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# Licensing Essentials: Practical Tools and Tips in Intellectual Property Licensing

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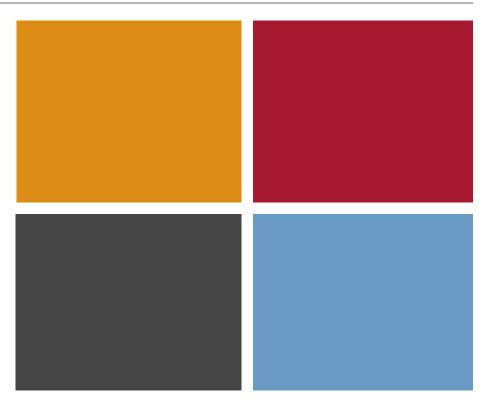
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#### What is an IP License?

- Grant of permission by an owner of a right to another entity to do something that, but for the permission of the owner, would be an infringement of the owner's right.
- Licensor retains legal and beneficial title.
- A license is more than a mere covenant not to sue as it generally contains positive obligations by both parties.



# Situations Where IP Licenses May Arise

- Licensing-in technology
- Licensing-out technology (sometimes as part of a sales contract)
- Joint development agreements
- Cross-licenses
- Intra-company licenses

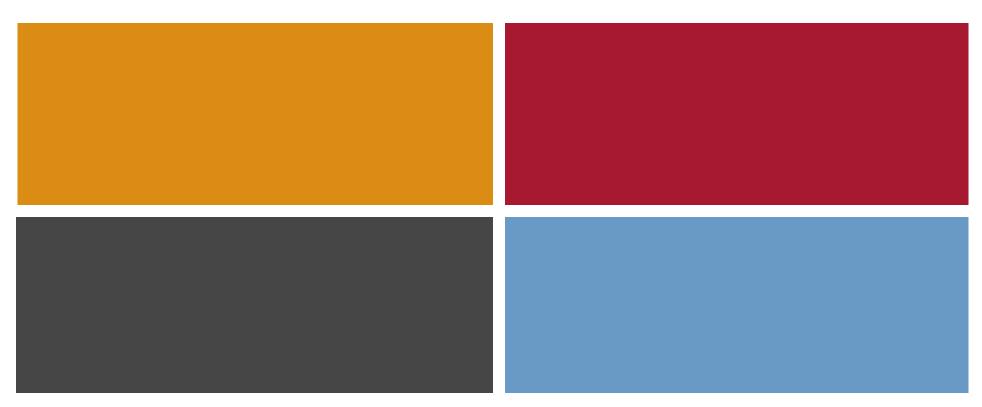


#### **Key Aspects of an IP License**

- Grant Clause
- Ownership of Foreground IP & Assignment
- Obligations of the Parties
- Representations & Warranties
- Indemnification
- License Enforcement & Dispute Resolution



### **Grant Clause**





#### **Grant Clause**

Sets out what the licensee is permitted to do

Often sets out important limitations

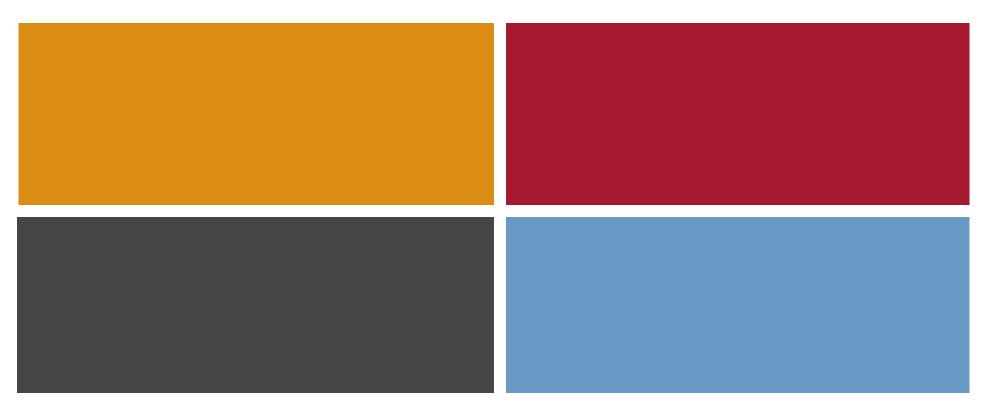


#### **Grant Clause**

- Parties who is entitled to exercise rights?
- Subject matter what is being licensed?
- Rights what is licensee allowed to do?
- Territory where can rights be exercised?
- Exclusivity are rights exclusive, sole, non-exclusive?
- Term how long can rights be exercised?
- Payment royalty-bearing or royalty-free?
- Restrictions assignable? Transferable? Sublicensable? Irrevocable? Perpetual?



# Foreground IP & Assignment





#### Foreground IP & Assignment

- Joint ownership of improvement try to avoid if at all possible.
- Assignment ensure the language is present tense, not future tense.



