**Software License Agreement – Template**

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*Introductory remarks*

**The purpose of the license agreement template presented in this document is to facilitate the preparation of license agreements** between research organizations and parties interested in licensing a particular technology. The use of the templates is entirely voluntary, optional, and free of charge. In case of any doubt as to the use of the provisions suggested by the template, the parties are encouraged to seek professional assistance from advisor(s) duly informed about all particulars of the planned licensing cooperation and rights and interests that are to be protected by this Agreement.

**While the template was prepared in cooperation with legal experts in the field of licensing, they do not attempt to encompass all the important topics of licensing agreements and relations**. Irrespective of this template, licensing relations and the relevant contractual terms are to be negotiated and agreed upon on a case-by-case basis. The Licensor is encouraged to take sufficient time to analyze various commercial scenarios of commercialization of its technology as well as to dedicate the effort and time necessary for comprehensive negotiations of licensing terms (including by means of using non-binding or binding term-sheets setting out the key points of the future cooperation) with prospective licensees, the ultimate goal being the full mutual understanding of the meaning and consequence of each of the licensing terms and the associated risks.

*General remarks about software licensing agreements*

**Software licensing agreements are used for the purpose of licensing of instructions, data sets, or programs used to operate computers or execute specific tasks**. Licensing of further intellectual property rights (in addition to those designated by this form of the Agreement) will require tailor made interventions in the text of the agreement and/or entering into additional licensing agreements or similar instruments, in either case with the involvement and assistance of a professional legal advisor.

**As a first step, the Licensor should identify all the individual elements featuring the technology that is to be licensed to the Licensee**, including protected code, registered patents, patent applications, trade secret or know-how (technical and/or commercial), etc. If the license is to encompass non-registrable intellectual property rights, especially trade secret and/or know-how, the Licensor should be careful not to make any disclosure of the relevant information without the proper non-disclosure arrangements in place. As soon as reasonably possible, preferably before starting the negotiations with the prospective licensees and prior to entering into this Agreement, the Licensor should make sure that it has and has gained (e.g., from its employees, assistants, partners etc.) the relevant right enabling the Licensor to enter into and perform this Agreement.

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*How to use the templates*

**The license agreement template contains placeholders for information that needs to be filled out on a case-by-case basis as well as cross-references.** The placeholders and cross-references are denoted by **[bold square brackets]**. Additionally, the template contains boxes which explain the importance and reasoning behind certain commercial and legal institutions as well as procedures related to the License Agreement. The boxes also reflect some considerations and alternatives (often in the form of pros and cons) that the Licensor is encouraged to take into account. The boxes should not be part of the Agreement at any stage (either during the negotiations with potential licensees or at the execution of the same) and the Licensor should remove them from the License Agreement as soon as the internal drafting of the Agreement has been completed.

*<PLEASE DELETE UPON COMPLETION>*

**Software License Agreement**

**[*Name of the Company/ Institution*]**

Legal entity ID (OIB) no.: [●]

Registered Seat: [●]

incorporated under the laws of the Republic of Croatia and registered under no. [●] in the registry of the Commercial Court in **[*city of the competent registration court*]**

*(the “****Licensor****”)*

and

**[*Name of the Company*]**

Company ID (OIB) no.: [●]

Registered Seat: [●]

Company incorporated under the laws of **[*name of the country*]** and registered under no. [●] in the **[*name of the companies register*]**

(the “***Licensee***”)

(Licensor and Licensee also jointly as “***Parties***” or individually as “***Party***”)

enter into this License Agreement (the *“****Agreement****”*).

**Preamble**

The Parties are jointly committed to the commercialization of a specific Copyrighted Work, proprietary software, **[insert name of the software],** which has been developed and is solely owned by the Licensor. The primary objective of this commercialization venture is to utilize this software and the accompanying expertise held by the Licensor. The intention is to achieve this by granting a software license, that is, the right of exploitation of the software to the Licensee, which will allow for commercialization, practical implementation, and continued refinement of the software to the mutual benefit of the Parties. The Parties also have mutual interest in their continued cooperation with the plan of enhancing the software technical and commercial potential as well as adequately addressing and overcoming the potential business hurdles that may arise in the future, during the term of this Agreement.

Now, therefore, the Parties agree to be bound by the following terms:

# Definitions

Unless otherwise stipulated in this Agreement, the following terms, when capitalized, shall have the following meanings:

* 1. “**Copyrighted Work**”: A Copyrighted Work refers to an original creation in a fixed tangible medium, in this case Software, that is legally protected by copyright laws **[insert jurisdiction/s in which laws apply]**, granting the creator (author) of the same the exclusive statutory rights of exploitation, including (among others) the right of reproduction and distribution. The Software code **[insert reference code or link if applicable],** as developed by the Licensor up to the date of this Agreement, is available in **[insert domain or repository, e.g., GitHub repository]** as defined in Section 3.2.
	2. “**Derivative Work**”: A Derivative Work is a new, original product, created or developed with the approval of the Licensor, which includes aspects of and/or is a result of reliance on the Copyrighted Work, that is, any updated or next version of the Copyrighted Work created or developed in the described fashion.
	3. “**Software**”: Copyrighted Work and Derivative Work.
	4. "**Exit Fee**": The value of the Licensee's shares transferred to a third party at the time of the Exit Event **[see Box 1].**
	5. "**Exit Event**": Any acquisition by a third party of all or a portion of the shares of the Existing Partners of the Licensee; an Exit Event shall not be deemed to be an acquisition by a third party of all or a portion of the shares of the Existing Partners of the Licensee that is part of the Software Utilization Plan or has been approved in writing by the Licensor and is intended to provide interim financing to the Licensee.
	6. **“Exit Value”**: the proceeds if an asset or business were to be sold. This estimated amount is considered to be most reliable if the proceeds are derived from an independent third party in an arm's length transaction where the sale is not rushed.

