



# Licensing 101

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# Meet The Speakers

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# Roadmap

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- **High level, introductory discussion on IP licensing**
- **Topics**
  - Types of IP
  - Monetization strategies
  - Key parts of a license agreement
  - Certain considerations
    - Licensing software, especially open source software
    - Licensing pharmaceutical patents
    - Trademarks
    - Trade secrets
    - Know-how

# Types of IP

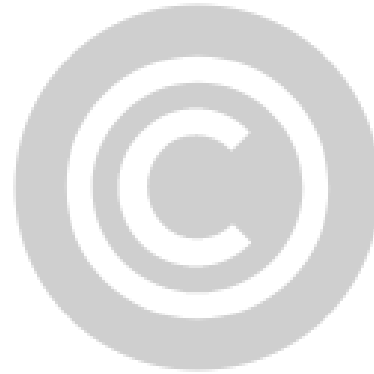
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**Patents**



**Trademarks**



**Copyrights**



**Know-how**  
(including trade secrets)

# Monetization Strategies

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- **IP licensing – focus of this presentation**
  - IP owner (licensor) retains ownership and grants certain rights to licensee
  - IP licensee obtains the legal rights to practice the IP
  - Bundle of rights can range from all the rights that the IP owner possesses to a subset of the same
- **Sale**
  - IP owner (assignor) transfers ownership to the purchaser (assignee)
- **Litigation**
  - Enforcement, by IP owner, of IP rights against an infringer who impermissibly practices the IP owner's rights
  - Damages determined by a Court

# What is an IP License?

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- **Contract between IP owner (Licensor) and Licensee**
  - Licensor's offer – grant of Licensor's rights in IP
    - Patents – right to sell products that embody claimed inventions of Licensor's US patents
    - Trademarks – right to use Licensor's US marks on products or when selling products
    - Copyright – right to use and/or make derivative works of Licensor's copyrighted work
    - Trade Secret – right to use and obligation to maintain Licensor's trade secret
  - Licensee's consideration – compensation
    - Different types (more in a later slide)

# Parts of an IP License

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- **The license grant – Licensors' offer**
  - Patents – rights to practice claimed inventions covered by a licensor's patents
  - Trademarks/Copyrights – rights to use marks/copyrighted works owned by a licensor
  - Know-How – right to practice owner's know-how (including TS) while maintaining confidentiality
- **Compensation – Licensee's consideration**
  - Monetary
    - Upfront license fee
      - One time or one portion of multiple payments
    - Royalties
      - Multiple payments
      - Tied to sales of licensed products

# Parts of an IP License

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- **Compensation – Licensee's consideration (contd.)**
  - Monetary
    - Milestones
      - Event specific
      - May increase with each milestone
  - Non-monetary
    - Return license – cross-license
      - Licensee owns some IP to which Licensor needs rights/access
      - Each party cross-licenses their respective IP to the other party in lieu of or in addition to monetary compensation



# Parts of an IP License

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- **Compensation – licensee's consideration (contd.)**
  - Non-monetary
    - Investment
      - To fund product development covered by the license or to more closely align licensor/licensee interests over time
    - Commercial terms
      - Terms of the license that are more favorable to one party compared to 3<sup>rd</sup> parties

# Parts of an IP License

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- **Tips**

- License grant
  - Clearly specify the IP being licensed
    - Patents – patent numbers, pending applications, future applications, US/non-US applications
    - If numerous, then list separately – Schedule, Exhibit or Appendix
- Compensation
  - Licensee
    - Not purely a technology decision; obtain input from business units (sales, finance, tax)
  - Licensor
    - One time upfront payment may be less burdensome to administer/enforce, even if it is less than an ongoing payment obligation

# Parts of an IP License

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- **Exclusivity provision**
  - Exclusive
    - No one other than licensee can use the IP rights
      - This includes the Licensor
  - Non-exclusive
    - Licensor is free to grant licenses to any number of licensees
    - A non-exclusive license is nothing more than a covenant not to sue
  - Partially exclusive
    - Exclusive in some respects – geography, technical field; non-exclusive in others

# Parts of an IP License

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- **Tips**

- Licensors – before granting an exclusive license, consider if Licensors want to practice the IP themselves
- Licensees – be aware that a non-exclusive license allows Licensors to grant another license to a competitor

# Parts of an IP License

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- **Sublicense rights**

- Licensee's right to extend the license grant to a 3<sup>rd</sup> party
- Why?
  - 3<sup>rd</sup> party is the manufacturer who will manufacture Licensed Products that Licensee will sell

- **Assignment Rights**

- Either party's right to allow a 3<sup>rd</sup> party to take over their rights/obligations in the License
- Why?
  - Licensor wants to sell their IP to the 3<sup>rd</sup> party

# Parts of an IP License

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- **Tips**
  - Licensee
    - Ensure that License expressly provides the right to sublicense
  - Licensor
    - Retain the power to approve/disapprove the sublicensee/assignee

# Parts of an IP License

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- **Term**
  - Duration for which the license remains valid
  - Temporal
    - X number of years
  - Tied to IP's life
    - As long as licensed patents are valid
- **Termination**
  - What happens after the Term has expired?
    - To the licensed IP
    - To provisions of the license

