



## 410 What You Need to Know to License Your Technology Outside of the U.S.

**Rafferty Atha**

*General Counsel and Company Secretary*

Ubiquity Software Corporation

**Louis S. Faber**

*Assistant General Counsel, Licensing and Litigation, Intellectual Property Law Department*

Xerox Corporation

**Charlie Stevenson**

*Assistant General Counsel*

Sun Microsystems, Inc.

## Faculty Biographies

### Rafferty Atha

Rafferty Atha is the general counsel and company secretary for Ubiquity Software Corporation PLC, a software company, which develops and markets SIP-based communications software, in Redwood City, California. She is responsible for all legal and corporate matters and is the company secretary for the board of directors. She led Ubiquity through an initial public offering this past May on the AIM market operated by the London Stock Exchange.

Prior to joining Ubiquity Software Corporation, she was the associate general counsel of Macromedia, Inc., based in San Francisco. She managed legal department operations including EMEA, APAC, and Japan operations. She directly supported and managed the worldwide intellectual property portfolio, product development, business and corporate development, licensing and sales, litigation, human resources, and marketing. Prior to going in-house, she was an associate at Preston, Gates & Ellis, Graham & James, and Leland, Parachini, et al. The volunteer legal services program of the San Francisco Bar Association recently named her a 2004 Outstanding Volunteer in Public Service for her legal service to the homeless advocacy project at the Glide Memorial Church in San Francisco. She is a member of ACC's Information Technology Law and eCommerce Committee.

She received a B.A. with high honors from the University of California at Santa Barbara and is a graduate of the University of California Hastings College of the Law.

### Louis S. Faber

Louis S. Faber is assistant general counsel for licensing in the Xerox Corporation intellectual property law department located in Rochester, New York. He is responsible for the drafting and negotiation of patent and copyright license agreements and counseling business units on such agreements.

Prior to his present role, Mr. Faber counseled a number of business units and also provided counsel in the areas of human resources.

He currently serves on the board of the Xerox Recreation Association and is an adjunct professor of english literature at Monro Community College. He does pro bono work for a number of organizations in the Rochester area.

Mr. Faber received his B.A. from the University of Rochester, an M.B.A. from Florida International University, an M.F.A. from Goddard College, and his J.D. from SUNY Buffalo.

### Charlie Stevenson

Charlie Stevenson is an assistant general counsel for Sun Microsystems located in San Francisco. His responsibilities include sales, distribution, and delivery for the java system business unit core team and he is responsible for architecting and launching Sun's revolutionary software license model. He

is also legal partner for the vice president, software sales Asia Pacific and for Japanese OEM sales. Mr. Stevenson also advises the AsiaPac sales force with respect to software matters including development, distribution, professional services, and Java OEM matters and he is responsible for exclusive legal representative for all software OEM matters in Japan, Sun's largest OEM geography.

Prior to joining Sun, Mr. Stevenson worked with several high-tech companies such as TIBCO, SegaSoft, EPRI, Harris Digital Telephone Systems, and Informix.

Mr. Stevenson is a member of the California State Bar Association, ABA, International Bar Association, and is an Executive Committee Member of ACC's Information Technology Law and eCommerce Committee.

Mr. Stevenson received a B.S. from University of Nevada, Reno and a B.A. from a semester at sea from the University of Colorado. He received a J.D. and an LL.M. from University of the Pacific, McGeorge School of Law Sacramento, California.

# International Business Transactions Checklist

**EDITOR:**

**Leonard Schneidman, Partner\***  
**Foley Hoag - Boston, Massachusetts**  
**Chair, Lex Mundi International Tax Practice Group**

**A publication of:**  
**developed by the Lex Mundi**  
**International Tax Practice Group**

**This publication is also available online at:**  
<http://www.lexmundi.org/committees/intl-tax-checklist.pdf>

**ORIGINALLY PRESENTED AT ACCA's 2002 ANNUAL MEETING**

\*Senior tax partner at Foley Hoag and former chair of the firm's taxation department, practices in the area of U.S. corporate and international tax planning. Mr. Schneidman has been listed in The Best Lawyers in America, the Euromoney Guide to the Leading U.S. Tax Lawyers, Chambers USA Guide and Who's Who Legal. To his credit are numerous professional affiliations, as well as publications and lectures on taxation. Mr. Schneidman received his law degree from the Harvard Law School and an LLM in Taxation from New York University Law School. Mr. Schneidman can be reached at (617) 832-1000 or by e-mail: [lschneid@foleyhoag.com](mailto:lschneid@foleyhoag.com). ORIGINALLY PRESENTED AT

ACCA's 2002 ANNUAL MEETING

## INTERNATIONAL BUSINESS TRANSACTIONS CHECKLIST

### TABLE OF CONTENTS

- I. Geography And Culture
- II. Investment Environment
- III. Investment Incentives
- IV. Financial Facilities
- V. Exchange Controls
- VI. Import/Export Regulations
- VII. Structures For Doing Business
- VIII. Requirements For The Establishment Of Business
- IX. Operation Of The Business
- X. Cessation Or Termination Of Business
- XI. Labor Legislation, Relations And Supply
- XII. Tax On Corporations And Other Entities
- XIII. Tax On Individuals
- XIV. Tax On Other Legal Bodies
- XV. General Tax Considerations
- XVI. Immigration Requirements
- XVII. Expatriate Employees

**I. GEOGRAPHY, CULTURE AND SOCIETY****1. Culture**

- Are there cultural influences or prohibitions on the way business is conducted?

**2. Geography**

- What are the neighboring countries?

**3. Judicial System**

- What is the type of judicial system?
- Is the judicial system generally perceived to be impartial?
- Must disputes be resolved in the country?
- Is there a political method of resolving disputes?
- Are alternative methods of dispute resolution permitted?
- How long does it take to resolve disputes?
- Can foreign judicial decisions be enforced in the country?
- Can decisions from the country be enforced outside the country?
- Are there separate tribunals depending upon the subject matter of the case?
- Are there different legal systems within the country or its political subdivisions?
- Can the investor choose to be subject to the country's jurisdiction or not?

**4. Languages**

- What languages are spoken?

**5. Public Services/Communications**

- What is the state of the public services (e.g. water, electricity, gas, etc.)?
- What is the state of the communications system?
- What is the state of the country's infrastructure (e.g. roads, railways etc.)?

**6. Religion**

- Are there religious influences or prohibitions on the way business is conducted?

**II. INVESTMENT ENVIRONMENT****1. Demography**

- What locals are available to an investor (e.g. industrial zones, duty free zones)?  
(see also Section III, no. 3 and 4)
- What are the size of the different markets?
- What other types of businesses are being conducted in the country?

**2. Diplomatic Relations**

- Are there established diplomatic relations with the country?

- What embassies or consulates are in the country?
- Are there prohibitions or restrictions on certain business dealings with the country?
- Are there any travel restrictions to or within the country?

