

Draft of model Modified Defensive Patent License (MDPL)[1]
Also referred to as the “Non-Sticky” DPL

1. Definitions

1.1 “Affiliate” means, with respect to an Entity, any subsidiary, affiliate, or company in which such Entity has a controlling (greater than 50%) interest or which controls such Entity, whether directly or indirectly, through one or more intermediaries.

1.2 “Change of Control” means, with respect to a DPL User:

(a) the direct or indirect acquisition (except for transactions described in clause (b) of this paragraph below), whether in one or a series of transactions by any Entity or related Entities (the “Controlling Entity”) of (i) ownership, beneficial or otherwise, of issued and outstanding shares of capital stock of such DPL User, the result of which acquisition is that such Controlling Entity possesses 50% or more of the combined voting power of all then-issued and outstanding capital stock of such DPL User, or (ii) the power to elect, appoint, or cause the election or appointment of at least a majority of the members of the board of directors (or such other governing body that exercises a similar level of control) of such DPL User (in the event such DPL User or any successor Entity is not a corporation); or

(b) a merger, consolidation or other reorganization or recapitalization of such DPL User with an Entity or a direct or indirect subsidiary of such Entity (the “Surviving Entity”), provided that the result of such merger, consolidation or other reorganization or recapitalization, whether in one or a series of related transactions, is that the holders of the outstanding voting stock of such DPL User immediately prior to such consummation do not possess, whether directly or indirectly, immediately after the consummation of such transaction, in excess of 50% of the combined voting power of all then-issued and outstanding stock of the Surviving Entity, or its direct or indirect parent.

1.3 “Clone Product or Service” means a product or service of a Licensee that includes substantially identical functionality of all or a commercially substantial portion of a prior-released product or service (“Prior Product or Service”) of a Licensor and implements the same or substantially the same proprietary user interface of the Prior Product or Service.

1.4 “Defensive Patent Claim” means a claim of patent infringement (including but not limited to claims made before the International Trade Commission), made by a second DPL User or its Affiliate against a first DPL User or its Affiliate in response to a claim of patent infringement asserted against such second DPL User or its Affiliate, or such second DPL User’s or its Affiliate’s product or service, by such first DPL User or its Affiliate, provided that such claim by the second DPL User or its Affiliate is asserted as a counterclaim in the same action filed by the First DPL User or its Affiliate or is filed in another forum within x months after assertion of the claim by the first DPL User or its Affiliate.

1.5 “Discontinuation Announcement” means an Entity’s announcement that:

(a) declares the Entity's intended discontinuation of its offer of its Patents for license under the DPL; and

(b) is submitted by an authorized representative of the Entity to the DPL Website six months prior to a Discontinuation Date.

1.6 "Discontinuation Date" means the date six (6) months after the date a Discontinuation Announcement is submitted to the DPL Website.

1.7 "DPL User" means an Entity that:

(a) has committed to offer a License to its Patents and any Patents it may obtain in the future under the DPL, or, if such Entity has no Patents, has committed to offer a License to any Patents it may obtain in the future under the DPL; and

(b) has declared such commitment by means of an Offering Announcement.

An Entity shall be considered a DPL User only during its Participation Period(s).

1.8 "DPL Website" means [a website to be established to publish DPL announcements.]

1.9 "Entity" means an individual, corporation, trust, partnership, joint venture, limited liability company, association, unincorporated organization or other legal or governmental entity.

1.10 "Foundry Services or Products" means services provided by Licensee to, or products manufactured by Licensee for or on behalf of, a specific third party, using designs or specifications received in a substantially completed form from that third party, for resale or re-license to or on behalf of that third party, except in the case in which

(a) Licensee owns the design or specification of such service or product and the service or product is not specifically designed for commercial exploitation substantially only by such Third Party; or

(b) such design or specification resulted from a bona fide joint development or joint participation between Licensee and such Third Party, including but not limited to a standards body or community organization and the resulting products, services or components provided by Licensee meet the definition of Licensed Services Product or Products as set forth herein.

1.11 "License" and "DPL" mean the grant, conditions, and limitations herein.

