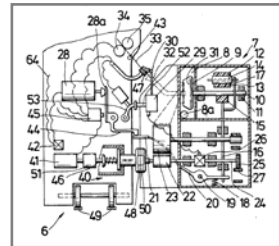
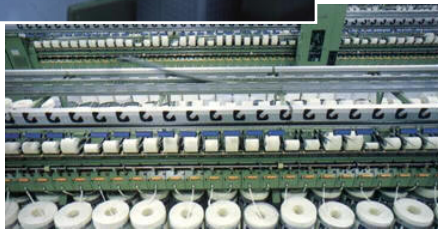


Licensing & Tech. Transfer

- Module 4
- Problems In Operation of Patent Licenses

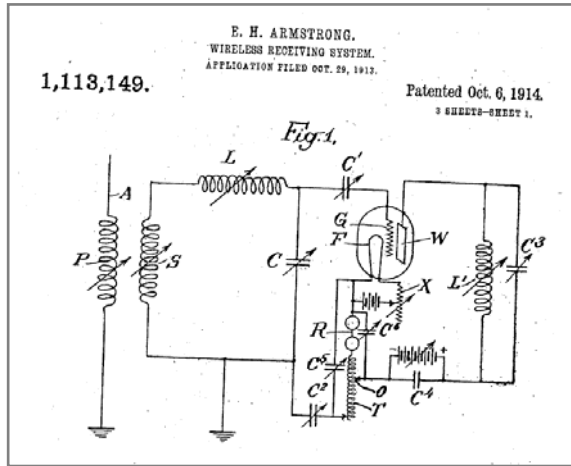
SpindelFabrik v. Schubert & Salzar (Fed. Cir. 1990)

- Sussen as P; Schubert as D; yarn-spinning
- What is Reiter's role; Dist. Ct. & Fed. Cir. result?



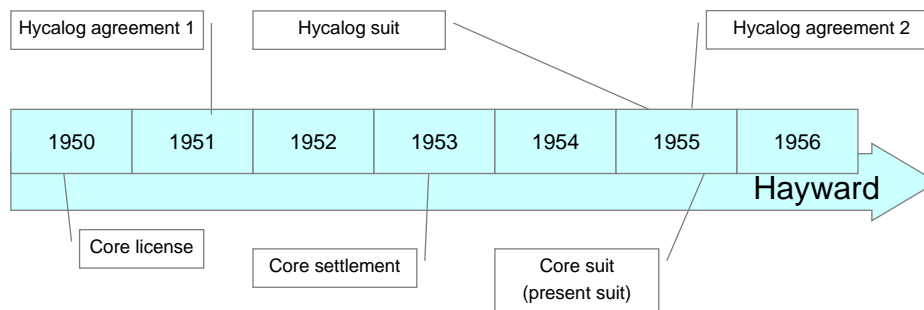
Westinghouse Elec. & Mfg. Co. v. Tri-City Radio Elec. Supply Co. (CCA 1928)

- Scope of license grant
- Where can licensee manufacture?
- To whom can it sell?
- What does licensee want?
- Result?



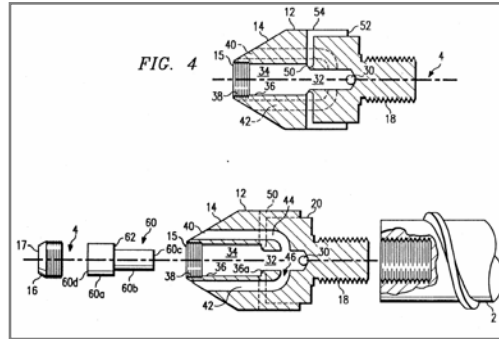
Core Laboratories, Inc. v. Hayward-Wolff Research Corp. (Del. 1957)

- Hayward as Lic'OR; Core as Lic'EE
- License agreement provisions
 - Terms to eliminate Core's royalty obligations
 - MFN
- What was the involvement of Hycalog?
- Result below and on appeal?