**3. Environmental Considerations**

- What is the attitude and state of environmental regulation?

**4. Government**

- Are elections scheduled or is there an anticipated change in the present government?
- Has the government been historically stable?
- What is the administrative decision making process like in the country?

**5. Investment Climate**

- Does the country generally welcome investment?
- Are investments protected against nationalization or expropriation?
- Are there governmental or private agencies devoted to the promotion of investment?
- What is the rate of inflation?

**6. Investment Regulations**

- Are foreign investments restricted or prohibited (e.g. depending on the sector of the economy)?
- Must the investor be in association with a national of the country or a related state, (e.g. the EEC) to be permitted to invest?
- Is the investor limited in the amount of his investment?

**7. Political System/Climate**

- What is the present political system?
- What type of political system has existed in the past?
- Has the political system been historically stable?
- Is there a federal system?
- If so, what are the principle areas of federal versus provincial jurisdiction?
- Is the country socially stable?

**8. Treaties**

- Are there any treaties relevant to the anticipated investment?

**III. INVESTMENT INCENTIVES****1. Export Incentives and Guarantees**

- Are there tax incentives for exports?
- If so, are they limited to certain types of products?
- Is export financing available from government or private sources?

- If so, what forms of financing or guarantees are available?
- Is there any governmental insurance for exports?
- Must a national be a participant in the enterprise in order for the investor to benefit from these incentives?

## 2. Grants, Subsidies and Availability of Funds

- Can the investor receive grants or subsidies?
- Are grants and subsidies restricted by the type of activity?
- What is the process for obtaining approval for these grants or subsidies?
- How long does it take to receive approval?
- Can the investor receive loans from the government or governmental agencies?
- Must a national be a participant in the enterprise in order for the investor to receive these grants or subsidies?

## 3. National Tax Incentives

- Are there national tax incentives for the investor (whether in the country of investment or from the investors' own country)?
- Are the incentives restricted by the type of activity?
- Are the incentives restricted by the duration of the activity?
- Does the investor need to receive approval to be eligible for these incentives?
- If so, what is the process of application?
- How long does such approval take?
- Must a national be a participant in the enterprise in order for the investor to benefit from these incentives?

## 4. Regional Tax Incentives

- Are there tax incentives for the investor that exist only in certain regions of the country?
- Does the investor need to receive approval to be eligible for these incentives?
- Are the incentives restricted by the type of activity?
- Are the incentives restricted by the duration of the activity?
- What is the process of application?
- How long does such approval take?
- Must a national be a participant in the enterprise in order for the investor to benefit from these incentives?

## IV. FINANCIAL FACILITIES

### 1. Banking/Financial Facilities

- What kind of financial institutions exist?
- Must the investor maintain a bank account in the country?
- What are the requirements for opening a bank account?
- What are the restrictions, if any, on the investor's use of the account?

- What is the type of financial system in the country?
- How is the banking system structured?
- Is there a stock market?
- Can the investor receive bank loans?

## V. EXCHANGE CONTROLS

### 1. Business Transactions with Nationals, Residents or Non-Residents

- How are nationals, residents and non-residents defined?
- Are there restrictions on conducting business with nationals, residents or nonresidents?
- Are there reporting requirements?
- Can the investor receive loans from nationals, residents or non-residents?

### 2. Investment Controls

- Are there restrictions on direct investment in the country?
- Are there restrictions on indirect investments in the country? Must the investor make declarations regarding the nature of his investment?

### 3. Money Transfer

- Is there free determination of exchange rates?
- Are there restrictions on the transfer of money into or out of the country?
- Are there restrictions on the remittance of profits abroad?
- Are there reporting requirements?
- Can hard currency be taken out of the country?

## VI. IMPORT/EXPORT REGULATIONS

### 1. Customs Regulations

- Is the country a member of GATT?
- Is the country a member of the EEC?
- Is the country a party to a regional free trade agreement?
- Does the Customs Department value the goods?
- How are goods cleared through customs?
- Are there applicable tariffs?

### 2. Exports

- Are there restrictions on exports?
- Are export licenses required?
- Are there applicable export duties?

### 3. Foreign Trade Regulations

- Are there foreign trade regulations on the import or export of goods involved in the business?

**4. Imports**

- Are import licenses required?
- Are there applicable import duties?
- Are there applicable import quotas?
- Are there applicable import barriers?

**5. Manufacturing Requirements**

- Must the product contain ingredients or components which are found or produced only in the country?
- Will the importation of certain component parts be permitted only if they are to be ultimately incorporated in a final product?

**6. Product Labeling**

- Are there applicable labeling or packaging requirements (e.g. multi-lingual notices, safety warnings, listing of ingredients, etc.)?

**VII. STRUCTURES FOR DOING BUSINESS****1. Governmental Participation**

- Will the government seek to participate in the ownership or operation of the entity (e.g. depending on the type of activity involved)?
- If so, to what extent?
- What is the investor's potential liability to partners, investors or others?
- Are there restrictions on capitalization?
- What are the investor's tax consequences? (see also Sections XII and XIII)

**2. Joint Ventures**

- Are joint ventures permitted?
- If so, what is the registration or incorporation procedure?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country or a related state, (e.g. the EEC) be a participant, manager or director?
- What is the investor's potential liability?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

**3. Limited Liability Companies**

- Are limited liability companies permitted?
- If so, how are they registered or incorporated?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country or a related state be a participant, manager or director?
- Are there restrictions on capitalization?

- What are the investor's tax consequences?

**4. Liability Companies, Unlimited**

- What are the forms of liability companies?
- How are these companies registered or incorporated?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country be a participant, manager or director?

**5. Partnerships, General or Limited**

- Are partnerships recognized or permitted?
- Must a national of the country or related state be a partner?
- If so, to what extent?
- What costs and fees are involved?
- What is the investor's potential liability?
- What are the investor's tax consequences?

**6. Partnerships, Undisclosed**

- Do undisclosed partnerships exist?
- If so, how are they formed?
- What costs and fees are involved?
- Must a national of the country or a related state be a participant, manager or director?
- What is the investor's potential liability?
- What are the investor's tax consequences?

**7. Sole Proprietorships**

- Can the investor be a sole proprietor?
- How is the sole proprietorship registered or established?
- How long does this process take?
- What costs and fees are involved?
- What is the investor's potential liability?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

**8. Subsidiaries/Branches/Representative Offices**

- Can the investor establish a branch, subsidiary or representative office?
- If so, how long does registration or incorporation take?
- What costs and fees are involved?
- What is the investor's potential liability?
- Must a national of the country be a participant, manager or director?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?
- Are these tax consequences different than those of a local company?

**9. Trusts and Other Fiduciary Entities**

- Are trusts or other fiduciary entities recognized?
- If so, how are each defined?
- What are the legal consequences of a transfer of assets to a trust or fiduciary?
- Can the investor be the grantor, trustee or beneficiary?

