

**WHAT'S A REASONABLE ROYALTY RATE?
THE WHAT, WHY AND HOW OF PATENT
AND TECHNOLOGY LICENSING
RESEARCH**

**AALL ANNUAL MEETING
AALL PROGRAM B5**

Sunday, July 11, 2010
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Presenters

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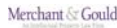
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Part I

**Introduction to
Technology Licensing**



Introduction to Technology Licensing

- What is the “Licensed Technology”?
- Who is the Licensee?
- What is the “Field of Use”?
- How does Licensee plan to use the Licensed Technology?
- Exclusive versus Non-Exclusive
- Licensee’s “Milestones”



Introduction to Technology Licensing, *cont.*

- Royalties and other considerations
- Improvements
- IP Representations and Warranties



Part II

What is the “Licensed Technology”?



What is the Licensed Technology?

- **Intellectual Property that can be licensed includes:**

- Patents
- Copyrights
- Trademarks
- Trade Secrets/"Know How"



What is the Licensed Technology?

- **Should precisely identify exact components of Licensed Technology that will be licensed to Licensee**

- **For patents:**

- Make Invention
- Use Invention
- Sell Invention

- **For copyrights:**

- Copy/reproduce Work
- Distribute Work
- Make derivatives of Work



What is the Licensed Technology?

- **In addition to a patented invention, may include:**

- Licensor's Technology in pending patent applications
- Other Licensor "know how" that Licensee needs in order to properly use the patented Technology
- Software programs
- Databases
- Written materials, such as manuals
- Other "confidential info" of Licensor



Locating Licensing Agreement Information

- PUBLIC companies reveal licensing agreements in SEC Filings

- PRIVATE companies announce the good news of a Licensing Agreement in:
 - Press Releases
 - Annual Reports
 - General Business News



Some Techniques for Finding Licensing Information

File 16 -- Gale Group PROMT has an "EC" (Event Code) field
 Strategic Alliances - EC=380
 Alliances, Partnerships - EC=389
 ? e ec=380 (Expand EC= 380)

E2 86 EC=370 PATENTS & COPYRIGHTS
 E3 226915 EC=380 STRATEGIC ALLIANCES
 E4 155 EC=380 STRATEGIC ALLIANCES
 E5 104096 EC=389 ALLIANCES, PARTNERSHIPS
 E6 308 EC=389 ALLIANCES, PARTNERSHIPS
 E7 16988 EC=390 NONMANUFACTURING TECHNOLOGY
 E8 23 EC=390 NONMANUFACTURING TECHNOLOGY

? s e3:e6
 S1 331349 EC='380':EC='389 ALLIANCES, PARTNERSHIPS'

? s s1 or licen?/ti,tx
 331349 S1
 955249 LICEN?/TI, TX
 S2 1210186 S S1 OR LICEN?/TI, TX

? t 2/9/1
 2/9/1 [Links](#)

Gale Group PROMT(R)
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 0016925812 Supplier Number: 228433130 (THIS IS THE FULLTEXT)



Some Techniques for Finding Licensing Information, *cont.*

Total Nutraceutical Solutions Licenses Pulsed UV Light Patent from the Penn State Research Foundation.
 Business Wire : p NA
 June 9 , 2010
 Language: English Record Type: Fulltext
 Document Type: Newswire : Trade
 Word Count: 800

Text: STEVENSON, Wash.
 Rapid Generation of Vitamin D2 from Mushrooms Using Pulsed UV Light
 STEVENSON, Wash. -- **Total Nutraceutical Solutions, Inc. (TNS)** (OTCBB: TNUS) **announced today that the company has acquired from The Penn State Research Foundation (PSRF)** an exclusive license agreement on the invention (the "Invention") entitled "Methods and Compositions for Improving the Nutritional Content of Mushrooms and Fungi." This invention is covered by the United States Patent Application No. 12/386,810, filed on April 23, 2009 and is also derived from U. S. Provisional Patent Application No. 61/047,268, filed on April 23, 2008, and names Robert Beelman and Michael Kalaras as co-inventors.



