THE PRAXISUNICO PRACTICAL GUIDES SERIES

GENERAL LEGAL ISSUES IN UNIVERSITY CONTRACTS
FOREWORD

PraxisUnico is a world-leading membership organisation for Knowledge and Technology Transfer Practitioners. PraxisUnico’s mission is to develop, promote and connect an internationally recognised community of professional excellence – sharing and promoting best practice at the interface between academia and industry. PraxisUnico is led by a team of expert volunteers and is a not-for-profit organisation.

PraxisUnico is renowned around the world for its professional training courses, conferences, networking and industry engagement events. We provide consultation responses, surveys and opinion pieces on behalf of the sector, as well as information and practical tools, including this Practical Guides series.

The highly successful and popular set of Practical Guides was first produced in 2005 and funded by the UK Government. In 2014, PraxisUnico has invested its own reserves in a series of updates to the Practical Guides, to ensure that the community continues to have access to this valuable specialist resource. The updated guides have been produced in electronic format only, both for ease of use and for cost effectiveness.

This new and revised edition is a resource for Knowledge Commercialisation professionals in the UK and overseas. The set brings together, in one concise location, practical support materials for anyone dealing with commercialisation or other Knowledge Transfer contracts. Many thousands of practitioners from the UK and beyond have regularly used the guides and the draft template agreements, citing them as an invaluable source of practical information and guidance.

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The PraxisUnico Practical Guides on Confidentiality Agreements, Material Transfer Agreements, Options, Licence Agreements, and General Legal Issues have been updated to take account of changes in the legal landscape that have occurred since their first publication. The updating has been carried out by Mark Anderson and his team at Anderson Law LLP: Lisa Allebone, Stephen Brett, Mario Subramaniam, and AnnMarie Humphries.

Disclaimer

This Practical Guide includes an overview and discussion of certain legal issues from the authors’ perspectives as lawyers who are qualified in England and Wales. This overview and discussion is not intended to be comprehensive and does not constitute and must not be relied upon as legal advice. Readers should consult their institution’s own legal advisers on any specific legal issue that may arise. To the fullest extent permitted by law, neither Anderson Law LLP nor PraxisUnico nor any of their employees or representatives shall have any liability, whether arising in contract, tort, negligence, breach of statutory duty or otherwise, for any loss or damage (whether direct, indirect or consequential) occasioned to any person acting or omitting to act or refraining from acting upon any advice, recommendations or suggestions contained in this Practical Guide or from using any template or clause contained in this Practical Guide.
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INTRODUCTION

This Practical Guide will provide a brief, practical overview of some legal issues that are commonly encountered when drafting and negotiating university contracts. Some of these issues concern the basic framework of contract law, which underpins university contracts and makes them legally effective (or not). For example, has “consideration” passed from both parties to the contract? Has the right person signed the contract? Does the contract need to be in any particular format? Often, these are housekeeping points, which may need to be thought about prior to signature of the contract, but which don’t usually raise negotiating issues.

Other legal issues are more “applied”, and often come up in negotiations. For example, should warranties and indemnities be given, should liability be limited, which country’s law should govern the contract, and what dispute resolution procedures should apply?

This Practical Guide is divided into two main parts:

• Chapter 1 consists of a discussion of general legal issues that arise with many different types of contract; and

• Chapter 2 is a glossary of selected words that are encountered in commercial contracts or legal practice, and which have acquired a particular meaning (e.g., best endeavours, engross, execute, etc.).

Except where otherwise stated, this Practical Guide discusses English law and the approach of the English courts. As will be discussed in the section on law and jurisdiction, below, contracts are interpreted and enforced very differently from one country to another.

A brief Practical Guide like this cannot deal with all the complexities of commercial law. The following commentary is inevitably over-simplified. It should be treated as an incomplete (but helpful, we hope) overview of some often-encountered legal issues. For further guidance you should consult your in-house legal department or external solicitors.

How to use other Practical Guides with this Practical Guide: The other Practical Guides focus on specific legal, commercial and practical issues relevant to the areas covered in those Practical Guides. As indicated above, this Practical Guide focuses on “general” legal issues, i.e. those that will appear in most types of agreement irrespective of the subject matter of the Agreement. Although the legal issues covered are labelled “general”, they are not of secondary importance to the legal issues covered in the other Practical Guides. Often these types of “general” legal issues are just as important or may have more serious legal consequences than a
specific legal area covered in another Practical Guide. For example, getting the name of a party wrong could mean that a university has entered into a contract with a subsidiary with no assets or resources rather than the parent, which has the assets and resources.

In short when using another Practical Guide you should always have this one to hand, and should be consulting and using both together.
CHAPTER 1
General legal issues in university contracts

What is a contract?

A contract is an agreement between two or more parties that imposes legally binding obligations on the parties. In other words, the court will provide a remedy for breach of the contract. The main legal remedies for breach of contract (not all of these are available in all cases) are:

- The right to terminate the contract
- Damages for breach of contract
- A court order (known as an injunction or injunctive relief) to prevent a breach of contract (e.g., to prevent misuse of information disclosed in confidence under the contract)
- A court order (known as an order for specific performance) requiring the defaulting party to comply with its obligations under the contract

In practice, the terms contract and agreement are often used interchangeably; written contracts often describe themselves as “this Agreement”.

Contracts can be distinguished from other legal instruments (documents) under which rights and obligations arise, including trust deeds, powers of attorney, conveyances of “real” property (i.e., land and buildings) and assignments of intellectual property. Thus, a contract to assign a patent (in which the parties agree to assign it) might be followed by a formal assignment (in which they actually assign it, using words such as “X hereby assigns”). If you have sold or bought a house you will be familiar with a similar two-stage process: the “exchange of contracts” stage is followed by “completion” (when a formal transfer of title to the property, known as a conveyance, is executed).

Pre-contractual documents

Contracts can also be distinguished from documents that are not intended to be legally binding. Prior to signing a contract, parties sometimes execute a preliminary document that records the main commercial terms of their proposed deal. These documents have different names, including:

- Memorandum of understanding, or MOU
- Letter of intent
• Heads of agreement
• Heads of terms
• Term sheet

Which name is used is a matter of personal preference: “MOU” perhaps sounds a little old-fashioned, and “term sheet” seems to be popular in the USA. For convenience, these documents will be referred to collectively below as term sheets. There is no prior assumption, under English law, as to whether such documents are, or are not, legally binding: it depends on the parties’ intentions (and the other criteria for a binding contract, referred to below). To avoid any doubt in the matter, it is strongly recommended that you state explicitly in the term sheet whether or not it is intended to be legally-binding.

If the parties state that a term sheet is not legally binding, but they proceed as if a contract had been made (e.g. by performing research work and by paying for that work), and in parallel they continue negotiations over a full agreement but the parties never reach agreement, there is a danger that the court will decide that the terms of the term sheet govern their contract.

