

Contents

<i>List of Figures</i>	<i>page xv</i>
<i>List of Tables</i>	<i>xxiii</i>
<i>Acknowledgments</i>	<i>xxiv</i>
Introduction	1
Why Study IP Transactions?	1
Format of This Book	1
Organization and Topics	3
Limitations: What You Will Not Find in This Book	4
Careful Drafting Pays	5
PART I INTRODUCTION TO INTELLECTUAL PROPERTY LICENSING	
1 The Business of Licensing	9
1.1 The Licensing Industry	9
1.2 Why License?	10
1.2.1 Market Expansion (Divide and Conquer)	10
1.2.2 Geographic Expansion	12
1.2.3 Capacity Expansion	12
1.2.4 Modularization	13
1.2.5 Monetization: Direct	14
1.2.6 Monetization: Indirect	15
1.2.7 Rights Aggregation	16
1.2.8 Platform Leadership	17
2 Ownership and Assignment of Intellectual Property	19
2.1 Assignments of Intellectual Property, Generally	19
2.2 Assignment of Copyrights and the Work Made for Hire Doctrine	22
2.3 Assignment of Patent Rights	27
2.4 Trademark Assignments and Goodwill	37
2.5 Assignment of Trade Secrets	41
2.6 Joint Ownership	42
2.6.1 Patents	42
2.6.2 Copyrights	43

2.6.3	Trade Secrets	43
2.6.4	Trademarks	44
3	The Nature of an Intellectual Property License	47
3.1	License versus Ownership of IP	48
3.2	Covenant Not to Sue	49
3.3	The Governing Law of IP Licenses	51
3.3.1	State Common Law of Contracts	51
3.3.2	State Common Law of Property	52
3.3.3	The Uniform Commercial Code	52
3.3.4	Federal Common Law	53
3.4	Obligation as Condition versus Covenant	60
3.5	Effect of IP Transfer on Licenses	64
4	Implied Licenses and Unwritten Transactions	67
4.1	Statutes of Frauds	67
4.2	Pitches and Idea Submissions	68
4.3	Implied Licenses and Commissioned Works	81
4.4	Implied Licenses in Law	89
5	Confidentiality and Pre-license Negotiations	97
5.1	Initial Overtures and Declaratory Judgments	97
5.2	Confidentiality and Nondisclosure Agreements	107
5.3	Preliminary Documents	116
PART II LICENSE BUILDING BLOCKS		
6	License Grant and Scope	129
6.1	Licensed Rights	129
6.1.1	Enumerated Rights	129
6.1.2	Portfolio Rights	135
6.1.3	The Puzzle of “Know-How” Licensing	138
6.1.4	Product Rights	140
6.1.5	Future Rights	142
6.2	Scope of the License: Field of Use, Licensed Products, and Territory	143
6.2.1	Field of Use	143
6.2.2	Licensed Product	146
6.2.3	Territory	147
6.3	Grant Clause	149
6.4	Changes to License Scope	158
6.5	Sublicensing	165
7	Exclusive Licenses	173
7.1	Exclusivity: Rationales and Policy	175
7.2	Licensor’s Obligations	176
7.2.1	Granting Other Licenses in the Exclusive Field	176
7.2.2	Licensor’s Reserved Rights	181
7.2.3	Licensor’s Duties with Respect to the Licensed IP	184

7.3	Licensee's Obligations: Duty to Exploit	186
7.3.1	Milestone and Diligence Requirements	186
7.3.2	Best Efforts	187
8	Financial Terms	196
8.1	Fixed Payments	196
8.1.1	Up-Front and Lump-Sum Payments	197
8.1.2	Option Fees	197
8.1.3	Nonrefundable Fees	198
8.1.4	Advances and Applicable Fees	199
8.2	Running Royalties: The Royalty Rate	199
8.2.1	Per-Unit Royalties	200
8.2.1.1	Flat-Rate Royalties	200
8.2.1.2	Tiered Royalty Schedules	201
8.2.2	Percentage Royalties: The Royalty Rate	202
8.2.2.1	The Basics	202
8.2.2.2	Tiered Royalties	202
8.2.2.3	Royalty Rate Levels	203
8.2.2.4	Hybrid Royalty Rates	206
8.2.3	Percentage Royalties: Royalty Base	208
8.2.3.1	Net Sales	208
8.2.3.2	Licensed Products	209
8.2.3.3	Exclusions from Net Sales	216
8.3	Running Royalties: Adjustments and Limitations	217
8.3.1	Minimum Royalties	217
8.3.2	Royalty Caps	219
8.3.3	Royalty Buyouts	219
8.3.4	Royalty Escalation Clauses	220
8.3.5	Royalty Stacking and Bundling	224
8.3.5.1	Royalty Stacking Clauses	224
8.3.5.2	Royalties for Bundled Rights	225
8.4	Sublicensing Income	226
8.5	Milestone Payments	228
8.6	Equity Compensation	235
8.7	Cost Reimbursement	237
8.8	Most-Favored Clauses	238
8.9	Audit Clauses	245
9	Development, Allocation and Management of IP	248
9.1	Licensee Developments: Derivatives, Improvements and Grantbacks	248
9.1.1	Derivative Works and Improvements	248
9.1.2	Grantbacks	252
9.2	Licensor Developments: Commissioned Works	254
9.2.1	Allocation of IP for Commissioned Works	254
9.2.1.1	Customizations	255
9.2.1.2	Third-Party Components	256
9.2.1.3	Customer Materials	257