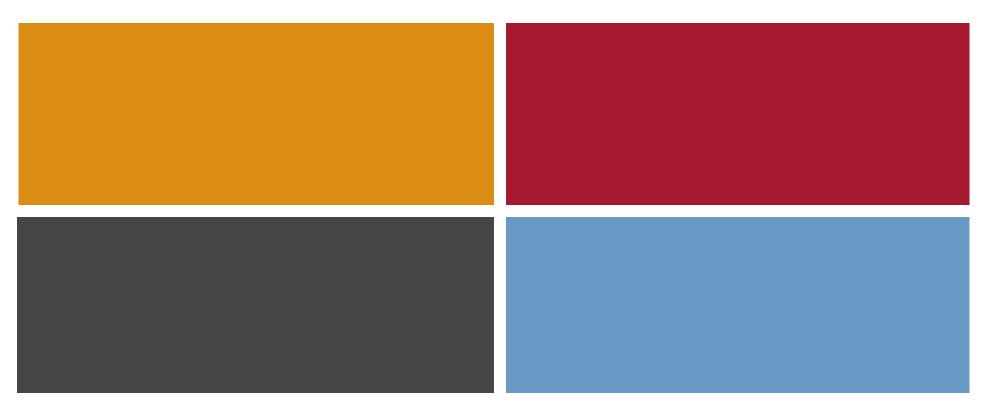
#### Foreground IP & Assignment

- Description of the improvement Be very clear
  - Ownership of the physical item vs. IP embodied in the physical item.
  - Ownership of test results what does that mean?
    - Customers typically want that to mean that the developor cannot share the results with competitors.
  - Ownership of drawings what does that mean?
    - Customer owns the drawings, but who has the IP that went into the drawings?
    - The developer would want to have rights to the IP that went into the drawings so long as it can do so in a way that does not reveal to competitors what the customer is doing.



- Maintenance and preservation of IP rights.
  - Think through the cost impact what if the business is sold, is a release needed?
- Enforcement of IP rights.
  - What are the obligations to report infringement?
- Confidentiality
  - What are the obligations?
  - If an exception applies, is there an obligation to inform before relying on one of these exceptions?







- Material Breach
  - Consider noting which obligations are material and would be considered a breach.
- Reverse engineering
  - Not allowed to reverse engineer or allow others to reverse engineer.
  - Depending on the nature of the good, may have to dispose in a certain way or keep covered.



- Quality control for trademarks
- Validity challenges
  - Not allowed to challenge validity may not be enforceable in certain countries.
- Reporting of new inventions
  - Consider ownership allocation.
  - Joint research how to control when a research partner files applications around the agreement?
  - Consider including a provision that requires disclosure after the agreement is terminated.







- Options that limit scope of representation and warranties:
  - Knowledge
    - Trying to prove that individuals knew something can be very difficult and strongly undermine make the representation.
  - Territory
  - Time
  - Disclosure
  - Notice



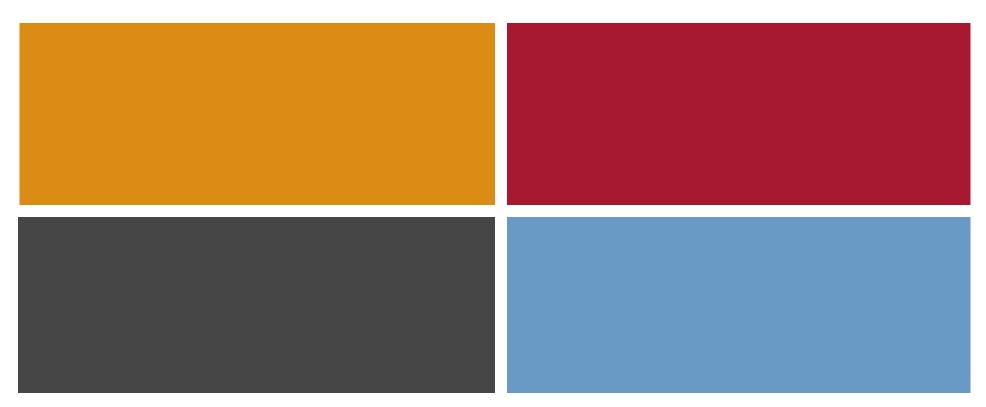
- Validity
  - May want to include a necessary knowledge qualifier.
- Non-infringement
  - Consider that this is closely tied to the indemnification provision.
  - If there is a cap on indemnity, but no cap on breach of warranty, then there may be exposure to the licensor under this provision.
  - Consider that a representation of "conveying all rights to make equipment per the specification" is another way of saying no infringement.



- Ownership
  - Consider the size and age of the company there could be issues with ownership of legacy materials where the company may forget who owns the materials.
  - Consider saying "own or have the necessary rights to convey".



### Indemnification





#### Indemnification

- Breach of terms of agreement
- Non-IP liability relating to licensee's products
- Licensee's compliance with applicable law
- IP infringement



#### Indemnification

- Options that can limit scope of indemnification:
  - Exclude modifications to licensed property.
  - Exclude use for unlicensed applications or purposes.
  - Exclude combination with other IP or products.
  - If the exposure cannot be otherwise limited, include a damages cap.



# License Enforcement & Dispute Resolution





# License Enforcement & Dispute Resolution

- When a license dispute leads to a lawsuit, try to always end with a court order.
  - Settlement agreement are often not good enough.
  - If the one party violates the order, the other side can move for contempt instead having to file a new lawsuit for breach of the settlement agreement.
  - The order may include a description of the product that is not specifically tied to the patent language, but is easy to enforce.



# **Special Licensing Situations**





#### **Special Licensing Situations**

Patent pool

Government, universities

Major customer considerations



# **Questions?**