Under English law, contract negotiations do not, of themselves, impose any obligations to continue negotiating or to enter into any subsequent contract. Where parties wish to impose such obligations, they generally need to enter into some sort of binding, preliminary agreement. In some other countries, however, particularly in some civil law jurisdictions in Continental Europe (such as France, Spain, and Germany), signature of a term sheet may impose obligations on the parties to negotiate in good faith. If a party withdraws from negotiations after signature of such a document, it may incur liabilities towards the other contracting party. It is possible that such a liability may even arise at an earlier stage than signature of a term sheet: local, legal advice should be obtained where appropriate.

**What makes a contract legally-binding?**

There are six basic requirements for an agreement to be a (legally-binding) contract under English law.

1  **Capacity.** Each party to the contract must be legally capable of entering into contracts. Some contracts with minors (under 18 years), drunks and persons with mental incapacity are not legally enforceable. In theory, some contracts with organisations such as charitable trusts and governmental and public authorities may not be legally enforceable if they are outside the “objects” and powers of the organisation (sometimes known by the Latin phrase *ultra vires*). This also used to be the case with companies; however, since the first edition of this Practical Guide was released, new legislation (i.e. in the form of the Companies Act 2006) has come into force which has greatly reduced the applicability of the *ultra vires* doctrine for companies.
In practice, therefore, it is extremely unusual for a research contract or IP transaction with a UK company or university to fall foul of the rules on capacity. A rare UK example of where this issue arose in a court case, a few years ago, concerned the capacity of Hammersmith council to enter into a complex financial transaction (known as a “swaps” contract). Two examples of areas where readers may need to consider this issue are:

- contracts (and IP assignments) with students aged less than 18 years, and
- contracts with overseas organisations, particularly non-mainstream organisations such as universities and charitable trusts. It is understood, for example, that the laws of certain US States may prevent organs of the State, including the State’s universities, from entering into certain types of obligation such as indemnities.

2 **Intention to create legal relations.** Usually, there will be no doubt about meeting this requirement where a written agreement is signed. As has already been mentioned, some doubts may arise with preliminary documents such as term sheets. An example of where this requirement will usually not be met is an agreement to share domestic tasks, e.g. “you wash, and I’ll dry”.

3 **Offer and acceptance.** For a contract (between two parties) to come into existence, one party must make an offer to enter into a contract on specified terms, and the other party must accept that offer. Where both parties sign a written agreement, there should not be any doubt about meeting this requirement (even though it is not always clear, when the parties sign simultaneously, who has made the offer and who has accepted it). Where a party signs a written contract that has previously been signed by the other party, but alters one or more of the written terms before signing, he is in effect making a counter-offer which will only result in a contract if the first party accepts that counter-offer.

4 **Consideration.** Under English law (unlike some other countries’ laws, e.g. Scots law), each party to the contract must provide some “consideration”, i.e. something of value (not necessarily money and not necessarily of comparable value to the consideration provided by the other party). For example, in a typical contract to perform consultancy services, one party provides consideration in the form of consultancy work, whilst the other party provides consideration in the form of a fee. Occasionally, where there is doubt about whether a party is providing consideration, some nominal consideration, such as £1, is referred to in the contract. There are other rules about consideration, e.g. “past consideration is no consideration” (agreeing to do something that you agreed to do prior to entering into the contract will not amount to consideration). The requirement for consideration does not apply to contracts that are executed as deeds (see below).

5 **Complete agreement.** All the terms, or at least all the significant terms, of the contract must be agreed in order for the contract to be legally-binding. Sometimes parties leave certain terms to be agreed at a later
date, e.g. they agree that the fee for performing the contract work will be negotiated after the contract has been signed. In some situations these “agreements to agree”, as they are sometimes called, will not be legally-binding.

6 Certainty of terms. If any of the terms of the contract is too vague or imprecise, the court might decide that it is unenforceable. If the term is fundamental to the contract, the court might decide that the whole contract is void.

If the above requirements are met in relation to a commercial agreement, it will usually be a legally-binding contract. However, there might still be reasons why it is not legally-binding. By way of example, these might include the following:

• Anti-competitive terms (e.g. breach of Article 101 of the Treaty on the Functioning of the European Union)
• Illegal subject-matter (e.g. an agreement to commit a criminal act)
• Other legal principles apply (e.g. frustration, mistake, application of insolvency laws)
• Failure to comply with formalities (see below)

Must it be in writing?

Some contracts and other documents must be in writing (e.g., a patent assignment) but in most cases an oral contract will be binding if it meets the above six requirements. In practice, you may be well advised not to enter into oral contracts of any complexity, not least because it may be difficult to prove that an oral contract has been made, or its terms. English law is more flexible than some other country’s laws, which require a contract to be in writing or to take a particular form. This flexibility may be thought attractive (few formalities) but it also has dangers, in that you may find that a binding contract has been made before you intended. For example, an offer made in correspondence may amount to a legally binding offer, even though you intended that it would only become binding once a formal, written agreement had been signed by the parties. Techniques such as heading correspondence “subject to contract” can sometimes be effective to avoid this happening.

Different contract formats

In general, there are no requirements as to the format of English law contracts. The use of a conventional format (parties – recitals – operative provisions – signatures – schedules) is generally to be recommended for contracts of any complexity. In the case of shorter agreements, it is sometimes thought to be more “friendly” to draft it in the form of a letter that takes effect as a contract when it is countersigned by the recipient of the letter and returned to the original sender. Another format that is sometimes seen is a “form” agreement that has a one-page “front-end” that is signed, followed by a set of terms and conditions.
**Contracts ‘under hand’ and deeds; special rules for universities**

Most contracts are simply signed by, or on behalf of, each party to the contract. Such contracts are known in legal jargon as “contracts under hand” to distinguish them from “contracts under seal” (or, in modern usage, “contracts executed as deeds”).

A deed is a more formal type of document than a contract under hand. In a few cases, documents must be executed as deeds (e.g., powers of attorney), but in most cases (e.g., in the case of intellectual property assignments, or most contracts) it is optional to execute the document as a deed. To convert your contract under hand into a deed is quite simple. The main steps are:

- The contract should make clear on its face that it is intended to be a deed by the parties to it. In practice, this requirement is usually satisfied by the contract describing itself as a deed (e.g. in the heading of the contract) and expressing itself to be executed as a deed, and

- The appropriate signature blocks for deeds should be used.