1.12 "Licensed Patent" means, with respect to a particular Licensor, any Patent owned or controlled or acquired (including through acquisition of an Entity owning or controlling such Patent) by Licensor during a Participation Period of Licensor, or with respect to which Licensor has, or later obtains, during a Participation Period of Licensor the right to grant licenses to Licensee of or within the scope granted in this License without such grant or the exercise of rights thereunder resulting in the payment of royalties or other consideration by Licensor to third parties (except for payments among Entities that form part of Licensor, and payments to third

parties for inventions made by the third parties while employed by Licensor or while engaged by Licensor to make such inventions). With respect to any Patent of Licensor that, as of the date of commencement of the relevant Participation Period, is subject to a written exclusive license agreement or other written agreement that precludes or is inconsistent with the grant of a license to Licensee of the scope that would otherwise be granted in this License, which agreement was entered into in good faith and not for the purpose of avoiding the grant hereunder either generally or with respect to a particular DPL User or its Affiliate(s), such Patent shall be considered a Licensed Patent only to the extent of the scope of license that such agreement permits Licensor to make, and the grant of license in Section 2.1 below with respect to such Patent shall be deemed modified to such extent. For the avoidance of doubt, if Licensor enters into a written agreement governing one or more Patents of Licensor for the purpose of avoiding the grant hereunder to such Patents either generally or with respect to a particular DPL User or its Affiliate(s), Licensor nonetheless grants the License in Section 2.1 below with respect to such Patents.

1.13 “Licensed Products and Services” means products and services of Licensee that practice one or more claims of one or more Licensed Patents of a Licensor, but excluding Foundry Services or Products and Clone Products or Services.

1.14 “Licensee” means any DPL User (other than Licensor) and each of its Affiliates, so long as each remains an Affiliate as defined herein.

1.15 “Licensor” means the Entity submitting an Offering Announcement and each of its Affiliates, so long as each remains an Affiliate as defined herein.

1.16 “Offering Announcement” means an Entity’s announcement that:

- (a) declares the Entity's commitment to offer its Patents for license under the DPL;
- (b) contains the Entity's contact information; and
- (c) is submitted to the DPL Website and signed by an authorized representative of the DPL Website and of the Entity.

1.17 “Participation Period” means, with respect to a particular DPL User, the period commencing on the date on which the DPL User has submitted an Offering Announcement to the DPL Website and such Offering Announcement has been signed by an authorized representative of the DPL and of the DPL User and ending on the Discontinuation Date corresponding to the first Discontinuation Announcement submitted by the DPL User after such Offering Announcement. A DPL User may have more than one Participation Period – for example, by submitting a first Offering Announcement followed by a first Discontinuation Announcement, followed by a second Offering Announcement, provided, however, that the subsequent Offering Announcement is submitted not less than xx months after the previous Discontinuation Date. Participation Period shall not include any period of time between a Discontinuation Date and the date that the DPL User later submits another Offering Announcement, and any Offering Announcement that is submitted less than xx months after a

previous Discontinuation Date shall be of no effect in starting a new Participation Period.

1.18 “Patent” means any worldwide granted patent other than a design patent, including continuations, continuations-in-part, divisionals, and reissues, and the claims contained in such granted patent.

2. License Grant

2.1 Grant of License.

(a) Grant. Subject to the conditions and limitations of this License, each Licensor hereby grants and agrees to grant to each Licensee a worldwide, royalty-free, non-exclusive, non-transferable license under such Licensor’s Licensed Patents, for the term of such Licensor’s applicable Participation Period, to make, have made (subject to the provisions of Section 2.1(b) below), operate, use, sell, offer for sale, import, or distribute Licensed Products and Services.

(b) Limitations on Have Made Rights. The license granted to a Licensee in Section 2.1(a) to have products made by another manufacturer shall apply only if the design and specifications for such products are furnished by the Licensee in a substantially completed form to the manufacturer and the manufacturer adheres to the design and specifications so furnished. In addition, if a third party manufacturer making products under have-made rights transfers such products to any Entity other than the Licensee on whose behalf such products were made, those products will not be considered to be Licensed Products and Services and will not be within the scope of the license rights set forth in Section 2.1(a).