#### **VIII. REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS**

##### **1. Alien Business Law**

- Is the business subject to any alien business law?
- Are there registration or reporting requirements?

##### **2. Antitrust Laws**

- Do the entity's operations comply with anti-trust laws?
- Are there filing requirements?

##### **3. Environmental Regulations**

- Is the business of the investor subject to environmental regulation? If so, are there added costs involved (e.g. audit requirements)?

##### **4. Government Approvals**

- Are government approvals required for the anticipated business?
- If so, how long does this process take?
- What fees are involved?

##### **5. Insurance**

- Must the enterprise carry insurance?
- If so, what kind of risks must be insured?
- Is there a state monopoly on insurance?

##### **6. Licenses/Permits**

- Are licenses or permits required for the anticipated activity?
- If so, how does the investor apply for and receive the necessary license or permit?
- How long does it take to receive the license or permit?

#### **IX. OPERATION OF THE BUSINESS**

##### **1. Advertising**

- Are there restrictions on advertising?

##### **2. Attorneys**

- Is it necessary to have local counsel?
- How can local counsel be found?
- How much are attorneys fees?

##### **3. Bookkeeping Requirements**

- Must the investor keep local books of accounts?
- In what form must the investor keep accounts (e.g. GAP, in what language, etc.)?

##### **4. Business Ethics/Codes**

- Are there certain business ethics or codes which the investor must follow (e.g. GAAP for accountants, etc.)?

##### **5. Consumer Protection Laws**

- Are there consumer protection laws which apply to the investor's operations?

##### **6. Construction**

- What are the costs of construction?
- Are permits required for construction?
- How is authorization to construct obtained?
- How long does it take to receive authorization?
- What fees are involved?

##### **7. Contracts**

- Can the investor freely enter into local contracts?
- Can the contracts be governed by the law of another country?

##### **8. Price Controls**

- Are there applicable price controls?

##### **9. Product Registration**

- Must the entity register its product?
- If so, how is registration obtained?
- How long does the process take?
- Are there fees involved?

##### **10. Reduction or Return on Capital**

- Can capital be repatriated while the corporation is still ongoing?

##### **11. Sale of Goods**

- Are there restrictions on the manner, time or place of sale of goods?

##### **12. Trade Associations**

- Are there trade associations the investor can or must join?
- If so, are there fees involved?
- Are there mandatory trade practices?

#### **X. CESSATION OR TERMINATION OF BUSINESS**

**1. Termination**

- What are the tax consequences of terminating the business?
- What costs are involved in termination?
- How long does it take to terminate the business?
- How is the investor's particular form of business treated in termination?
- Can the business be terminated without government approval or intervention?
- What are the obligations toward creditors, employees and others upon termination?
- What are the tax consequences of termination?

**2. Insolvency/Bankruptcy**

- What is the extent of the investor's liability in the event of insolvency or bankruptcy?
- What choices, if any, are available to the investor with regard to the restructuring of the business?

**XI. LABOR LEGISLATION, RELATION, AND SUPPLY****1. Employer/Employee Relations**

- What laws govern employer/employee relations?
- Are there obligations to train employees?

**2. Employment Regulations**

- Must the investor hire nationals of the country?
- Is there a minimum wage?
- Is there a maximum number of hours an employee can work each week?
- Is there a minimum number of vacation and sick days to be given?

**3. Hiring and Firing Requirements**

- Must the investor employ a minimum number of people?
- Must the investor employ a minimum number of nationals?
- Must certain positions in the company be held by nationals?
- Are there rules to follow in hiring/dismissing personnel (e.g. notice)?
- Does the investor have a continuing obligation towards dismissed employees?

**4. Labor Availability**

- Is adequate skilled or unskilled labor available for the anticipated business?

**5. Labor Permits**

- Are labor permits required?
- If so, how are they obtained?
- How long does the process take?
- What fees are involved?

**6. Safety Standards**

- Are there safety codes which must be followed?

**7. Unions**

- Are unions recognized?
- What are the unions in the investor's business?
- What are these unions' political affiliations, if any?
- Is there an obligation on the part of the employer to organize unions?
- Are there mandatory collective bargaining agreements for the business involved?

**XII. TAX ON CORPORATIONS****1. Allowances**

- What are the major allowances (e.g. capital cost depreciation)?
- What are the major deductible items?
- What are the major expenses that are excluded from deductibility?

**2. Calculation of Taxes**

- How is the taxable base determined?

**3. Capital Gains**

- What are the federal or national tax rates on capital gains?
- What are the regional or state taxes on capital gains?
- What are the municipal or local taxes on capital gains?

**4. Filing and Payment Requirements**

- When must the corporation file its tax return, if any?
- When must the corporation pay its taxes?
- Are taxes paid in installments or annually?

**5. Miscellaneous Taxes Due**

- Is there a tax on capital?
- Is there a business license tax?
- Is there an apprenticeship tax?
- Is there a training tax?
- Are there other taxes?
- What are the filing and payment requirements?

**6. Registration Duties**

- Are there registration duties due upon the incorporation of a company?
- Are there registration duties due upon an increase in capital?
- Are there registration duties due upon the transfer of the company's shares?
- Are there registration duties due upon a transfer of corporate assets?
- Are there any other registration duties due?



**7. Sales Tax or Other Turnover Tax**

- What is the system of sales tax (e.g. V.A.T., cumulative)?
- Is input tax creditable against output tax?
- What are the tax rates?
- What are the filing and payment requirements?

**8. Social Security and Welfare System Contributions**

- Are social security contributions due?
- Are retirement or pension contributions due?
- Are unemployment insurance contributions due?
- What are the filing and payment requirements for any such contribution?

**9. Special Tax Schemes**

- Are there particular tax consequences of doing business in the country?

**10. Tax on Profits**

- What are the federal or national income tax rates on profits?
- What are the regional or state tax rates on profits?
- What are the municipal or local tax rates on profits?

**11. Tax Treaties**

- Are there any applicable tax treaties?
- Are there any rules against treaty-shopping?

**12. Territoriality Rules**

- Where is the corporation subject to tax?
- Is the corporation subject to tax on its worldwide income?

**13. Treatment of Tax Losses**

- How are corporate tax losses treated?

**14. Wealth Tax**

- Is there an applicable wealth tax?

**15. Withholding Taxes**

- What are the rates of withholding tax on dividends?
- What are the rates of withholding tax on royalties?
- What are the rates of withholding tax on interest?
- What are the rates of withholding tax on profits realized by a foreign corporation?

**XIII. TAX ON INDIVIDUALS****1. Allowances**

- What are the major allowances?

**2. Calculation of Taxes**

- How is the taxable base determined?

**3. Capital Gains Tax**

- Are capital gains taxable?

**4. Filing and Payment Requirements**

- When must the individual file a tax return, if any?
- When must the individual pay his taxes?