U.S. Valves Inc. v. Dray (Fed. Cir. 2000)

- Who formed US Valves? Who ultimately controlled it by the time of the suit?
- Structure of the license at issue
- What are the underpinnings of the non-payment of royalty allegations?
- What are the patent infringement issues?
- Dist. Ct. result
- Fed. Cir. result



Mechanical Ice Tray Corp. v. GMC (2nd 1944)

- Attributes of license agreement
 - Exclusive?
 - Covenants?
- Mechanisms for reducing royalties?

MITC becomes LicOR party

MITC suit vs. A&S concludes

1936	1937	1938	1939	1940	1941	1942
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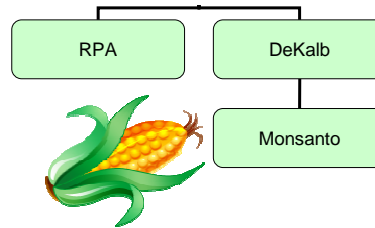
Type 7 →

Type 2 & 3 →

Type 4 →

Rhone-Poulenc Agro, S.A. v. Dekalb Genetics Corp. (Fed. Cir. 2002)

- License structure and parties
- History and current issue
 - Prior history at Fed. Cir.
 - en banc
- State or Federal law?
 - Which circuit and why?
- BFP versus BF-Lic'EE?



Even if the general common law extended the protection of the bona fide purchaser rule to holders of non-exclusive licenses, it would not be appropriate for us to extend such protection to non-exclusive licenses as a matter of federal common law. . . .

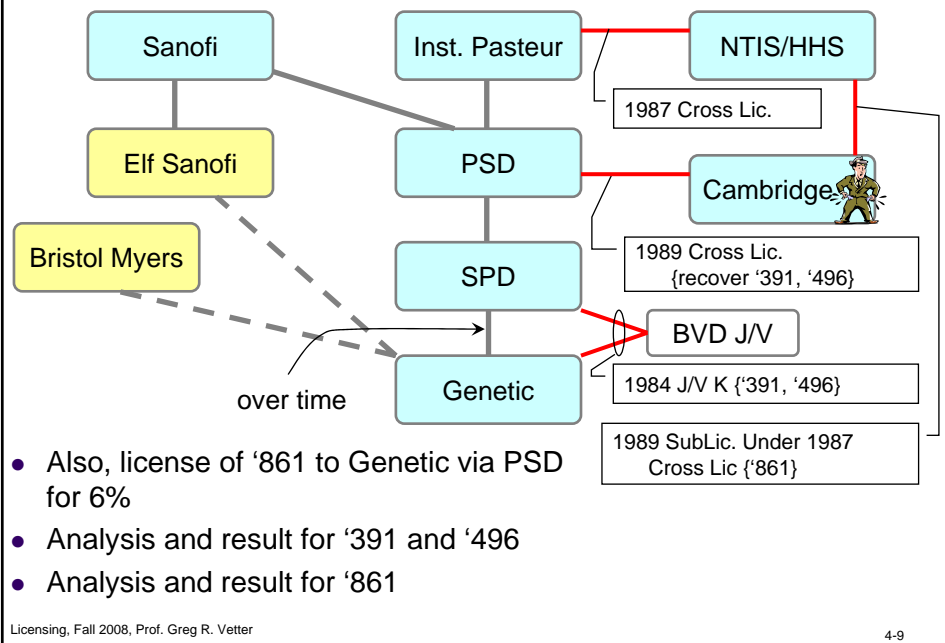
Although our precedent has recognized that in some circumstances an exclusive patent license may be tantamount to an assignment of title to the patent, this is so only when "the licensee holds 'all substantial rights' under the patent." . . .

