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Checklist – Forming Joint Ventures and the Treatment of Intellectual Property Assets

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This checklist may be used when drafting a joint venture agreement. It highlights the issues typically encountered when forming a JV, as well as the obligations of the parties relating to the operation and management of the JV. It contemplates a joint venture where one or more of the parties owns intellectual property which is licensed for use by the JV to aid in the development of JV assets. There are other issues that will impact the structure and operation of the JV, such as tax and regulatory issues, which are not addressed here. For a more detailed discussion on IP assets in connection with joint ventures, see [Joint Ventures and Intellectual Property Assets](#).

Choosing the Joint Venture's Structure – Contract or Entity-Based

- Discuss potential legal presumptions that may arise from either structure, such as the ability to bind the other company and liability issues.
- Consider timing issues and need to enter market quickly.
- Consult tax and corporate counsel and, depending on the industry involved, regulatory counsel.

Defining the Joint Venture's Purpose

- Identify the appropriate parties to the JV
- Describe the JV's business objectives.
- Determine what assets the JV requires and who will contribute those assets.
- Consider if the JV will be a continuing business or formed for a specific project.
- Determine the term of the agreement.
- Determine any territorial or business limitations.
- Consider whether any additional agreements are needed to carry out the JV's business objectives.
- Determine the repatriation of assets in the case of dissolution.

Defining the Contribution of Assets to the Joint Venture

- Identify the capital contributions and other resources each party will convey to the JV. Such contributions and resources may include manufacturing facilities, personnel, support services, supply or distribution channels.
- Particularly describe each JV partner's contribution of existing IP assets (i.e., background IP) and clearly define ownership of the background IP.
- Describe any licenses needed for the JV to use the background IP assets.
- Determine whether any third party IP assets are required and whether any license to the parties can pass to the JV.

- Consider limitations on background IP owner's ability to terminate or substantially alter license agreement to the disadvantage of the joint venture.

Treatment of Developed IP (Foreground IP) in a Joint Venture

- Determine how the JV members wish to allocate the ownership of any IP assets that will be developed by the JV
- Consider whether improvements on existing background IP should be treated the same as newly developed foreground IP or whether such improvements should be treated differently and addressed in a separate provision.
- Identify any licenses required for the JV to use all foreground IP.

Provisions Regarding the Operation and Management of the Joint Venture

- Identify the roles and responsibilities of each JV partner in the operation and management of the JV
- Consider whether any additional agreements will be required to carry out any operations duties.
- Describe the procedure for choosing members of the management vehicle including the proportion of representatives per JV partner.
- Define qualifications for members of the JV management.
- Consider voting requirements (e.g., unanimous or majority vote) for different levels of decision-making by management vehicle.
- Describe when and where JV management will meet, and the quorum requirement.
- Describe procedures for removal or replacement of JV management members.
- Determine the extent of authority given to the JV management vs. those decisions reserved for the JV partners.
- For decisions reserved to JV members, determine the decisions that require unanimity and those decisions that require majority.
- Determine procedures for hiring and firing of senior officers including CEO.
- Consider process for developing, approving and updating the business plan and budget.
- Consider standards and procedures for dealing with non-arm's length transactions and other conflict situations between JV and JV member.

Miscellaneous Operations Provisions

Dispute Resolution

- Determine how the JV members wish to resolve any internal disputes between or among them.
- Identify who will resolve disputes, e.g., all JV partners or a majority?
- Select a dispute resolution method, e.g., if alternate, arbitration or mediation?
- Identify the location for dispute resolution and the applicable law and rules.
- Describe material defaults and remedies for material defaults of JV agreement.

Non-Compete/Non-Solicitation

- Determine if a non-compete agreement should bind the JV, the JV management and/or JV partners. If so, identify type and duration for each.

- Consider whether there should be a non-solicitation clause applicable to JV employees during the JV and for a period of time thereafter.
- Consider whether the JV should be prevented from entering into agreements or other deals with competitors of one of the JV partners.

Joint Ventures: Considerations for Exit and Termination Provisions

- Identify any specific termination date(s) for the JV.
- Identify any events or other circumstances that will trigger dissolution of the JV. For example, consider whether JV partners will be permitted to transfer their interest in the JV to a third party, or whether such a transfer will trigger dissolution.
- If transfer will not trigger dissolution, describe the requirements for such a transfer of rights such as prior notice and approval, and/or right of first refusal by other JV members.
- Describe options upon termination for distribution of all assets, including IP assets.
- Consider whether upon termination the assets will be sold or distributed to the JV partners, for example.
- If public sale is desired, determine whether and under what conditions any of the JV partners may participate as potential buyers.
- If assets of the JV are to be distributed among the JV partners, define the order of distribution or method of distribution.
- Determine post-termination application of certain provisions such as confidentiality provisions.

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