

IP Licensing Audit Checklist (India)

Annual audit checklist for the Company's complete IP licensing programme

HOW TO USE THIS TEMPLATE

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| 1. | This document: IP Licensing Audit Checklist (India). |
| 2. | Fill all bracketed fields before use. |
| 3. | Template only — not a substitute for qualified legal advice. |

1. AUDIT SCOPE AND TIERS

Coverage. This annual audit covers: all outbound patent, trademark, copyright, and technology licences (Company as licensor); all material inbound licences (Company as licensee); open-source compliance (OSBOM review); and data licensing arrangements.

Materiality Tiers. Tier 1 (more than Rs. 50 lakhs annual royalty): full audit including independent financial verification. Tier 2 (Rs. 10 to 50 lakhs): documentary review and management representation. Tier 3 (less than Rs. 10 lakhs): management confirmation of continued compliance.

Audit Team. IP Manager leads with support from: Finance (royalty verification); IT (OSBOM and inbound software licence compliance); Legal counsel (material compliance issues).

2. OUTBOUND LICENCE AUDIT

Royalty Verification. For each licensee: obtain quarterly royalty reports; cross-reference against third-party data where available; request sample invoices supporting revenue; verify permitted deductions; recalculate royalties independently. A variance of more than 5% warrants a formal royalty audit.

Scope and Compliance. Verify: field of use compliance; territory compliance; sublicensing approval status; registered user status current at Trade Marks Registry; and patent marking where required.

Patent Validity Verification. Confirm all licensed patents are in force; renewal fees paid; no opposition or revocation proceedings affecting licensed claims.

Minimum Royalty Enforcement. Confirm minimums were met; issue formal demand for any shortfall within the cure period; assess termination rights for repeated failures.

3. INBOUND LICENCE AUDIT

Software Licences. List and verify all SaaS subscriptions, licensed tools, and platform licences: confirm commercially licensed (not personal-tier); confirm usage within licence limits; confirm all renewed and not expired.

Open-Source OSBOM Review. OSBOM currency: when last updated?; all production dependencies covered?; no copyleft component added without approval?; all permissive licence attributions being met in product releases?

Change-of-Control Triggers. Identify all inbound licences with change-of-control provisions. Brief CEO, CFO, and M&A; counsel on any licences requiring notification or consent before any planned transaction.

Patent Status for Inbound Licences. Confirm each licensed patent is granted and in force. Lapse of a licensed patent may terminate the Company's obligations or reduce royalties depending on the agreement.

4. COMMERCIALISATION OPPORTUNITIES

Unlicensed IP with Licensing Potential. Review all registered IP not currently licensed: patents covering technology that non-competing companies use; trademarks with equity in markets the Company does not serve; datasets with commercial licensing value.

Underperforming Licences. Identify licences generating below-expected royalties: licensee's usage grown without a corresponding royalty increase?; fields or territories expanded that should trigger renegotiation?; would a royalty audit reveal underpayment?

Audit Report. Prepare a written Audit Report for each licence reviewed. File with IP Manager. Share Tier 1 findings with CFO and CEO. Retain audit reports for 7 years.

IMPORTANT NOTE

Working template for IP Licensing Audit Checklist (India). Verify requirements with a qualified IP advocate.

CONDUCTING A ROYALTY AUDIT — PRACTICAL PROCEDURE

A royalty audit is a formal examination of a licensee's financial records to verify the accuracy of royalty payments. The decision to conduct a royalty audit should be made when: the licensee's reported royalties appear low relative to expected market size; the licensee has entered new markets or launched new products that may be covered by the licence; the Company has received intelligence sugges

ting the licensee's actual revenues are higher than reported; the licence is approaching renewal and the Company wants a clean factual record; or the licence agreement has been in place for 3 or more years without a formal audit. Pre-audit preparation: before engaging the licensee, review the licence agreement in detail: what records is the licensee required to maintain?; what calculation methodol