Permanence Corp. v. Kennametal, Inc. (ED Mich. 1989)

- When to imply "best efforts"?
 - Exclusive?
 - No reservation
 - Only source of supply
 - Policy to have technology made available for purchase
 - Only source of revenue to Lic'OR
 - No minimum royalties
 - Termination provisions
 - Integration clause
 - Use of counsel
- Various precedents
 - Squibb

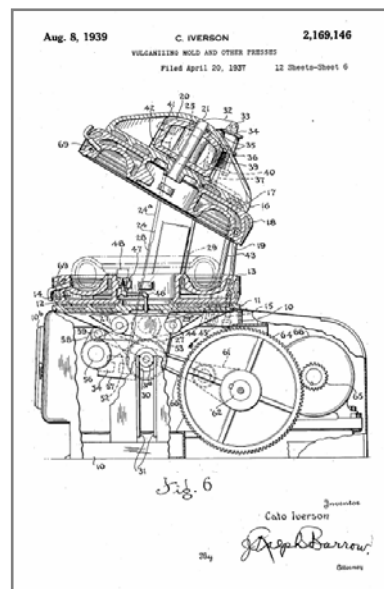
n.1: As a grammatical aside, many courts and litigants refer to courts implying an obligation of best efforts after a review of the contractual language. The correct grammatical construction of the best efforts issue is: Did the parties imply a best efforts requirement in their contract; should the court infer a meaning in their implication? See Barnet & Stubbs's, Practical Guide to Writing 401 (3rd ed. 1980) ("The writer or speaker implies (suggests); the perceiver infers (draws a conclusion) . . . Although infer is widely used for imply, preserve the distinction.").

In Re Cambridge Biotech Corp. (Fed. Cir. 1999)



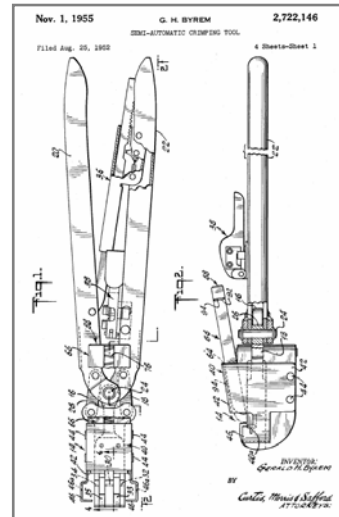
National Rubber Machinery Co. v. McNeil Machine & Engineering Co. (6th 1942)

- What does the 1939 agreement between National and McNeil cover?
- What infringement is at issue?
- Result at district court?
- Result on appeal?



AMP Inc. v. United States (U.S. Ct. Cl. 1968)

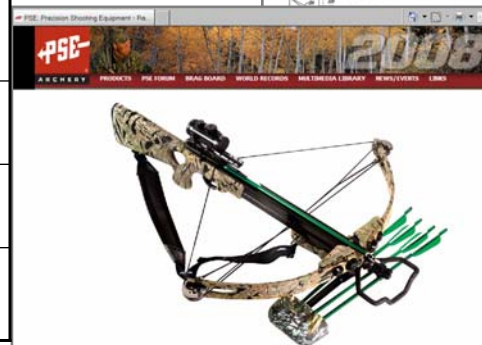
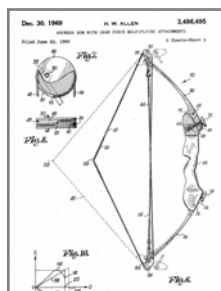
- “Subject Invention” clauses in development agreement
 - What was licensed?
- Byrem patent developed under the agreement
- Vinson patent?
 - Relation to Byrem patent?
 - Relation to development agreement?
- Precedent for “legal estoppel”
 - Not “estoppel in pais” (misrep.)
 - United Printing Machinery (assign)
 - Curran v. Burdsall (assign)
 - Scovill v. Radio (two assignments)
 - Stevens v. Steel & Tubes (lic.)



Allen Archery, Inc. v. Precision Shooting Equip., Inc. (7th 1989)

- Allen patent and its success in the industry
- What did PSE license? From who?

