

## Re-Thinking IP Licenses In The Wake of The Supreme Court's 1/9/07 Decision in *Medimmune v. Genentech*

By Steve Maebius & Steve Rutt<sup>1</sup>

Patent licensing is a critical component of nanotechnology commercialization, where a large volume of licensing facilitates the transfer of technology from universities and government labs into nanotechnology start-up companies. In *Medimmune v. Genentech*, the Supreme Court opened the door to the possibility that a licensee may attack validity of a licensed patent while continuing to pay royalties under the license agreement and preserving the protection offered by the license agreement, thereby potentially avoiding the risk of an injunction if the attack on validity is unsuccessful. This decision, which is one of several recent decisions where the Supreme Court has attempted to introduce greater flexibility into the US patent system, could have a profound impact on existing licenses and future licenses for nanotechnology businesses. There are many factors to be considered, and the full impact of the Court's ruling will still have to be fleshed out by lower courts, but licensees and licensors may wish to immediately consider the following issues.

### Possible Actions To Be Considered In Existing Licenses

- Unhappy licensees may wish to examine whether they can end a royalty obligation by attacking validity of a licensed patent
- Reexamination is a relatively low-cost procedure for attacking a patent's validity in an administrative proceeding that takes place in the US Patent Office
- Patent litigation can also be used to attack a patent's validity, though it is more expensive than reexamination
- In the *Medimmune* case, the patent at issue is being attacked by both reexamination and patent litigation

### Considerations Affecting Future Licenses

- Licensors (patent owners) may wish to include provisions that inhibit or disincentivize a licensee from attacking validity of the licensed patents
- The precise language used must be carefully considered in light of case law holding certain restraints unenforceable but permitting others
- Licensees will want to avoid the inclusion of such provisions and be prepared to provide arguments against their inclusion during licensing negotiations

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<sup>1</sup> The authors are IP lawyers in the Nanotechnology Industry Team of Foley & Lardner LLP. They may be reached by email at [smaebius@foley.com](mailto:smaebius@foley.com) and [srutt@foley.com](mailto:srutt@foley.com).