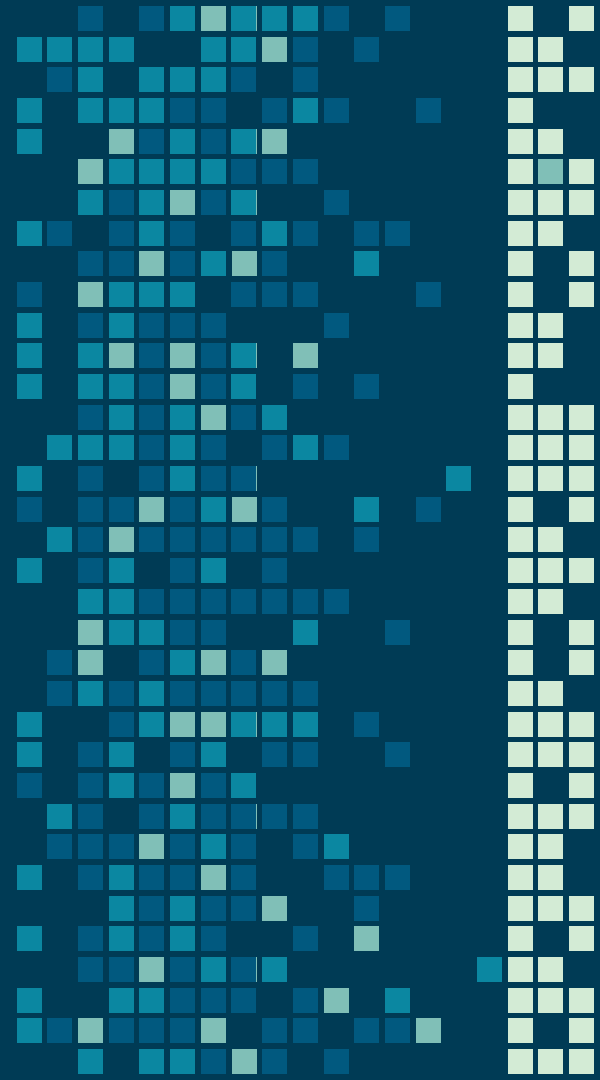


# UNDERSTANDING IP LICENSING AND LICENSE AGREEMENTS

**LegaLogic Consulting**  
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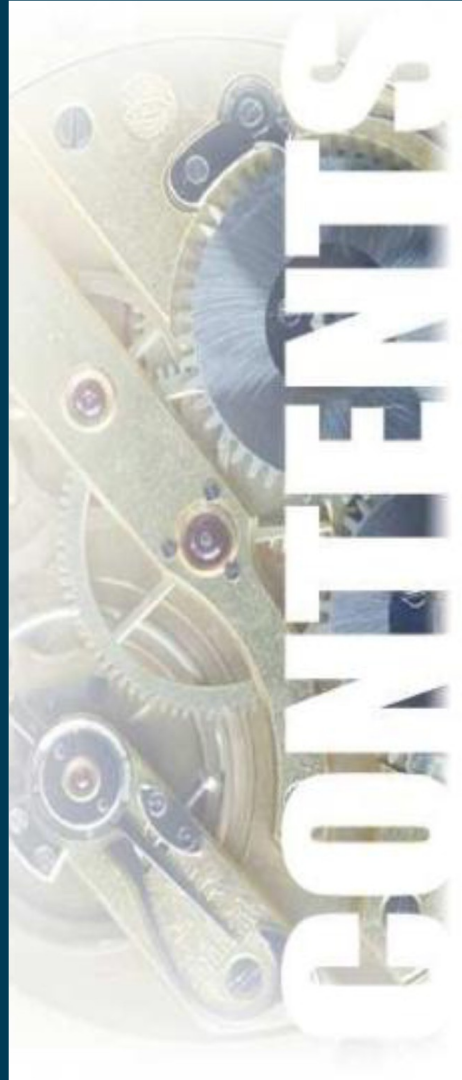
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# What are Intellectual Property Rights?

