



## *Software Licensing: Not Your Traditional University Deal*



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*Prepared for*  
**Association of University  
Technology Managers**

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*Presented by*  
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## *Licensing Terms Overview*

- Wide variations in terms in every type of licensing
- University licensing generally skews toward patented technology and deal terms
- Software licenses have significantly different terms due to:
  - Different or overlapping intellectual property rights
  - Scope of exclusivity for software is generally narrower
  - Different risks inherent in software businesses and related IP
  - Software is constantly evolving



## *University Software Licenses -- Assumptions*

- The university is the licensor
- Software has not been fully developed into a commercial product
- Not mass market software
- The university will not have obligations to update and maintain the software
- Licensee will want an exclusive license, or at least partly exclusive
- Source code, data and other libraries may be included.

## *Unlike Bio/Pharma, Software is Highly Predictable*

- Developer is nearly certain software will work with enough effort
- Software can be made to perform consistently regardless of the hardware
- Significantly more likely to have success than with bio/pharma (and many other) projects
- Software Licensee is more likely to bring the product to market and at a much lower total cost to develop

## Patents are not as Important to Software Deals

- Almost no bio/pharma therapeutic business model without patents
- Copyright/trade secrets usually dominate valuation and content of software license
- Law has (almost) always been hostile to software patents
  - *Alice* Supreme Court decision limited software patent eligibility
  - Many patents held invalid because the claims were directed to abstract ideas
  - Had a dramatic effect on the validity of software and business-method patents
  - Allowance rates at USPTO for software dropped by **>50%**
  - Many (a million?) software patents granted before 2014 would be found invalid today as abstract ideas (Section 101)

## No Complete Exclusivity with Copyrights/Software

- Copyright law essentially only prohibits copying—independent development of identical software is possible
- Patents, if any, tend to prohibit only certain implementations of functionality (see *Alice*), meaning it is usually possible to design around software patents while still having a competitive product
- Therefore, cost and time to independently develop is an important factor in valuation of rights
- Data rights may be more valuable than the software, especially when the license involves artificial intelligence, and may not be truly exclusive
- Trade secrets may be important for software, but can also be independently developed

## *Content of License Agreement/License Terms*

- Grant—reproduce, prepare derivative works, distribute copies (rather than/in addition to make, use, sell, etc.)
  - Source code is confidential, so the grant may include trade secret type grant
- Deliverables – how will access be obtained and updated.
- Term is effectively unlimited, since copyrights will, and trade secrets can, outlive the usefulness of software (rather than term of patent rights) – but payment term may be shorter
- Collateral material (manuals, etc.) rights are often included, but not usually tangible materials
- Software is licensed not sold, so Net Sales definition and sublicensing terms may be impacted

## *Liability/Warranty/Indemnity for Software Licenses*

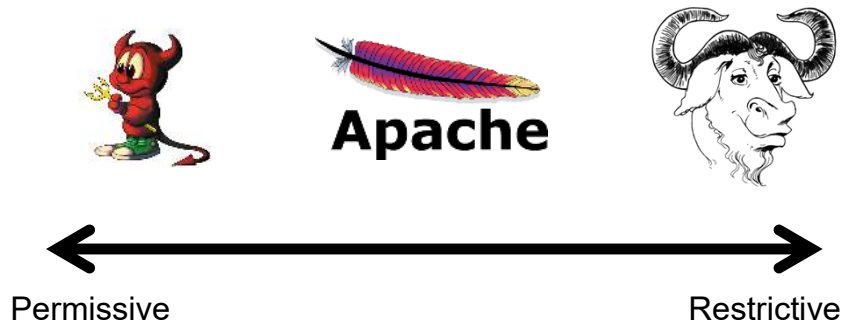
- Like university bio/pharma deals, usually no patent non-infringement guarantee, but for different reasons
  - With bio/pharma and software, licensee controls the ultimate product
  - With (complex) software, it is not possible to search everything
  - Software patent infringement risks are lower – narrower claims and lower damages
- Some deals rep that licensor created (did not copy) the software
  - No copyright infringement
  - No trade secret misappropriation
  - But....