Some Techniques for Finding Licensing Information, *cont.*

File 613: PR Newswire

? s en=licensing and motorola
17415 EN=LICENSING (EN= Event Name)
28402 MOTOROLA
S1 476 S EN=LICENSING AND MOTOROLA
1/3,K/1

PR Newswire

(c) 2010 PR Newswire Association Inc. All rights reserved.
0001136210 184964500728F11D895E0005765A9F350 (USE FORMAT ? FOR FULLTEXT)
Certicom Launches Intellectual Property Licensing Business New Initiative focused on increasing ECC adoption and generating significant IP revenue

PR Newswire

Wednesday , March 10, 2004 T12:00:00Z
Journal Code: PR Language: ENGLISH Record Type: FULLTEXT
Word Count: 1,050

Text:

...constrained environments. Certicom products and services are currently licensed to more than 300 customers including Motorola, Oracle, Research In Motion, Terayon, Texas Instruments and XM Radio. Founded in 1985, Certicom is...

Event Names:

.. LICENSING:



Some Techniques for Finding Licensing Information, *cont.*

File 201 Dialog Global Reporter 1997-2010/Jun 10
(c) 2010 Dialog. All rights reserved.

? s biovail(s)licen?
4481 BIOVAIL
3631958 LICEN?
S1 781 S BIOVAIL(S)LICEN?

? t 1/6,k/1

1/6,K/1 Links

Dialog Global Reporter

(c) 2010 Dialog. All rights reserved.

7937272

Biovail enters into licence agreement with Kyowa Hakko Kirin.

- June 03, 2010

Biovail Corp announced that its subsidiary, Biovail Laboratories International SRL (BLS), has entered into a licence agreement with Kyowa Hakko Kirin Co Ltd (Kyowa Hakko Kirin). BLS has acquired the US...

...while receiving Levodopa therapy alone or in combination with other anti-Parkinson's disease drugs. Biovail Corp is a specialty pharmaceutical company engaged in the formulation, clinical testing, registration, manufacture, and...



Finding Licensing Agreements in SEC Filings

- EDGAR Online Subscription <http://www.edgar-online.com/>
- SEC filings from West's Business Citator – material exhibits
- SEC Filings on LEXIS - Exhibit 10 – Material Contracts
- www.sec.gov



Finding Licensing Agreements in SEC Filings, *cont.*

EXAMPLES from:

WEST'S Business Citator – A Company Research/Due Diligence tool

Researching Patent Licensing Agreements

- Federal securities laws require public companies to disclose material information to the investing public. This requirement applies to material agreements and contracts, such as patent licensing agreements. The disclosure can be
 - A patent licensing agreement(s) filed as a material exhibit to an SEC Form
 - The existence of a patent licensing agreement(s) in an SEC Form (10-K, 8-K, S-3, etc.)
 - Both of the above



Finding Licensing Agreements in SEC Filings, *cont.*

Search LEXIS SEC records for existing licensing agreements:

Example:

Legal>Area of Law – By Topic>Securities>Search SEC Filings> Exhibit 10. Material Contracts

Search strategy: **Allcaps(patent license agreement) and (company name)**

SEC Filings tend to have the title of the document in CAPITAL LETTERS. Use "FOCUS" to locate a patent or trademark mentioned in the license agreement.

Example:

[EDGAR Online](#), FORGENT NETWORKS INC, EXHIBIT TYPE: EXHIBIT 10 - Material Contracts, FILING DATE: June 14, 2007
SETTLEMENT AND **PATENT LICENSE AGREEMENT** This Settlement and Patent License Agreement ("Agreement") is entered into as of April...