**Box 1. Exit fee**

**The Exit fee serves as a mechanism allowing the Licensor to partake in potential future success, while not restricting the Licensee.** It can be implemented in scenarios where an exit is anticipated, or there is a possibility of it occurring. However, this concept may not be applicable in situations where a company has a long-term license, and the probability of an exit is extremely low.

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* 1. "**Software Utilization Plan**": A description of the steps that the Licensor will take to make the most effective use of the Software **[see Box 8]**.
	2. "**Legal Action**": The commencement or continuation of any proceeding before any court, administrative authority or similar body in any jurisdiction with respect to the threatened Copyright, including related pre-suit proceedings.
	3. "**Related Person**": A natural or legal person who, on the date of this Agreement or at any time during the term of this Agreement, directly or indirectly controls, is controlled by, is under common control with, or is directly controlled by, any of the Parties.
	4. "**Territory**": The territories of: **[insert territories] [see Box 2]**.

**Box 2. Importance of Territory Determination**

**The territory of the License should primarily be limited to the countries in which the software patent registration (if applicable) was granted and/or applications were filed.** For example, a European patent application may be licensed in whole or in part for all or part of the territories of the designated contracting states of the European Patent Convention.

**Combinations of extensions of license to other territories are possible**, e.g., where the production under the patented technology is carried out in the country of patent protection and the corresponding product is sold in other countries. Please keep in mind that an obligation imposed on a Licensee to pay remuneration (royalties) even if the (otherwise patented) procedure is only used outside the territory of the patent, may be seen as restriction going beyond the scope of the patent. You should seek specific advice for such territorial delimitation always where there is a concern or risk of the License being too broad or too limited.

**For software licensing, considering the territorial scope of trademarks and copyright may be more applicable.** Disputes between trademark owners and the providers of software often occur because online applications are accessible worldwide and trademarks are territorial in nature. The territorial nature of a trademark or copyright means that trademark rights are limited to the country where they have been granted, used or are well known. A trademark registration does not give the owner worldwide protection, but rather protection in individual/specific territories where the trademark is used in the course of trade. As such, it is possible for a trademark to have different owners in different countries. If applicable, parties should approach the determination of existing territorial protections with diligence and should consult market experts and/or legal professionals in the conduct of due diligence.

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* 1. "**Revenues**": All gross income and funds directly received by the Licensee from the sale, licensing, or other methods of commercial exploitation of the Software, including but not limited to sales of sub-licenses, subscriptions, maintenance, support, updates, upgrades, and enhancements. Revenues shall exclude any other forms of income not directly tied to the commercialization of the Software.
	2. "**Existing Partners**": The partners of the Licensee who were partners (members, shareholders, or similar) at the date of this Agreement, in any case with an entry in the respective registry of stocks, shares or other interests in the Licensee, or (where applicable) in the official records of the Licensee (e.g., book of shares).

# Initial Provisions

* 1. The subject matter of this Agreement is the Licensor’s grant to the Licensee of the exploitation rights in respect of the Software (including the Derivative Work that either exists or will be created or developed after the entry into this Agreement), as further detailed within Article 3 of this Agreement (hereinafter referred to as the "**License**"), against the consideration payable by the Licensee to the Licensor in accordance with (among others) Article 4 of the Agreement.
	2. The License is granted as **[insert limit, e.g.,** **exclusive, non-exclusive, or otherwise; see Box 3]**.

**Box 3. Exclusive vs. non-exclusive license**

**Choosing between an exclusive or non-exclusive license will often depend on the specific characteristics of the intellectual property**, the Licensor's goals for that property, the market environment, and potential partners' capabilities and interests.

***Exclusive License***

**An exclusive license means that only the licensee, and no one else, is able to use the licensed property**. It grants the licensee the sole right to use, produce, and sell the item being licensed. Do not forget to consider exceptions for research, education, and other non-commercial use, **please see Box 5.**

**Pros** for the Licensors:

*1) Higher Value:* Exclusive licenses can often command higher fees due to their nature, potentially leading to more revenue for the academic institution.

*2) Defined Partnerships:* Working with a single licensee simplifies the management of the license agreement and allows the institution to build a closer relationship with one industry partner.

*3) Accountability:* With exclusive licenses, there is typically a higher level of expectation for the licensee to actively exploit the licensed property, often tied to performance clauses in the license agreement.

**Cons** for the Licensor:

*1) Limited Potential:* If the sole licensee is not successful in commercializing the licensed property, the institution has missed out on other potential partnerships. This is linked to the third role of universities and maximum spread of knowledge to society (thus many universities strategically prefer non-exclusive licenses).

*2) Dependence:* If the licensee fails or underperforms, it could significantly impact the revenue generation from the licensed property. Thus, it is important to introduce minimal fees (Section 4.7).

*3) Reduced Market Penetration:* With only one entity driving the commercialization, the licensed property may not reach all possible markets and impact to society is limited.