## Open Source Software Creates Risks

- The specific use of OSS, license type and whether the OSS will be modified are all important considerations
- Delivering OSS to licensees or other third parties can be particularly risky
- OSS often comes with disclosure and disclaimer requirements that may be problematic for licensees
- OSS is pervasive in many areas and almost impossible to avoid for some uses (e.g., iPhone and Android apps)



## OSS License Spectrum



## Example OSS Matrix

License	Internal Use	External Use
GPL v3	Yes	No
Apache 2.0	Yes	Yes
BSD/MIT	Yes	Yes
AGPL v3	Yes	No
Affero	No?	No

## Liability/Warranty/Indemnity for Software Licenses

- Open Source Software (OSS) and use of other third party software complicates the picture
- Can provide great cost savings and better reliability
- Cannot always know with certainty where OSS originated
- At the university stage, may not know the business model and how it will be impacted by OSS licenses
- Often requires extra due diligence and custom agreement provisions

## *Liability/Warranty/Indemnity for Software Licenses*

- Unlike bio/pharma, software licensors will often warrant that the software will work
- Predictable technology makes that possible
- Universities are less likely to include those warranties
- Liability is usually limited to fixing the software or return of (some) payments
- Short time limits, since the technology environment changes rapidly

## *Warranting Ownership May Require Careful Analysis*

- University IP policies vary widely
  - Some policies do not address copyright issues
  - Where copyright is addressed, the policy may only cover books, papers, etc.
  - Non-employees like students may or may not be addressed
- University/Employer usually owns copyrights of its employees
- Contractors (students) operate under different rules
  - Software is **not** a “work for hire” under US copyright law, though there are exceptions
  - An explicit assignment of the copyrighted work may be required

## *Commercial Software Licenses are Usually an Ongoing Relationship*

- Often an upfront fee and (smaller) maintenance payments -- universities do not usually have maintenance obligations
- Licensee gets improvements, bug fixes, security patches and changes to accommodate new versions of other software -- universities may include improvements to software, but generally no the other obligations
- Licensee may not be “ready” for new versions -- not an issue for university deals where the university is not normally updating

## *Miscellaneous Software License Issues*

- Software as a Service (SaaS) -- generally not a university business model, but often is for their licensees
  - Service Level Agreements (SLA)
- Unlike bio/pharma, disputes are often about direction and pace of Licensor’s development (not Licensee diligence, scope of licensed rights, Field definitions, etc.)
- Security may be important, as well as confidentiality and privacy
- Contractors often used for development, so ownership can be less certain
- Source code escrow



## *Patents vs. Trade Secrets*

Patents	Trade Secrets
Disclosure necessary	Must maintain secrecy
Application required	No formal process to obtain
Protects invention and equivalents	Protects only against misappropriation
Independent development no defense	Disclosure defeats protection
Subject matter more limited	Business and other valuable information protectable
Easily transferred/licensed	More difficult to exploit via third parties
Protection twenty (20) years from initial filing	No time limits

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## *Patent vs. Trade Secret*

- Is it a technological invention? i.e. more technical or more business?
- Can you keep it a secret? Front end or back end?
- If yes, is it more valuable if kept secret?
- Can it be reverse engineered?
- How easy is it to develop independently?
- Are the developers and the university willing to keep it a secret, or is publication more important?

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## Design versus Function – it’s all about looks

- Utility patents protect the way an article is used and works (35 U.S.C. 101) while
- Design patents protect the way an article looks (35 U.S.C. 171)
- Functional subject matter cannot be protected under trademark or copyright (or design patent)
- Design patents are mostly used for tangible items, but software/graphic user interfaces (GUIs) can be patented
- Design patents can provide additional protection and damages arguments.



## Damages for design patent infringement?

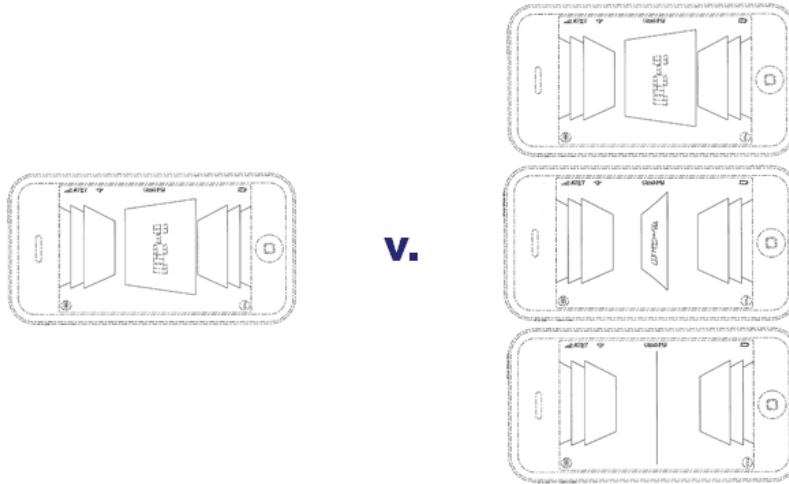
- Infringer’s profits!

