



Intellectual property protection

Azure helps protect your IP

Trusted Cloud:
Microsoft Azure Security, Privacy, Compliance,
Resiliency, and Protected IP

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In today's business world, companies produce not only tangible goods but also intellectual property (IP), including concepts, ideas, inventions, original artistic works, software code, logo designs, and identifying names.

Copyright, patent, trademark, and other intellectual property protections are designed to safeguard the IP owner's rights to derive the value from such creations of the human mind. This encourages creativity and innovation and allows creators and investors to benefit from their efforts and receive a return on their investment of time, mental energy, and/or money.

Business method and software patents provide a lucrative opportunity for non-practicing entities (NPEs), who stockpile large numbers of patents with no intention of developing products, but for the purpose of suing companies and individuals for infringement. This type of cloud-based patent litigation is increasing, and lawsuits and countersuits can cost your organization money and time and damage your reputation. The aggressive tactics of NPEs discourage innovation.

Trust in the cloud encompasses not only the assurance of security, privacy, compliance, and resiliency, but also clarity and confidence that your innovations will be protected against frivolous infringement claims, including when you co-develop innovative solutions working together with a cloud provider. Microsoft Azure IP Advantage and the Shared Innovation Initiative can help offer that assurance.

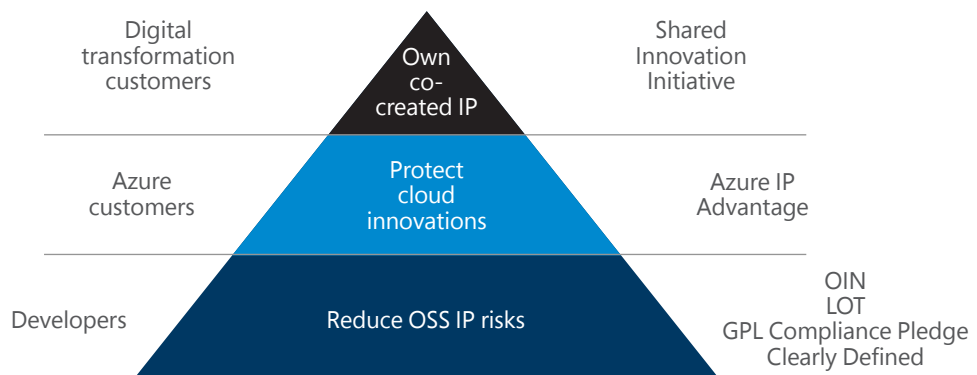
The following steps will get you started on the road to protecting your innovations and developing with confidence:

- Assess your cloud IP protection and business risks.
- Identify a plan to protect your innovation in the cloud.
- Continue your digital transformation with Microsoft Cloud as a trusted partner.

IP in the cloud

As computing shifts to the cloud, new risks to innovation emerge. These include risks to developers, to Azure customer organizations working in the cloud, and to customers who co-create intellectual property with Microsoft as part of their digital transformation.

Microsoft trust and IP initiatives build on one another to provide protections to all three of these categories.



Azure IP Advantage

Intellectual property is increasingly being created, stored, and shared in digital form. Digital transformation has brought a paradigm shift to the business environment as companies embrace new approaches to creating, communicating, and interacting with customers, partners, and the public.

NPEs see this as an opportunity; they collect and hoard patents and then assert patent infringement against innovators. This is a growing concern for cloud services customers,



and the fear of a patent suit discourages innovation in the cloud. Cloud providers can help their customers reduce the risk to be able to innovate with confidence, and Microsoft Azure offers best-in-industry protection against IP risks. Azure IP Advantage includes:

- **Uncapped indemnification.** This covers claims for IP infringement and extends to open source software (OSS) incorporated by Microsoft in Azure services (for example, Apache Hadoop used for Azure HDInsight). It is provided by default for all Microsoft cloud customers.
- **Patent Pick.** Microsoft provides a portfolio of 10,000 patents that customers can pick from and use to deter and defend against patent lawsuits. It is available to consuming Azure customers with an Azure usage of \$1k/m over the last three months who have not filed a patent infringement lawsuit against another Azure customer for their Azure workloads in the last two years. This helps to discourage excessive litigation.
- **Springing license.** This provides peace of mind with future patent protection; if Microsoft sells any of its patents to an NPE in the future, its customers will receive a license, so the NPE won't have an infringement suit against the customer. This is available to all consuming Azure customers with an Azure usage of \$1k/m over the last three months. Unlike other cloud providers, Microsoft does not require a reciprocal commitment from the customer for its patents. In addition, Microsoft is a member of the LOT Network, a non-profit community of companies that was formed to preserve the traditional uses of patents while providing immunization against the patent troll problem.

