

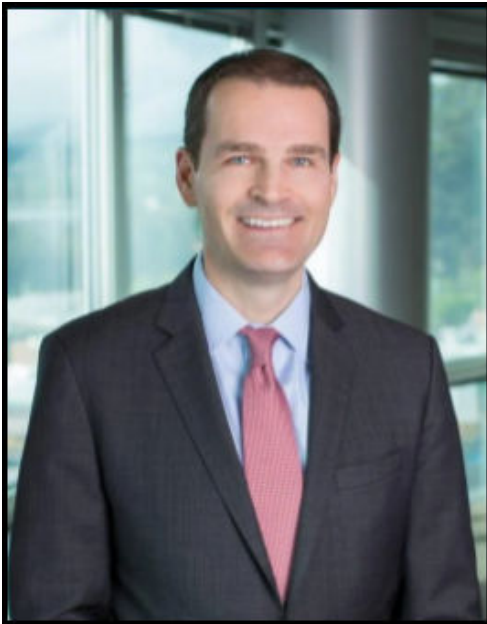


# **“Tech Licensing 101”**

April 20, 2022

# Meet the Speakers

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**Michael Headley**  
Managing Principal in  
Fish's Silicon Valley Office



**Janine Haines**  
Director and AGC  
Reality Labs at Meta



**David Hoffman**  
Principal in  
Fish's Austin Office

# Agenda

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- **Licensing Introduced**
- **Getting to a License**
- **License Parts (what really matters)**
- **Types of Licenses / Best Practices**



**Licensing Introduced**



*This licensing contract could use a little more mumbo here  
and a lot more jumbo there.*

# What is a License?

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- **Just a rental agreement for something intangible**
- **In licensing, the licensor (firm “offering” the technology or IP) agrees to unilaterally transfer know-how, rights, or intellectual property related to a technology to the licensee (firm “renting” the technology).**
- **Interesting Places that Licenses Show Up**
  - Technology and IP agreements
  - Franchise agreements
  - Every piece of software you have ever used
  - Music Industry
  - NFTs

# Why License?

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- **From the Licensor's Standpoint:**
  - Make money from licensing fees
  - Capitalize on markets that you cannot reach
  - Turn an infringer into a “partner”
  - Control your property
  - Incentivize licensee to improve the technology
  - Take advantage of licensee's capital
  - Cross-license to neutralize a threat
  - Market stability

# Why License?

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- **From the Licensee's Standpoint:**
  - Enable products and services in new areas or technologies
  - Ensure stability and reduce legal risk from new products
  - Leverage external R&D spend



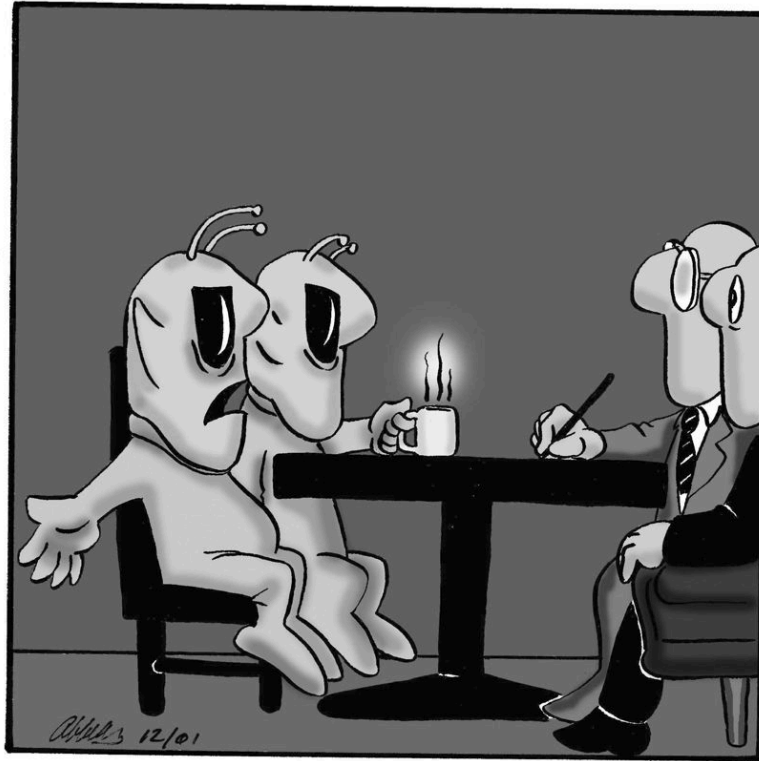
# A Historical Licensing Story

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## **Getting to a License**



“Five year non-exclusive? We just want to abduct him!”