9.2.2	Technology Development Obligations	257
9.3	Joint Developments: Foreground and Background IP	262
9.3.1	Foreground and Background IP	263
9.3.2	Joint and Reserved Fields	263
9.3.3	Payments	263
9.4	IP in Joint Ventures	265
9.4.1	IP Contributions	265
9.4.2	IP Allocations	266
9.4.3	Exit	267
9.5	IP Maintenance and Prosecution	275
9.5.1	Responsibility for Prosecution and Maintenance	276
9.5.2	IP Management	277
10	Representations, Warranties and Indemnification	280
10.1	Representations and Warranties	280
10.1.1	Warranty of Title	281
10.1.2	Corporate Warranties	286
10.1.3	Performance Warranties	288
10.1.3.1	Compliance with Specifications	288
10.1.3.2	Reliable Performance	288
10.1.3.3	Malicious Code	289
10.1.3.4	Exclusions	290
10.1.3.5	Service Warranties	290
10.1.3.6	Duration	291
10.1.3.7	Remedies	291
10.1.3.8	Maintenance in Lieu of Warranty	292
10.2	Disclaimers, Exclusions and Limitations of Liability	293
10.2.1	Implied Warranty of Merchantability	294
10.2.2	Implied Warranty of Fitness for a Particular Purpose	294
10.2.3	Implied Warranty of Title and Noninfringement	294
10.2.4	Course of Dealing	294
10.2.5	Disclaiming Implied Warranties under the UCC	294
10.2.6	Special Damages	296
10.2.7	Exceptions to Exclusions	296
10.2.8	How Much is Enough?	297
10.2.9	Exceptions to the Cap	297
10.3	Intellectual Property Indemnification	299
10.4	Insurance	311
11	Litigation-Related Clauses: Enforcement, Settlement and Dispute Resolution	313
11.1	Licensee Standing and Joinder	313
11.1.1	Copyright Licensee Standing	314
11.1.2	Patent Licensee Standing	321
11.1.3	Trademark Licensee Standing	328
11.1.4	Trade Secret Licensee Standing	332
11.1.5	Joinder	332

11.2	Agreements to Enforce	336
11.3	Contractual Choice of Law	341
11.3.1	Jurisdictional Requirements for Domestic (US) Choice of Law	343
11.3.2	International Choice of Law	344
11.3.3	International Contractual Conventions	346
11.3.4	Choice of Language	347
11.4	Forum Selection Clauses	349
11.5	Alternative Dispute Resolution	351
11.5.1	Escalation	351
11.5.2	Mediation	351
11.5.3	Arbitration	352
11.5.3.1	Speed	352
11.5.3.2	Institutional versus Ad Hoc Arbitration	353
11.5.3.3	Cost	353
11.5.3.4	Case or Controversy	353
11.5.3.5	Confidentiality	353
11.5.3.6	Enforceability	354
11.6	Fee Shifting	357
11.7	Settlement License Agreements	358
11.7.1	Dismissals	358
11.7.2	Release and Covenant	358
11.7.3	Licensed Rights	360
11.7.4	No Admissions	360
11.7.5	Warranty	360
11.7.6	No Challenge	361
12	Term, Termination and Breach	362
12.1	Term of Agreement	362
12.1.1	Beginning of the Term	362
12.1.2	End of the Term: Expiration	363
12.1.3	Renewals and Extensions	363
12.2	Duration of Licenses	364
12.2.1	Duration Coincident with Agreement Term	365
12.2.2	Duration When an Agreement States No Term	365
12.2.3	“Perpetual” and IP-Duration Licenses	365
12.3	Breach and Termination for Cause	374
12.3.1	Materiality	375
12.3.2	Notice	376
12.3.3	Cure	378
12.3.4	Excuse of Performance: Dependencies	378
12.4	Termination without Cause	381
12.5	Effects of Termination and Survival	383
12.5.1	Payments	384
12.5.2	Return of Materials	384
12.5.3	Transitional Licenses	384
12.5.4	Transition Assistance	385
12.5.5	Statutory Indemnities	386

