



Checklist: Licence Agreement

crosslaw's checklists | Date : 21 November 2015 | Version 1.4 | Tags :  ICT Law

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Introduction

This checklist offers a general overview of contractual issues related to drafting, reviewing or negotiating licence agreements. To render this checklist applicable to a wide variety of licence agreements, some issues related to specific licences are not included in this checklist. It should therefore not be considered exhaustive.

General

- Title of the agreement (the title is only indicative)
- Identification of the parties
 - Name and legal form
 - Address or registered offices
 - Company identification number (0xxx.xxx.xxx) (trade register number or other unique identification number in case of foreign companies, if available)
 - Register of Legal Entities
 - VAT number (BTW BE0xxx.xxx.xxx)
- Identification of the signatory
 - Name
 - Title
 - Verify the authority of the signatory
- Preamble
 - Description of the parties
 - Description of the purposes of the parties to the agreement



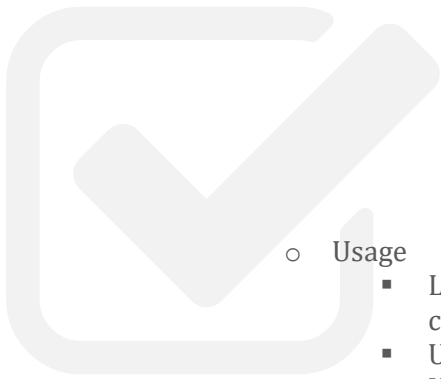
- Signature or Acceptance of the Agreement
 - Verify the mechanism that leads to acceptance of the contractual conditions: signature or “click-wrap”/“shrink-wrap” mechanism
 - Signature
 - Verify the identity of the signatory, the signature and the date
 - Sign as many original counterparts as there are parties (mention the number of counterparts in the agreement)
 - Check the page numbering (continuous)
 - Initials on every page are not legally required, but they are useful (it confirms that each page was read and accepted and protects against exchanging pages)
 - “Click-wrap”/“Shrink-wrap” mechanism
 - Acceptance mechanism – valid?
 - Evidence issues with “click-wrap”/“shrink-wrap” agreements

☑ Definitions and Interpretation

- Definitions
 - Verify the use of the definitions
 - Are all definitions in use
 - Are capitalized terms properly used
 - Avoid making unnecessary or circular references between definitions
 - Specific definitions?
 - Definitions may validly derogate from the usual meaning of a word (e.g. a word may be given another meaning in a definition)
 - References to glossaries (e.g. ITIL definitions)
 - Verify the accuracy of the reference (e.g. which version of a glossary)
- Interpretation rules
- Hierarchy of the contract documents
 - Principle
 - Exceptions?

☑ Scope of the Licence

- Type of licence
 - Software
 - Copyrighted materials
 - Patent
 - Trademark
 - Other
- Scope
 - Personal / non-personal
 - Exclusive / non-exclusive
 - Transferable / non-transferable
 - Right to sublicense / no right to sublicense
 - Revocable / irrevocable
 - Granted rights



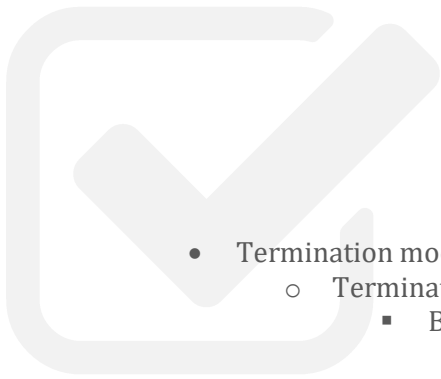
- Usage
 - Licence model (user, named user, concurrent user, number of CPUs or cores, ...)
 - Use for internal business purposes
 - Use of other purposes
 - Use for purposes of affiliated companies / within a group of companies
 - Use by a service provider on behalf of the licensee
- Restrictions
 - Territory
 - Linked to specific hardware, operating systems, locations or uses)
- Duration of the licence (if derogating from agreement)
 - Determined duration
 - Indefinite duration (can be terminated at any moment subject to a reasonable notice period)
 - Perpetual (discussion exists regarding the nature of such a licence – risk of requalification to a licence for indefinite duration)
 - For the entire duration of the protection of the applicable intellectual property right(s)
- Software related issues
 - Specific version of software, or also updates and upgrades
 - Objectcode
 - Source code
 - Documentation
 - Provisions regarding copies
 - Additional rights of the licensor

Escrow (applicable to software licences)

- Object of the escrow arrangement
- Type of escrow (two parties – tripartite – multiple parties)
- Scope of the escrow services
 - Escrow only
 - Additional services (verification of the deposited source code?)
- One-time deposit or continuous deposit of source code (of new versions)
- Costs
- ‘Trigger events’
- Scope of the rights of the licensee with regard to the source code
 - Licensee only
 - Right to appoint service provider acting on behalf of the licensee

Duration and termination

- Duration of the agreement
 - Signature date vs. effective date
 - Determined vs. undetermined duration
 - Duration of the agreement vs. duration of the licence
- Conditions precedent / conditions subsequent