Finding Licensing Agreements in SEC Filings, *cont.*

- Search for Licensing of a Specific Patent:
- Search West's Business Citator using a patent number "near" the word ...patent... near ...licens...
- Search LEXIS SEC records using patent number.
Since the patent will appear with commas in the text of the document, enter - 6,086,697
- USE proximity connectors in DIALOG news files:
S 6()086()697 to find mention of a specific patent number
- Search DIALOG File 123- CLAIMS
Includes "ASSIGNMENT OF PATENT LICENSES" and other "Licensing" news in the "Reassignment Kind" RK= field.
- Search patent in INPADOC. Check in "Legal Status portion"



Finding Licensing Agreements in SEC Filings, *cont.*

Researching Patent Licensing Agreements

- When you know the patent number – Search 1
 - Center: LIVEEDGAR
 - Database: Global Search
 - Text: **6,218,930 w/10 patent w/10 licens***
- This type of search will retrieve documents where the drafter clusters the patent number and the licensing agreement language close together, often in the beginning sections of the agreement.

Researching Patent Licensing Agreements

- When you know the patent number – Search 2
 - Center: LIVEEDGAR
 - Database: Global Search
 - Text: **whereas w/100 patent w/10 licens* w/10 own* and patent no D595,484**
- This type of search will retrieve documents where the subject of the license agreement, the specific patent number, is referenced separately within the body or appendix of an agreement (s).



Finding Licensing Agreements in SEC Filings, *cont.*

Locating licensing opportunities

Dialog's File 345 has a status "Patent available for license or sale"

Dialog's File 9 has "Concept Term" for "Patent License"

Dialog's File 6: NTIS has "Subject Heading" code for: GOVERNMENT INVENTIONS FOR LICENSING
NTIS contains US published applications prior to 2001



Part III

Who is the Licensee?



Who is the Licensee?

Licensor's Viewpoint:

- Wants to precisely identify entities that will be "Licensee"
- Licensor has right to limit the use of its Licensed Technology to known entities that will be bound by terms of the License Agreement
- This issue is important to Licensor because:
 - Some Licensees mistakenly assume they can share license rights with the Licensee's subsidiaries/affiliates or even third party contractors



Who is the Licensee, *cont.*

Licensee's Viewpoint:

- Particularly with "worldwide exclusive" license rights:
 - need greater flexibility to create "subsidiaries" and other "affiliates" overseas to effectively commercialize the Licensed Technology.
- Not realistic to get Licensor's prior written consent before using every "affiliate" entity



Corporate Intelligence

Corporate Tree info for Public Companies:

- SEC Filings provide lists of subsidiaries - see Exhibit 21
 - D&B Worldbase - Who Owns Whom
 - Secretary of State records provide current entity name and
 - History of name changes or mergers
 - Hoover's Handbook of Private Companies
 - Hoovers online - sometimes available through your local public library portal
 - Corporate Affiliations or Gale Group's Company Intelligence File
 - News sources
 - Company's own website
 - Annual Report
 - Local Business Journals - www.bizjournals.com
- For more guidance, see:
<http://toby.library.ubc.ca/subjects/subjpage2.cfm?id=435>
<http://library.usu.edu/instruct/presentations/PrivateCompanyInformation.ppt>



Part IV

What is the "Field of Use"?



What is the Field of Use, *cont.*

- **Will Licensee be permitted to use the Licensed Technology for all possible uses?**
 - Or, will Licensee be limited to a certain "field of use?"
- **Licensor's Viewpoint:**
 - This is an important issue since Licensor may want to license the Licensed Technology to another licensee in other fields of use
 - Or Licensor may want to reserve certain uses for itself.



What is the Field of Use, *cont.*

- **Licensee's Viewpoint:**
 - Broader "field of use" gives Licensee greater "freedom to operate"
 - Broader "field of use" avoids potential confusion in future
- **Any prohibitions on Licensee's use of the Licensed Technology even within the "field of use"?**
 - For example:
 - Only specific Licensee "sites" at which Licensed Technology can be practiced
 - Only specific employees of Licensee can use the Licensed Technology
 - Only for "internal research" by Licensee



Field of Use

Some REFERENCES for describing (or understanding) the technology being licensed:

McGraw-Hill Dictionary of Scientific and Technical Terms, McGraw-Hill

Molecular Biology and Biotechnology
A Comprehensive Desk Reference
Robert A. Meyers, editor. VCH Publishers

Van Nostrand's Scientific Encyclopedia
Glen D Considine, editor. John Wiley & Sons

Hawley's Condensed Chemical Dictionary
Richard J. Lewis, John Wiley & Sons

Handbook of Industrial Chemical Additives
Michael and Irene Ash, VCH Publishers

The Computer Desktop Encyclopedia
Alan Freedman, Amacom

The NEW Way Things Work
David Macaulay with Neil Ardley
Houghton Mifflin Co.
(for a quick "visual" on rocket engines, etc.)