**5. Inheritance and Gift Tax**

- Does the individual's presence in the country subject him to inheritance or gift tax?
- What kind of assets are subject to tax?
- What are the tax rates?
- Are allowances available?
- What are the payment and filing requirements?

**6. Miscellaneous Taxes Due**

- What are the miscellaneous taxes to which the individual may be subject?
- What are the filing and payment requirements?

**7. Real Estate/Habitation Tax**

- Is the individual subject to real estate or habitation tax?

**8. Sales Tax**

- Does the individual pay sales tax?

**9. Social Security and Welfare System Contributions**

- Are contributions to social security due?
- Are contributions to the welfare system due?
- If so, what are the payment and filing requirements?

**10. Stock Option, Profit Sharing and Savings Plans**

- Is there taxation of stock option plans?
- Is there taxation of profit sharing plans?
- Is there taxation of savings plans?

**11. Taxation of Benefits In Kind**

- What is the rate of taxation on benefits in kind (e.g. automobile, housing and utilities, education, etc.)?

**12. Taxes on Dividends**

- Are dividends taxable regardless of their form?

**13. Tax on Income**

- What are the federal or national tax rates on income for residents?
- What are the federal or national tax rates on income for non-residents?
- What are the regional or state tax rates on income for residents?
- What are the regional or state tax rates on income for non-residents?
- What are the municipal or local tax rates on income for residents?
- What are the municipal or local tax rates on income for non-residents?

**14. Tax Treaties**

- Are there any applicable tax treaties?
- Are there any rules against treaty-shopping?

**15. Territoriality Rules**

- Where is the individual subject to tax?
- Is the individual subject to tax on his worldwide income?

**16. Wealth Tax**

- Is the individual subject to tax based upon his wealth?
- If so, what are the rates?
- Are there any allowances available?
- What are the payment and filing requirements?

**17. Withholding Tax**

- Is salary subject to a withholding tax at the source?
- What is the treatment of residents as compared to non-residents?

**XIV. TAX ON OTHER LEGAL BODIES****1. Allowances**

- What are the major allowances (e.g. capital cost depreciation)?
- What are the major deductible items?
- What are the major expenses that are excluded from deductibility?

**2. Calculation of Taxes**

- How is the taxable base determined?

**3. Capital Gains**

- What are the federal or national tax rates on capital gains?
- What are the regional or state taxes on capital gains?
- What are the municipal or local taxes on capital gains?

**4. Filing and Payment Requirements**

- When must the entity file a tax return, if any?
- When must the entity pay its taxes?
- Are taxes paid in installments or annually?

**5. Miscellaneous Taxes**

- Due Are other taxes due?
- What are the filing and payment requirements?

**6. Registration Duties**

- Are there registration duties or fees due upon the setting up of the legal body?
- Are there registration duties or fees due upon a change in the capital of the legal body?
- Are there registration duties due upon the transfer of capital?
- Are there registration duties due upon a transfer of assets?
- Are there any other registration duties due?

**7. Sales Tax or Other Turnover Tax**

- Is the legal body subject to sales tax or any other turnover tax (e.g. VAT., cumulative)?
- Is input tax creditable against output tax?
- What are the tax rates?
- What are the filing and payment requirements?

**8. Social Security and Welfare System Contributions**

- Are social security contributions due?
- Are retirement or pension contributions due?
- Are unemployment insurance contributions due?
- What are the filing and payment requirements for any such contribution?

**9. Special Tax Themes**

- Are there particular tax consequences of doing business in the country under the form of the particular legal body?

**10. Tax on Profits**

- What are the federal or national income tax rates on profits?
- What are the regional or state tax rates on profits?
- What are the municipal or local tax rates on profits?

**11. Tax Treaties**

- Are there any applicable tax treaties?
- Are there any rules against treaty-shopping?

**12. Territoriality Rules**

- Where is the legal body subject to tax?
- Is the legal body subject to tax on its worldwide income?

**13. Treatment of Tax Losses**

- How are tax losses treated?

**14. Wealth Tax**

- Is there an applicable wealth tax?

#### 15. Withholding Taxes

- What are the rates of withholding tax on the legal body's activities?

### XV. GENERAL TAX CONSIDERATIONS

#### 1. Taxes Generally

- Is there a generally accepted way of structuring the company or other entity so as to insure the desired tax consequences?
- Is there an advance tax ruling that can be used to validate or invalidate the chosen form of doing business?
- Is there a general anti tax avoidance system?
- Can the chosen form of business be treated as a deferent form for tax purposes?

### XVI. IMMIGRATION REQUIREMENTS

#### 1. Immigration Controls

- Are there immigration quotas?
- Are vaccinations required?
- Are medical certificates required?
- Are entry permits required?
- If so, must you apply for an entry permit before entering the country?
- Are exit permits required?
- Are re-entry permits required?

#### 2. Immigration Requirements/Formalities

- Is a residence permit required?
- If so, does the investor have to apply for one before entering the country?
- What information must be supplied to the immigration authorities?
- How long does it take to receive authorization?

#### 3. Visas

- Is a visa required for travel or stay in the country?
- If so, for how long is the visa valid?
- How does the investor apply for a visa?
- What documents are required?
- How long does it take to receive a visa?
- What fees are involved?

### XVII. EXPATRIATE EMPLOYEES

#### 1. Cost of Living and Immigration

- How does the cost of living compare to that in the investor's home country?
- What is the rate of inflation?

#### 2. Drivers' Licenses

- Must the investor obtain a driver's license for that country?
- How does the investor obtain a driver's license?
- What fees are involved?
- Is an examination, either practical or written, required?

#### 3. Education

- What type of schools are available for the investor's family?
- What fees are involved?
- What is required for enrollment?
- Can the investor or company receive a tax benefit?

#### 4. Housing

- What type of housing is available for the investor?
- Can the investor own property?
- Must the investor have housing before he enters the country?
- Can the investor subsidize housing and receive a tax benefit?

#### 5. Importing Personal Possessions

- How can the investor import his personal belongings?
- Are import duties payable?
- Are there requirements for clearing the belongings through customs?

#### 6. Medical Care

- What level of medical care is available?
- Is there national health care?

#### 7. Moving Costs

- What costs are involved in moving?
- Can the investor receive any tax allowances?

#### 8. Tax Liability

- What is the expatriate's tax liability? (see also Section XIII)
- What are the allowances?
- Are there any applicable tax treaties?

#### 9. Work Contracts

- Does the investor need a work contract to work in the country?
- If so, does the contract have to be for a certain duration, for the performance of a specific job or for a specific position?
- Does the contract have to be with a national or resident of the country or related state?

#### 10. Work Permits

- Does the investor need a work permit to work in the country?

