



# License Agreements and Litigation: Protecting Your Assets and Revenue Streams in the High-Tech and Life Science Industries

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## Panelists

- David Charapp, Esq.
  - Special Counsel, Foley & Lardner, LLP,  
dcharapp@foley.com
- Debra Nye, Esq.
  - Partner, Foley & Lardner, LLP, dnye@foley.com
- Adrian Cyhan, Esq.
  - Senior Counsel, Foley & Lardner, LLP, acyhan@foley.com
- Carey Fox, Esq.
  - Senior Vice President, General Counsel, Santarus, Inc.,  
cfox@santarus.com



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## Overview

- The Scope of Patent Rights and the License Grant
- Financial and Business Considerations of Litigation Licensed Patents
- Pursuit of Patent Infringers
- Licensing Large Patent Portfolios or a Broad Range of Technologies

## Who has the Right to Enforce a Patent

- A patent owner can enforce a patent.
  - Ownership flows from the inventor(s) to any subsequent assignees or successors in title.
- An exclusive licensee to whom the patentee transfers some exclusionary rights can enforce a patent.
  - An exclusive licensee who has less than all substantial rights can sue **ONLY** if the patent owner is joined in the suit.
  - If the exclusive licensee has all substantial rights, then they can sue without joinder of the patent owner.
    - The Federal Circuit has defined “all substantial rights” as those rights sufficient for the licensee to be deemed the effective patentee under 35 U.S.C. § 281.

## How is the type of Conveyance Determined?

- The Courts look to each and every license or agreement to see what is actually conveyed.
- Use of the term “exclusive” is not determinative.
- Types of conveyances where the receiving party is allowed to sue for patent infringement:
  - The entire interest
  - An undivided part of share of the interest
  - An exclusive right within and throughout a specified part of the United States.

## Pursuit of Infringers: Considerations

- Patentee's have important considerations when they learn of a patent infringement
  - Doctrine of Laches – There is no set time limit, but some courts use a 6 year benchmark.
  - Risk of Creating Declaratory Judgment Jurisdiction – Consideration regarding how or if to approach an infringer prior to suit is important.
  - Doctrine of Patent Exhaustion – The initial authorized sale of a patented item terminates all patent rights to that item.

## Declaratory Judgment Jurisdiction

- ***MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 S.Ct. 764 (2007).**
  - The U.S. Supreme Court rejected the Federal Circuit’s “Reasonable Apprehension of Suit” test for Declaratory Judgment Jurisdiction.
  - The *MedImmune* test is “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”

## Declaratory Judgment Jurisdiction (cont.)

- The *MedImmune* case eased the requirements for establishing declaratory judgment standing in patent cases. Post-*MedImmune* the Federal Circuit has yet to fully clarify how much liability the alleged infringer must risk to obtain standing for declaratory relief.
  - *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007) – licensing negotiations were sufficient to create declaratory judgment jurisdiction.
  - *Hewlett-Packard Co. v. Acceleron, LLC.*, 09-1283 (Fed.Cir. 2009) – holding that totality of the circumstances indicated that the patent holder was implicitly asserting its patent rights.

## Patent Exhaustion

- In *Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S.Ct. 2109 (2008), the U.S. Supreme Ct. has recently explained that under the doctrine of patent exhaustion “the initial authorized sale of a patented item terminates all patent rights to that item” and that “exhaustion is triggered only by a sale authorized by the patent holder.”
  - The authorized sale of an article or component will trigger patent exhaustion when the article or component “substantially embodies the patent.”
  - Also method patents are exhausted by the sale of an item that embodied the method.

## Patentee's Arguments Against Claims of Patent Exhaustion:

- Licensed technology has some reasonable use that does not practice the patent.
- Licensed technology is not a material part of the patented system and therefore does not substantially embody the patent.
- The manufacture, sale or use was unauthorized or outside of the scope of or in violation of the license grant.