These protections help free companies to concentrate more on building their businesses, leveraging open source software, and serving their customers, and less on dealing with patent litigation.

Shared Innovation Initiative

Every company today is becoming in part a software company. Companies are increasingly collaborating with their cloud providers to co-create intellectual property to transform their business operations. There is growing concern that without an approach that ensures customers own key patents to these new solutions, tech companies will use the knowledge to enter their customers' market and compete against them—perhaps even using the IP that customers helped create.

Microsoft developed its Shared Innovation Initiative in response to these concerns when customers collaborate with Microsoft to develop new products and services that run on the Azure platform. We've created contract terms that lay out these principles for engagements where the parties are co-creating new IP. Shared Innovation builds on our approach outlined in the AIPA, and is based on seven guiding principles:

1. **Respect for ownership of existing technology.** We each own the existing technology and IP that we bring to the table when we partner together. As we work with customers, we'll ensure that we similarly will each own the improvements made to our respective technologies that result from our collaboration.

The co-creation of new technology in the world today seldom starts from scratch. At Microsoft we bring our existing products, IP, and expertise, and our customers do the same thing, often reflecting their world-leading expertise in their particular field. Our ability to co-create relies on both companies respecting each other's IP.

2. **Assuring customer ownership of new patents and design rights.** As we work together to create new technology, our customers, rather than Microsoft, will own any patents that result from our shared innovation work.

Among other things, this means that Microsoft will cooperate in the filing of any patent applications resulting from the new invention work. This also means that Microsoft will assign to the customer all of the rights, titles, and interest in the patents we create together.

3. Support for open source. If our shared innovation results in the creation of source code and our customers so choose, Microsoft will work with them to contribute to an open source project any code the customer is licensed to use.

4. Licensing back to Microsoft. Microsoft will receive a license back to any patents and design rights in the new technology that results from the shared innovation, but the license will be limited to improving our platform technologies.

For this purpose, our own platforms include existing and future versions of Azure, Azure Services (e.g., Cognitive Services), Office 365, Windows, Dynamics, Enterprise Mobility Solution, Cortana, Bing, Xbox, Xbox Live, HoloLens, System of Intelligence, and code and tools developed by or on behalf of Microsoft that are intended to provide technical assistance to customers in their respective businesses.

5. Portability. We won't impose contractual restrictions that prevent customers from porting to other platforms the new, shared innovations they own.

In the world today, customers want to retain the contractual freedom to move the work they co-create to an alternative platform in the future if they so choose. We respect their right to do so. We're committed to retaining our customers' business by offering better performance and value than anyone else, not by locking customers in to something they no longer want to use.

6. Transparency and clarity. We will work with customers to ensure transparency and clarity on all IP issues as the shared innovation project moves forward.

IP issues can get complicated, and shared innovation works well only if there is transparency and clarity for customers throughout the process. We're committed to well-organized and defined processes that ensure that our customers always have clear and complete information. We'll also each appoint executive sponsors to help address quickly any questions or issues that may arise during shared innovation work.

7. Learning and improvement. We'll continue to learn from this work and use this learning to improve further our shared innovation work.

We look forward to listening to and learning with our customers as we do more of this important work. We look forward to using what we learn to make future improvements to these principles.

Shared innovation projects represent the next frontier in developing cutting-edge technology, and the ability to co-create relies on both companies respecting each other's IP. These principles offer a path that will ensure that the co-creation of digital technologies creates new economic value to companies throughout the economy and around the world, and strikes a balance that enables Microsoft and its customers to focus on what each does best and work together with trust and confidence to help each other become more successful.