**INTELLECTUAL PROPERTY TRANSACTION CHECKLIST**

Name of Other Party: \_\_\_\_\_

Address of Other Party: \_\_\_\_\_

Jurisdiction of Incorporation of Other Party: \_\_\_\_\_

**PRELIMINARY ISSUES**

Nature of IP Involved:

Patents (list patents and jurisdictions on Attachment)

Copyrights (list copyrights on Attachment)

Know-How (including Trade Secrets list on Attachment)

Nature of Transaction:

Assignment

License

Other: \_\_\_\_\_

**FOR LICENSES OF IP**

Nature of License:

Non-exclusive

Exclusive

Sole

Limitations on License:

Will there be any geographical limitations:      Yes      No

If yes, describe: \_\_\_\_\_

For Patents, is the license for the life of the patents:      Yes      No

If Yes, for the last to expire of the patents:      Yes      No

If No, for what period are the patents licensed: \_\_\_\_\_

For Copyrights, is the license for the life of the copyrights:      Yes      No

If Yes, for the last to expire of the copyrights:      Yes      No

If No, for what period are the copyrights licensed: \_\_\_\_\_

For Patents, are all U.S. rights licensed:      Yes      No

If No, check which are licensed:

- Made
- Have Made
- Use
- Lease
- Sell
- Offer for Sale
- Export
- Otherwise Dispose

For Copyrights, are all U.S. rights licensed:      Yes      No

If No, check which are licensed:

- Reproduction
- Creation of Derivative Works
- Distribution of Copies
- Performance
- Display

For Trade Secrets, is there a CDA in place:      Yes      No

For Patents, is this a portfolio license (as opposed to individually identified patents):      Yes      No

If Yes, is there a capture date (all patents issued on applications filed before a specified date):      Yes      No

If Yes, what is the capture date: \_\_\_\_\_

For Patents, which of the following are included:

- Utility Models
- Foreign Equivalents
- Continuations
- Continuations in part
- Divisionals
- Reissues
- Extensions
- Reexaminations

Are all possible products licensed:    Yes        No  
 If not, will there be a field of use limitation:    Yes        No  
 If Yes, describe field of use: \_\_\_\_\_  
 If limited to specific products, specify: \_\_\_\_\_

**SUBLICENSE RIGHTS**

Will the licensee have the right to sublicense:    Yes        No  
 If Yes, to whom:  
      Subsidiaries (see below)  
      Affiliates (see below)  
      Third parties  
      Distributors  
      Customers  
 Will Subsidiary be defined as majority owned:    Yes        No  
     If not, how defined: \_\_\_\_\_  
 Define Affiliate: \_\_\_\_\_  
 Any other limitations on the right to sublicense:    Yes        No  
     If Yes, list: \_\_\_\_\_

Are the Patents, Copyrights and Know-How of any Subsidiary of the Licensor to be licensed to the third party:    Yes        No  
 If Yes, are there any special limitations or considerations that must be recognized in the license: \_\_\_\_\_

**GRANTS AND RESTRICTIONS**

Is the license transferable:    Yes        No  
 Is the license personal:    Yes        No  
 Are there any carve outs or exceptions to the scope of the grant not otherwise noted above (such as limitations on have made rights):    Yes        No

If Yes, describe: \_\_\_\_\_  
 For Portfolio and similar licenses, are after acquired patents covered by the license:    Yes        No  
 If Yes, how are the covered patents determined: \_\_\_\_\_  
 Will the license extend to patents for which the licensor has the right to grant sublicenses, even if the license requires the payment of a royalty to the third party:    Yes        No  
     If Yes, must the sublicensee pay the royalty:    Yes        No  
 Will the license include a release for prior infringement:    Yes        No  
     If Yes, describe: \_\_\_\_\_  
 Does the licensee have the right to designate additional patents for license after the effective date:    Yes        No  
     If Yes, how many may be designated: \_\_\_\_\_  
     Any limitations on designation: \_\_\_\_\_  
 Does the licensor reserve any rights:    Yes        No  
     If Yes, describe: \_\_\_\_\_  
 If this is an assignment of a patent or copyright, is there a grantback of rights under the assigned IP:    Yes        No  
     If Yes, what rights are granted back to the assignor (use the above license checklist and describe: \_\_\_\_\_  
 If the license concerns patents, will the licensee own licensee created improvements to the patents:    Yes        No  
     If No, how will they be assigned to Licensor: \_\_\_\_\_  
     If Yes, does licensor expect a grantback license:    Yes        No  
         If Yes, describe terms and limitations: \_\_\_\_\_  
 If the license concerns copyrights, will the licensee own its crated derivative works of the original:    Yes        No

If No, how will they be assigned to Licensor: \_\_\_\_\_

If Yes, does licensor expect a grantback license:    Yes    No

If Yes, describe terms and limitations: \_\_\_\_\_

If the licensee has the right to sublicense to Subsidiaries and Affiliates can the license be cut off:    Yes    No

If Yes, in what event:

- Change in status as subsidiary
- Other: \_\_\_\_\_

If there is a grantback license involving the patents or copyrights of the licensee's subsidiaries, does that license survive any change in status of that entity:    Yes    No

**ROYALTIES AND LICENSE FEES**

What is the nature of the payment to be received by the assignor/licensor of the intellectual property:

- One-time payment
- License initiation fee and Royalties
- Ongoing Royalties
- Other: \_\_\_\_\_

If using one-time payment and/or license initiation or similar fee, how much is the fee? \_\_\_\_\_

When is it to be paid (e.g., within 30 days of signing): \_\_\_\_\_

Where is it to be paid (important for tax considerations): \_\_\_\_\_

In what currency: \_\_\_\_\_

How will you handle tax withholding: \_\_\_\_\_

Is the royalty subject to tax treaty treatment:    Yes    No

Which Tax Treaties: \_\_\_\_\_

If subject to Foreign Tax Credit, can you use Tax Credits?    Yes    No

What is the royalty base:

- Percent of revenue of company or line of business
- Percent of revenue derived from licensed products
- Per unit sold or manufactured.
- Combination of the above

For Royalties computed as a percent of revenue, what is the revenue base against which royalty rate will be applied:

- Gross revenue
- Net revenue
- Other: \_\_\_\_\_

What are valid exclusions from revenue (e.g. returns, warranty repairs, etc.): \_\_\_\_\_

Will royalties stair step (change as certain revenue amounts are achieved in a given period):    Yes    No

If Yes, describe stair steps: \_\_\_\_\_

Are royalties per patent/copyright embodied:    Yes    No

If Yes, is there a cap:    Yes    No

What is that cap: \_\_\_\_\_

Will there be guaranteed minimum royalties:    Yes    No

If Yes, for what periods and how determined: \_\_\_\_\_

Will they be offset by running royalties:    Yes    No

Are there caps on the royalties to be paid:    Yes    No

If Yes, are the caps:

- Annual
- Some other period
- Over the life of the agreement

Describe caps: \_\_\_\_\_

What is the royalty payment frequency:

- Monthly
- Quarterly
- Semi-annually
- Annually

What records must licensee maintain: \_\_\_\_\_

For how long: \_\_\_\_\_

How frequently can audits be conducted:

- Once each 3 years
  - Once each 2 years
  - Once per year
  - On demand
  - Other (e.g., more frequently if prior audit discloses variance)
- \_\_\_\_\_

Cost of audit to be paid by:

- Licensor
- Licensee
- Licensor if no discrepancy, Licensee if discrepancy
- Percentage shortfall constituting discrepancy for audit payment liability purposes: \_\_\_\_\_

**INFRINGEMENT ISSUES**

If a truly exclusive license, will the Licensor assist Licensee in asserting patent or copyright against infringer:      Yes      No

If Yes, what assistance will be offered: \_\_\_\_\_

At whose cost:      Licensee      Licensor

If a non-exclusive or sole license, will Licensor assert patent against infringer at request of Licensee:      Yes      No

If Yes, upon what showing by Licensee: \_\_\_\_\_

Who bears costs of assertion:      Licensor      Licensee

Who has rights to judgment:  
Licensor

Licensee

Shared: \_\_\_\_\_

**TRANSFERABILITY**

Can Licensor freely assign license:      Yes      No

If No, what limitations are to apply: \_\_\_\_\_

Can Licensee assign license:

- Freely
- Upon sale of business or assets
- All
- Substantially all
- Line of business
- Upon merger
- Other (Specify): \_\_\_\_\_

What restrictions are imposed on Licensee right to assign: \_\_\_\_\_

**REPRESENTATIONS, WARRANTIES, ETC.**

Which reps and warranties will Licensor make:

- Right to grant license
- Right and title to IP licensed/assigned
- Freedom from infringement of third party IP
- Validity
- Adverse claims
- Encumbrances (prior licenses)
- Maintain patents

Is Licensee required to make reps and warranties (e.g., financial status):

Yes      No

If Yes, what: \_\_\_\_\_

Any limitations on liability in event of breach of reps:      Yes      No

If Yes, specify: \_\_\_\_\_

**INDEMNIFICATION**

Will Licensor indemnify Licensee:    Yes        No  
 If Yes, for what: \_\_\_\_\_

Will Licensee indemnify Licensor:    Yes        No  
 If Yes, for what: \_\_\_\_\_

**ODDS AND ENDS**

Will Licensor grant Most Favored Licensee clause:    Yes        No  
 If Licensor elects to drop pending application or elects to abandon existing patent,  
 does Licensee have right to adopt:    Yes        No

If Yes, is title assigned:    Yes        No  
 Are governmental approvals required:    Yes        No  
 If Yes, who is obligated to obtain:  
     Licensor  
     Licensee  
 Is approval precondition of license:    Yes        No  
 If No, and approval is not given, what are consequences: \_\_\_\_\_

Is Licensee required to Mark:    Yes        No  
 If recordation is required to effect transaction, who pays:  
     Licensor/Assignor  
     Licensee/Assignee  
 What events constitute breach:  
     Failure to pay  
     Failure to maintain records  
     Failure to Mark  
     Other (Specify): \_\_\_\_\_

Is there a cure period:    Yes        No

If Yes, how long: \_\_\_\_\_  
 Are some breaches deemed incurable:    Yes        No  
 If Yes, which: \_\_\_\_\_  
 Do U.S. Export Control laws and regulations apply:    Yes        No  
 Will there be ADR:    Yes        No

If Yes, is it (check all that apply):  
     Internal escalation  
     Mediation  
     Arbitration  
     Other: \_\_\_\_\_  
 If Arbitration:  
     International Chamber of Commerce  
     American Arbitrations Association  
     UNCITRAL  
     Other  
 Where conducted: \_\_\_\_\_  
 Number of Arbitrators: \_\_\_\_\_  
     How selected: \_\_\_\_\_  
 Limitation on discovery: \_\_\_\_\_  
 Time limits: \_\_\_\_\_  
 Will there be an agreed submission to jurisdiction provision:    Yes        No  
 If Yes, what jurisdiction(s): \_\_\_\_\_  
 Waiver of jury trial provision:    Yes        No  
 Choice of Law: \_\_\_\_\_  
 Governing Language: \_\_\_\_\_  
 How is Notice to be given: \_\_\_\_\_



Law 278.9  
 IP Transactions,  
 Fall 2004

Limitations on disclosure of agreement:      Yes      No

Specify if yes: \_\_\_\_\_

Limitation or publicity:      Yes      No      Describe: \_\_\_\_\_

**NEGOTIATION EXERCISE**  
**Instructions for Calendars R Us**

You are a junior associate at a law firm that represents the software company Calendars R Us, manufacturer of the best selling Scheduler calendar program. Despite the success of Scheduler, your client has fallen on some hard times lately and sorely needs to expand its product line and marketing base. Your client hopes to accomplish this by developing customized versions of the Scheduler program targeted at different vertical markets. Fortunately, the law firm Dewey Cheatham and Howe ("Dewey") has expressed an interest in updating its docketing system and would like Calendars R Us to develop a customized version of the Scheduler calendar program for use in the law firm environment. Your hope is that upon doing this work for Dewey you can resell this product (called "CourtScheduler") to other law firms. Simply stated, Calendars R Us' viability depends on being able to do this in the next six months to avoid going bankrupt.

Because of the desire to get this deal done quickly, the parties have agreed to an unusual approach to these negotiations. Instead of one side drafting the agreement, they are starting from a term sheet previously used in another deal by one of the parties (and therefore some of the terms appear more favorable to one side or the other). Attached is a copy of the term sheet with comments from your supervising partner based on the conversation she had today with the client Calendars R Us. The comments generally reflect the client's goals and minimum acceptable positions.

The negotiation is scheduled to start promptly at 6:20 pm on Tuesday, November 16, 2004, and you have been instructed that these issues need to be resolved as much as possible by the end of that meeting. There will also be someone from the firm available to provide general guidance and answer questions if you need it. Be fair, be creative and be expedient.

**NOTE: THIS PACKET SHOULD BE DISCLOSED ONLY TO STUDENTS REPRESENTING CALENDARS R US.**

Calendars R Us

DEVELOPMENT AGREEMENT  
TERM SHEET

**Product:** Calendars R Us to develop a customized docketing software program for managing law firm court and filing deadlines for Dewey ("CourtScheduler"), based on Calendars R Us' best selling calendar program "Scheduler." The parties have already agreed to the specifications for CourtScheduler to be attached as an exhibit to the agreement.