# Parts of an IP License

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- **Tips**
  - Tie term to validity of IP, not life of IP
  - Avoid collecting royalties after patents have expired
    - But, an upfront royalty payment can be paid out over time including after patents expire
  - Identify provisions that must survive termination
    - Payment of accrued royalty
    - Return of IP



# Parts of an IP License

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- **Representations and Warranties**

- Licensee

- That Licensor has the power to grant the license
    - That Licensor has not taken any action that would prevent them from granting the license
    - That IP is valid and enforceable

- Licensor

- That signing party has the power to obligate the Licensee to be bound by the agreement

- **Tips**

- Qualify certain representations – “to the best of party’s knowledge”

# IP Licensing

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- **Miscellaneous (yet, critical)**
  - Confidentiality
  - Governing Law
  - Notices
- **Tips**
  - Specify confidentiality obligation not only for information being exchanged but also of the terms of the License
  - Pay close attention to governing law jurisdiction, especially when License involves non-US parties
  - Include requirement that a party will notify the other if/when that party moves from its current location

# Licensing Software IP

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- **Proprietary**
- **Open source**
- **Mixed**
  
- **Consider**
  - “Code” or “software” license
    - Usually mainly focuses on copyright
  - Patent
  - Trademark
  - Know-how

# Licensing Software IP - Proprietary

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- **Restrictions on use**
  - CPUs
  - Employees/seats
  - Facilities
  - Features
  - Context, e.g. academic vs. corporate vs. personal
- **Duration**
  - Recurring/subscription
  - One-time
- **Non-IP considerations**
  - Warranties
  - Indemnity
  - Audit

# Open Source Software

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- **Open source software and licensing**
  - Source code is freely available and may be redistributed and modified
  - Ubiquitous
  - Typically permitted: commercial use, charging (for services, warranty, or support)
  - Often (but not always) no limitations on internal “use”

# Open Source Software

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- **Open source software and licensing**
  - Benefits
    - Free code
    - Community contributions / bug fixes
    - Public relations
    - No vendor lock-in
    - Security
  - Costs
    - Compliance
    - Risk of loss of proprietary rights
    - Security

# Open Source Software

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- **Subject to wide range of licenses, ranging from very permissive to very restrictive**
  - “Unlicense”
  - MIT
  - BSD
  - GPL
    - LGPL
    - AGPL
  - Many others

# Open Source Software - Risks

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- **Breach of contract / copyright infringement claim**
  - Exposure to counterclaims
  - Bad P.R.
- **No warranty**
- **Unintentional public licensing of IP – copyright/patent**
  - Defense in litigation
- **Easier to identify / prove infringement**
- **Security (cuts both ways)**
- **“Abandonware”**
- **Trademark issues**
- **Code provenance**
- **Settlement complications**



# Open Source Software – Best Practices

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- **Adopt and enforce an open source policy covering:**
  - Internal use
  - Incorporation into company products and services
    - Web service
    - Shipped product
  - Company-founded or –sponsored open source projects
    - Third-party contributions to company code
  - Employee open source activity unrelated to business
- **Rigorous procedure for tracking usage**
- **Minimize “intermingling”**
- **Maintain title (or license) to own projects**
- **Copyright registration**
- **Diligence in acquisitions**
  - Corporate M&A
  - Software vendor

# Licensing Pharma Patents

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- **Licensee**
  - Ensure all inventors have assigned the patents to Licensor
  - Avoid incorporating Licensor's confidential information into Licensee's research
  - When licensing a batch of patents, consider if royalties should be owed only until expiration of the most valuable patent, rather than any patent
- **Licensor**
  - Tie royalty payments to use of IP rather than sale of Licensed Products
  - Include Survival provisions that ensure that royalty accrued when License is valid is payable after License has expired
  - Require reversion of rights or termination of license if Licensee is not developing Licensed Products
- Clarify who shall be responsible for prosecution/litigation

# Trademarks

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- **Vast majority are non-exclusive**
  - “Exclusives” often based on geography
    - Geography should track where marks are in force
- **Must monitor/enforce quality control (QC) or risk TMs becoming invalid**
  - Use “magic language” re QC
    - **Rights to inspect/audit**
    - Termination tied to non-compliance

# Trade Secrets

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- **Enforce confidentiality obligations on licensee or risk TS not remaining a secret any more**
  - Require duration of protection indefinite so long as TS remain TS under applicable law.
  - Compromise – have parties specifically label/designate TS as such
    - Facilitates compliance with different duration of protection
- **Have TS materials returned (at any time and automatically upon termination)**
  - If parties are allowed archival copies – consider excepting out TS materials

# Know-How

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- **How to identify?**
  - **Usually coupled with licensed patent rights**
    - Defined as all know-how “necessary” or “necessary or useful” to practice licensed patent rights
    - Include terms re provision/protection/return of same to licensor
- **Almost always licensed non-exclusively (since licensor/other licensees may also need K-H)**
- **May or may not be tied to specific consideration (e.g., royalties)**
  - Royalties most often tied to licensed patents (but if K-H is also licensed, can be used to support higher royalties/support payment of fees outside of patent term)

# Personal Data

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- Personal data collection and processing is subject to several federal (HIPAA), international (GDPR) and state laws
- When licensing personal data (raw or processed), consult a data privacy expert to ensure compliance with these laws

# Thank you!



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