2.2.1 Termination of Licenses Upon Withdrawal. If a DPL User withdraws from the DPL by issuing a Discontinuation Announcement then, as of the applicable Discontinuation Date, except as otherwise provided in Section 2.3 below with respect to transferred Patents, the License of the withdrawing DPL User and its Affiliates to the Licensed Patents of other Licensors is automatically terminated and each Licensee’s License to the Licensed Patents of the withdrawing DPL User and its Affiliates is automatically terminated.[2]

2.2.2 Restrictions and Exclusions. Notwithstanding the foregoing, this License is expressly subject to and limited by the following restrictions:

(a) This License does not include the right to sublicense any of the Licensed Patents.

(b) This License does not include any copyright, trademark, trade secret, other intellectual property, or other rights of Licensor other than the rights to Licensed Patents expressly granted in Section 2.1. No license or other right is granted herein by implication, estoppel or otherwise.

(c) Licensor reserves the right to revoke this License with regard to a named Licensee upon written notice if such named Licensee asserts any patent infringement claim in any form or forum, not including Defensive Patent Claims, against any DPL User or its Affiliate, including but not limited to Licensor, and such named Licensee does not dismiss or otherwise withdraw its patent infringement claim within 30 days after receiving such notice. In such event, Licensor shall retain its License to such named Licensee's Licensed Patents hereunder. In order to revoke, the revoking Licensor must include in its written notice to the named Licensee the fact that the Entity against whom the named Licensee has asserted the patent infringement claim is a DPL User or its Affiliate. For the avoidance of doubt, a patent infringement claim made against an Entity that was not a DPL User or its Affiliate at the time the claim was made does not trigger the revocation right under this Section 2.2(c), even if such Entity later becomes a DPL User.

2.3 Transfer of Licensed Patents.

a) In the event a Licensor (the "Transferring Licensor") transfers a Patent or Patent application during its Participation Period [or during a period of x months after its Discontinuation Date] (a "Transfer"), other than by operation of law or in connection with a Non-Assertion Transfer (as defined at the end of this Section 2.3(a)), then prior to the Transfer the Transferring Licensor automatically grants, to each Licensee existing at the time of the Transfer, a worldwide, royalty-free, non-exclusive, non-transferable license under such transferred Patent and to any Patent that may issue based upon such transferred Patent application (collectively, the "Transferred Patents") to make, have made (subject to the provisions of Section 2.1(b) above), operate, use, sell, offer for sale, import, or distribute Licensed Products and Services, and such grant shall automatically continue after such Transfer with respect to each Licensee at the time of the Transfer for so long as each such Licensee remains a DPL User; provided that, such License shall terminate as to a particular Licensee upon any applicable Discontinuation Date of such Licensee. Licensor shall give written notice to the transferee at the time of the transfer that each Transferred Patent shall be subject to the License set forth herein in accordance with the preceding sentence and in accordance with Section 2.3(b) below. For purposes of this Section 2.3, a "Non-Assertion Transfer" means a transaction in which there is a Transfer by a Transferring Licensor of one or more Transferred Patents to a transferee and (i) such transaction is accompanied by a substantially contemporaneous transfer of a business line of the Transferring Licensor to which the Transferred Patents relate and the transferee actively continues to engage in such transferred part of the business after the Transfer and (ii) the transferee is not an entity that derives the majority of its revenue through patent assertion.

b) For all patent transfers, including but not limited to patents transfers by operation of law or in connection with a Non-Assertion Transfer, each DPL User agrees that any financial benefit received by the Transferring Licensor after the Transfer based on patent assertion by the transferee of the Transferred Patents will be returned to any DPL User against whom such patent assertion is made; and

3. Assignment and Change of Control

3.1 Assignment. No Licensor or Licensee or its Affiliate may assign this Defensive Patent License or its rights hereunder, including but not limited to by operation of law, and any attempt to do so shall be void.

3.2 Change of Control. In the event that a DPL User undergoes a Change of Control, and the Controlling Party or Surviving Party, as applicable, is not itself a DPL User as of the effective date of such Change of Control, then the DPL User undergoing the Change of Control shall automatically cease to be a DPL User as of the effective date of such Change of Control and such effective date shall be deemed to be its Discontinuation Date, unless the Controlling Party or the Surviving Party, as applicable, elects to become a DPL User by issuing an Offering Announcement.

