IP and Licensing Strategies

Thomas H. Durkin

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Types of IP

- Patents
- Trade Secrets
- Copyrights
- Trademarks
Types of IP

• Patents
  • A patent is a limited monopoly granted by the government to exclude others from making, using, or selling a claimed invention

• Trade Secrets
  • Anything tangible or intangible which constitutes a secret scientific, technical, merchandising, production or management information, design, process, procedure, formula, inventory, or improvement
Types of IP

• Copyrights
  • An original work of authorship that is fixed in a tangible medium of expression

• Trademarks
  • A designation used to identify and distinguish the source of goods/services from the goods/services of others
What Is a License?

- A license is essentially an agreement not to sue for infringement of an IP right
  - This is the core of a patent license - licensee can exploit the patent (create, market, sell) without infringing
  - Software involves a delivery and use of a Product; Patent - More of a Pure License

- Patents are geographically based, copyright is not
  - Territorial scope of a license is significant
  - Field of use
Two Basic Software Agreements: Software License and SaaS

- IP & Usage (Rights, License/Exclusions)
- Software/Services (Implementation, Delivery, Development, Acceptance, Maintenance, Hosting, Disaster Recovery)
- Fees
- Term

- Confidentiality (Confidentiality, Data Protection)
- Warranty
- Indemnification
- Limitation of Liability
- General
SaaS is more Service than a Product License

- No code provided; “Subscription” concept more common
- Data hosted by supplier (may be hosted by supplier of supplier)
- Underlying computer/network infrastructure controlled by supplier
- Updates/upgrades controlled by supplier
Software License v. Patent License

• Many similar issues under each license, but how they are addressed is much different

• Very different fundamental issues
  • License grant
  • License Fees/Royalties
  • Maintenance and Support
  • Representations and Warranties
  • Indemnification
License Fees & Royalties

- Software licensee generally pays a use fee
  - Licensor generally does not care if product is actually used

- Patent licensee pays royalties
  - Licensee must exploit the patent as a requirement of the license
  - Failure to generate minimum royalties may cause termination of the license
Maintenance and Support

- Software licensee needs to know that the licensor will support the product and assist with its use.
- Patent licensor may agree to provide technical assistance, but the licensee is practicing the invention.
Representations and Warranties

- Software - address both ownership and product performance
- Patent - address ownership only
  - No “non-infringement”
  - No product performance issue
- Remember - software license is like a product sale, but patent license is an agreement not to sue for infringement
  - Licensor holds the patent and licensee can practice the invention
  - No claim that the invention will work
Indemnification

- Software - common to provide indemnification for infringement of third party IP
  - Basic business premise: licensor owns or has sufficient rights in the software to grant the licensee use, and licensee should expect unencumbered use under the license.

- Patents - may avoid infringement indemnification altogether
  - Since licensor should not rep that the practice of the invention will not infringe other patents, no indemnification should be offered for third party infringement.
  - Licensor may offer indemnification for claims that it doesn’t own the licensed patent or the license grant violates rights of concurrent licensees.
  - Licensor may request indemnification from licensee from claims arising from use of the invention.
Conclusion