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6 KEY TAKEAWAYS

IP Licensing Refresher

Kilpatrick's **Farah Cook** presented an **"IP Licensing Refresher"** session during the firm's recent annual "SKI"-LE® in Vail, Colorado. Ms. Cook delivered a review on negotiation best practices of various IP licensing agreements and offered keen insight on important provisions when reviewing licensing agreements.

Key Takeaways from her presentation, include:

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The preliminary consideration in any type of licensing transaction is to define the actual business relationship because that will enable the parties to: (a) understand the interplay between the legal, commercial, operational and technological issues and (b) anticipate future events and contingencies.

In addition to making clear the current rights and obligations of the parties, the contract should also memorialize the evolving business relationship, and anticipate future events and contingencies. For example, how will a change in the market for IP and the applicable products affect the agreement? What happens if the technology becomes obsolete? How will the license be treated in the event of a change of control that results in a merger or acquisition?

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IP focused transactions are not the only type of transactions in which intellectual property licensing arises. IP licensing also arises in ***commercial transactions*** such as professional services, software development and consulting agreements; ***technology transactions*** such as SaaS, software licensing, and outsourcing agreements; ***merger and acquisition transactions*** involving transferred and licensed intellectual property involved with the acquisition of an entire company and/or acquisition of a specific business unit or product line.

Remember that representations, warranties and indemnities are an integrated risk allocation system between the parties, so as counsel, consider whether the licensor or licensee is better positioned to mitigate a particular risk.

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Remember that when drafting an indemnity provision, "hold harmless" standing alone is not necessarily an indemnity or a duty to defend. In addition, an indemnity for "***claims***" or "***losses***" or "***damages***" or similar terms is generally considered distinct from an indemnity for "**liabilities**". The issue in part is one of timing. In general, an indemnity for damages – demands – costs – losses is not payable by the indemnitor until the indemnitee suffers actual loss by being compelled to pay the claim for damages, whereas, an indemnity for "liabilities" is broader and requires the indemnitor to pay as soon as the indemnitee becomes liable.

Improvements in a license agreement must be carefully considered on the basis of the nature of the licensed IP – copyrighted software versus a patented invention or process. For example, under copyright law the creator enjoys the exclusive right to prepare derivative works, thus a derivative works created by a licensee is an infringement unless the license grants the licensee the right to make such derivative works/improvements. In contrast, patent law does not vest in the original patent holder any right to improvements or derivative inventions. Instead, a patent serves as a right to exclude others from the patented invention; and a new and separate patent can issue for an improvement to an invention.

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