4. Disclaimer of Warranties

UNLESS OTHERWISE MUTUALLY AGREED TO BY THE PARTIES IN WRITING, LICENSOR OFFERS THE PATENT LICENSE GRANTED HEREIN "AS IS" AND MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND CONCERNING THE LICENSED PATENTS OR ANY PRODUCT OR SERVICE PRACTICING ANY LICENSED PATENT, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF TITLE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, OR THE PRESENCE OR ABSENCE OF ERRORS, REGARDLESS OF THEIR DISCOVERABILITY. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF IMPLIED WARRANTIES, IN WHICH CASE SUCH EXCLUSION MAY NOT APPLY TO LICENSEE. Without limiting the generality of the foregoing, each Licensor disclaims any and all warranties as to title or the validity of its Licensed Patents or that the exercise of the License granted by Licensor hereunder will not infringe the patent, copyright, trademark, trade secret, or other intellectual property rights of any third party.

5. Disclaimer of Liability

LICENSOR SHALL NOT BE LIABLE FOR ANY DAMAGES ARISING FROM OR RELATED TO THIS LICENSE, INCLUDING DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES, WHETHER UNDER A THEORY OF WARRANTY, CONTRACT, NEGLIGENCE, OR OTHERWISE, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES PRIOR TO SUCH AN OCCURRENCE.

6. Miscellaneous

6.1 Nothing contained in this Agreement or the performance thereof is intended or shall be construed to create any relationship of agency, partnership or joint venture between or among the parties or their Affiliates. Nothing in this Agreement shall be construed as an agreement by a Licensor to bring actions or suits against non-DPL Users or their Affiliates for infringement of its Licensed Patents, or conferring any right to a Licensee to bring actions or suits against third

parties for infringement of the Licensed Patents. The provisions of this Agreement shall continue to apply in accordance with their terms even after the withdrawal of an Entity from the DPL through issuance of a Discontinuation Notice.

6.2 Each DPL User and its Affiliates acknowledge and agree that a significant benefit and consideration for entering into this Agreement is to avoid the risks and uncertainty of litigation with respect to the Licensed Patents of other DPL Users and their Affiliates, a benefit which derives in significant part from the license rights that each DPL User and its Affiliates receive collectively from all other DPL Users and their Affiliates, and the DPL therefore does not reflect a royalty that any DPL User or its Affiliate might otherwise have negotiated at arms' length with respect to any one or more particular Licensed Patents apart from this Agreement and its collective license rights, nor what would constitute a reasonable royalty or a measure of damages with respect to the enforcement of any particular Licensed Patent in any dispute or transaction outside the scope of this Agreement. Each DPL User and its Affiliates further agrees that it obtains a unique benefit from the portfolio-wide nature of the cross-licenses granted herein, and that infringement of any particular patent(s) subject to this agreement therefore may not be adequately compensated by money damages, notwithstanding the existence of the licenses granted hereunder to such patent(s).

6.3 Each DPL User and each of its Affiliates shall be a third party beneficiary of this Agreement with the right to enforce the terms and conditions of this Agreement directly against Licensor.

[1] For the Original DPL please see Schultz, Jason and Urban, Jennifer M., Protecting Open Innovation: A New Approach to Patent Threats, Transaction Costs, and Tactical Disarmament (April 16, 2012). Harvard Journal of Law and Technology, Vol. 26, 2012. A working draft is available at SSRN: <http://ssrn.com/abstract=2040945>.

[2] It was suggested at a recent conference on the DPL that in the event a DPL User withdraws, an obligation arises for the withdrawn DPL User to license its patents on FRAND terms (the "FRAND Provision"). Perhaps one could limit those seeking the benefit under the FRAND provision (the "FRAND seekers") to those who have been in the DPL for at least a year prior to the discontinuation announcement of the withdrawing DPL User. In addition, perhaps one could require the RAND seeker to have started making substantial efforts in reliance on the DPL arrangement prior to receipt of the Discontinuation Notice.