A concept similar to that of exclusive license, with the distinction that the Licensor would keep the right to use the licensed property (that is, commercialize it individually but not in cooperation with any person other than the Licensee) would be the **sole license**. If the concept of the sole license is opted for, the Licensor needs to make sure in the License Agreement that it exceptionally retains the right of exploitation of the subject matter of the License. The Licensor should keep in mind that in the alternative: exclusive vs sole license, the prospective licensees are usually more in favor of exclusive licenses, especially where the Licensing Agreement (as this one, see Section 3.6) provides for the License back for non-commercial use.

***Non-exclusive License***

**A Non-Exclusive License grants to the licensee the right to use the property but means that the licensor remains free to exploit the same intellectual property** and to allow any number of other licensees to also exploit the same intellectual property.

**Pros** for Licensors:

*1) Multiple Revenue Streams: By* licensing the property to multiple entities, the institution can gain multiple revenue streams.

2) Diversification: Different licensees might utilize the licensed property in different markets or applications, potentially maximizing the utility of the institution's intellectual property.

3) *Risk Distribution*: Failure or underperformance by one licensee doesn't have as much impact on overall revenues, as there are other licensees that continue to provide income.

**Cons** for Licensors**:**

*1) Lower Fees*: Non-exclusive licenses usually have lower fees than exclusive licenses, as the value proposition for the licensee is not as high.

*2) Management Complexity*: Managing multiple license agreements can be more administratively complex and time-consuming.

*3) Potential Conflict:* There could be a higher risk of conflict among licensees, which might cause reputational risk or additional administrative burden to the institution.

***<PLEASE DELETE UPON COMPLETION>***

* 1. As a result of entry into this Agreement and on the condition that it timely and fully meets all of its obligations set out herein, the Licensee is authorized to exploit the Software, namely, to reproduce, distribute and otherwise make it available to the public for commercial purposes, in accordance with this Agreement and the Software Utilization Plan making part of the same.
	2. The Licensee has the authority to sub-license the Software without the need for consent from the Licensor, including in the event of the transfer of the plant or a part thereof, on conditions set out in Annex **[insert Annex number, if applicable]** to this Agreement **[see Box 4]**.
	3. The Licensee is obligated to take reasonable case for and maintain the integrity and reputation of the Licensor. As such, the Licensee must not grant sub-licenses to parties of questionable credibility or repute, which could potentially harm the Licensor's standing.

**Box 4. Sub-licensing**

**Obtaining the Licensor’s approval for all sub-licensing agreements is strongly recommended.** There are two primary reasons for this suggestion. The first is to ensure proper tracking of where the technology is utilized, which helps manage the actual users and safeguard the Licensor's brand. The second is tied to compensation and the potential for fee dilution; the terms for sub-licenses are often decided in advance. However, it’s important to ensure that sub-license approvals are conducted efficiently and swiftly.

**Parties are encouraged to pay special attention to situations where the Licensee’s preferred business model involves sub-licensing.** In these instances, we propose that sub-licensing is pre-approved based on a set of predefined conditions. Where uncertainties persist, please consult professional legal advice.

**In a software license agreement, sub-licensing is often a standard business practice.** Therefore, in this template, the Licensor's approval for sub-licensing is not necessary, but the sub-licensing should be in accordance with the conditions set out in an annex of this Agreement.

***<PLEASE DELETE UPON COMPLETION>***

# Other particulars of the License

* 1. **Term**: The License is time-limited and is granted for **[insert timespan, e.g., ten (10) years]** as of the execution of this Agreement.
	2. **Territorial Scope**: The License is restricted tothe Territory defined in Section 1.10**.**
	3. The issuance of the License does not confer ownership of the Copyrighted Work, Derivative Work, or any related intellectual property to or to the benefit of the Licensee. Additionally, the provision of the License does not establish any claim or right of the Licensee concerning any other copyright or intellectual property rights of the Licensor, other than those expressly stipulated in this Agreement.
	4. During the term of this Agreement, the Licensor shall provide the Licensee with such reasonable assistance as may be reasonably required or requested by the Licensee for the exercise of the Licensee's rights under this Agreement.
	5. The grant of the License in accordance with this Agreement shall not limit or otherwise negatively affect the Licensor's rights to use the Copyrighted Work and/ or Derivative Work for non-commercial research, development, educational, and publication purposes **[see Box 5].** This right of the Licensor includes and equally refers to enhancements and alterations to the Copyrighted Work and/ or Derivative Work, with any results stemming from such activities remaining the property of the Licensor. The Parties explicitly agree that the provisions of this Article shall apply solely to academic and non-commercial activities, and that any commercial use by the Licensor is subject to the Licensee’s prior written consent.

**Box 5. License back for non-commercial use**

**It is recommended that in the case of an exclusive license agreement, the Licensor retains rights to the Technology for research, educational, and non-commercial purposes**. The Licensee should have no objection to this provision.