# Getting to a License

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- What is the Business Reason for the License?
  - Not usually zero sum
- What are the key terms?
  - Critical terms
    - Price, license scope, termination, exclusivity
  - Terms with more flexibility
    - Choice of law, venue, confidentiality, subsidiaries

# Getting to a License

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- What leverage does each side have?
  - Seems obvious, but many people don't think through the leverage of each side before embarking on a license
- How much time to close a deal?
  - End of quarter / End of fiscal year concerns
  - Time to make it happen?
  - Artificial deadlines
    - Public disclosures, trade shows, etc.
  - Does the timing hurt you or help you?

# Getting to a License

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- Preliminary Stuff
  - Confidentiality Agreements
    - No confidentiality or common interest privilege
  - Exchange of Information
    - Technical (computer code, graphics, etc.)
    - Financial (revenues, employees)
    - Comparable Licenses / MFN clauses
- Who will negotiate it
  - Inside v. Outside / Counsel v. Technical
  - Experience, temperament, approval authority



## **License Parts (what really matters)**



SCHWADRON

"YOU SHOULD HAVE READ THOSE SOFTWARE LICENSING AGREEMENTS MORE THOROUGHLY."



# License Scope

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- **Usually section 2 of most agreements**
- **Most critical**
- **Fields of Use**
- **Typical scopes:**
  - Patents, TM, Copyrights, Trade Secrets
  - Know-how
  - Software

# Term

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- Usually in years
- Can be perpetual or keyed off sales or events

# Consideration

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- **Monetary**
  - Upfront license fee
    - **One time or one portion of multiple payments**
  - Royalties
    - **Multiple payments**
    - **Tied to sales of licensed products**
  - 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**

# Exclusivity

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- 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



# Sublicense, Have Made Rights, and Assignment

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- Sublicense
  - Customers
  - Suppliers / Manufacturers
  - Have Made rights
- Assignment
  - Often overlooked, but vitally important
  - What happens if your client is acquired, spun-off, or purchases someone else
  - What is the default
    - If you cease to exist, so does your license
  - Anti-assignment clauses

# Termination / Curability

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- **When it ends can be as disruptive as when it begins**
- **Renegotiation – when / how to approach**
- **Milestones**
- **Curability**

# Territoriality

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- **Default is worldwide, did you change it?**
- **Multiple licensees in different parts of the world?**
  - How do they interact
  - First sale doctrine
- **Enforceability in US Courts**
  - Where would an overseas breach be enforced
  - *Hanes v. Keds* case
    - Court lacks subject matter jurisdiction over unlicensed use overseas

# Confidentiality

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- **Not critical, but this is often the provision that can create the most issues for you in the legal department**
  - When can the agreement be shared
    - Subpoenas and discovery
    - Due Diligence