Traditionally, all deeds had to be “sealed”, i.e. have the seal of each party applied to the document. The law was changed in the 1980s to allow individuals and most UK companies to avoid using a seal when executing a deed. Nowadays an individual must simply sign the deed in the presence of a witness who also signs. A UK company (e.g. a company limited by shares and incorporated under either the Companies Act 1985 or the Companies Act 2006 – the most common type of UK company) can execute a deed by (a) having two directors, or a director and the company secretary, sign the deed on the company’s behalf, or (b) having one director sign the deed on the company’s behalf in the presence of a witness who attests the director’s signature. In addition, the company can still, if desired, apply the company’s common seal to the document – a significant proportion of companies still have seals. Special rules apply to overseas companies (over-simplifying, they must execute the deed by the most formal method of signature used in their jurisdiction for signing contracts).

When the above rules were introduced for individuals and most companies, it seems that the legislature overlooked bodies incorporated by Royal Charter (as most universities are), and a few other, fairly rare, types of corporation. The overlooked categories must continue to execute deeds by applying their common seal. The constitution of the charter body (usually a charter and bye-laws, equivalent to the Memorandum and Articles of Association of a company) should specify how the seal must be applied. Usually the deed must be sealed and signed by one or two specified officials.

You may be familiar with the expression “signed, sealed and delivered”. This phrase summarises the three stages that were traditionally required for execution of a deed by an individual. Signing and sealing have already been mentioned. Technically, all deeds must also be “delivered” before they will come into effect, and this can happen after the date of signature (e.g., where a deed is held in “escrow” until some condition is met, e.g. until the agreed price reaches a specified bank account). Usually, parties will wish this formal stage to occur immediately
upon signature, and the wording of the signature block will make this clear. In short, deeds become binding and effective at the point of delivery. Therefore, careful thought should be given about this if the deed includes conditions that should be fulfilled before the parties intend the deed to come into force. There is no special form or observance necessary for delivery, and it may be satisfied by conduct or words (e.g. by including the following words in the signature blocks: “Executed and delivered as a deed upon signature by [insert name]”).

The main differences in legal effect between a contract under hand and a contract executed as a deed are:

- There is no need for “consideration” in a contract made as a deed
- The limitation period (the time limit for commencing legal proceedings) is 6 years from the breach of contract in the case of contracts under hand, and 12 years from the breach of contract in the case of deeds.

**Who are (or should be) the parties to the contract?**

The contract should make clear who the parties to the contract are. Woolly references in the parties clause, e.g. to “Professor Smith, Department of Physics, University of St Kilda” should be avoided. In this example, the contracting party will usually be the University of St Kilda. The Department is unlikely to have a separate legal identity. If the contract party is intended to be Professor Smith rather than the university, his home address should usually be given. If it is for some reason necessary to refer to his work address, a formula such as “Professor John Shirley Smith, whose address is c/o Department of Physics, University of St Kilda” should be used.

In the case of companies, the contract should state the full name, legal status, and the principal or registered address of the company, e.g. MegaBucks Exploitation, Inc., incorporated in the State of Delaware under registration number [insert], whose principal place of business is at [insert], or MegaBucks Holdings plc, incorporated in England and Wales under registration number [insert], whose registered address is at [insert]. You will notice in the two examples given in the previous sentence, the company registration number is also built into the description of the companies. It is usually desirable to state this as well, to avoid ambiguity: UK companies can change or swap their names, but the company number remains the same.

Sometimes the “parties” clause names a party “and its Affiliates” as the contracting party. This should generally be avoided. If the other party presses for this reference to be retained, one might ask whether the named party has authority to enter into the contract on behalf of all of its Affiliates, and whether those Affiliates are to be jointly and severally liable for performance of the named party’s obligations. If the answer to these questions is yes, then these points might be explicitly stated in the contract. If the answer is no, then it might be appropriate to delete the references to the Affiliates in the parties clause.
Third party rights: problems where non-parties have rights or obligations in the contract

It is bad drafting practice to include, in a contract, obligations on someone who is not a party to the contract. A non-party cannot generally be bound to comply with such obligations. By contrast, since the law was changed by the Contracts (Rights of Third Parties) Act 1999, it has been possible to confer benefits or rights under a contract on someone who is not a contracting party. It is recommended that you seek legal advice on whether and how to do this in individual cases.

As a variation on the above, in some contracts, after the signatures of the contracting parties (e.g., a university and a sponsoring company), there appears a space for an individual (e.g., the principal investigator) to sign. Usually, the wording immediately above his signature makes clear that he is not signing as a party to the contract; rather, he is acknowledging that the parties have entered into the contract and that he has read and understood its terms. The purpose of such a signature is usually to impose a moral obligation (or perhaps even an obligation under the contract of employment) on the academic to comply with the provisions of the contract.

Who has authority to sign on behalf of the contracting parties?

It is easiest to refer first to the position for UK companies, then to mention some variations. The Articles of Association of the company will almost always provide that the Board of Directors of the company is responsible for the management of the company. The Board will often delegate responsibility for signing contracts to the Chief Executive, who may delegate this responsibility further, to more junior managers.

Many companies have internal, written procedures that specify different levels of signing authority for different types or values of contract. However, external parties may not be aware of these procedures and therefore will not be bound by them. As far as the outside world is concerned, signature of a contract by a Board director will almost always bind the company to the contract. What may be more problematic is deciding whether someone much lower down the company hierarchy has authority to sign the contract.

Under the English law of agency, many company representatives will have what is known as “apparent authority” to sign contracts, particularly if the contract appears to be within the manager’s general area of responsibility. To take an easy example, someone with the job title of laboratory purchasing manager will probably have apparent authority to sign a contract for the purchase of test tubes. Someone with the title of Executive Vice President, Licensing, will usually, but not always, have apparent authority to sign a licensing agreement. In cases of doubt, it may be appropriate to make enquiries as to the signatory’s areas and level of responsibility.

In the case of very major contracts, the other contracting party may require sight of a certified copy of a Board resolution approving the signing of the contract, and authorising the Chief Executive (or other person) to sign it. This approach is often encountered in corporate transactions such as mergers and acquisitions.
In the case of universities, the equivalent to the Board of Directors and the Chief Executive may be the Council and the Vice-Chancellor (the names vary from institution to institution). The signature of contracts relating to technology transfer and research contracts is often delegated below Vice-Chancellor level. Sometimes, this delegation is mentioned specifically in the university’s constitutional documents.

It is understood that in some countries, the individuals who have authority to sign documents on behalf of a company may be named on a public register, i.e. the equivalent to the UK Register of Companies (held at Companies House). In some countries (e.g., Germany and Switzerland) it seems that two signatures are generally required on all contracts entered into by a company.

**When does the contract come into effect: signature date, effective date, conditions precedent, completion date?**

Deeds come into effect upon *delivery* (as to which, see the above comments); ordinary contracts come into effect when signed by all parties (unless some other effective date is specified).

