

# Anatomy of a License Agreement

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*Author's note:* Most of the examples in this chapter are taken from Stanford University's standard license agreements. Stanford takes no responsibility for this language and any use of the language is done at the user's own risk.

## **Introduction**

A license agreement is a contract between parties to allow one party the right to something that is owned or controlled by another party. The owning/controlling party usually receives some sort of consideration for granting this right.

Before delving into the substance of the agreement itself, a note on the use of plain language.

If you keep the language clear, concise, and as simple as possible, anyone reading the agreement will understand your intentions. Clear, concise, and simple language is important in order that:

- a) when starting the relationship with the other party, you both have the same understanding of the contract and to what you've each agreed;
- b) if you or your licensing counterpart leave your respective entities, anyone else can pick up the agreement and will have the same interpretation as the two of you did; and
- c) if the agreement becomes part of a legal action, any third party will interpret the agreement in the way you intended, including a judge or jury of your peers.

If you are not sure if something is clear, it likely isn't. Run the language by your colleagues (without providing any interpretations!) before signing as at least one test to make sure you are understood.