**Ownership and License Grant:**  
We need to be able to sell CourtScheduler to 3rd parties!

Dewey to own all proprietary rights to the customized portion of CourtScheduler, but Calendars R Us will continue to own all proprietary rights in the Scheduler program. Calendars R Us grants Dewey a non-exclusive license to use, (modify) and reproduce the Scheduler program for use in conjunction with CourtScheduler at Dewey's law firm offices worldwide.  
*we don't want them to modify because then their version could be better than ours, which we want to sell to others*

**Delivery:**  
What about forcing acceptance by Dewey?

Calendars R Us to deliver an alpha version of the custom product on January 1 next year, a beta version on March 1 and the final version on May 1 of next year.  
*needed for start-up costs - hire more staff, etc.*

**Payment:**  
We'd take less up front if we owned CourtScheduler

Dewey to pay 50% upon execution of Agreement, and 20% on January 1 next year, 20% on March 1, and 10% on May 1 of next year. All such payments shall be non-refundable.

**Warranty:**  
too broad, try to limit

Calendars R Us warrants CourtScheduler free from defects in materials and workmanship for 90 days after delivery of the final version. If the software is defective, Calendars R Us will repair or replace the software at its option, and any remaining warranty period will be extended for an additional 30 days for the repaired or replaced version.

Disclaim implied warranties

Calendars R Us to defend any claim or action brought against Dewey alleging that CourtScheduler infringes a US copyright, provided Dewey gives reasonable notice and full control of the defense to Calendars R Us. If Calendars R Us suspects infringement, Calendars R Us shall have the right, at its option, to obtain rights to continued use of CourtScheduler or to modify CourtScheduler so that it is no longer infringing. If the foregoing option is not reasonably available, Dewey's sole remedy will be refund of the development fees.  
*Make this sole + exclusive remedy*

**Indemnification:**  
We won't indemnify if infringement claim results from their specifications

**Limitation of Liability:**

Calendars R Us' liability for consequential damages and incidental damages shall be excluded.  
*try to cap liability too!*

**Term:**  
*If Dewey terminates, license should end similarly*

10 years. Either party has the right to terminate with or without cause on 30 days notice. Upon termination by Calendars R Us or expiration, Dewey will have no further right to use the CourtScheduler software. Upon termination by Dewey, Calendars R Us will refund all development fees.  
*too harsh*

**General:**

Agreement also to include general boilerplate terms relating to governing law, notice, severability, waiver, etc.

Law 278.9  
IP Transactions  
Fall 2004

**NEGOTIATION EXERCISE**  
**Instructions for Dewey**

Dewey

You are a junior associate at the law firm Dewey Cheatham and Howe ("Dewey"). Your firm very much needs to update its docketing system and has decided to retain the company Calendars R Us to develop a customized version of its best selling Scheduler calendar program for use in the law firm environment. Currently the firm relies on manual tracking of court dates, but due to the firm's growth (there are now 20 offices worldwide), it has recently missed some crucial filing deadlines. Therefore, it is imperative to get this new system in place as soon as possible to satisfy the risk management committee and malpractice carrier. After reviewing several options, the firm has decided to have Calendars R Us develop this program, and the firm has committed to have it in place by early summer next year.

Because of the desire to get this deal done quickly, the parties have agreed to an unusual approach to these negotiations. Instead of one side drafting the agreement, they are starting from a term sheet previously used in another deal by one of the parties (and therefore some of the terms appear more favorable to one side or the other). Attached is a copy of the term sheet with comments from your supervising partner based on the conversation he had today with Dewey's global information systems manager. The comments generally reflect the firm's goals and minimum acceptable positions.

The negotiation is scheduled to start promptly at 6:20 pm on Tuesday, November 16, 2004, and you have been instructed that these issues need to be resolved as much as possible by the end of that meeting. There will also be someone from the firm available to provide general guidance and answer questions if you need it. Be fair, be creative and be expedient.

**NOTE: THIS PACKET SHOULD BE DISCLOSED ONLY TO STUDENTS REPRESENTING DEWEY, CHEATHAM AND HOWE.**

**DEVELOPMENT AGREEMENT**  
**TERM SHEET**

Product:

Calendars R Us to develop a customized docketing software program for managing law firm court and filing deadlines for Dewey ("CourtScheduler"), based on Calendars R Us' best selling calendar program "Scheduler." The parties have already agreed to the specifications for CourtScheduler to be attached as an exhibit to the agreement.

Ownership and License Grant:

We want to be able to control modifications to ensure we can keep using this program over time.

Dewey to own all proprietary rights to the customized portion of CourtScheduler, but Calendars R Us will continue to own all proprietary rights in the Scheduler program. Calendars R Us grants Dewey a non-exclusive license to use, modify and reproduce the Scheduler program for use in conjunction with CourtScheduler at Dewey's law firm offices worldwide.

Delivery:

Calendars R Us to deliver an alpha version of the custom product on January 1 next year, a beta version on March 1 and the final version on May 1 of next year.

Payment:

pay on acceptance by us of each deliverable

Dewey to pay 50% upon execution of Agreement, and 20% on January 1 next year, 20% on March 1, and 10% on May 1 of next year. All such payments shall be non-refundable. *too much up front - try for more leverage on final version* *what about breach?*

Warranty:

and conforms to specifications  
Calendars R Us warrants CourtScheduler free from defects in materials and workmanship for 90 days after delivery of the final version. If the software is defective, Calendars R Us will repair or replace the software at its option, and any remaining warranty period will be extended for an additional 30 days for the repaired or replaced version. *replacement needs to meet specs too!*

Indemnification:

try to extend time period

and indemnify  
Calendars R Us to defend any claim or action brought against Dewey alleging that CourtScheduler infringes a US copyright provided Dewey gives reasonable notice and full control of the defense to Calendars R Us. If Calendars R Us suspects infringement, Calendars R Us shall have the right, at its option, to obtain rights to continued use of CourtScheduler or to modify CourtScheduler so that it is no longer infringing. If the foregoing option is not reasonably available, Dewey's sole remedy will be refund of the development fees. *what about patents + trade secrets? what about our international sites?*

**NEGOTIATION EXERCISE**  
**Instructions for Calendars R Us**

You are a junior associate at the law firm that represents the software company Calendars R Us, manufacturer of the best selling Scheduler calendar program. Despite the success of Scheduler, your client has fallen on some hard times lately and sorely needs to expand its product line and marketing base. Your client hopes to accomplish this by developing customized versions of the Scheduler program targeted at different vertical markets. Fortunately, the law firm Dewey Cheatham and Howe ("Dewey") has expressed an interest in updating its docketing system and would like Calendars R Us to develop a customized version of the Scheduler calendar program for use in the law firm environment. Your hope is that upon doing this work for Dewey you can resell this product (called "CourtScheduler") to other law firms. Simply stated, Calendars R Us' viability depends on being able to do this in the next six months to avoid going bankrupt.

Because of the desire to get this deal done quickly, the parties have agreed to an unusual approach to these negotiations. Instead of one side drafting the agreement, they are starting from a term sheet previously used in another deal by one of the parties (and therefore some of the terms appear more favorable to one side or the other). Attached is a copy of the term sheet with comments from your supervising partner based on the conversation she had today with the client Calendars R Us. The comments generally reflect the client's goals and minimum acceptable positions.