The date at the head of page one of the agreement should be the date on which the deed is delivered (often the same date as signature – see above) or the contract is signed (or, if signature takes place on different dates, the date on which the last party signed). Misdating an agreement can amount to a forgery and therefore can be a criminal offence, although this is unlikely to be the case where a simple mistake is made. It is not good practice to type in the anticipated date of signature in advance, as the actual date of signature may well be different. Conventional practice among English lawyers is to write in the date of signature once the parties have signed.

If the parties wish the agreement to come into effect on a date before or after the date of signature, this is permissible, but should not be implemented by misdating the agreement. Instead, include a definition of “Commencement Date” or “Effective Date” in the agreement. If it is considered essential to put this date in the first line of the agreement, use wording such as “this Agreement takes effect from …” rather than “this Agreement is made on …”.

Sometimes, parties wish their agreement (or certain clauses of the agreement) to take effect only when some specified event has occurred, e.g. the receipt of finance by the company. This can be achieved by including what is sometimes called a “condition precedent” or “pre-condition” in the agreement. The wording of such clauses requires care.

Some contracts have what is known as a date of “completion”, which may be some time after the contract is signed, when certain events are to occur – e.g. when the assets being sold are formally transferred to the purchaser and the price is paid. This procedure is often encountered in investment agreements and sale of business agreements.
Main commercial obligations on the university

Most readers of this Guide will be concerned with contracts under which a university undertakes to perform research or consultancy work, or agrees to license or assign intellectual property. A few generalisations can usefully be made as to the legal aspects of these obligations.

The obligations on the parties should be clearly identified. For example, if a research contract merely states that the parties will agree a research programme after signature of the contract, or that they will agree a price for the work after signature, this may amount to an “agreement to agree” and not be a legally binding contract.

In general, the English courts are very reluctant to imply terms into a contract unless this is absolutely necessary to make the contract “work” and the court considers that the term is one that the parties would have agreed if they had put their mind to it when drafting the contract. A few terms may be implied by statute (e.g., that services will be performed with reasonable care and skill) but there is no general code of implied terms for most contracts. This approach may be contrasted with some Continental European jurisdictions, where many terms are implied into contracts. For example, an English court is probably less likely than a court in some Continental European countries to imply into a patent licence agreement a warranty that the patents are valid and enforceable. Partly as a result of this difference of approach, English law contracts tend to be more detailed than those drafted in some other European countries.

Where a time limit is stated for performance of the obligations, and if the university fails to comply with the time limits, it may find itself liable for breach of contract. Where the university wishes to avoid or reduce such liability, it may wish to make it clear that any times stated are estimates only or to state that no guarantee is given that the work will be completed by any stated date.

Where the agreement provides that “time is of the essence” this will usually give the other party a right to terminate the contract (which may be in addition to a right to claim damages) if a time limit is not met. There is also a procedure under English law where:

- if the contract states a time limit for performing an obligation, but time is not “of the essence”, and
- the time limit is not met,
- the other party can serve notice requiring the defaulting party to perform the obligation within a reasonable time, failing which the other party can terminate the contract.

Sometimes, rather than have an absolute obligation to perform an activity or achieve an outcome, a contracting party is merely obliged to use its best (or reasonable) endeavours to do so. If it fails to perform the activity or achieve the outcome despite using the required level of endeavours, it will not be in breach of contract.
Under English law an obligation of best endeavours is a high level of obligation. In very brief summary, reported court decisions indicate that such an obligation requires the obliged party to do whatever it would have done if it had been trying to achieve the outcome for its own benefit (rather than to meet a contractual obligation). This is a lower level of obligation than “leave no stone unturned” but is still a high standard to achieve.

By contrast, an obligation of reasonable endeavours allows the obliged party to put into one pan of the scales the obligation to the other contracting party, and to put into the other pan of the scales all other relevant commercial considerations, including his own commercial interests. This is a much lower level of obligation.

Whilst the obliged party will often think “best endeavours” too high, “reasonable endeavours” will often be thought too low and subjective by the other party. Compromise solutions such as “all reasonable endeavours” or “commercially reasonable endeavours” have not received sufficient judicial comment to know whether they are genuinely in the middle of the range and if so what the level of obligation is. Generally, it is advisable that one avoids such expressions altogether or to include a definition of “Diligent Efforts” (or other expression) that explains the level of obligation further.

**Limiting liability**

Universities often seek to include in their contracts clauses that limit or exclude certain types of liability. Negotiation of these clauses can be difficult or frustrating for the contract negotiator for a variety of reasons, including the following (not all of which will apply in all cases):

- the other party prefers liability to be unlimited or requires a higher limit than the university is willing to give
- in some industries (e.g., the oil and gas industry, or the computer industry) a standard approach to the allocation of liability and indemnities has developed, which may not dovetail with the approach of the university
- liability clauses tend to be complex and rather legalistic; it is easy to make a mistake in drafting or reviewing them; the other party may insist on using their own form of words, which may look very different to those used by the university, even though they are covering similar ground
- typically, exclusion clauses distinguish between “direct” and “indirect” losses, with very different provisions for each category; but the dividing line between these categories is not always clear
- the courts interpret such clauses very strictly
- legislation reduces a party’s ability to exclude or limit liability but is not clear as to what limits would be acceptable in an individual case
most UK universities do not have experience of litigation over R&D and IP contracts, and many have not developed a ‘walk-away position’ on liability

the university will often have insurance that covers some contractual liabilities, but the relevant insurance policy may be subject to exceptions that are not always clearly understood or known by the contract negotiator. As examples: the policy may exclude North American jurisdiction; may require any special risks to be notified to the insurer; and may not cover “contractually-assumed risks”.

Typically, in contracts involving the performance of work (e.g., a research contract) a university may wish to limit liability to either (a) an amount equal to the price paid under the contract, or (b) the amount of its insurance cover (e.g., the limit of its professional indemnity policy). The latter limit is probably easier to justify in court (if justification is needed, e.g., if the limit forms part of a standard term that must be shown to be reasonable, under the Unfair Contract Terms Act 1977). However, for small-scale contracts worth a few tens of thousands of pounds, it may be commercially unattractive to offer the insurance limit, which may be several million pounds. Sometimes, universities “take a view” on the limit they are prepared to offer, even though a strict limit of liability may be of uncertain legal effect.

The question of limitation of liability comes up in other types of contracts encountered by universities. For example in “spin-out” transactions, the personal liability of the founding academics for breach of warranty may be limited to a specific sum (typically several tens of thousands of pounds), whilst the liability of the university may be subject to a different (usually higher) limit.