***<PLEASE DELETE UPON COMPLETION>***

# Remuneration and Purchase Price [see Box 6]

* 1. The Licensee agrees to pay to the Licensor a royalty consisting of the following:

a) A fixed, one-off part of the remuneration in the amount of **[insert amount, e.g., EUR 10,000]** (hereinafter referred to as the "**Fixed Remuneration**"),

b) The Share Award portion of the remuneration:

i. For Revenues up to and including **[insert amount and/or rate of Revenues, e.g., EUR 500,000.00 at the rate of 6% of Revenues]**

ii. For Revenues from **[insert amount range, e.g., EUR 500,000 up to and including EUR 1,000,000 at the rate of 5% of Revenues]** of the portion of Revenues exceeding **[insert amount, e.g., EUR 500,000]**

iii. For Revenues from [**insert amount range, e.g., EUR 1,000,000 to EUR 5,000,000 inclusive],** and amount and/or portion of revenue **[insert amount and/or portion of revenue, e.g., EUR 55,000 and 4%]** of the portion of Revenues exceeding **[insert amount, e.g., EUR 1,000,000]**

iv. For Revenues from **[insert amount range, e.g., EUR 5,000,000 to EUR 10,000,000]** inclusive**, [insert amount and/or portion of revenue, e.g., EUR 215,000 and 3%]** of the portion of Revenues exceeding **[insert amount, e.g., EUR 5,000,000].**

v. For Revenues exceeding **[insert amount range and/or portion of revenue]** of the portion of Revenues exceeding **[insert amount]**.

(hereinafter referred to as the "Share Award") and

1. A share portion of the Exit Value of **[insert portion, e.g., 5-10%]** (the “Exit Fee”).

(collectively, a) – c), the "Royalties").

**Box 6. Remuneration**

**The calculation of the Remuneration/Royalties always depends on the business case and business model of the Licensee.** Market analysis is always necessary to offer a remuneration model fair for both sides. Do not construct the model based solely on information provided by the Licensee. Consider using court appointed experts (or other external authority) to help you to construct unbiased and objective remuneration models and values.

**In case the Licensee considers selling the company in the future (venture capital business trajectory), the License Agreement should include an Exit fee.** This fee must be feasible for the Licensee. Remember, you are the Licensee’s partner, and their success is to some extent dependent on the conditions offered. If these conditions are too demanding it may cause the Licensee to underperform and hence result in lower license fees. This is extremely important to remember especially in case of spin-out and start-up companies, which may require more time and resources to achieve anticipated outcomes.

**Market analysis is crucial in setting a fair remuneration structure**. If you do not have sufficient expertise or resources in-house, a Market Analysis template is available to get started. Also, consider consulting experts in Technology Transfer Offices and/or external consultancy to assist with market analyses. Having an analytical basis is always helpful in negotiating with the Licensee.

**The type of firm using the license should also be considered when setting the remuneration structure.** For example, delayed payments or progression of payments (or minimum payments, see Box 7) may be considered when licensing to start-ups. This would help the start-up to reduce the risk of financial difficulties in the initial stages of their development. On the other hand, a higher license fee may be proposed for larger companies in the first years, where there is a risk that the company may lose interest in the Software over time.

**In case of Copyrighted and Derivative Work, the license fee may differ.** Usually, fees for Copyrighted Work are higher compared to fees for Derivative Work. The fees for software licenses are usually higher thanks to their better scalability. In this template, the proposed fees are the same for both Copyrighted Work and Derivative Work (together as Software); however, parties may consider their adjustment according to market standards or contextual factors.

***<PLEASE DELETE UPON COMPLETION>***

* 1. The Fixed Remuneration will be paid based on an invoice issued by the Licensor, but no later than **[insert timespan, e.g., three (3) months]** after the conclusion of the Agreement, by wire transfer to the account specified therein.
	2. The Fixed Remuneration shall be non-refundable and shall not be deemed to be an advance on any other part of the Royalties under this Article 4.
	3. The Share Award is payable annually in arrears always by the end of the sixth (6th) month of the year following the calendar year in which the Revenues were made. The Share Award shall be paid in EUR (Euro). Any conversion that may be needed for that purpose will be done under the Euro foreign exchange reference rates of the European Central Bank valid on the date of the written statement. The Licensee undertakes to provide the Licensor with a written summary of all Revenues for the previous calendar year by the end of the third (3rd) month of the following calendar year at the latest.
	4. The Share Award will not be calculated on Revenues received from Related Persons, unless they have been made for the purpose of resale to final customers, distributors and other third parties. In such case, the Share Award shall be calculated on the Revenues made by the Related Persons of the Licensee and the Licensee agrees to include such Revenues in the written statement pursuant to Section 4.4.
	5. The obligation of the Licensee to pay the Share Award shall continue for the term of this Agreement and beyond its expiration for the purpose of selling goods or services produced by means of exploitation of the subject matter of the License in respect of which the delivery has commenced prior to the expiration of this Agreement. Upon full completion of such sale and/or the provision of the relevant services, the Licensee shall issue a statement of Revenues within three (3) months and the Share Award shall be payable within six (6) months of the completion of the sale.
	6. **[Optional paragraph; see Box 7:** Minimum Payments: in the event that the Share Award paid on the basis of Revenues does not reach the minimum amount, the following obligations shall apply:

a) **[Insert amount and year of maturity, e.g., 10 000,- EUR for the year 2023],**

b) **[Insert amount and year of maturity, e.g., 15 000,- EUR for the year 2024],**

c) **[Insert amount and year of maturity]**

d) **[Insert amount and year of maturity]**

The Licensee promises to pay the Licensor, by the end of the **[insert month, e.g., ninth (9th) month]** of the year following the calendar year in which the minimum amount outlined in Section 4.7 of the Agreement has not been met, an amount equal to the difference between the Minimum Payment and the Share Award actually paid for that period. Should this Agreement be terminated, the Minimum Payment rule will be applied pro rata, that is, the Minimum Payment will be calculated for the number of months of the Agreement in the relevant calendar year. The Minimum Payment rule will not apply in the case of sales as per Section 4.6 of this Agreement**.]**

(hereinafter referred to as: “Minimum Payment”

**Box 7. Minimum Payment clause**

**In the case of an exclusive license, a Minimum Payment clause is strongly recommended.** It is crucial to motivate the Licensee either to commercialize the software or to terminate the agreement, thus permitting the Licensor to license the software to other partners.