12.5.6 Effect on Sublicenses	386
12.5.7 Termination of Less than the Full Agreement	388
12.5.8 Sole Remedy	388
12.5.9 Survival	388
13 Other Licensing Terms: The “Boilerplate”	390
13.1 Front Matter	391
13.1.1 Title	391
13.1.2 Parties	391
13.1.3 Effective Date	392
13.1.4 Recitals	392
13.1.5 Acknowledgment of Consideration	393
13.2 Definitions	394
13.3 Assignment	394
13.3.1 The Right to Assign, Generally	395
13.3.2 The Right to Assign IP Licenses	395
13.3.3 Assignment of Licenses in M&A Transactions	396
13.3.4 Anti-Assignment Clauses	398
13.3.5 Transfers of Rights	400
13.4 Patent Marking	406
13.5 Compliance with Laws	408
13.6 Force Majeure	409
13.7 Merger and Entire Agreement	411
13.8 No Waiver	412
13.9 Severability	413
13.10 Order of Precedence and Amendment	414
13.11 Mutual Negotiation	416
13.12 Notices	416
13.13 Interpretation	418
PART III INDUSTRY- AND CONTEXT-SPECIFIC LICENSING TOPICS	
14 Academic Technology Transfer	423
14.1 Academic Research and the Bayh–Dole Act	424
14.1.1 Ownership of Federally Funded Intellectual Property	425
14.1.2 Royalty Sharing with Researchers	429
14.1.3 Preference for United States Industry	430
14.2 March-In Rights under the Bayh–Dole Act	432
14.3 Licensing University Technology	440
14.3.1 The Role of the TTO	440
14.3.2 Nine Points for University Licensing	441
14.3.3 University Reserved Rights	442
14.3.4 Publication Rights	442
14.3.5 Limiting Exclusivity	443
14.3.6 Socially Responsible Licensing	444
14.3.7 Price Controls	445
14.4 Sponsored Research: Dollars and Options	448

14.5	Material Transfer	451
14.6	Universities and Copyright	456
15	Trademark and Franchise Licensing	462
15.1	Brand and Character Licensing	462
15.1.1	Trade Dress	462
15.1.2	Character Copyrights and Trademarks	463
15.1.3	Design Patents	464
15.2	Naked Trademark Licensing and Abandonment	466
15.3	Quality Control	469
15.3.1	The Quality Control Requirement	469
15.3.2	Contractual Quality Control Requirements	475
15.4	Trademark Usage Guidelines: Trademarks, Certification Marks and Technical Standards	479
15.5	Franchising	480
15.5.1	The Business of Franchising	480
15.5.2	The Franchise Agreement	485
16	Music Licensing	493
16.1	The Legal Structure of Music Copyright in the United States	493
16.2	Licensing Musical Works and Compositions	495
16.2.1	The “Mechanical” Reproduction Right	496
16.2.2	The Compulsory License for Mechanical Reproductions under Section 115	496
16.2.3	Public Performance Rights and Performing Rights Organizations (PROs)	504
16.3	Licensing Sound Recordings	508
16.3.1	Reproduction and Distribution Rights	508
16.3.2	Public Performance Rights: Nondigital	508
16.3.3	Public Performance Rights: Digital	510
16.3.3.1	Interactive and Noninteractive Services	510
16.3.3.2	The Statutory License for Noninteractive Services	510
16.3.3.3	Privately Negotiated Licenses for Interactive Services	511
16.4	Synchronization Rights	518
16.5	Music Sampling	521
17	Consumer and Online Licensing	523
17.1	Shrinkwrap Licenses	524
17.2	Clickwrap and Browsewrap Licenses	540
17.3	The (D)evolution of Consumer Licenses	550
18	Software, Data and the Cloud	556
18.1	Data and Databases	556
18.1.1	Protecting the Unprotectable	556
18.1.2	Licensing Data	560
18.1.2.1	Trade Secrets	560
18.1.2.2	Data Licensing as a Contractual Matter	560
18.1.3	Noncircumvention and Noncompetition in Data Licensing	566