Negotiation of these clauses benefits from close analysis of the words used, an understanding of the underlying law, experience of negotiating them, and the support of senior management within the university when sticking points are reached. As things stand at the moment, UK universities have some way to go before they adopt the firm approach of many US universities to liability and other issues in their contracts. If your university does not already have a policy on limitation of liability and other “legal” clauses (particularly warranties and indemnities), it is recommended that you develop one. In view of the legal complexities of this subject, any such exercise will require detailed input from your legal advisers.

At a more basic level, when reviewing another party’s standard contract, don’t forget to consider clauses that are missing, as well as clauses that are present but require revision. Sometimes, the complete absence of a limitation of liability clause is overlooked, simply because there is no clause to prompt the reviewer to propose different terms.

**Indemnities**

Indemnity clauses have a variety of purposes. Sometimes they are used to bolster a liability clause, e.g., an indemnity clause might provide that if a party is in breach of contract it will indemnify the other party against the consequences of that breach. In the absence of such an indemnity, the negligent party might still be liable...
for the breach under general contract law, but subject to certain qualifications and conditions imposed by law, e.g. the other party has an obligation to mitigate its loss, and only certain types of foreseeable loss are recoverable. Depending on the wording of the indemnity, it may remove some of these qualifications and thereby strengthen the non-breaching party’s position.

Another use of indemnities is to allocate risk between the parties. For example, an indemnity clause might provide that the university will bear the liability for all injuries occurring on the university’s premises, whilst all injuries on the sponsor’s premises occurring on the sponsor’s premises will be dealt with by the sponsor, irrespective of whether the university or the sponsor was at fault.

Generally, indemnities are most useful for addressing the question of third party claims and liabilities. For example, in an IP licence agreement, an indemnity clause might provide that the licensee must indemnify the licensor against any claims from purchasers of the licensed product. In some cases, specifically limiting the indemnity to third party claims, etc., will be appropriate.

Well-drafted indemnities usually include a set of conditions for the giving of the indemnity. For example, the party giving the indemnity will generally wish to have the conduct of any litigation or negotiations, and this should be specifically stated.

Sometimes, a contract will include both clauses limiting liability and indemnities, and it is not always clearly stated whether the limits on liability apply to the indemnities. It is recommended that this be explicitly stated. To the extent that the indemnity is intended to be a risk allocation measure, rather than a bolster for a liability clause (see commentary above), it will often be appropriate to state that the indemnity is not subject to the limitations of liability stated elsewhere in the contract.

Warranties and disclaimers

The term warranty has a variety of subtly different legal meanings, of which the most common are:

- a promise contained in a contract that certain facts are true (e.g., a warranty that the university is the registered proprietor of the licensed intellectual property)

- a contractual obligation, breach of which entitles the other party to claim damages, but not to terminate the contract (unlike a condition, which is a more important contractual provision than a warranty – breach of a condition entitles the other party to terminate the contract); but this traditional legal distinction between warranties and conditions is rarely encountered nowadays

- a guarantee given by a manufacturer to a consumer

For the purposes of this Guide, warranty is being used in the first sense indicated above. In this sense, warranties can be distinguished from representations, which are statements that may induce a party to enter
into a contract. In general, a party may wish to exclude prior representations from the contract. The technical distinction between warranties and representations, and the extent to which one can exclude liability for representations in “entire agreement” clauses, has been the subject of reported legal cases. This is a complex subject on which legal advice should be sought.

Universities will usually be cautious about the warranties that they are prepared to give. In some cases, rather than given an absolute warranty that something is true, they may be prepared to give a knowledge-based warranty. There are two main types:

- A warranty “to the best of your knowledge, information and belief” – as well as covering the actual knowledge of the party giving the warranty, a best of knowledge warranty may imply that some reasonable checking has been done, e.g. that patent searches have been conducted. In view of the possible uncertainties as to what might be “reasonable”, a party may prefer to give a warranty:

- A warranty “as far as you are aware, but without searches or investigations” – this is generally regarded as a lower level of warranty than the best of knowledge warranty referred to above

Other techniques to limit risk in relation to warranties include limiting liability under the warranty (see above), imposing a time limit on the bringing of claims under the warranty, and limiting knowledge-based warranties to the knowledge of named individuals.

Instead of giving a warranty, a party might wish to include a disclaimer in the contract. For example, in a research contract a university might wish to state that no warranty is given that any particular outcome or results will be obtained from the research. The legal effectiveness of disclaimers depends on the same rules as apply to clauses that exclude or limit liability.

**Insurance**

When drafting, revising or reviewing liability clauses (including indemnities) it is important to consider whether the liability is covered by insurance. It is strongly recommended that university contracts and technology transfer offices have a good working knowledge of the university’s insurance policies and that they maintain good lines of communication with the brokers and insurers. Some liabilities may be specifically excluded (e.g., North American jurisdiction) and it is important to understand these exclusions when drafting or reviewing contract terms.

Sometimes the insurers may have an incomplete or distorted picture of the liabilities that the university is accepting, perhaps because someone in a different department prepared the annual proposal form, or because the form indicates that the university enters into contracts on certain standard contract templates whereas in fact these templates are rarely used. Sometimes, the insurers may be expecting to be told about all significant contracts that include liability terms which differ from the standard terms that were disclosed to them. In any
event, under English law, parties to insurance contracts have an obligation of *utmost good faith* to the insurer, which requires them to provide full disclosure of all facts and circumstances that might affect the insurance.

Sometimes the contract will include specific insurance obligations on the parties. It goes without saying that such clauses should be referred to your insurers.

Setting up meetings and discussions with the insurers may seem a chore, but it may also provide benefits. For example if the insurers require you to limit liability to £X (a sum less than the limit of the insurance) in certain types of contract, this may provide a strong argument to use in negotiations with a party that seeks a higher limit (or no limit) of liability, as well as providing a potential justification for the limit in the event of litigation.

**Law, jurisdiction and dispute resolution**

A UK university will generally wish to provide for the laws of England and Wales (or Scotland, or Northern Ireland, depending on where the university is based) to apply to its contracts, and for the courts of that country to have jurisdiction in the event of litigation.

Sometimes, parties prefer to go to arbitration rather than use the courts. Arbitration can be thought of as a private court case where the parties choose the arbitrator (judge) and usually hire a room to serve as the arbitration room (court room).