**It is imperative to negotiate the minimum payments with the Licensee to ensure that they are feasible.** At the same time, the establishment of minimum fees is necessary for exclusive licenses. Alternatively (or concurrently), the commercialization of the software can be assessed through the Software Utilization Plan, as detailed further in the subsequent section.

***<PLEASE DELETE UPON COMPLETION>***

* 1. **Exit Fee**: The Licensee promises to promptly inform the Licensor of the finalization of a term sheet or similar preliminary agreement concerning the Exit Event and the amount of the Exit Fee, no later than thirty (30) days prior to the Exit Event. The Exit Fee is to be paid within sixty (60) days of the earliest of the Exit Event or the recording of the related change in the commercial register. The currency of payment of the Exit Fee will be EUR. Any conversion that may be needed for that purpose will be done under the Euro foreign exchange reference rates of the European Central Bank valid on the date of payment of the Exit Fee.
	2. **Audit**: The Licensee agrees to keep financial records of all transactions related to the use of the subject matter of the License granted by this Agreement. The Licensee shall, upon the Licensor's request at any point during the term of this Agreement, but no more than once per calendar year, make available all accounting and contractual documentation related to the use of the subject matter of the License or Exit Events to an independent auditor appointed by the Licensor to verify the reports submitted by the Licensee. In case the independent audit reveals an underpayment over **[insert percentage, e.g., 5%]** of the Royalties due under this Agreement, the Licensee agrees to, in addition to other remedies available to the Licensor under this Agreement or applicable law, compensate such underpayment, pay a contractual penalty to the Licensor in the equal amount, and compensate the cost of the audit. If the independent audit finds an underpayment not exceeding **[insert percentage, e.g., 5%]** of the Royalties due, the Licensee promises to compensate such underpayment and the cost of the audit. If the independent audit discovers no outstanding dues, the cost of the audit shall be borne by the Licensor. If the independent audit reveals an overpayment over **[insert percentage, e.g., 5%]** of the Royalties paid, this overpayment will be deducted from the nearest subsequent payment of the Royalties and the Licensor will bear the cost of the audit. All payments under this paragraph are due and payable within thirty (30) days of the Licensor delivering the relevant invoice to the Licensee, given that the date of the taxable supply is deemed to be the date of the invoice for the purposes of this paragraph, except for penalties (if applicable) which shall not be considered for a taxable supply. The audit may be carried out for a period of not more than three (3) fiscal years retrospectively, even after the termination of the obligation under this Agreement, regardless of the reason and manner of its termination.
	3. **Default**: In the event of a default in payment of any payment under this Article, the Licensee is, in addition to other remedies available to the Licensor under this Agreement or applicable law, also obligated to pay the Licensor a statutory interest rate under the applicable law.

# Rights Enforcement

* 1. The Parties undertake to inform each other of any third-party infringement, even if threatened, of the copyright in the Copyrighted Work.
	2. Either party may, at its own expense, take Legal Action against such actual or threatening infringement. Prior to taking Legal Action, a Party shall discuss any proposed action with the other Party and shall give due consideration to its legitimate interests. The Licensor may act without such consultation in case of immediate threat of infringement or other circumstances suggesting the need of an urgent action.
	3. In the event that a Party takes Legal Action pursuant to Section 5.2, it shall keep the other Party informed of the progress of the Legal Action, including any claims brought by third parties relating to the copyright in the Copyrighted Work.
	4. The Parties shall provide each other with all appropriate assistance (including, for example, the execution of powers of attorney) in any proceeding under this Article 5. Agreement (whether initiated individually or jointly).

# Statements, Rights and Obligations of the Parties

* 1. The Licensor represents and warrants to the Licensee that:
1. it is authorized to enter into this Agreement and by entering into this Agreement and/or performing its obligations hereunder, it does not violate any provisions of applicable law or its own internal regulations or its contractual or other obligations,
2. it is authorized to grant the License to the extent set forth in this Agreement.
	1. The Licensee represents and warrants to the Licensor that:

a) it is authorized to enter into this Agreement and by entering into this Agreement and/or performing its obligations hereunder, it does not violate any provision of law or its contractual or other obligations,

b) it is not bankrupt or threatened with bankruptcy, and no petition has been filed for the commencement of insolvency proceedings or a decision has been made to dissolve it without liquidation or with liquidation,

c) there is no pending judicial or administrative enforcement against it that could jeopardize its performance of this Agreement and/or its use of the License and payment of the Royalties.

