



**Adam Kessel**  
Principal

# Licensing 101

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# Roadmap

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- Types of intellectual property
- Should startups invest in IP?
- Monetization strategies
- What is an IP license?
- Key terms in IP License
- Software-specific license issues
  - Proprietary
  - Open source

# Types of IP

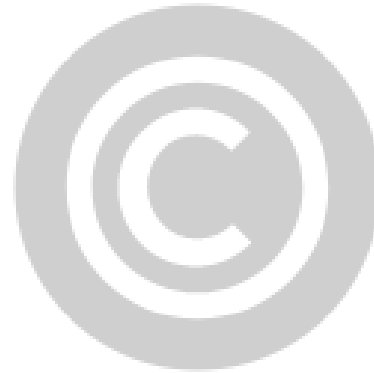
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**Patents**



**Trademarks**



**Copyrights**

(including encrypted content)



**Know-how**

(including trade secrets)

# Should startups dedicate resources to IP?

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- Answer is rarely **all** or **nothing**
- Pros
  - Tools to be used against competitors
    - Offensive
    - Defensive
  - Attract investment
  - May be important for M&A
  - Stand out in marketplace
  - Valuable asset even if business fails
  - License-out – independent revenue stream
- Cons
  - Distraction
  - Cost
  - Uncertainty
  - Disclosure of confidential information

# Monetization Strategies

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- **Licensing**

- 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)
- Can include a license back

- **Litigation**

- Enforcement, by IP owner, of IP rights against an infringer who practices the IP owner's rights
- Damages determined in court, usually by a jury

# 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 make, sell, or use products that embody claimed inventions of Licensor's patents
    - Trademarks – right to use Licensor's 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
    - Lump sum
    - Running royalty
    - Milestones
    - Non-monetary – cross-license

# Other Key Terms in an IP License

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- **Scope**
- Sublicense rights
- Expiration
- Exclusivity
- Obligation to pursue/recover from other infringers
  - By licensee
  - By licensor
- Ongoing prosecution
- Confidentiality
- Dispute resolution
- Choice of law / choice of forum

# 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 - 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**

# Thank you!



**Adam Kessel**  
Principal  
[Kessel@fr.com](mailto:Kessel@fr.com)  
617-368-2180

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