Typical reasons why people choose arbitration over litigation include:

- privacy – the case is not a matter of public record, unlike a court case
- ability to choose the arbitrator
- perceived cost saving and flexibility
- timing – in some countries it may take many years for a case to come to court
- where the other party is based in another country, in some countries it may be easier to enforce an arbitration award than an overseas court decision

Typical reasons why people choose litigation over arbitration include:

- arbitration can be more expensive (judges and courts are not charged to litigants at a full economic rate; by contrast, arbitrators often charge top QCs’ hourly rates)
- arbitration can take longer, particularly in larger disputes (scheduling hearings with busy arbitrators can be difficult; the procedural rules applied in arbitration are not always as firm or firmly applied as in litigation, giving a party more opportunity to “spin things out”; and the English courts provide relatively quick hearings compared with some countries’ courts)
• for a decision on hard points of law (e.g. “is this contract legally binding?”), it may be better to use a professional judge rather than an arbitrator; arbitrators sometimes have a reputation for coming up with compromise solutions rather than “black and white” decisions that favour one party or the other

• parties sometimes seek to appeal arbitrators’ decisions to the courts, which may result in a re-run of the case in court and therefore a duplication of cost and effort (but this shouldn’t generally happen in England given the recent changes in arbitration law)

UK commercial dispute resolution lawyers quite often have a preference for litigation in the UK over arbitration in the UK, all other factors being equal. This contrasts with the position in some other countries, where arbitration may be the preferred route for commercial disputes.

In international contracts, it is not always possible to negotiate English law and jurisdiction. The other party will, understandably, prefer to have the law of their own country govern the contract. Sometimes, to avoid either party having a “home territory advantage”, the parties will agree a neutral law or venue as a compromise.

Occasionally, parties propose leaving the law and jurisdiction un-stated. This cannot be recommended from a legal perspective, although on very minor agreements such as confidentiality agreements it is sometimes regarded as commercially acceptable.

If another country’s law and/or jurisdiction is to be agreed, you would be well-advised to obtain legal advice from someone who is qualified to advise on that country’s laws. In some cases, financial considerations may mean that your organisation is prepared to take the risk of not having proper legal advice. A non-exhaustive list of those risks might include the following:

• the contract may not be legally-binding

• terms may be implied into the contract that wouldn’t be implied under English/Scots/Northern Ireland law

• the terms of the contract may interpreted in a different way (e.g., “best endeavours” or “warranty” might mean something different)

• the liability clauses may not work, or may be interpreted differently, or different liabilities may arise

• by entering into the contract, your organisation may expose itself to other non-contractual liabilities (e.g., for breach of competition laws)

• the jurisdiction chosen may not provide high-quality, fair, timely decisions (e.g., because of inexperience, incompetence, corruption or insufficient resources)
• the costs and/or management time involved in enforcing the contract may be greater for your organisation than for the other party, or greater for both parties

• procedural rules in the other jurisdiction may place your organisation at a disadvantage

Without knowing the circumstances, it is very difficult for the author to suggest which non-UK laws and jurisdictions might be appropriate for any particular transaction. However, at a very high level of generalisation, the author’s personal preferences for non-UK law and jurisdiction might be in the following order:

• particularly if there is a far Eastern element to the contract, consider Commonwealth or ex-Commonwealth jurisdictions, such as Australia, Singapore or Hong Kong

• Within Europe, choose larger, industrialised countries with a “North European” culture, e.g., Netherlands or Sweden. Sweden has a high international reputation for its arbitration system. Generally avoid European countries with a “Mediterranean” culture, including France and Italy. In EC-funded projects, it is sometimes compulsory to adopt Belgian law. Belgian law has some similarities with French law, and Belgium is a relatively small jurisdiction. In the authors’ view, Belgian law and jurisdiction should usually be avoided where possible.

• If US jurisdiction is required, a first preference might be New York, unless the other party is based in New York in which case they may have too much of a home territory advantage, and another US state may be preferred. Massachusetts’s law is sometimes encountered, perhaps because of the presence of so many leading academic institutions and high-tech companies in the Boston area. Delaware is sometimes proposed, but this may be best for purely corporate disputes, e.g. disputes between shareholders, in view of its experience as the State of incorporation of many US companies. It is a relatively small jurisdiction to hear purely contractual disputes. California is a major jurisdiction, but non-Californian US lawyers sometimes shy away from Californian law, which has some distinctive features, e.g. in the area of employee protection. It is recommended that US legal advice be obtained before accepting any US jurisdiction.

• If arbitration is to be used, agree a set of arbitration procedures. A possible first preference would be LCIA (London Court of International Arbitration) rules. ICC (International Chamber of Commerce) rules are often seen but ICC arbitration may be far too heavyweight and expensive for a typical R&D or IP contract. Probably AAA (American Arbitration Association) rules would be better than ICC. Consider WIPO (World Intellectual Property Association) arbitration – they are promoting their services in relation to commercial disputes.

**Alternative dispute resolution (ADR)**

Contracts sometimes include provisions that require the parties to follow “friendly” dispute resolution procedures before they go to court or arbitration. Typical provisions include:

• An obligation to refer the dispute “upstairs” to the parties’ chief executives or other senior management.

The theory behind this type of provision is that the chief executives are busy people who will not waste
time or credibility by arguing unnecessarily and that they may be able to resolve the dispute quickly where middle management representatives have been unable to do so. What sometimes happens, though, is that the senior managers are given “briefs” from their subordinates, and simply follow the line set out in the brief, which may not be productive and may simply delay the final resolution of the dispute, e.g. by litigation.

- An obligation to go to mediation. Such obligations may specify that the mediation will be conducted under the procedures of an established mediation body, e.g. the Centre for Effective Dispute Resolution (CEDR). Technically, ADR covers a range of mechanisms, including mediation and conciliation, but mediation is the most popular in a commercial context.

There is sometimes confusion as to the role of mediation. It is, in effect, a kind of structured negotiation between the parties, often held at a hotel or other conference facility, in which an independent third party (the mediator) acts as a go-between and facilitator, encouraging the parties towards a settlement of their dispute. Although these are generalisations (with which advocates of mediation may disagree), in the authors’ view mediation is more likely to be successful where the parties genuinely wish to compromise, and less likely to be successful where one party thinks it has a very strong case or a point of principle that it wishes to have established.

Where contracts include ADR provisions, they should also include a provision providing for litigation or arbitration if the ADR fails to achieve a settlement of the dispute.

**How will the contract be interpreted in court?**

The English courts follow certain well-established principles when “construing” (interpreting) commercial contracts. These principles have developed in the reported judgments of court cases. The gradual development of the law through cases, known as common law, can be distinguished from the approach taken in civil law jurisdictions, including most of Continental Europe, where the law is set out in a written code, or code civil.

Other common law jurisdictions, including the USA and many Commonwealth countries, in principle follow a similar approach to the English courts. But the law has developed in different ways in those countries. To take one example in relating to the interpretation of contracts: in general, the English courts will not look at drafts of a contract when interpreting the meaning of words used. By contrast, it is understood that US courts are generally prepared to look at the drafting history. This different approach may have a significant impact on how a contract term is interpreted.

Many other principles are followed by the English courts when interpreting contracts. To provide a flavour of the approach taken, a small selection of these principles follows.