The negotiation is scheduled to start promptly at 6:20pm on Tuesday, November 16, 2004, and you have been instructed that these issues need to be resolved as much as possible by the end of that meeting. There will also be someone from the firm available to provide general guidance and answer questions if you need it. Be fair, be creative and be expedient.

**Limitation of Liability:**

*- except out indemnification  
 - what if we get sued for malpractice as a result of their mistake? exclude for us too!*  
 Calendars R Us' liability for consequential damages and incidental damages shall be excluded.

**Term:**

*should be perpetual & irrevocable - we're paying for this software - it's critical to our business!*  
 10 years. Either party has the right to terminate with or without cause on 30 days notice. Upon termination by Calendars R Us or expiration, Dewey will have no further right to use the CourtScheduler software. Upon termination by Dewey, Calendars R Us will refund all development fees.

**General:**

Agreement also to include general boilerplate terms relating to governing law, notice, severability, waiver, etc.

**DEVELOPMENT AGREEMENT  
TERM SHEET**

**Product:** Calendars R Us to develop a customized docketing software program for managing law firm court and filing deadlines for Dewey (“CourtScheduler”), based on Calendars R Us' best selling calendar program “Scheduler.” The parties have already agreed to the specifications for CourtScheduler to be attached as an exhibit to the agreement.

**Ownership and License Grant:** Dewey to own all proprietary rights to the customized portion of CourtScheduler, but Calendars R Us will continue to own all proprietary rights in the Scheduler program. Calendars R Us grants Dewey a non-exclusive license to use, modify and reproduce the Scheduler program for use in conjunction with CourtScheduler at Dewey's law firm offices worldwide.

**Delivery:** Calendars R us to deliver an alpha version of the custom product on January 1 next year, a beta version on March 1 and the final version on May 1 of next year.

**Payment:** Dewey to pay 50% upon execution of Agreement, and 20% on January 1 such next year, 20% on March 1, and 10% on May 1 of next year. All payments shall be non-refundable.

**Warranty:** Calendars R Us warrants CourtScheduler free from defects in materials and software workmanship for 90 days after delivery of the final version. If the is defective, Calendars R Us will repair or replace the software at its option, and any remaining warranty period will be extended for an additional 30 days for the repaired or replaced version.

**Indemnification:** Calendars R Us to defend any claim or action brought against Dewey alleging that CourtScheduler infringes a US copyright, provided Dewey gives reasonable notice and full control of the defense to Calendars R Us. If Calendars R Us suspects infringement, Calendars R Us shall have the right, at its option, to obtain rights to continued use of CourtScheduler or to modify CourtScheduler so that it is no longer infringing. If the foregoing option is not reasonably available, Dewey's sole remedy will be refund of the development fees.

**Limitation of damages Liability:** Calendars R Us' liability for consequential damages and incidental shall be excluded.

**Term:** 10 years. Either party has the right to terminate with or without cause on 30 days notice. Upon termination by Calendars R Us or expiration, Dewey will have no further right to use the CourtScheduler software. Upon termination by Dewey, Calendars R Us will refund all development fees.

**General:** Agreement also to include general boilerplate terms relating to governing law, notice, severability, waiver, etc.

**NEGOTIATION EXERCISE**  
**Instructions for Dewey**

You are a junior associate at the law firm Dewey Cheatham and Howe ("Dewey"). Your firm very much needs to update its docketing system and has decided to retain the company Calendars R Us to develop a customized version of its best selling Scheduler calendar program for use in the law firm environment. Currently the firm relies on manual tracking of court dates, but due to the firm's growth (there are now 20 offices worldwide), it has recently missed some crucial filing deadlines. Therefore, it is imperative to get this new system in place as soon as possible to satisfy the risk management committee and malpractice carrier. After reviewing several options, the firm has decided to have Calendars R Us to develop this program, and the firm has committed to have it in place by early summer next year.

Because of the desire to get this deal done quickly, the parties have agreed to an unusual approach to these negotiations. Instead of one side drafting the agreement, they are starting from a term sheet previously used in another deal by one of the parties (and therefore some of the terms appear more favorable to one side or the other).

The negotiation is scheduled to start promptly at 6:20pm on Tuesday, November 16, 2004, and you have been instructed that these issues need to be resolved as much as possible by the end of that meeting. There will also be someone from the firm available to provide general guidance and answer questions if you need it. Be fair, be creative and be expedient.

**DEVELOPMENT AGREEMENT**  
**TERM SHEET**

<b><u>Product:</u></b>	Calendars R Us to develop a customized docketing software program for managing law firm court and filing deadlines for Dewey ("CourtScheduler"), based on Calendars R Us' best selling calendar program "Scheduler." The parties have already agreed to the specifications for CourtScheduler to be attached as an exhibit to the agreement
<b><u>Ownership and License Grant:</u></b>	Dewey to own all proprietary rights to the customized portion of CourtScheduler, but Calendars R Us will continue to own all proprietary rights in the Scheduler program. Calendars R Us grants Dewey a non-exclusive license to use, modify and reproduce the Scheduler program for use in conjunction with CourtScheduler at Dewey's law firm offices worldwide.
<b><u>Delivery:</u></b>	Calendars R us to deliver an alpha version of the custom product on May 1 of next year, a beta version on March 1 and the final version on 1 of next year.
<b><u>Payment:</u></b>	Dewey to pay 50% upon execution of Agreement, and 20% on January 1 next year, 20% on March 1, and 10% on May 1 of next year. All such payments shall be non-refundable.
<b><u>Warranty:</u></b>	Calendars R Us warrants CourtScheduler free from defects in materials and workmanship for 90 days after delivery of the final version. If the software is defective, Calendars R Us will repair or replace the software at its option, and any remaining warranty period will be extended for an additional 30 days for the repaired or replaced version.
<b><u>Indemnification:</u></b>	Calendars R Us to defend any claim or action brought against Dewey alleging that CourtScheduler infringes a US copyright, provided Dewey gives reasonable notice and full control of the defense to Calendars R Us. If Calendars R Us suspects infringement, Calendars R Us shall have the right, at its option, to obtain rights to continued use of CourtScheduler or to modify CourtScheduler so that it is no longer infringing. If the option is not reasonably available, Dewey's sole remedy will be refund of the development fees.

**Limitation of damages** Calendars R Us' liability for consequential damages and incidental damages shall be excluded.

**Liability:**

**Term:** 10 years. Either party has the right to terminate with or without cause on 30 days notice. Upon termination by Calendars R Us or expiration, Dewey will have no further right to use the CourtScheduler software. Upon termination by Dewey, Calendars R Us will refund all development fees.

**General:** Agreement also to include general boilerplate terms relating to governing law, notice, severability, waiver, etc.