	Allen	PSE
Stock	D / 7 th	
Overdraw	D / 7 th	
Paint	D / 7 th	
Foreign Sales	D	



Troy Iron and Nail Factory v. Erastus Corning (1852)

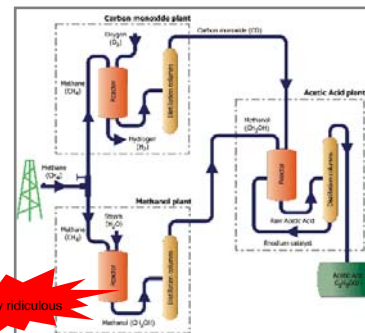
- 1st patent by Burden assigned to Troy in 1836
- 2nd patent involved the “bending lever” to make brad-headed spikes
 - Eventually assigned in 1848, but under a promise of assignment
- On 2nd patent, Burden in litigation himself w/ 3 Ds; 1845 settlement agreement



And it is further agreed, that the said parties may each hereafter manufacture and vend spike of such kind and character as they see fit, notwithstanding their conflicting claims to this time

Hoechst Celanese Corp. v. BP Chemicals Limited (SD Tex. 1994)

- Scope of license from BP to Celanese
- Handling of licensee’s improvements?
- BP’s contentions
 - '73 app. is for acetic anhydride
 - Lithium iodide process is excluded from license because part of Lic’OR’s non-commercial R&D
 - A continuation doesn’t have a “bearing filing date”
 - EFF is a term of art; parties didn’t use it
 - Court shouldn’t “rewrite” the agreement



patently ridiculous

equally ludicrous

sanctioned fraud

outright fabrication

legalized shell game

Interspiro USA, Inc. v. Figgie Int'l, Inc (Fed. Cir. 1994)

- Who was Lic'OR?
- Who was Lic'EE
- When was a Lic'EE sale a sale for purposes of royalties?



Figgie Int'l World HQ in Cleveland

royalties are to be calculated based on sales made by Figgie to unaffiliated customers. Settlement Agreement at PP 3(b), 1(f). The agreement defines an "unaffiliated customer" as "any Customer in which [Figgie] holds an equity interest of less than 35% of such Customer's total equity and which is not controlled by or under common control with [Figgie]." *Id.* at P 1(e). In addition, the parties expressly stipulated that the terms of the agreement would apply to Figgie as a corporate family, i.e., "itself, its parent, its divisions, its wholly or partly owned subsidiaries, and its wholly or partly owned affiliates."

Troxel Manufacturing Co. v. Schwinn Bicycle Co.(6th 1972)

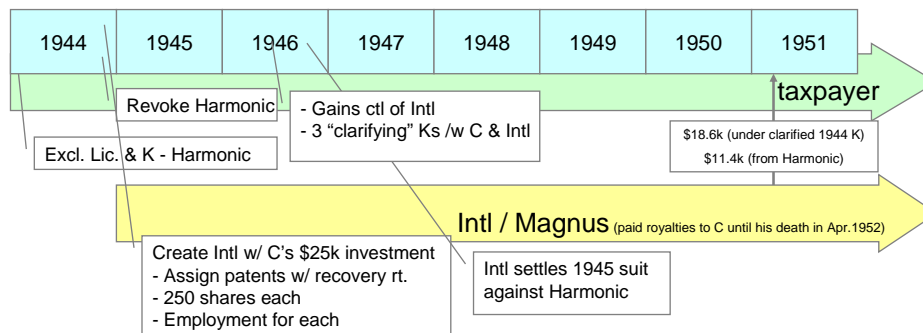
- Fate of Schwinn's Brilando patent?
- Impact on license?
 - Going forward?
 - Drackett (6th 1933)
 - For the past?
- Effect of *Lear v. Adkins* (1969)
 - Federal patent law, and policy behind it, abrogates state law licensee estoppel doctrine; following tenor of *Sears-Compco* (1964 cases)
 - Case's facts are for royalties going forward
 - Dist Ct applies it to royalties Troxel has already paid to Schwinn
- 6th analysis
 - Economic incentives to challenge validity
 - Holdouts trying to be free riders
 - Contingent nature of royalty funds taken by LicOR
 - Channel people away from the patent system?
 - Recoupment still available if patent obtained fraudulently