- Words will have their ordinary dictionary meaning, unless they are technical words (in which case expert evidence may be required of their meaning at the time the contract was made).
• The courts are prepared to deviate from the strict meaning of the words used to some extent, recognising that business people do not always express themselves with the pedantic accuracy that might be expected, say, of a Parliamentary draftsman. However, this is a limited safety valve. The courts are generally not prepared to re-write the parties’ contract for them.

• Provisions will be interpreted in the way that an outsider, in possession of all relevant facts, would interpret them – not necessarily in the way that one or more parties intended them to be interpreted.

• If a general proposition is followed by a list of examples, the general proposition may be limited by the contents of the list (hence the frequent use of the phrase “including without limitation”)

• The court will interpret the document as a whole, and may get guidance on how one clause should be interpreted from looking at the wording of other clauses.

• Where the meaning of a clause is ambiguous, a reasonable, lawful interpretation will usually be preferred over an obligation to do something unreasonable or unlawful.

• Clauses that exclude liability are interpreted particularly strictly.

• The courts are not bound by the meaning given to a particular word or phrase in a previous case, as the context may be different.

Intellectual property: background

Various intellectual property (IP) issues arise in different types of university contracts. An important general issue is whether the university has the right to use any pre-existing IP that it uses in performing activities under a contract.

The following paragraphs will use the expression background IP to refer to IP generated outside the contract under consideration (usually before the contract commenced), and foreground IP to refer to IP generated under the contract.

It may be appropriate for the university to investigate the background IP ownership position before performing work under the contract (such investigations are sometimes known as due diligence). In many situations, the university will not have the resources to conduct those investigations and will therefore be taking a risk (calculated or otherwise) of infringement. In some cases it may be possible to take advantage of the exemptions for research that exist in some IP laws, but this should not be automatically assumed. Moreover, the extent of those exemptions has changed in recent years.

In appropriate cases it may be desirable to obtain written assignments or clearances from any third party owners of background IP. Where third party IP was used under licence (e.g., where open source software is used
in software development), the terms of the licence should be checked to ensure that it allows the activities that are to be performed under the contract.

Universities may wish to investigate whether insurance against infringement of third party IP should be obtained.

A second issue, in relation to background IP, is whether the university is to grant any rights in that IP to the other contracting party. Before doing so, the university will wish to check both the ownership position and whether it has already granted any rights (e.g., an exclusive licence) to another company, which might conflict with the grant of rights to the other contracting party.

**Intellectual property: foreground**

University contracts, including R&D contracts and IP agreements, often include provisions dealing with the ownership, and use that either party may make, of foreground IP. Depending on the type of contract, these provisions might include:

- An assignment of IP
- An exclusive or non-exclusive licence in one or more fields or territories
- An option to obtain a licence or assignment
- A reservation of rights for the university to conduct research and teaching

The extent of any right to conduct research may require careful drafting and negotiation. In particular, does it allow the university to conduct sponsored research under a contract with a commercial company?

The extent of any licence or assignment to a sponsoring company has been the subject of discussion within the UK university sector, including the Lambert review. UK universities have yet to achieve the degree of uniformity of approach that is increasingly being encountered in the US university sector, where typically a sponsor of research will receive only a non-exclusive licence to use the results in its own research, and an option to acquire commercial rights.

**Conflicts of interest**

The term "conflicts of interest" covers a range of issues in relation to university contracts, including:

- Whether it is appropriate to enter into the contract at all (e.g., should a company in which an academic has an interest be permitted to sponsor clinical trials in which the academic is an investigator?)
- Whether the academic should be required to declare any interests that it may have in a party that enters into a contract with the university
• Whether the university is able to enter into the contract in light of its contractual and other commitments to third parties (e.g., if this would result in exclusive licences of the same IP in the same field and territory being granted to more than one organisation)

The first two of these points are matters of policy that don’t (usually) directly affect the wording of contracts. The third point, above, is obviously one that needs to be considered as part of any due diligence exercise before granting IP rights or entering into exclusive R&D obligations to the other contracting party.

Publications, confidentiality and charitable status

Publications are usually an important, or vital, part of an academic’s activities. Contractual provisions that prevent publications or make them subject to conditions should be reviewed with particular care. In the case of some research contracts, it may be essential to ensure that the other contracting party cannot prevent publications, as this might prejudice:

• The independence of the academic and the university
• The charitable status of the university
• The tax-exempt status of the university as a charity
• The qualification of the research as academic research for HEFCE assessment purposes

It is generally regarded as permissible to include a provision in the research contract that allows a delay in publishing to allow initial patent applications to be filed. The rule of thumb that is apparently followed by the Charity Commissioners and HM Revenue and Customs is that a 6-month delay to allow patent filing is permitted. This assumes that it is part of the charity’s primary purpose to be engaged in education (and therefore public dissemination), which will usually be the case for universities; it seems that the rules are less strict for charities which have other primary purposes, e.g. some research funding charities. HEFCE seems to allow a 12-month delay.

It is also generally regarded as permissible to include provisions that allow the other contracting party to review proposed publications and require the deletion of the contracting party’s confidential information. In this context, care should be taken to ensure that the other contracting party’s confidential information is not defined as including the results of the research programme.

Payment terms

The contract should include clear provisions as the amount of any payments and how and when they will be paid. Consider whether it is desirable to state who, what, why, where, when, and how the obligations arise. Particular points to consider include:
• Stating that any VAT is payable in addition to the quoted price

• Stating when payments are to be made (sometimes overlooked in brief licence agreements)

• Tax issues (including withholding taxes in licence agreements)

• Reports, record-keeping and auditing in IP agreements

Termination and its consequences

Long-term contracts such as IP licences and R&D agreements should include termination provisions and provisions stating which clauses survive termination. Clauses such as those dealing with IP, confidentiality, liability and payment terms (in respect of payments arising before termination) may need to survive.

If the contract fails to include an expiry date or a right to terminate (other than for breach or insolvency), the court might decide that it is terminable on reasonable notice. But it would be much better to address this issue specifically in the contract.

Boilerplate clauses

The term “boilerplate” is sometimes used to refer to various clauses that are typically found at the end of the contract, and which are sometimes (inadvisably) slotted in without much thought being given as to their relevance to the particular contract. An analogy can be made to operating system software in a computer. Typical boilerplate clauses include those dealing with:

• Law and jurisdiction

• Notices

• Third party rights

• Assignment and subcontracting

• Waiver

• Limitation of liability

• Use of the institution’s name and logo

• Entire agreement

When drafting a contract, it is clearly important to understand the reasons for including such clauses, and when they might be relevant. There is insufficient space to cover boilerplate clauses in detail in this Guide; readers are
CHAPTER 2
Glossary of selected legal expressions

Assignment and novation

Assignment has two, distinct meanings that readers will encounter: (1) transfer of title to intellectual property, and (2) transfer of rights (or, sometimes, rights and obligations) under a contract, e.g. to a purchaser of a party’s business. Usually, assignment of rights and obligations is effected by means of a novation agreement between all three parties (assignor, assignee and the other contracting party).