Part V

How Does Licensee Plan to Use the Licensed Technology?



How Does Licensee Plan to Use the Licensed Technology?

Licensor's Viewpoint:

- **Licensee must clarify how it will use Licensed Technology**
 - Will Licensee only use Licensed Technology "internally" to make a final product for use by end users?
 - Or, will end users need access to Licensed Technology?
- **Licensees often assume they can automatically sublicense their rights to a third party**
 - Licensor's attitude—the terms and conditions of License were negotiated based on the financial and commercial status of Licensee and not upon an unknown sub-licensee
 - Licensee should disclose to Licensor any intent by Licensee to engage a third party to manufacture, distribute or sell products containing the Licensed Technology
 - Thus, Licensor wants to know scope of any sub-licensee's rights (i.e., simply to manufacture, simply to distribute, etc.)



How Does Licensee Plan to Use the Licensed Technology?, *cont.*

Licensee's Viewpoint:

- **Licensee still needs to do:**
 - Substantial additional R&D
 - Extensive marketing
 - Regulatory approvals in USA and overseas
- **Thus, difficult at this "early stage" to expect Licensee to precisely know:**
 - Full commercial utility and potential of Licensed Technology
 - What other partners (i.e., subcontractors, manufacturers, distributors, etc..) will be needed to effectively commercialize the Licensed Technology



Licensee Company Intelligence

- **D&B record on the designated licensee to determine:**
 - Financial ability to commercialize product
 - Headquarters and subsidiary locations
- **Annual Report:**
 - Goals and Initiatives
 - Existing licensing ventures
 - R&D activities
 - Marketing activities
 - Growth forecast
- **Morningstar** for performance ratings
- **Market Watch** for Analyst Estimates



Part VI

Exclusive Versus Non-Exclusive License and Territory



Exclusive/Non-Exclusive License and Territory

- **Issue:** Does Licensee want exclusive License to make, sell or otherwise use the Licensed Technology in specific territories?

Licensor's Viewpoint:

- Generally, Licensor should not grant exclusive rights (i.e. a "worldwide License") unless Licensee can demonstrate it has capacity to maximize the commercialization of the Licensed Technology in that territory
- Otherwise, Licensor will not achieve maximum potential royalties



Exclusive/Non-Exclusive License and Territory, *cont.*

- Thus, Licensor should require Licensee to explain its business plan for maximizing commercialization of the Licensed Technology in order to justify an exclusive license
- Also, Licensor should "reserve rights" if it needs to use Licensed Technology in the exclusive territory



Exclusive/Non-Exclusive License and Territory, *cont.*

Licensee's Viewpoint:

- Licensee deserves **exclusivity** because Licensee will be required to expend substantial money, time and resources for:
 - Substantial additional R & D
 - Extensive marketing
 - Regulatory approvals in USA and overseas
- Anything less than "exclusivity" takes away Licensee's incentive to spend such money, time and resources



Part VII

Licensee's Milestones



Licensee's "Milestones"

Licensor's Viewpoint:

- Minimum levels of performance should be established for exclusive and non-exclusive Licensees (often called "Milestones")
- An exclusive Licensee should have particularly strict Milestones since it is granted significant rights
- Licensor must understand Licensee's business plan for commercializing Licensed Technology to establish reasonable performance standards for Licensee
- Milestones may be in terms of:
 - minimum "Sales"
 - capturing a percentage of market share
 - minimum Royalties



Licensee's "Milestones," *cont.*

- Licensor usually wants Licensee, at a minimum, to use "best efforts" to commercialize Licensed Technology
- If a Licensee cannot meet the Milestones, Licensor often wants right to:
 - Terminate the License
 - With regard to exclusive Licensees, either termination or convert into non-exclusive License



Licensee's "Milestones," cont.