- Termination modalities
 - Termination for convenience
 - By the licensee
 - Indemnity
 - Notice Period
 - By the licensor
 - Indemnity
 - Notice Period
 - Termination for breach / cause
 - By the licensee
 - Which causes?
 - Which conditions?
 - Which formalities?
 - By the licensor
 - Which causes?
 - Which conditions?
 - Which formalities?
- Consequences of termination

Price and payment

- Price criteria
 - Fixed
 - Variable
 - One-time or recurring
 - Combination
- Taxes
- Invoicing modalities
 - Additional obligatory mentions (e.g. PO number)?
 - Sanctions in case of missing information
 - Electronic invoicing
- Payment modalities
 - Manner of payment
 - Payment period
 - Sanctions in case of late payment
 - Late payment interest
 - Damages
 - Suspension of the agreement?
 - Which formalities?
- Price evolution
 - Unilateral modification by the licensor (with termination option)?
 - Price review mechanism (e.g. indexation?)
 - Benchmarking
- Audit rights regarding usage of the licenced materials
 - Who?
 - Modalities
 - Cost
 - Consequences

☑ Liability and Insurance

- Liability regime
 - No clause concerning (limitation of) liability = unlimited liability
 - Unilateral or reciprocal
 - Limitation (identical or not) applicable to both parties?
- Limitation of liability
 - Nature of the breach
 - Amount of damages
 - Nature of the damages
- Exclusion of ‘indirect and consequential damages’?
 - Definition
 - List
 - List of damages that are qualified as direct damages
- Cases of unlimited liability?
 - Infringement of confidentiality obligations
 - Infringement of intellectual property rights
 - Infringement of data protection obligations
 - Other?
- Expiry period for claims (“barred”)?
 - Unilateral or reciprocal
- Indemnity for third party claims
- Insurance obligation
 - Minimum amount or unspecified “reasonable” amount
 - Quality requirements with regards to the insurance company
 - Copy of insurance certificate (to be made available upon first request)
 - Notification of changes to the insurance coverage
 - Waiver of recourse from the insurance company?

☑ Unforeseeable Circumstances

- Force Majeure
 - Scope
 - Definition, list or reference to law or case law?
 - Large or restricted notion
 - Notification obligation
 - Termination option
 - Period
 - Which party?
 - Duty to mitigate consequences
- ‘Hardship’ clause

☑ Warranties

- Provisions regarding delivery/acceptance, if applicable



- Product warranty
 - Duration
 - Starting point?
 - Period
 - Suspension or prolongation of the warranty period
 - Scope
 - Specifications
 - Functionalities
 - Defects
 - Exclusions?
 - Remedies
 - Repair / replacement
 - Compensation?
 - Termination of the agreement / order
 - Refund?
 - 'Sole remedy'?
- General Warranties
 - Licensor
 - Suitability of the service in view of the client's requirements
 - Legal and technical specifications and standards?
 - Compliance with applicable laws and regulations
 - Ownership or sufficient rights in relation to used assets (e.g. software)
 - Absence of harmful code (viruses, Trojan horses, ...)
 - Explicit limitations/exclusions?
 - Licensee
 - Use of the licenced materials in a manner compliant with applicable laws, regulations, licence conditions

Intellectual property rights indemnification

- Restrictions in scope
 - All intellectual property rights vs. listed intellectual property rights
 - Validity of the intellectual property rights
 - Territory of use or registration vs. worldwide
- Indemnification duty
- Procedure
- Obligation to remedy breach
 - Obtain the required licence rights
 - Replace the infringing object
 - Free choice vs. equivalent functionalities
 - Return and refund?
 - Final remedy?
 - Limitation of the refund in function of an amortisation period?
- 'Sole remedy'?

☑ Confidential Information

- Confidentiality and purpose limitation with regards to the use of confidential information
- Security obligation
- Data breach notification obligation
- Rules regarding onward internal and/or external disclosure of confidential information
- Confidential information must remain property of the discloser
- Specific rules for specific licensed materials?

☑ Export Control

- Scope of the duties
 - Reference to foreign law?
 - Compatible with applicable law, existing obligations and restrictions?
 - Data protection law imposes limitation with regards to employee screening and surveillance!
- Sanctions
 - Suspension
 - (Immediate) Termination
 - Penalties
- Audit rights

☑ 'Boilerplate' Clauses

- Severability clause
 - Consequences of invalid or unenforceable clauses?
 - Negotiation obligation?
 - Replacement obligation?
- Personal nature of the agreement (*'intuitu personae'*)?
- Publicity and references
 - Permitted?
 - Formalities?
 - Use of logos and trademarks
- Capacity of the parties
- Entire agreement clause
 - General conditions?
 - Pre-contractual documents?
 - Enforceability is largely dependent on applicable law and jurisdiction
- No waiver
- Amendments



☑ Dispute Resolution, Applicable Law and Jurisdiction

- Dispute resolution
 - Escalation procedure for disputes
 - Possibility to initiate proceedings pending dispute resolution?
- Binding third party decision (financial and/or technical issues)
- Applicable law
- Jurisdiction
 - Courts
 - Alternative dispute resolution
 - Mediation
 - Arbitration

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