* 1. The Licensee, on its own behalf, at its own expense and under its own responsibility, shall perform all activities related to the exploitation of the subject matter of the License, including (but not limited to) the commercialization of the Software. The Licensor shall not be liable for any violation of the law, the rights of third parties or for any damage or injury incurred by the Licensee or third parties in connection with the Licensee's activities in the exploitation of the subject matter of the License and the commercialization of the Software.
	2. The Licensee undertakes to inform the Licensor in writing (electronic form is sufficient) and without delay of the commencement of sales of the Software and/ or products or services based on or otherwise related to the Software. Furthermore, the Licensee shall be obligated to inform the Licensor of planned changes in the ownership structure of the Licensee or changes in the composition of its bodies, changes in the registered office or business premises of the Licensee and other significant changes without undue delay.
	3. The Licensee agrees to defend, indemnify and hold harmless the Licensor from and against any and all claims, demands, liabilities or expenses (including legal costs) incurred or asserted against the Licensor by reason of any damage or injury caused by the Licensee, its statutory bodies or employees in the exploitation of the License. The obligations of the Licensee under this clause shall survive the termination of this Agreement for a period of ten (10) years from the termination of this Agreement.
	4. If any statement or warranty made by either Party in this Article of the Agreement proves to be incorrect, false or incomplete at any time from the start date of this Agreement until its termination, and the party in breach fails to remedy the breach at its own expense within thirty (30) days of being requested to do so in writing by the other party, the non-breaching party shall be entitled to:

a) terminate the Agreement under the terms stipulated in the same, and/or

b) claim from the breaching party damages incurred as a result of the inaccuracy, falsity or incompleteness of the relevant statement or warranty.

# Practical application of the Software

* 1. The Licensee shall, consistent with the responsibilities outlined in Section 2.3, utilize the subject matter of the License with appropriate professional care and responsibility, endeavoring to optimize its monetary value for both parties. The Licensee must adhere to the Software Utilization Plan **[see Box 8]** when exploiting the subject matter of this Agreement.
	2. The Licensee commits to arranging a face-to-face meeting with representatives nominated by the Licensor at least annually. During this meeting, the Licensee will provide a comprehensive report on the implementation of the Software Utilization Plan and discuss any necessary amendments.
	3. The Software Utilization Plan includes the following binding milestones, among others:

a) **[Insert additional applications and timespan, e.g., completion of the commercially viable version of Software and initiation of commercial exploitation of the Software and/ or products or services based on the same (Responsible Party: Licensee, Deadline: First (1st) of June 2023)]**

b) **[Insert additional applications and timespan, e.g., Beta version of the Software (Responsible Party: Licensee, Deadline: First (1st) of June 2024)].**

* 1. The Licensee shall provide the Licensor with a revised Software Utilization Plan, including all supporting information necessary for its review, at least thirty (30) days prior to the commencement of each subsequent calendar year. The Licensee shall consult with the Licensor on the draft plan and take into account any feedback raised by the Licensor. Upon the Licensor's approval of the revised plan, it will become the Software Utilization Plan for the upcoming year.

**Box 8. Importance of Software Utilization Plan**

**A Software Utilization Plan is a comprehensive strategy that outlines how the Licensee plans to exploit and maximize the value of the licensed software**. Including this in the license agreement can be beneficial for several reasons and in various scenarios:

*Transparency and Accountability*: A Software Utilization Plan promotes transparency and accountability between the Licensor and Licensee. It outlines the Licensee's commitment and strategy towards the commercialization of the Software, which provides assurance to the Licensor about the intent and capability of the Licensee.

*Performance Measurement*: The Software Utilization Plan can serve as a performance benchmark against which the Licensee's efforts and progress can be assessed. This can be crucial in situations where the Software is complex or requires a significant investment of resources for successful commercialization.

*Milestone Tracking*: The Software Utilization Plan can include specific milestones that the Licensee aims to achieve in the commercialization process. This can be especially important for advanced technologies, where the path to commercialization may be long and involve multiple stages.

*Mitigating Risks*: In situations where there is a high level of uncertainty about the market or the commercial potential of the Software, a detailed Software Utilization Plan can help to mitigate risks by providing a clear roadmap for commercialization.

*Exclusive Licensing*: In the case of exclusive licenses, a Software Utilization Plan is particularly crucial. It ensures that the Licensee is actively working on commercializing the Software, as they are the sole entity with the rights to do so.

*Start-ups and Small Companies*: If the Licensee is a start-up or a small company, a Software Utilization Plan can demonstrate that they have a clear plan for the Software, increasing the Licensor's confidence in their ability to effectively utilize the Software.

**In summary, a Software Utilization Plan helps to ensure that the Software will be effectively utilized**, the Licensee is making progress towards commercialization, and that both parties have a shared understanding of the intended path towards market.

***<PLEASE DELETE UPON COMPLETION>***

# Confidentiality

* 1. Both Parties commit to maintain the confidentiality of all Confidential Information (as defined in Section 8.2 below) pertaining to the License and the internal affairs of the other Party, of which they have been made aware or become aware during negotiations and collaboration, and which is not publicly accessible.
	2. Confidential Information encompasses, but is not limited to, any intellectual property, unpublished applications, data, processes, procedures, specifications, scientific and research reports, records, laboratory logs, and other similar information, trade secrets, pricing information, business contacts, and any other information that is directly or indirectly related to the grant of the License and/or the use of the Software and that is not generally known and accessible to the public ("Confidential Information"). To avoid any doubt, the Parties acknowledge and agree that any disclosure or use thereof in violation of the provisions of this Agreement would constitute an irrevocable and significant infringement of the Licensor's rights and would seriously jeopardize the economic interests of the Licensor.
	3. Each Party hereby agrees not to disclose, publish, or allow access to or use of the other Party's Confidential Information without the prior written consent of the other Party.
	4. The following disclosures of Confidential Information (or portions thereof) by one Party shall not be considered a breach of the confidentiality obligation under this Article 8, upon evidence provided by the disclosing Party:

a) Disclosure of Confidential Information that was already generally known or available prior to the execution of this Agreement;

b) Disclosure of Confidential Information that becomes generally known after the execution of this Agreement without the disclosing Party being accountable for such disclosure;

c) Disclosure of Confidential Information that has been revealed to the disclosing Party by a third party authorized to do so and without a confidentiality obligation, and the disclosing Party has not been or should not have been aware that the other Party regards it as Confidential Information;

d) Necessary disclosure of Confidential Information to governmental authorities or individuals legally authorized to request such Confidential Information and to inspect or monitor the activities of the relevant Party, within the boundaries and in accordance with the requirements of applicable law;

e) Any other use or disclosure of the other Party's Confidential Information with its prior written consent.

* 1. The Parties agree to permit access to the Confidential Information of the other Party only to individuals whose knowledge of such information is essential for the purposes of using the License and performing this Agreement. If it becomes necessary to reveal Confidential Information to individuals other than the Parties' employees, the Parties commit to ensuring that such individuals are bound by a confidentiality obligation at least to the same extent as outlined in this Agreement.
	2. Each Party commits, with regard to the Confidential Information of the other Party, to take all feasible precautions and security measures to prevent unauthorized access to or transmission, loss, damage, alteration, use or misuse of the Confidential Information of the other Party by any person.
	3. Each Party shall be liable for damages caused by the breach of the confidentiality obligation under this Article of the Agreement by its statutory bodies, employees, external collaborators, contractors, agents, and other third parties who may come into contact with the Confidential Information of the other Party through its agency or fault. Each Party shall also be liable for damages caused by individuals to whom it is permitted to disclose the Confidential Information of the other Party under this Agreement, unless it demonstrably binds such individuals to confidentiality contractually.
	4. If the Parties have entered a confidentiality or non-disclosure agreement prior to entering this Agreement and related to the same, such prior confidentiality or non-disclosure agreement will continue to apply between the Parties it and to the extent that it provides for a broader (in scope, territory or otherwise), stricter and/ or longer protection of the Confidential Information than this Article 8.

# Validity and Termination of the Agreement

* 1. This Agreement shall take effect upon its execution by both Parties. This Agreement is established for a specific duration, namely **[specify the date of entry into force and duration].** This Agreement shall terminate:

a) upon the expiry of the period for which it was entered into,

b) by mutual written agreement of the Parties,

c) termination of this Agreement in accordance with the same or the applicable law.

* 1. The Licensor is authorized to terminate this Agreement by giving notice of termination if any of the following occur and the Licensee fails to rectify the situation within thirty (30) days from the date of receipt of the Licensor’s written notice to rectify:

a) The Licensee is in default of payment of any part of the Royalties,

b) An audit conducted according to Section 4.9 identifies an underpayment exceeding **[insert value or percentage, e.g., 5%]** of the Royalties paid,

c) The Licensee commences liquidation proceedings or becomes subject to pre-bankruptcy, insolvency or special administration proceedings, or application for the institution of any such proceedings,

d) The License under this Agreement is transferred to a new licensee due to the sale of the Licensee's business or business plant in its entirety, as part of a business plant, transfer of a business interest, or other transfer of the rights and obligations of the Licensee to a successor in title to which the Licensor does not agree,

e) The Licensee sublicences, assigns or transfers the License from this Agreement to a third party without the Licensor’s prior written approval or is in violation of Section 2.4 or 2.5.

f) The Exit Fee paid according to Section 4.8 of the Agreement is significantly disproportionate to the actual value of the Licensee’s Shares being transferred to a third party at the time of the Exit Event.

g) The Licensee’s actions will, in the Licensor’s reasonable belief, damage or significantly jeopardize the good reputation of the Licensor; such actions include, but are not limited to, changes in the ownership structure, [**optional:** changes in registered office or business premises of the Licensee leading to the diversion of economic and social benefits derived from the business activities of Licensee from **insert jurisdiction, e.g., the Republic of Croatia, European Union, etc., to foreign countries],** or changes in the persons of partners or bodies of licensee as persons suspected or prosecuted for criminal activities,

h) The Licensee is unable to make practical use of the Software as per Article 7 of this Agreement. The Licensee is considered incapable of making practical use of the Software if the Licensee’s Revenues in a given year do not reach **[insert amount].**, or

i) neither party has taken Legal Action as per Article 5 of this Agreement despite the fact that the requirements for taking such Legal Action have been met.