*IPs relevant in the context of technology:*

- Copyright
- Patents
- Trade Secrets: Prototypes, formula
- Trade mark
- Industrial Designs

*These are a bundle of rights owned by the author or inventor of any Intellectual Property ("IP") -*

- *Right to use*
- *Right to sell*
- *Right to sublicense*
- *Right to modify / create derivative works*
- *Right to prevent others from exploiting these*





	Patent	Copyright	Trade Secrets
Protect	Invention (technological inventions, developments, improvements)	Expression of ideas	Information used in business
Applicable Law	Indian Patent Act, 1970	Indian Copyright Act, 1957	Contract law – for confidential obligation
Registration	Mandatory	Optional	N.A.
Requirements	New, Useful and non – obvious	Originality	Confidential, used in business
Exclusive Right Starts	Upon issuance of Patent	Upon expression in a tangible medium	Upon creation
Term Of Exclusivity	17- 20 years	Lifetime + 60 years or 50 years	Indefinite as long as it is secret
Pros	Strongest Protection.	Rights accrue automatically. Inexpensive	Rights last forever. Inexpensive.
Cons	Need to disclose, expensive to maintain and procure.	Easy to design around.	Hard to maintain.

# Licensing Overview

- *What is Technology Licensing?*
- *Value of IP in the business*
- *Types of Licenses*
- *Types of License Agreements*



EASILY CONFUSED WORDS?

LICENCE  
OR  
LICENSE?

*“**licence**” (noun) = an official document that shows that permission has been given to do, access or use.*

*“**license**” (verb) = to give somebody official permission to do, access, or use something.*

# What is Technology Licensing?

An arrangement whereby an owner of any IP or technology embodying IP, allows another party to...

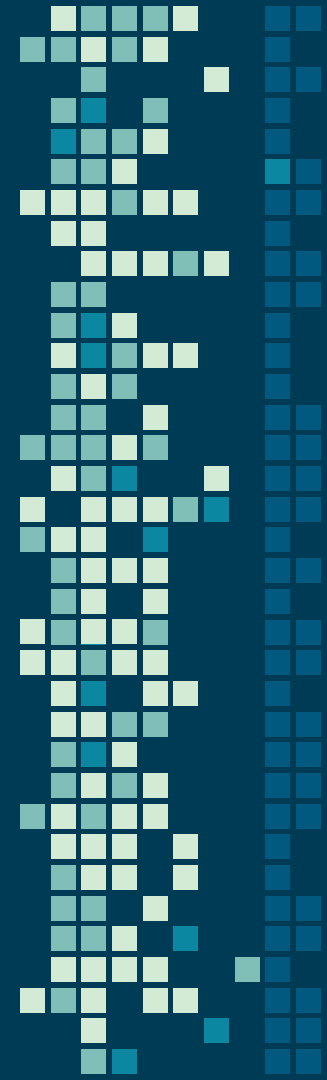
- use (exclusively or non exclusively)
- modify
- create derivative works
- resell, sublicense, or distribute

... such IP or technology in exchange of a consideration



# What is Technology Licensing?

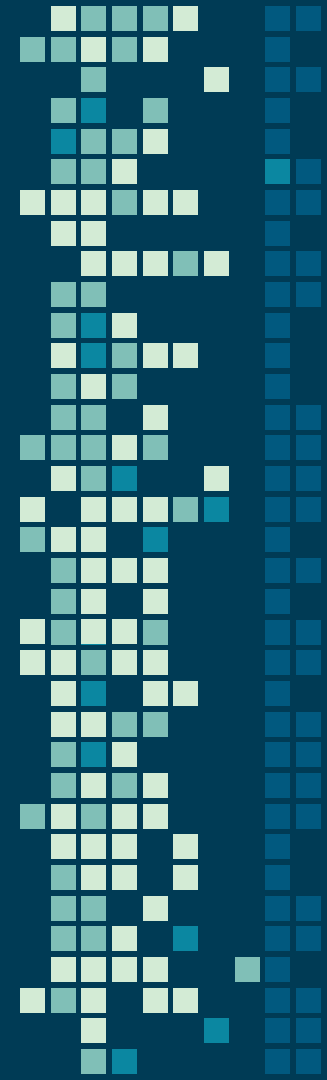
**Licensable IPs** - a product, a formula, a know-how, an equipment, a chemical process, a specification, a protocol, a software program, a set of diagrams or documentation.