Licensee's Viewpoint:

- **Because Licensee still must do**
 - substantial R & D
 - extensive marketing
 - regulatory approval in USA and overseas, it is premature to formulate meaningful monetary or market share "Milestones"
- **Licensee may be agreeable to Milestones that address:**
 - dates for regulatory approval
 - dates for first commercial product



Licensee's "Milestones," cont.

- **Licensee may also be agreeable to general duty to use:**
 - "good faith" efforts or
 - "commercially reasonable" efforts



Licensee's "Milestones," cont.

RESEARCHING PROGRESS of PRODUCT to MARKET: (Dependent upon licensee's "reasonable effort" agreement)

- Search press releases for news
 - Search DIALOG OneSearch grouping – PRODANN for new product announcements or agreements
 - If not yet patented, set up a watch for newly published applications.
 - Check for patent applications filed in other countries
 - Search trademark databases for newly filed trademarks
 - Search copyright database by owner name
 - If a drug - check periodically for FDA approval in Orange Book
- <http://www.accessdata.fda.gov/scripts/cder/ob/default.cfm>



Sample result of a Trademark License Search

[File 16] Gale Group PROMTR(R) 1990-2010Jun 02
(c) 2010 Gale/Cengage. All rights reserved.

? e ec=380

Ref Items Index-term

E1 49773 EC=370 PATENTS & COPYRIGHTS
E2 86 EC=370 PATENTS & COPYRIGHTS
E3 226915 EC=380 STRATEGIC ALLIANCES
E4 155 EC=380 STRATEGIC ALLIANCES
E5 103277 EC=389 ALLIANCES, PARTNERSHIPS

? s e3:e4

S1 227070 EC=380:EC=380 STRATEGIC ALLIANCES*

? s e1 and licens?/tl,t(s)trademark?

227070 S1
905246 LICENS?/TL,TX
680610 TRADEMARK?
34485 LICENS?/TL,TX(S)TRADEMARK?
S3 1563 S S1 AND LICENS?/TL,TX(S)TRADEMARK?



Sample result of a Trademark License Search, *cont.*

Panasonic. (News). (New licensing agreement for hair dryers)(Brief Article)

Appliance Manufacturer , v 50 , n 9 , p 15(1)

Sept , 2002

ISSN: ISSN: 0003-679X

Language: English Record Type: Fulltext

Article Type: Brief Article

Document Type: Magazine/Journal ; Trade

Word Count: 50

Text:

PANASONIC, Seacaucus, N.J., has entered into a **licensing agreement with Procter & Gamble**, Cincinnati, Ohio, to manufacturer and sell a **new line of hair dryers** in North America using P&G's Pantene Pro-V trademark. The ionic technology hair dryers begin shipping to mass-market retailers this fall.



Part VIII

Royalties and Other Consideration



Royalties and Other Consideration

- **The Royalties that Licensee will pay Licensor can be structured in many ways:**
 - “Upfront Royalties” (similar to a “down payment”)
 - “Ongoing Royalties” that often are a percentage of “net sales” of products containing the Licensed Technology
 - Could require Licensee to pay “minimum” ongoing royalties regardless of the level of sales
 - Licensor could obtain an “equity interest” in the Licensee



Royalties and Other Considerations, *cont.*

- **Particularly if Royalties are based on sales of products by Licensee:**
 - Licensor usually requires “auditing” rights to allow Licensor to monitor Licensee’s compliance with terms of License Agreement



What’s a Reasonable Royalty Rate?

