Structuring Software and Technology Licensing and Development Agreements
Drafting Key Provisions to Allocate Risk, Avoid Common Pitfalls, and Minimize Liability

Wednesday, November 14, 2012
1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

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Structuring Software and Technology Licensing and Development Agreements

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Webinar Goals

- Most important provisions of tech license and development agreements
- Structure better agreements by writing better provisions
Preparation

- Understand the relationship
- Understand the IP
- Know your audience
Preparation

- Understand the goals
  - Licensor goals
    - No involvement in R&D, manufacture, distribution
    - Investment less profitable than agreement
    - Others have better capacities
    - Retain IP
    - Access without logistics
    - Control innovations
  - Licensee goals
    - Competitive edge
    - Lack resources
    - Can provide access
Preparation

- Understand the key Agreement provisions
Term

- Position upfront
- Consider IP and expectations
- Precise Effective Date and end dates

Avoid

- Auto-renewals
- Termination details
Licensor’s Obligations

- Clearly Identify IP
  - Use Attachment
  - Account for IP complexity
  - Account for technology changes
  - If in development, attach development agreement or SOW
  - Source code?
    - When can licensee obtain?
    - Escrow
    - Consideration
    - Verification/updating
  - Documentation
Licensor’s Obligations

- Identify the Licensee
  - Who may use?
  - Who may not use?
  - Where can it be used?
Licensor’s Obligations

- What can be done with IP?
  - Grant appropriate and sufficient rights
  - Use unambiguous verbs
  - Include restrictions

- Where activity can be done?
  - Territory
  - Field
  - Specific location or purpose

- Character of grant
  - Exclusive/non-exclusive
  - Assignable/non-assignable
  - Most Favorable
Licensor’s Obligations

- **Assistance and Maintenance**
  - Tech assistance Licensor will provide, when and where
  - Updates, enhancements, new releases
  - When obligations begin
  - Unlimited or available for a period
  - On request
  - Charges
Licensee’s Obligations

- Services/Deliverables
  - Simple - in Agreement
  - Complex - separate SOW
    - Itemized services/deliverables
    - Milestone/completion dates
    - Reporting, records, audits
    - Test periods
    - Pricing
Licensee’s Obligations

Payments

- Type
  - Lump Sum – Up front or milestones
  - Royalties - Tied to gross/net sale
    - Various methods
    - Useful as incentive
    - Make calculation clear

- Frequency – up front, calendar, acceptance
Licensee’s Obligations

- Quality Control
  - Varies with IP
  - Attachment if potential to change
  - Objective and measurable
    - Inspection/acceptance process
    - Acceptance criteria
    - Problem correction
    - Remedies for rejection
Confidentiality

- Everything CONFIDENTIAL
- List exceptions
- Proscribe receiver’s use
- Require security level
- Include liability for disclosure
- Return/destroy
- Specify termination survival
Warranties

- Create reliance and risk
- Full disclaimer or “as is”
- Reasonable warranties
  - Industry consistent
  - Client’s degree of control over IP/goods/services
  - Safe duration
**Warranties**

- Do facts allow?
  - Fitness
  - Merchantability
  - Free of defects
  - Delivered in good condition or on time
  - Compatible
  - Knowledge/ability
  - Original/ownership of IP
  - Future releases will not degrade or remove functionality
  - Response time
  - Latest release
  - Maintenance
  - No time bombs
  - Compliance with standards
IP Ownership and Maintenance

- Not transferring

- Who owns IP
  - What each brings
  - Who owns independently-developed IP
  - Who owns jointly-developed IP
    - Broad definition
    - Post-termination license
    - Anticipate unknown technologies
    - Stress confidentiality

- Who must maintain/protect
Indemnification

- Indemnification
  - Core
    - Unrelated to Agreement
    - Arising from misreps or breaches
  - Specific
    - L/r: Related to IP
    - L/e: Related to development, manufacture, etc.
  - Special – product liability
  - Carve out willful or negligent
  - Survive termination
Limitation of Liability

- Set reasonable limit
- Waive consequential, punitive, etc.
- State the limits
  - N/A to indemnification
  - Exceptions for breach of confidentiality or gross negligence
Termination

- Consider opportunity to cure carefully.

- Unilateral terminations with notice or none allowed.

- “Sick of it” provision
Post-Termination

- Obligations stopping and continuing
- Return of work completed and in process
- Dispensation of source code
- Reporting on progress financial status
- Continuing financial obligations
Miscellaneous

- Force Majeure – obligation to resume

- Choice of Law/Jurisdiction – reflect Territory IP, tax, security and competition laws
Questions?

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