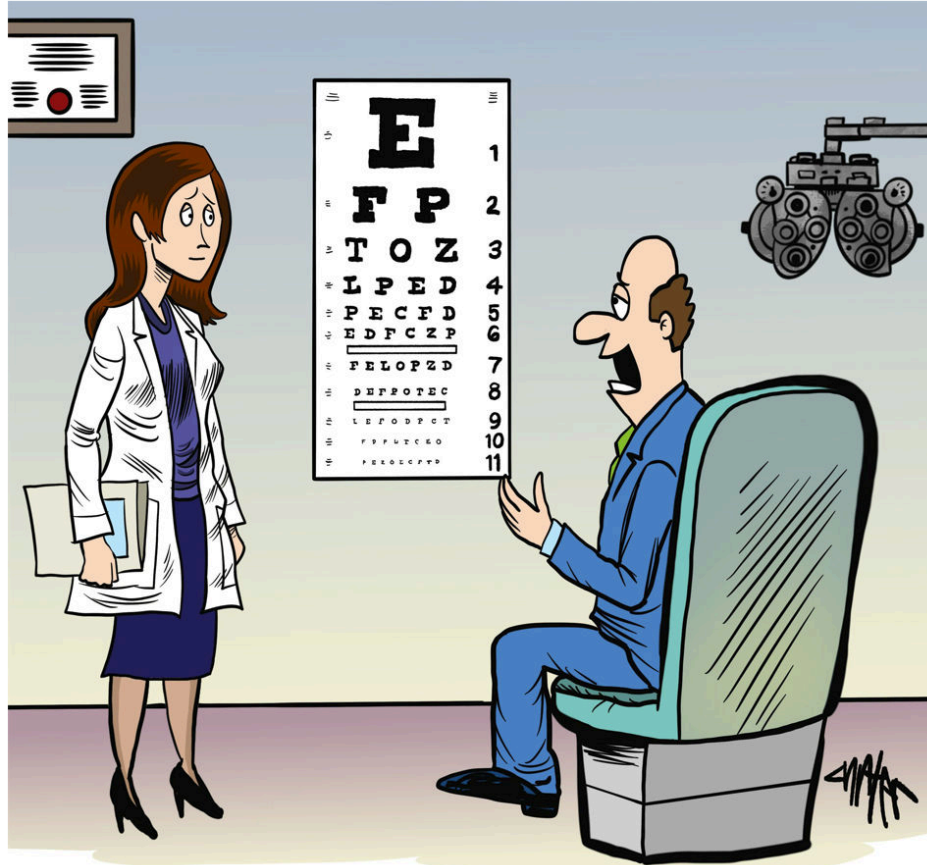


*"This is highly confidential, so, yes, we built a little fort."*





# License Types



"Of course I can read the smallest letters on the chart --  
I'm a lawyer and used to reading the fine print!"

# Hard IP Licenses

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**Patents**



**Trademarks**



**Copyrights**



**Trade Secrets**

# Hard IP Licenses & trade-offs

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- **Foundational patents**
  - Licensing to grow market / foster adoption
  - Licensing to grow through partners' channels / with their capital
  - Licensing campaigns will lead to work-around efforts
- **Allowing competition v. maintaining exclusivity**
  - Growth v. controlling your brand / market
  - Injunction issues - willingness to license undercuts potential for injunction
- **Patent expiration / hybrid licenses**
  - Patent misuse concerns with royalties beyond patent expiration
  - Hybrid licenses can last longer

## Know-How

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- Licenses do not need to be limited to hard IP, your know-how can also be licensed.
- Licensing know is particular tricky and choice of language is critical
- *BMC v. IBM*
  - IBM and BMC entered into a licensing agreement to provide a shared service to AT&T
  - March 14, 2022 – Bench trial on whether IBM owes \$895M for breach of that license and lost profits

# Software

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- A software license is a document that provides legally binding guidelines for the use and distribution of software
- Types:
  - Non-negotiated, in a shrinkwrap or clickwrap form.
  - Negotiated.
  - Referred to as an end user license agreement (EULA).
- How many times the software can be downloaded
- What the software will cost
- What level of access users will have to the source code

# Open Source

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

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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



# Open Source

## A guide to contributor license agreements

Open source communities often require contributors to affirm their right to contribute code through legally binding contributor license agreements (CLAs). The following are the typical CLA types used by communities such as the Apache Software Foundation.

Individual CLA	Corporate CLA	Software Grant Agreement (SGA)	Developer Certificate of Origin (DCO)
<p>A CLA signed by an individual developer who directly contributes code to an open source project.</p> 	<p>A CLA signed by a corporation that employs groups of developers contributing to an open source project, which offers additional indemnification to an open source foundation against future corporate copyright claims.</p>	<p>Used when a large volume of code is donated to a foundation by a developer or corporate entity to further bar future copyright claims once code is contributed.</p>	<p>A less formal copyright agreement introduced in 2004 by The Linux Foundation and favored over SLAs by some open source companies such as Red Hat. A DCO attests that developers have the right to contribute code and that it is their original creation.</p>

# Joint Ventures

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- **Joint ventures include license agreements**
- **Often times one party will be primarily responsible for developing the technology and the other party primarily responsible for marketing and promotion**
- **Who owns the technology, names, equipment, good-will?**
- **Termination, termination, termination – focus on that before you start**
- **Non-competition provisions**

## **Music & Entertainment**

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- **Synchronization license**
- **Mechanical license**
- **Master license**
- **Public performance license**
- **Print rights license**
- **Theatrical license**
- **NFT License**



## **Final Thoughts**

# Thank You!

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