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Licensing 101

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Roadmap

- 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

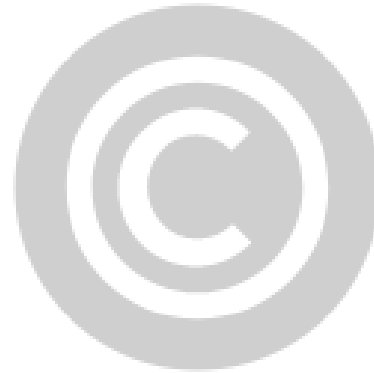
Types of IP



Patents



Trademarks



Copyrights

(including encrypted content)



Know-how

(including trade secrets)

Should startups dedicate resources to IP?

- 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

- **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?

- **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

- **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

- **Proprietary**
- **Open source**
- **Mixed**

- **Consider**
 - “Code” or “software” license
 - Usually mainly focuses on copyright
 - Patent
 - Trademark
 - Know-how

Licensing Software IP - Proprietary

- **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

- **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!



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