Some factors for determining royalty rates for a PATENT:

- Strength and analysis of the patent
- R&D costs
- Cost of potential litigation
- Scope of the license
- Legal costs in negotiating the agreement
- Comparable rates of other licensed IP

(A comprehensive list of factors was outlined by a district court judge in *Georgia Pacific v. U.S. Plywood*, 318 F. Supp. 1116)

Some factors involved in determining royalty rates for a BRAND

- Market analysis
- Strength of Brand and your competition
- Growth of the market
- Brand’s market share

MOST SERIOUS LICENSORS ARE FAMILIAR ENOUGH WITH THE INDUSTRY TO DETERMINE ROYALTY RATES OR THEY SEEK PROFESSIONAL CONSULTANTS TO HELP DETERMINE RATES



Selected Print Resources :

Licensing Royalty Rates, Gregory Battersby, Charles W. Grimes, Aspen

Royalty Rates for Pharmaceuticals & Biotechnology, 6th Edition
by Russell L. Parr, Yardley, PA, Intellectual Property Research Associates

Royalty Rates for Licensing Intellectual Property
by Russell Parr, Hoboken, NJ, J. Wiley & Sons

Royalty Rates for Technology 4th Edition
Yardley, PA Intellectual Property Research Associates

A Guide to Royalty Rates In Pharmaceutical Licensing Deals
Oxford, PharmaVentures

Fundamentals of Intellectual Property Valuation: A Primer for Identifying and Determining Value [Paperback] by Wes Anson, American Bar Association

Royalty Rates for Trademarks & Copyrights
By Rodney J. Bosco, Michael F. Maloney, Yardley, PA, Intellectual Property Research Associates

Patent valuation & Royalty Rates: the Relief from Royalty Valuation Method by Russell Parr, Intellectual Property Research Associates

Intellectual Property: Valuation, Exploitation and Infringement Damages 2009 Cumulative Supplement (Valuation of Intellectual Property and Intangible Assets Cumulative Supplement) by Gordon V. Smith and Russell L. Parr, Wiley



Royalty Rate Data Sources, cont.

- Association of University Transfer Technology- AUTM
<http://www.autm.net/Home.htm>
- LES – Licensing Executive Society & Les Nouvelle newsletter
(survey info for members/subscribers only)
<http://www.lesi.org/Article/Home.html>
- News and business databases
- Recent Federal Circuit decisions such as *ResONet.com v. Lansa* may mean that royalty rates **MAY BE CONFIDENTIAL NO LONGER**.
- In 2 subsequent cases, *Tyco Healthcare v. E-Z-EM*, and *DataTreasury v. Wells Fargo* (E.Dist. TX) the courts permitted discovery of prior settlement negotiations and admitted settlements at trial.



SOME FEE-BASED ROYALTY RATE DATABASES

- **RoyaltyStat** - <http://www.royaltystat.com/> is a subscription database of royalty rates and license agreements. You can search by keyword, agreement type or SIC code to find comparable royalty rates and the full-text of the agreement. Annual subscription is \$4,500 with some restrictions.
- **ktMine** - <http://ktmine.com/TemplateLayout2.aspx?guid=PoQ971ZQ> a subscription database that allows you to "mine" royalty rates from the publicly available documents that it searches. They provide results summaries, analysis and source documents. KtMine will do a search for you or you can buy 2 day (\$500) or 5 day (\$1000) access to agreement summaries, full agreement text and analysis tools.
- **MedTrack** - <http://www.medtrack.com/research/default.asp> Biomedical Corporate Intelligence for Business Development and Financial Professionals. It gleans pipeline, financial, competitive product, deals, mechanisms of action, partnering and patent information on biomedical companies & products worldwide. You need to contact them for subscription information.
- **Royalty Connection** - **Innotex Group** <http://www.royaltyconnection.com/> provides access to royalty and licensing information for patents and trade secrets. Their website says the information is culled from "arms-length" transactions, litigation settlements and court-awarded royalties from 1990 to the present. Once you register, searching is free. You pay \$25 for a "transaction".