# Business Value of Technology Licensing



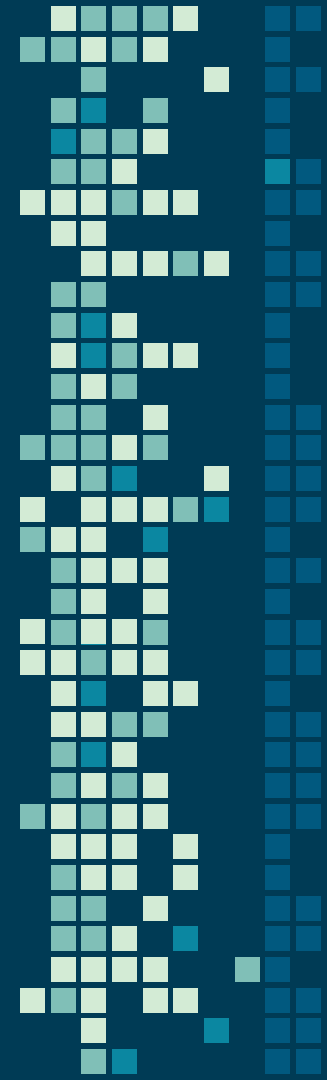
- **Stop Competitors**
- **Generating Licensing Revenues**
  - High Potential
  - Highly neglected
  - Problems in Implementation
- **Increasing Financial Value**
  - Non IP savvy & IP savvy company Vs tangible and intangible assets
- **Business Development**
  - Advertising and Marketing Campaigns
  - Consumer Products
  - Government Tenders





# TYPES OF LICENSES

# Type I – Exclusive, Non Exclusive and Sole License



# Type II - Term License Vs Perpetual License

## A. Term License

- For a Fixed Term
- A continued usage : recurring fees or breach of license grant
- Post expiry : Removal, return or destruction of IP



## B. Perpetual License

- For an indefinite term
- No recurring fee for a continued usage.
- AMC
- Mostly offline in nature
- (Software integrated in a smart TV, CNC machine etc).



# Type III – Cross Licensing

- Exchange of the respective IPs to the other party by a license for approximately equal value
- No payments
- Protection against getting sued
- Coverage – extend up to customers, distributors, or partners
- “truce agreement” or “covenant not to sue”
- JV for profitable exploitation of technologies



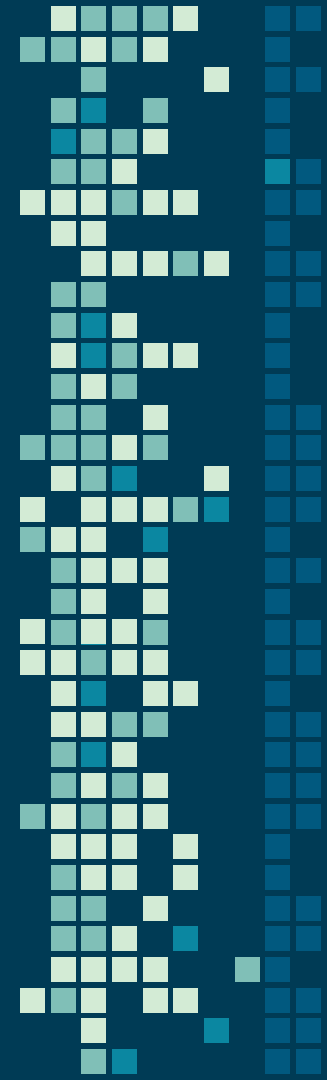
# Type IV – Node Lock, and OEM Licenses

## A. Node Lock aka Work Station License

- ☐ 🖱️ Limited to specific number of computers, or machines
- ☐ 🖱️ E.g. Server applications such as database or VMware products
- ☐ 🖱️ Non transferable
- ☐ 🖱️ Sometimes comes with physical locks (dongles).

## B. OEM License:

- ☐ 🖱️ Technology license accompanying a hardware
- ☐ 🖱️ Generally limited to use on a single piece of hardware
- ☐ 🖱️ Non transferable to other hardware
- ☐ 🖱️ e.g. Software imbedded in CNC machine, IoT devices etc.