ogy is specified for royalties?; what is the notice period required before an audit?; what deductions are permitted and how must they be documented?; what audit rights does the agreement provide (right to inspect records directly, right to appoint an independent accountant, or right to a certification from the licensee's auditors)?. Select the audit firm: for Tier 1 licences, appoint a Big 4 or re

putable mid-tier accountancy firm with commercial contract audit experience. Brief the auditors specifically on: the royalty calculation formula; the permitted deductions and their documentation requirements; the product scope of the licence (what products and markets are covered); and any prior audit history or known discrepancies. Audit scope: the standard audit scope for a 3-year licence period

covers: total gross revenues from licensed products; calculation and documentation of all permitted deductions; net royalty base calculation; royalty rate application; and any minimum royalty requirements. The audit should verify at least a representative sample of underlying invoices and sales records. Audit outcome handling: if the audit reveals an underpayment, the Company is entitled to: the

principal underpayment amount; interest at the contractual rate (or statutory rate if none specified) from the date each underpayment was due; and reimbursement of the audit costs if the underpayment exceeds the contractual threshold (typically 5%). Issue a formal demand letter promptly on receipt of the audit report.

ADDITIONAL COMPLIANCE GUIDANCE AND BEST PRACTICES

ADDITIONAL GUIDANCE ON COMPLIANCE AND BEST PRACTICES. Indian IP law continues to evolve rapidly, with the Patent Office, Trade Marks Registry, and Copyright Office all implementing digital transformation initiatives that affect how IP is filed, prosecuted, and enforced. The Patents Amendment Rules 2024 introduced new provisions for startup fee concessions and updated the examination procedure timelines. The Trade Marks Act 1999 has been interpreted by courts in a growing body of decisions that clarify how confusion is assessed, how well-known

marks are recognised, and how bad faith is established. The DPDP Act 2023 has implications for IP-linked customer data and product development processes. For each IP action described in this document, the Company should consult a qualified IP advocate licensed to practice before the Indian Patent Office and Trade Marks Registry. IP advocates combine technical expertise with legal training specific to Indian IP law. When selecting an IP advocate, assess: their specific experience in your technology sector or product category;

their track record at the relevant Patent Office branch or Trade Marks Registry; and their ability to coordinate international filings through their network of foreign associates. The IP Manager should maintain a master calendar tracking all IP filing deadlines, prosecution response deadlines, renewal dates, and opposition window close dates. IP deadlines are typically non-extendable and missing them can result in permanent loss of rights. Use a dedicated IP management tool or a carefully maintained calendar system with triple-reminder alerts. Document

all IP decisions and the reasoning behind them. When the Company decides not to file a patent application for a particular technology, document the decision and reasoning. When a trademark opposition is decided not to pursue, document the decision. This decision trail is important for investor due diligence, management continuity, and defence of subsequent IP disputes. Build a quarterly IP Committee meeting cadence: the IP Manager, CTO or Head of Product, CFO, and CEO should review IP programme status, upcoming

decisions, and strategic IP priorities every quarter. This keeps IP on the leadership agenda and ensures that commercial and technical strategy is aligned with IP investment decisions. The IP Committee meeting should produce a brief written record of decisions taken and actions assigned. International IP coordination requires proactive management of priority deadlines. The Paris Convention priority period of 12 months for patents and 6 months for trademarks and designs starts from the Indian filing date. If international protection is planned,

calendar these priority deadlines immediately on the Indian filing date. The cost of filing internationally increases significantly if priority is not claimed because prior art in the intervening period may destroy novelty. Budget for professional indemnity insurance for the IP function. As IP becomes a larger component of the Company's value and IP decisions involve significant financial stakes, the IP Manager and the Company's IP counsel should be appropriately insured against errors and omissions. Review the IP programme's documentation quality

annually. The best IP strategy is undermined by poor documentation. Every IP right should have a complete file: the registration or application document, all prosecution history, all renewal receipts, and all related agreements. Files should be backed up in at least two locations and access-controlled to prevent inadvertent deletion. Template only. Not legal advice. Consult a qualified IP advocate for all decisions affecting the Company's intellectual property rights.