Dratler, Sec.10.02 - Risks of Third-Party Infringement Claims Against Licensees

- Patent & TM indemnification and warranties versus © / TS / MaskWork indem. & warr.
- UCC implied warranty of noninfringement
- Implied warranty and indemnification in licensing
- Indemnity interpretation, enforcement and moral hazard
- Existence of indemnification provisions impact on other areas:
 - Procedural: right to intervene; personal jur.; declaratory judgment jur.; right to sever and transfer; binding effect of prior judgments
 - Substantive: inducement; willfulness; "executory contract" characterization for bankruptcy
- Common risk-sharing approach

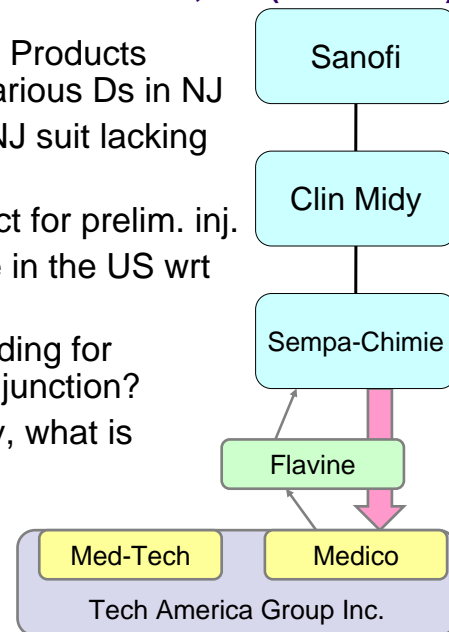
Magnus v. Commissioner of IRS (3rd 1958)

- Issue and tax court result for each of 2 payments?
- Background rules (stated very generally):
 - assignment -> capital gains tmt for both sides; depreciation of cost
 - royalties -> ordinary income for recipient; cost for payor
 - dividends -> dividend rate for recipient; no costing
- Result at the 3rd circuit and why:
 - all substantial rights transferred? (for 3-fold consideration?)
 - nature of decision to transfer the \$11.4k to taxpayer



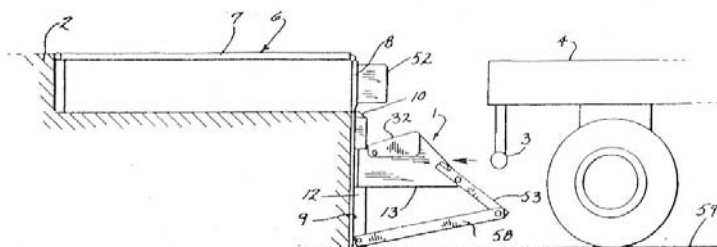
Sanofi, S.A. v. Med-Tech Veterinarian Products, Inc. (D Kan. 1983)

- Sanofi and American Home Products (AHP) patent suit against various Ds in NJ
- Med-Tech dismissed from NJ suit lacking pers. jur.
- AHP and Sanofi in Kansas ct for prelim. inj.
- What rights does AHP have in the US wrt the Sanofi patent?
- Are these sufficient for standing for purposes of a preliminary injunction?
- On the limited merits inquiry, what is Medico's argument that it will win on the merits, thus hoping to avoid the preliminary injunction?



Rite-Hite Corp. v. Kelley Co., Inc. (Fed. Cir. 1995)

- Review primary case facts and holding
- ISO standing to sue issue
- Are ISOs “exclusive licensees”?
 - Original K w/ Rite-Hite
 - Modified K w/ Rite-Hite
- Newman dissent



Medimmune, Inc. v. Genentech (2007)

- Federal Circuit “reasonable apprehension of suit” rule after
 - Genprobe v. Vysis (Fed. Cir. 2004)
- Coercion of not acting in order to challenge a government regulation on behavior
 - Should that rationale extend to coercion from private actors?
 - D/J Act put in place to relieve that dilemma
 - *Altvater v. Freeman* (1943) [_private actors_]
 - Not hypothetical or abstract dispute even if royalties paid (under injunction order)
- In present case, coercion is from threat of treble damages and loss of Medimmune’s license coverage which underlies 80% of its sales

Concrete dispute:

definite and concrete, touching the legal relations of parties having adverse legal interests; and that it be real and substantial and admitt[ed] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts. . . .

substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” pgs. 7-8