

QUESTIONS TO ASK IN THE DEVELOPMENT OF A SOFTWARE LICENSE

1. General Issues

- a. License v. Sale
- b. Does the Licensor have sufficient rights to license or sell the software?
 - i. Software developed entirely by Licensee
 - ii. Software or portions developed by third parties
 1. Work Made for Hire
 2. Assignment
 3. License
 - a. Right to sublicense?
 4. Open-Source
 - a. Type of open-source license?
- c. Types of Licenses
 - i. "Off the Shelf" Software
 - ii. Custom Software
 - iii. Software as a Service (Saas)
 - iv. For distribution

2. The License

- a. Licensee
 - i. Who is the licensee, does it include affiliates and subsidiaries?
 - ii. Restrictions?
 1. Specific hardware, operating systems, locations, users, or number of users
 - iii. Is licensee the U.S. Government?
 1. If so, certain language must be included or terms of license will be subject to Federal Acquisition Regulations
- b. License Grant
 - i. What is licensed?
 1. Software
 2. Hardware
 3. Documentation
 4. Other proprietary information/systems
 - ii. Exclusive or Non-Exclusive?
 - iii. Transferable or Non-Transferable?
 - iv. Right to Sublicense?
 1. Royalties
 2. Licensor approval
 3. Terms of sublicense or EULA

- v. Term
- vi. Geographic Scope
- c. Scope
 - i. Is **USE** defined?
 - 1. Internal, business purposes only
 - 2. As a service provider to third parties
- d. Rights to Copy
 - i. For what purposes?
 - 1. Back-up
 - 2. Production
 - 3. Testing
 - ii. Number of copies?
 - iii. Medium?
- e. Restrictions?
 - i. Reverse engineering and disassembling?
 - ii. Licensee modification?
 - iii. Transfer to third parties?
 - iv. Export?
 - v. High risk activities?
 - vi. Use with other software?
- f. Rights in Software ?
 - i. Retention of all rights not licensed
 - ii. Rights in derivative works and new ideas
 - 1. Grant-back
 - iii. Custom Software – who owns the final product
 - 1. Developer or purchaser
 - 2. Work made for hire/Assignment

3. **Term**

- a. Term of Agreement v. Term of License
- b. Perpetual or Periodic?
 - i. Renewal procedure

4. **Payments/Fees**

- a. License Fees
 - i. Up-front or recurring?
 - ii. Royalties?
 - iii. Calculation?
- b. Service and Support Fees
- c. Procedure
 - i. Invoices
 - ii. Late payment
- d. Taxes
 - i. Who is responsible?
 - ii. Complex state laws regarding taxation of software and services

5. Delivery, Installation, Training, and Acceptance

- a. Delivery
 - i. What are the deliverables?
 - ii. Delivery location?
 - iii. Delivery method?
- b. Installation
 - i. Who is responsible?
 - ii. Installation fees and costs?
- c. Training
 - i. Will the Licensor provide training?
 - ii. Offsite or onsite?
 - iii. Costs of training?
- d. Acceptance
 - i. Metrics
 - ii. Procedure
 - iii. Error correction
 - iv. Acceptance date

6. Project Management

- a. If Licensor will be developing custom software, how will the project management be structured?

7. Service Level Agreement

- a. If software offered as a service (SaaS), then Service Level Agreement should be developed.
 - i. Standards
 - ii. Credits

8. Maintenance and Support

- a. Maintenance
 - i. Bug/Error correction
 - 1. Licensee notification
 - 2. Urgency levels
 - 3. Procedure and correction times
- b. Improvements, Modifications, and Updates
 - i. Distribution
 - ii. Definitions – difference from New Versions
 - iii. Cost
- c. Support
 - i. Types of support
 - 1. Onsite
 - 2. Offsite
 - ii. length of support
 - iii. Separate support agreement
 - iv. Cost
 - v. Right to discontinue support after release of new version

9. Source Code

- a. Ownership
- b. Escrow

10. Disabling Devices

- a. Does the software contain disabling devices?
 - i. In what circumstances may they be used?

11. Confidential Information

- a. Will Confidential Information Be Exchanged?
- b. Definition of Confidential Information?
- c. Identification of Confidential Information?
- d. Use of Confidential Information?
- e. (Non-) Disclosure of Confidential Information?
- f. Return of Confidential Information?
- g. Employees, Agents, and Independent Contractors?
- h. Remedies?

12. Warranties, Limitation of Liability, Indemnification

- a. Warranties
 - i. To whom do the warranties apply?
 - ii. Types of warranties
 - 1. Authority to grant license
 - 2. Non-Infringement on third party rights
 - 3. Media on which software is stored
 - 4. Free from material defects
 - 5. Conformance to specifications and run-times
 - 6. Free from viruses
 - 7. No disabling devices
 - 8. Free from minor defects or errors
 - 9. Uninterrupted operation
 - 10. Merchantability
 - 11. Fitness for a particular purpose
 - 12. Warranties related to third-party software
 - iii. Duration
 - iv. Invalidation
 - 1. Use on different equipment
 - 2. Modification
- b. Limitations on Liability
 - i. Special, Indirect, Consequential, Punitive, and Indirect Damages
 - ii. Profits
 - iii. Data Loss
 - iv. Loss of Goodwill
 - v. Specific Performance
 - vi. Limited to Specific Amount
 - vii. Time Period for Cause of Action

- c. Indemnification
 - i. Indemnifying Events
 - ii. Notification and Procedure
- d. Attorney's Fees
- e. Insurance

13. Termination and Default

- a. Termination
 - i. Termination for Convenience
 - ii. Termination upon Default
 - iii. Rights and Obligations upon Termination
 - 1. Payment of all outstanding amounts
 - 2. Return of software, documentation, and confidential information
 - 3. Discontinue using software
 - 4. Surviving obligations
 - 5. Use of remote disabling devices
- b. Events of Default
 - i. Non-payment
 - ii. Filing of bankruptcy
 - iii. Breach of provisions of agreement
 - iv. Notice and cure
- c. Dispute Resolution
 - i. Informal
 - ii. Mediation
 - iii. Arbitration
 - iv. Litigation
 - v. Attorney's Fees

14. Export Controls

- a. Federal regulations govern the export of certain software to certain countries

15. Assignment

- a. Is assignment permitted?
- b. Any limitations or restrictions?

16. Records and Audits

- a. Must the Licensee maintain records relating to its use of the software?
- b. May Licensor audit Licensee's records?

17. Non-Competition and Non-Solicitation

- a. Non-Competition
 - i. Are their restrictions on either party's freedom to engage in competitive activity with the other party?
- b. Non-Solicitation
 - i. Licensee may not solicit or hire Licensor's employees