* 1. The notice period is three (3) months and commences from the first (1st) day of the month following the month in which the notice of termination has been delivered to the other Party.
	2. In the event of termination of this Agreement, the following provisions shall apply:
1. The Licensee must cease to exploit the subject matter of the License and all rights granted under this Agreement immediately upon the termination of this Agreement, except for the resale of products or services based on the Software, which have been produced or which started to be rendered before the effective date of this Agreement;
2. Termination of this Agreement by either Party (irrespective of the method in which it occurs) will have only a prospective effect. The Licensor will not be obligated to refund any Award paid by the Licensee under this Agreement prior to the termination of this Agreement. The Licensor will be entitled to the Royalties under this Agreement for the period prior to the termination of this Agreement even if it has not been paid before the termination of this Agreement;
3. Within sixty (60) days of the termination of this Agreement, the Licensee must provide the Licensor with written summaries of Revenues corresponding to the summary provided in Section 4.4 of this Agreement for the period prior to the termination of this Agreement. The obligation of the Licensee to pay the Royalties and to submit statements in accordance with the terms of this Agreement will survive the termination of this Agreement until all products based on the Software have been sold out and all services based on the Software have been rendered.
	1. The obligations of the Parties under the provisions on Royalties and protection of Confidential Information will continue to bind and apply even after the termination of this Agreement.

# Final Provisions

* 1. The designated representatives for communication regarding the execution of this Agreement are:

a) For Licensor: **[Name of the contact person], [Title of the contact person]; [Email of the contact person]**

b) For Licensee: **[Name of the contact person], [Title of the contact person]; [Email of the contact person]**

* 1. Any modifications or extensions to the Agreement must be in the form of a written amendment, signed by both Parties.
	2. Without the prior written consent of the other Party, no Party shall have the right to assign this Agreement or any obligation or claim under it. The Agreement is binding on the successors of the Parties, irrespective of the succession mode. Transfer of the License under this Agreement to a third party in case of sale of the business or a part of it, is subject to prior consent of Licensor.
	3. The requirement for written consent, opinion, or information under this Agreement can be satisfied by electronic communication (e-mail, fax), except for acts according to Article 9 (e.g., requests for remedies, termination of the Agreement), which must be delivered to the Party's address specified in the heading of this Agreement.
	4. If any provision of this Agreement is found to be null, void, or unenforceable, such defect shall not impact other provisions or the validity of the Agreement as a whole. The Parties commit to negotiating a new provision that closely matches the original provision's contractual purpose.
	5. This Agreement is prepared in two copies, with each Party receiving one copy.
	6. The laws of the Republic of Croatia shall govern this Agreement and the relations of the Parties not explicitly addressed by this Agreement.
	7. The Parties commit to resolving any disputes arising from this Agreement through mutual negotiations. Should the resolution through negotiations not be possible, the relevant dispute(s) will be settled before the competent court in **[insert court of jurisdiction, e.g., Zagreb, Croatia]** or as specified by the Parties **[see Box 9].**

**Box 9. Dispute resolution**

**We strongly recommend considering alternative dispute resolution methods.** Mediation is particularly suitable for settling disputes in licensing relations, where the parties’ mutual interest often lies in the continuation of the cooperation. WIPO Expedited Arbitration clause, which would apply in case that the Parties fail to reach agreement in mediation, should enable quicker and more efficient proceedings, compared to regular court proceedings in Croatia where the usual workload and the often lack of specialization of judges in intellectual property matters may lead to prolonged proceedings with likely uncertain outcomes.

**The proposed language for such an alternative dispute resolution clause is as follows:**

12.9. Any dispute, controversy or claim arising under, out of or relating to this Agreement and any subsequent amendments of this Agreement, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be submitted to mediation in accordance with the WIPO Mediation Rules. Unless otherwise specified by the Parties herein, the place of mediation shall be **[insert place of mediation, e.g., Zagreb, Croatia].** Unless otherwise specified by the Parties herein, the language to be used in the mediation shall be **[insert language of mediation, e.g., Croatian].** If, and to the extent that, any such dispute, controversy or claim has not been settled pursuant to the mediation within ninety (90) days of the commencement of the mediation, it shall, upon the filing of a Request for Arbitration by either party, be referred to and finally determined by arbitration in accordance with the WIPO Expedited Arbitration Rules. Alternatively, if, before the expiration of the said period of ninety (90) days, either party fails to participate or to continue to participate in the mediation, the dispute, controversy or claim shall, upon the filing of a Request for Arbitration by the other party, be referred to and finally determined by arbitration in accordance with the WIPO Expedited Arbitration Rules. The arbitral tribunal shall consist of a sole arbitrator. Unless otherwise specified by the Parties herein, the place of arbitration shall be **[insert place of arbitration, e.g., Zagreb, Croatia].** Unless otherwise specified by the Parties herein, the language to be used in the arbitral proceedings shall be **[insert language of arbitration, e.g., Croatian].** The dispute, controversy or claim referred to arbitration shall be decided in accordance with the law of the **[insert jurisdiction, e.g., Republic of Croatia].**

***<PLEASE DELETE UPON COMPLETION>***

* 1. The provisions of this Agreement relating to the protection of Confidential Information disclosed mutually shall take effect from the Agreement's date and shall survive the term of this Agreement and for a period of three (3) years from its termination.
	2. Both Parties affirm that they entered into this Agreement willingly and seriously, were not aware of any facts that would prevent the Agreement's conclusion, did not intentionally mislead each other, and are fully aware of the legal consequences arising from knowingly false statements. The Parties agree with its contents, confirmed by their handwritten signatures.
	3. **[Insert annexes as applicable, e.g., The following annexes constitute an inseparable part of this Agreement:**

**Annex no. 1: Sub-licensing conditions**

**Annex no. 2: Specification of Territory**

**Annex no. 3: Specification of other annexes]**

***[Licensor]***

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| Name:[●] Title:[●] | Name:[●] Title:[●] |

***[Licensee]***

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