

“Achilles’ Heels of Source Code Licensing: Licensor's perspective”

‘Ахилесова Пята’ Лицензирования Исходного Кода: Взгляд Лицензиара

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Licensee's Purposes of Source Licensing

- Internal Use
 - Modification to adapt to internal conditions (e.g., internet shop, billing)
- Use to create “non-competing” products
 - (e.g. SDK)
- Creation of similar and/or competitive products (e.g., OEM)
- “inherited” Open Source
 - (e.g., GNU, GPL etc.)

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Source Code license ramifications

- Inherent danger of being subject to theft and misappropriation
- a slight modification may render the new code of Licensee non-infringing
- providing “Eureka!” information
- Licensor’s trade secrets may be revealed
- flaws of the projects and “skeletons-in-the-closet” of Licensor may become obvious
- Subject to discovery by third parties in an unrelated proceedings

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What exactly do you license?

Careful definition and scope of “Product”

Is the “Product” provided:

- only in Source Code (complete and operating ‘system’);
- only components (do not function independently);
- part of product in Object Code and certain components in Source Code;
- WHAT ABOUT:
 - Minor & Major Releases, New Versions, Enhancements, Modifications, Versions, Improvements, Bug Fixes, Successor Products?
 - Documentation?
 - Right to use other IP (i.e. TM, patents and trade secrets)?

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Additional rights given

is the right

- Non-exclusive, exclusive?

and does Licensee have the rights to

- publish (SC or the Results themselves)
- reproduce
- bundle
- re-brand (co-brand)
- testing, certification
- resell

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Additional Rights Granted

- Services of Licensor
- Warranty (180 days?)
 - do not survive if any modifications are done?
 - survive if Licensor approves modifications?
- Right (obligation?) to use (acknowledge) other IP (patents, TM, trade secrets)
 - e.g. “powered by ZZZ software”
- the right to create DERIVATIVES of the original Product – who owns them?

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Secure other IP Rights

If rights to use Trademarks are granted:

- If feasible, register your trademark
- Clearly define the parameters: use, reproduce, publish, perform and display the Marks
- “Naked License” – quality control and the right to terminate for Licensee’s failure to follow Licensor guidelines
- Assignment to Licensor and cooperation re any application for registration of any IP rights (e.g., derivatives)

Register your copyright!

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Limitation of Rights

- Territory? Time? Media? Hardware? Use?
- Exact purpose of modifications:
 - e.g. , solely to create bug fixes or patches to remedy “bugs” within the Product
- Delineate portions that could be modified
- No extraction and separate use (e.g., no right to extract or to use any functionality of this Software, including any DLLs other than as part of normal operation ...).
- No transfer (broad: e.g., “change of control,” and narrow – no third parties)
- Define Source Code also as “confidential information” and use NDA provisions in the License Agreement

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General Obligations of Licensee

- Compliance with law (export, anti-spam, privacy, etc.)
- No disparagement of Licensor (“Ross Perot” clause)
- Non-infringement of third party rights (as modified or as combined with other materials, the Product may become infringing)
- Respect Licensor’s ownership of IP to Product

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Representations and Warranties of Licensee

- Agt is authorized
- Company duly organized and in good standing
- No conflicts with law of third parties
- No consent form third parties is required
- Can perform its obligations
- Avoids unethical and illegal practices (spam?)
- Not in bankruptcy

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“EXTRA” Covenants of Licensee

- No adverse actions (no reverse engineering etc.)
- Non-competition with Licensor (e.g., during the term of the Agreement plus 2 years)
- Non-solicitation of employees, customers, consultants
- Not to challenge Licensor’s rights in its IP
- “Feedback” about the product to be owned by Licensor
- Disclose customer lists
- Right to audit by Licensor

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Indemnification:

...shall indemnify, defend and hold harmless...

- strong protection tool for Indemnified Party [Licensor]:
 - for breach by Licensee
 - for 3d party claims relating to Licensee's goods, IP, or product (i.e. D's bundled software or trademark)
 - Misrepresentations, fraud
 - MODIFICATIONS OF PRODUCTS!!!
- Actual or alleged breach?"
- Who determines – court or indemnified party?
- Notice and cooperation by the indemnitee
- Is this subject to limitation of liability?

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Termination:

- both parties agree
- for breach (but should have a cure period)
- by notice for no cause (could be during certain period)
- other party is in bankruptcy
- terminate prior to renewal period (if any)
- trademark quality control failure
- audit rights
- lapse of time?

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