# Type V – Concurrent Use, User License and Site License

## I. Concurrent use License

- ❑ Multiple installations Allowed
- ❑ Installations (on machine) should not exceed the number of licenses purchased
- ❑ Generally comes with “License Manager” to track usage.

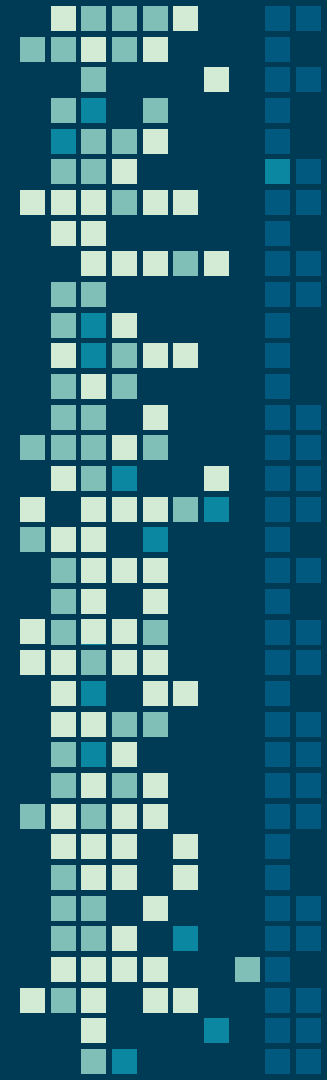
## II. User License

- ❑ 🖱️ User specific
- ❑ 🖱️ Multiple installation on multiple devices for 1 user = 1 license

E.g. Playstore

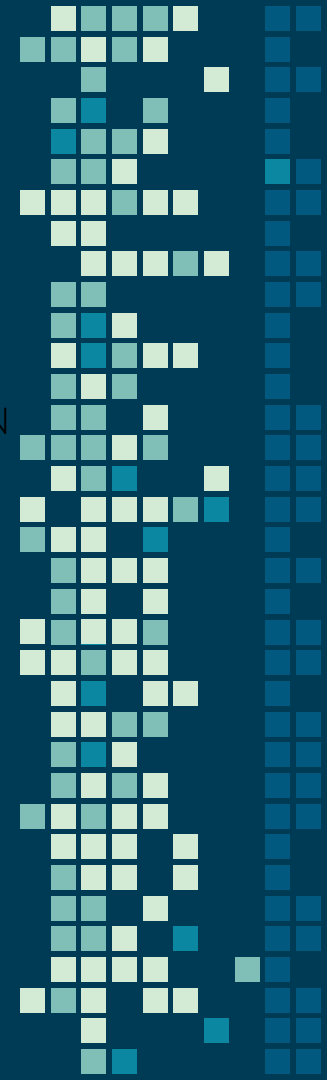
## III. Site License

- ❑ 🖱️ Multiple installation on multiple devices
- ❑ 🖱️ Such devices should on the same sight / entity



# Type VI - Capacity Based License, Network, Subscription, Beta and Demo

- a. **Capacity Based License** : Linked to capacity of the CPU/Hard Drive or other hardware configuration elements.
- b. **Network (WLAN or LAN)** : For machines on the same network infrastructure. WLAN / LAN
- c. **Subscription** : Available during time of subscription by the user.
- d. **Beta License** – Typically granted during pre-launch phase (beta testing) with discounted fees or no fees.
- e. **Demo / Evaluation License** – A License granted solely for demo or evaluation purpose. Generally free of cost and time bound. At the end of license term, (i) usually expires or (ii) converts into a paid license.