18.1.4 Data Privacy	573
18.2 Proprietary Software Licensing	575
18.2.1 Source Code and Object Code	575
18.2.2 Legal Protection of Software	577
18.2.2.1 Copyright	577
18.2.2.2 Patents	579
18.2.2.3 Trade Secrets	580
18.2.3 Software Licensing	581
18.2.3.1 Software Use Licenses	581
18.2.3.2 Software Distribution Agreements	581
18.2.3.3 Proprietary Source Code Licenses	582
18.2.4 Maintenance, Support, Updates and Upgrades	584
18.2.5 Reverse Engineering Restrictions	585
18.3 Licensing in the Cloud	586
19 Public Licenses: Open Source, Creative Commons and IP Pledges	592
19.1 Creative Commons and Open Content Licensing	592
19.2 The Open Source Phenomenon	597
19.2.1 Origins: The Free Software Movement	597
19.2.2 Defining Open Source Software	601
19.2.3 The BSD Licenses	605
19.2.4 The GNU General Public License	608
19.2.4.1 Access to Source Code	609
19.2.4.2 Copyleft: The “Viral” Nature of GPL	609
19.2.4.3 Anti-Anti-Circumvention	610
19.2.4.4 Anti-Tivoization	610
19.2.4.5 Patentleft	611
19.2.5 Enforcement of OSS Licenses	616
19.3 Open Source in the Commercial Market	622
19.3.1 Open Source as a Business Model	623
19.3.2 Integrating OSS with Commercial Products	628
19.3.2.1 Considerations for Using OSS in a Corporate Enterprise	628
19.3.2.2 Considerations for Incorporating OSS into a Distributed Product	629
19.3.2.3 Required Notices and Licensing Terms	629
19.3.3 OSS Due Diligence	631
19.4 Patent Pledges	632
20 Technical Standards: Fair, Reasonable and Nondiscriminatory (FRAND) Licensing	637
20.1 Standards, Standardization and Patents	637
20.1.1 The SDO Ecosystem	638
20.1.2 Patents and Standards	638
20.1.3 SDO IP Policies	640
20.1.4 The Challenge of Defining FRAND Royalty Rates	641

20.2	Patent Disclosure Policies	644
20.3	FRAND Royalty Rates	654
20.3.1	FRAND Royalties in the United States and the Georgia-Pacific Framework	655
20.3.2	Bottom-Up versus Top-Down Royalty Determinations	656
20.4	Nondiscrimination and FRAND Commitments	659
20.4.1	Hard-Edged Nondiscrimination	660
20.4.2	Level Discrimination	660
20.5	Effect of a FRAND Commitment on Injunctive Relief	662
20.6	The Transfer of FRAND Commitments	668
PART IV ADVANCED LICENSING TOPICS		
21	Bankruptcy and Insolvency Issues	673
21.1	Automatic Stay of Proceedings	673
21.2	The Bankruptcy Estate	677
21.3	Executory Contracts and Section 365(n)	678
21.4	Assignment by Bankrupt Licensee	684
21.5	<i>Ipsa Facto</i> Clauses	685
21.6	Bankruptcy and Escrow	687
22	Estoppel and No-Challenge Clauses	691
22.1	Assignor Estoppel	691
22.2	Licensee Estoppel	699
22.3	Validity Challenges under the Declaratory Judgment Act	709
22.4	No-Challenge Clauses	712
22.4.1	Agreements Not to Challenge	712
22.4.2	No-Challenge Clauses in Copyright and Trademark Licenses	718
22.4.3	Other Penalties for Validity Challenges	725
23	First Sale and Exhaustion	731
23.1	Copyright First Sale	731
23.2	Software Sale versus License	736
23.3	Trademark Exhaustion and First Sale	746
23.4	Patent Exhaustion	752
23.5	Conditional Sales and Post-Sale Restrictions	764
23.6	International First Sale, Exhaustion and Gray Markets	771
23.6.1	International First Sale and Copyrights	771
23.6.2	International Patent Exhaustion	778
23.6.3	International Trademark Exhaustion and the Gray Market	781
24	Intellectual Property Misuse	790
24.1	The Origins of the Misuse Doctrine	791
24.2	Misuse by Scope Expansion: Tying and Statutory Reform	795
24.3	Misuse by Term Expansion: Post-Expiration Royalties	798
24.3.1	The Long Shadow of <i>Brulotte</i>	798

24.3.2 The Limits of <i>Brulotte</i> : <i>Aronson v. Quick Point</i> and Unpatented Articles	805
24.4 Misuse by Bundling: Package Licensing	808
24.5 Noncompetition and Copyright Misuse	817
25 Antitrust and Competition Issues	824
25.1 <i>Per Se</i> Illegality versus the Rule of Reason	827
25.2 Price Fixing	828
25.3 Market Allocation	832
25.4 Vertical Restraints: Resale Price Maintenance	840
25.5 Unilateral Conduct: Tying	848
25.6 Monopolization and Market Power	857
25.7 Refusals to Deal: Unilateral and Concerted	866
25.8 Antitrust Issues and Due Process in Standard Setting	871
25.9 Reverse Payment Settlements: “Pay for Delay”	875
26 Intellectual Property Pools and Aggregation	885
26.1 Theories of IP Pooling: Efficiency and Enablement	887
26.2 Antitrust Analysis of Patent Pools	891
26.3 Patent Pools for Standards	898
26.4 Complementarity and Essentiality in Patent Pools	911
<i>Index</i>	918