Best and reasonable endeavours

See commentary in Chapter 1.

Common law

The branch of English law that has developed through court decisions, rather than through legislation or equity. See commentary in Chapter 1.

Consult

An obligation to consult the other party usually implies that you will give the other party a reasonable opportunity to comment and that you will consider in good faith any comments that are made, but that having done this you have the ultimate power to decide the matter.

Due diligence

US-derived jargon meaning investigations that a party may do prior to entering into a transaction. This might include investigations about the legal and financial status of the other party, the state of the IP, the quality of the science, the terms of any existing contracts, etc.

Engrossment

English lawyers’ jargon for the final version of an agreement that is prepared for signature. US equivalent is execution copies.
**Equity and equitable remedies**

A branch of English law that developed to overcome the unfairness that would otherwise arise if the common law was applied rigidly. "Equitable principles" now govern certain types of legal remedy, e.g. injunctions for breach of confidence. One of those principles is that "he who comes to equity must come with clean hands", i.e. misconduct by the claimant may prejudice his claim for an injunction.

**Escrow**

After signature, and prior to delivery, a party’s solicitors may hold a deed in escrow pending an agreed event, e.g. payment of the contract price. Once the event has occurred, the deed is “released from escrow” and delivered, whereupon the deed comes into effect. The term is also used in relation to the arrangement where software source code is held by an independent third party and released to the licensee if certain conditions, set out in an escrow agreement, are met, e.g. if the licensor is made bankrupt.

**Exclusive and sole**

According to general understanding, an exclusive IP licence is one that prohibits the licensor from (a) itself exploiting the licensed IP in the field and territory that has been exclusively licensed, or (b) granting any other person (i.e., apart from the exclusive licensee) a licence to do so. By contrast, a sole licence covers only (b) above, i.e. the licensor may still exploit itself. Semi-exclusive, or co-exclusive, licences are sometimes encountered and their meaning should always be defined: usually the definition refers to the right of the licensor to appoint one other licensee for the licensed field and territory.

**Executed**

To execute a deed or agreement is to sign it (in respect of deeds, the term is sometimes used to mean to sign and deliver the deed).

**Full title guarantee**

Assignments of IP or other property are sometimes worded so as to be made with “full title guarantee” or “limited title guarantee”. These expressions automatically introduce some warranties and undertakings into the transaction, by virtue of the Law of Property (Miscellaneous Provisions) Act 1994. Although this wording appears in some law firms’ standard assignments, it should not be accepted automatically.
Including without limitation

Where an obligation or principle is referred to in a contract, followed by a list of examples, it may be important to state that the examples do not limit the general obligation or principle (see commentary on interpretation of contracts, above). Typically this is done using words such as “including without limitation” before the list of examples.

Indemnity

An indemnity is an obligation accepted by one person to make good any losses suffered by another person. The scope of the indemnity depends on the detailed wording of the indemnity clause (see commentary above).

Injunction and injunctive relief

An injunction is a court order requiring a party to do or, more usually, to refrain from doing something. Breach of the court order renders the breaching party liable for contempt of court. Typically an interim injunction should be obtained quickly to prevent wrongdoing (e.g., disclosure of confidential information) and is followed by a final injunction when the case is won at trial, perhaps a year or two later. Delay in applying for an interim injunction can sometimes defeat the application. The thinking behind this is, if the injured party has waited to apply for an interim injunction, the party may be able to wait for a final injunction to be awarded after a full trial.

The term “injunctive relief” usually means, simply “an injunction”. Sometimes encountered, particularly in CDAs, are provisions stating that a party will be entitled to injunctive relief (i.e., entitled to obtain an injunction) if the other party breaches the terms of the contract. Under English law, an injunction is one of the remedies that may be available for breach of contract (see further Chapter 1), but injunctions are equitable remedies and are therefore at the discretion of the court. Any clause stating that a party is entitled to injunctive relief is unlikely to override the court’s discretion.

Intellectual property

There is no universal definition of intellectual property (IP). It is generally understood to mean patents, registered designs, design right, copyright, database rights, trade marks and similar property, usually created (in UK law) by statute. Other types of IP such as plant breeders’ rights and performance rights may be less often encountered in universities. Often applications for registrable IP (e.g. a patent application) are considered as IP. Definitions of IP in contracts may also refer to: (a) “the right to apply for” such IP; (b) rights in respect of confidential information (know-how), which although not strictly “property” are often treated in a similar way to IP, e.g. by licensing; and (c) similar rights in other jurisdictions (e.g. petty patents in some countries). Oddities like supplementary protection certificates also should be included in the definition if relevant in the circumstances. Occasionally one sees “physical” property lumped in with conventional types of IP in an IP
definition, e.g. ownership rights in materials. Definitions of IP in tax statutes sometimes refer to licences under IP as well as the IP itself. An older concept of “industrial property” (usually meaning IP in industrial articles, therefore excluding some copyright) has largely fallen out of use.

**Negligence**

Negligence is a failure to exercise a reasonable or expected standard of care towards people to whom one owes a duty of care. One owes a duty of care towards a person if it might be reasonably foreseen that the negligent behaviour would cause that person to suffer injury, loss or damage. Simple mistakes (e.g., by an investment manager or a surgeon) are not necessarily negligent. Where services are provided under a contract, the same act of negligence might give rise to damages for breach of contract or damages in tort (see below). Some countries laws' (e.g., in the USA but not in England and Wales) have a well-established concept of *gross negligence* in addition to (ordinary) negligence. A possible analogy to the difference between negligence and gross negligence is the difference between careless driving and reckless driving.

**Tort**

Tort is a branch of law that is distinct from contract law. The word shares a common origin with the French word *tort*, meaning wrong. Examples of torts include negligence, trespass, and assault. The same wrongdoing, e.g. negligent performance of a contract, might give rise to separate liabilities under contract law and under the law of tort. The word often appears in limitation of liability clauses, because of case law in which the judge, interpreting a liability clause very narrowly, indicated that in the absence of a reference to tort, the clause only limited contractual liability

**Without prejudice to the generality of the foregoing**

This phrase is often used where a general obligation is followed by a specific example of the general obligation, that the parties wish to emphasise in the contract, e.g. “X shall not use the Confidential Information for any purpose. Without prejudice to the generality of the preceding sentence, X shall not use the Confidential Information to develop a competing product to the Licensed Product.” The purpose of such a phrase is to avoid an interpretation in which the example narrows the meaning of the general obligation.