# Key Licensing Modes – On Cloud Vs. On

	Technology & Data On Cloud	Technology & Data On Clients Location
<b>Cost</b>	Pay as you go, per user, per month, etc.	Up-front capital costs (for hardware, software licensing, development, lab space, air conditioning, etc).
<b>Customization</b>	Limited customization	Large scope for customization (depending on software vendor)
<b>Hardware</b>	Hardware and software owned reside at provider's site	Customer must provide hardware and system platforms to run apps
<b>Security</b>	Access to SaaS apps is via Internet, creating security risks	Less risky because of on-premises location (and thus used for critical solutions)
<b>Mobile Access</b>	Accessible via browsers running on mobile devices as well	Limited access to business applications via mobile devices
<b>Integration</b>	Limited integration	Integration with other software is possible
<b>Control</b>	SaaS provider controls systems and is entrusted with customer data	Control of systems and data remains with the customer



# LICENSE AGREEMENT- KEY CONSIDERATIONS : A LICENSOR'S PERSPECTIVE



# Important Clauses

- **The Recitals** – ‘Witnessed’, ‘Whereas’ - set out the background of the contemplated transaction.
  
- **Definition of Licensee** - If any of the affiliates / subsidiaries / branch offices intend to act as beneficiaries?
  
- **The Grant of License**
  - **Types of IP** - Specify the types of IP being licensed (copyright, trade secret, trade mark, patent etc.).
  - **Rights Licensed** - Specify the exact rights being licensed (use, access, download, copy, distribute, modify etc.).
  - **Permissions** - List down specific permissions – back up copy for an archival purpose allowed etc.

# Important Clauses

- **Restrictions** - List down specific restrictions - (e.g.. non-transferrable, non-sub-licensable, limited term, non-exclusive, limited rights... and not to modify, copy, alter, translate, disassemble, reproduce, distribute, or otherwise change, reverse engineer).
- **Fields of use** - Specify the fields of use (e.g. vertical, internal data reporting, internal business use, commercial, development, production or non-production, demonstration or evaluation etc.).
- **Territory** - Is the geographical territory of the License clearly indicated?
- **Improvements** - Licensor should own the improvements, use feedback given by Licensee without any restrictions.
- **Term**
  - Weather the term of the Agreement be co-terminus with license term?
  - Lock in period = initial term of 3 years, 5 years

# Important Clauses

- **Sub-licensing, sub contracting - Approval from Licensor is required**
  - A right to withhold the consent.
  - Licensee – ensure compliances of the license terms by such third parties
  
- **Royalty / Payment - (license fees + services fees) put in place appropriate mechanisms.**
  - Select payment strategies wisely (per user/rack/machine etc)
  - For tracking - (i) audit, (ii) mandatory reporting, & disclosures etc.
  - Breach of excess should be considered as breach of contract.
  - For non payment – late payment interest clause, suspension or termination of license etc.

# Important Clauses

- **Termination**
  - **Perpetual license** - should a termination right for convenience be allowed?
  - **Termination Consequences**
    - if Licensee terminates during the lock in period?
    - if licensee terminates during or before go live?
  - **Post termination obligations**
- **Warranties**
  - Default Defect Warranty Language (specific, scope clearly defined, exclusions)
  - Avoid - Uninterrupted functioning of software, or software being error free.
  - Warranty Disclaimer

# Important Clauses

- **Indemnity**
  - Should a default indemnity be offered?
  - Indemnity Process
  - Remedies of Indemnity
  - Counter Indemnities from Licensee (for data or material provided by licensee, illegal use, breach of grant of license).
- **Governing Laws**
  - Preferred choice : The place of incorporation where technology is developed.
- **Training** – Free or paid?
- **Publicity** - Default clause to use customer's name in a marketing materials

# Important Clauses

- **Warranties from Licensee (for clients governed by statutory regulators)**
  - Compliance with the all applicable local and international laws
  - Compliance with rules, codes, directives of a regulator
  
- **Derivative Works**
  - Any contributions, enhancements, improvements to the IP / Technology.
  - Ownership Issues (Licensor Vs Licensee)
  - The definition of the "IP" , "Technology" or "Software" should cover "Derivative Works"

