can only sell to individuals, he is being refused access to a substantial part of the market. Nevertheless, this type of separation has been found to be legal by the U.S. Courts. Furthermore, this type of provision restricts the potential for initiative and expansion on the part of the licensee who is limited to a specific use of the licensed product. In effect, it prohibits the licensee from realizing the benefits of the licence in certain technical fields.

When the field of use covered by the licence is not clearly defined, the licensee may be tempted to exploit unexpected uses of the licensed technology which might develop. This will be disadvantageous to the licensor who negotiated the

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original agreement with only a certain use in mind, and who is receiving royalty payments to reflect only that portion of the use, while the licensee is receiving more than he bargained for. A field of use clause should therefore id
entify the precise field agreed upon by the parties and maintain the Licensor's rights in any new field not foreseen or foreseeable on the day the agreement is executed.

Restriction on the use of a product will not be inferred if there is no express term in the agreement to impose a possible restriction. In *Union Industries Inc.* v. *Beckett Packaging Ltd.* (1993), 48 C.P.R. (3d) 523 (Ont.C.G.D.), the Court came to the conclusion that in the absence of any explicit restrictions, when a purchaser acquires a licence for a patented item, he or she receives a licence to deal with the item in any way.