7 UNITED STATES DISTRICT COURT  
 8 NORTHERN DISTRICT OF CALIFORNIA  
 9 SAN JOSE DIVISION  
 10 APPLE INC., a California corporation, ) Case No.: 11-CV-01846-LHK  
 11 Plaintiff, ) ~~AMENDED~~  
 12 v. ) VERDICT FORM  
 13 SAMSUNG ELECTRONICS CO., LTD., )  
 a Korean corporation; )

18 DAMAGES TO APPLE FROM SAMSUNG (IF APPLICABLE)  
 19  
 20 22. What is the total dollar amount that Apple is entitled to receive from Samsung on the  
 claims on which you have ruled in favor of Apple?  
 21 \$ ~~1,051,855,000.00~~  
 22 \$ 1,049,393, ~~297~~ 00 ~~00~~ 540 ~~00~~ 9/24/12  
 23  
 24



## Others are obtaining GUI design patents



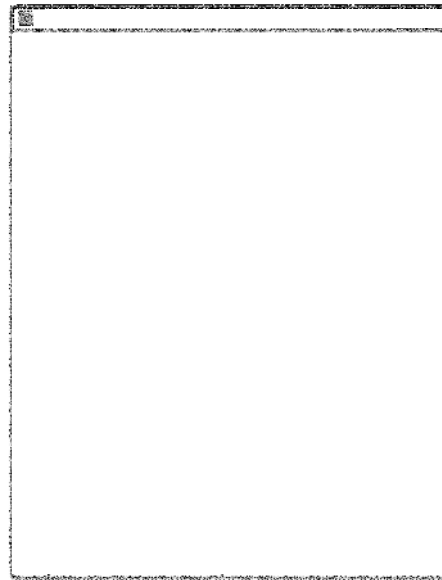
v.



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## Examples of GUI Design Patents

- (12) **United States Design Patent** (10) Patent No.: **US D749,113 S**  
**Zuckerberg et al.** (45) Date of Patent: \*\* **Feb. 9, 2016**
- 
- (54) **DISPLAY PANEL OF A PROGRAMMED COMPUTER SYSTEM WITH A GRAPHICAL USER INTERFACE** D436,580 S \* 1/2001 Navano et al. .... D14/486  
 D437,858 S \* 2/2001 Yasui et al. .... D14/486  
 6,310,631 B1 10/2001 Cecco et al.  
 D450,059 S 11/2001 Itou  
 D474,778 S \* 5/2003 Barnes ..... D14/486  
 D475,063 S \* 5/2003 Horie  
 D501,211 S \* 1/2005 Ligameri et al. .... D14/486  
 D504,440 S 4/2005 Luquet  
 D508,494 S \* 8/2005 Ligameri ..... D14/486  
 D513,511 S 1/2006 Decombe  
 D528,556 S 9/2006 Decombe  
 D531,185 S 10/2006 Cummins  
 D555,661 S 11/2007 Kim
- (71) Applicant: **Facebook, Inc.**, Menlo Park, CA (US)
- (72) Inventors: **Mark E. Zuckerberg**, Palo Alto, CA (US); **Eyal Michael Sharon**, San Francisco, CA (US)
- (73) Assignee: **Facebook, Inc.**, Menlo Park, CA (US)



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## Biography



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Transactions

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Medical Devices

**Robert M. Gerstein** works for clients in a wide range of industries, preparing, negotiating, and resolving disputes relating to patent, trademark, development, and other intellectual property agreements. In addition to his client counseling and work on transactions and licenses, he is involved in patent, trademark, copyright, unfair competition and contract arbitrations, mediations, and litigation

The business perspective that put him on the firm's Executive Committee, along with his technical know-how from training as a nuclear engineer, enable him to deliver in-depth advice on a range of issues faced by intellectual property intensive companies and organizations.

Robert received his law degree from The University of Michigan Law School and is admitted to practice law in Illinois and before the USPTO, and holds a Nuclear Engineering degree from The University of Michigan.

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## Marshall Gerstein – Awards and Rankings

Ranked among the "World's Leading Patent Professionals" and "The World's Leading IP Patent and Technology Licensing Lawyers"

**"Virtually no other lawyers in the country know as much about university licensing and tech transfer"**

- IAM Patent 1000

Ranked nationally and regionally among the "Best Law Firms"

- U.S. News & World Report and Best Lawyers



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*Thank you*

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