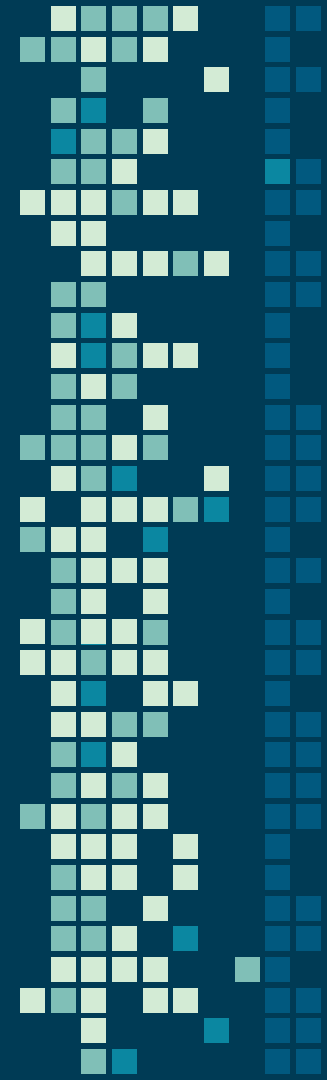
# SOURCE CODE ESCROW



- Do not offer as a default position
- **Fees** - Licensor Vs Licensee?
- **Acceptable Trigger Events**
  - Winding up,
  - Dissolution of Licensor,
  - Insolvency,
  - Bankruptcy
  - Licensor ceases to carry on its business
  - **Avoid** - material breach of services, AMC The cost of escrow needs to be borne by the licensee
- **Submission** - Periodic Vs Ad hoc?
- Avoid taking up arbitrary terms eg. "source code submitted should be readable / understandable by an ordinary engineer without any context of the software."
- Use renowned Escrow Agents (ICC, Iron Mountain, Escrow Tech.....).

# IP Contamination

Consequences of IP Infringement  
Tips to avoid IP contamination



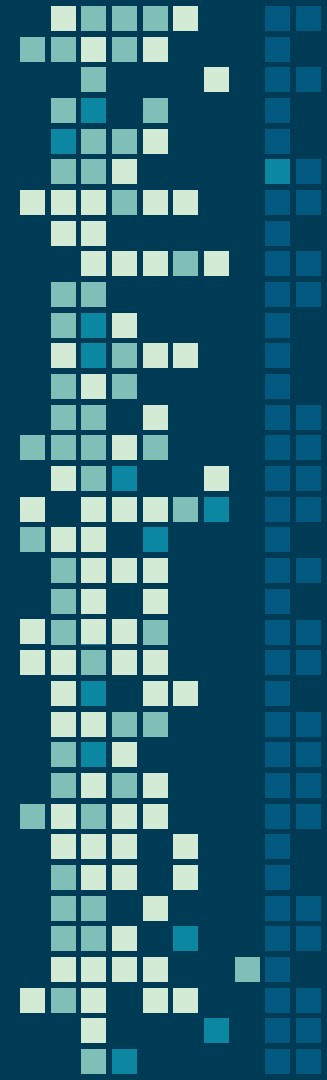
# Consequences of Infringement of IP & Remedies



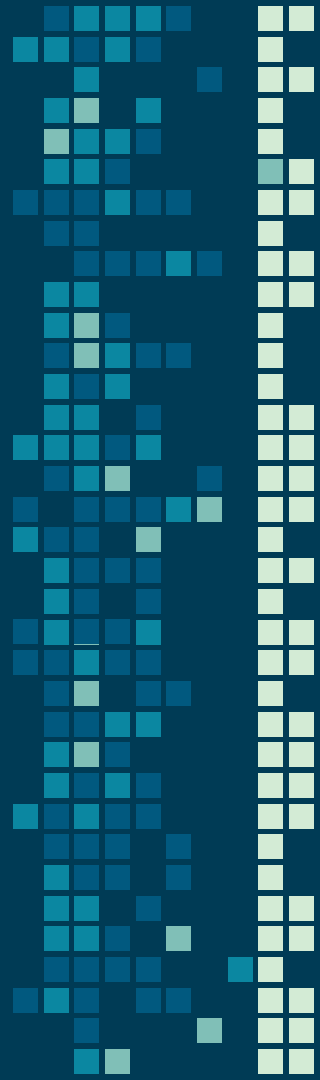
# IP Contamination

To avoid IP contamination:

- Do not use Open Source Software (OSS)
- Form a software usage committee on any OSS use.
- Maintain strict records of updates/release of your IP
- Maintain strict source code records and security measures.
- Third party software, careful use.



**THANK  
YOU!**



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