Royalty Connection

Part IX

Improvements

Improvements

- **Issue:**
 - Does Licensee have right to develop “improvements,” or “derivatives” of, or other enhancements to, the Licensed Technology (collectively “Improvements”)?
 - Who owns Improvements?
- **Licensor’s Viewpoint:**
 - **“Improvements” to Licensed Technology made by Licensee:**
 - Licensor should own these because Licensee would not have access or right to use the Licensed Technology but for the License Agreement
 - What about Licensee’s right to use these Improvements?
 - Licensor often agrees to “incorporate” these into the License Agreement

Improvements, *cont.*

Licensor's Viewpoint (cont.)

- **"Improvements" to Licensed Technology made by Licensor:**
 - these should be OUTSIDE scope of "Licensed Technology"
 - Licensee needs separate license to use these types of Improvements
 - Otherwise "patent creep"



Improvements, *cont.*

Licensee's Viewpoint:

- **"Improvements" to Licensed Technology made by Licensee:**
 - Licensee should retain ownership due to substantial money, time and resources it has spent on additional R & D
 - What about Licensor's right to use these Improvements?
 - Licensee often resists granting Licensor many rights other than giving the Licensor a non-commercial internal research license
 - Why? Licensee does not want Improvements to get to its competitors



Improvements, *cont.*

Licensee's Viewpoint (cont.)

- **"Improvements" to Licensed Technology made by Licensor:**
 - Licensee usually wants some "*right of first refusal*" to gain licensing rights to use these Improvements
 - Why:
 - These Improvements will enhance Licensee's ability to maximize the commercialization of the core Licensed Technology



Part X

Intellectual Property Representations and Warranties



Intellectual Property Representations and Warranties

Licensee's Viewpoint:

- Licensee needs some "assurances" that Licensor either "owns" or "controls" all IP rights in the Licensed Technology
- Licensee also wants "assurances" it will not be sued for patent, trademark or copyright infringement as a result of using the Licensed Technology



Intellectual Property Representations and Warranties, *cont.*

Licensee's Viewpoint, cont.

- Licensee's main concern relates to "who owns the patent rights"
 - General rule under US Patent Law: Inventor (i.e., researcher) is deemed "Owner"
 - Thus, as general rule, Inventor(s) must "assign" to employer, in writing, the invention to transfer ownership to employer
 - Signed writing
 - Need specifically to identify the invention
 - Without a signed written assignment of patentable invention:
 - Employee retains ownership of invention
 - Employer may only get "shop rights" (royalty-free license)



Intellectual Property Representations and Warranties, *cont.*

Licensee's Viewpoint, cont.

- If inventor is not employee but **third party contractor**
 - Absent a signed written agreement to the contrary, third party retains ownership of invention
 - No "Shop Rights"



Intellectual Property Representations and Warranties, *cont.*

Licensor's Viewpoint:

- Licensor is typically reluctant to give broad IP representations and warranties (and the supporting indemnification).
- Licensor will strongly resist giving a representation and warrant regarding the patent's validity
- Thus, a Licensor usually wants to give "minimal" representations and warranties related to:
 - IP ownership
 - Potential infringement by using Licensed Technology



Just as you would check to make sure the title to a house was clear before buying, **due diligence** is required when considering licensing IP.

DEFINITIONS:

- LICENSING is the sale of a license to use
- ASSIGNMENT is the act of transferring property, interest or rights
- PTO ASSIGNMENT RECORDS:
 - Records transfer of property to another entity
 - Change (or correction) of name
 - Bank liens

Who Owns the Patent:

- Assignee search at USPTO website will determine ownership
<http://assignments.uspto.gov/assignments/?db=pat>
- Original assignment documents can be obtained from the "Assignment Branch" at the USPTO. Assignment documents have Reel/Frame numbers for locating on the microfiche

Who Owns the Trademark:

- Look up the trademark in the TARR system using serial or registration number
<http://tarr.uspto.gov/>

• For "history of ownership", click on "Assignment Information"

Caution: When a UCC or lien is up or paid, no reporting to PTO

Who Owns the Copyright

- You don't have to register a copyright to have it protected.
- If you've registered, the bank will get a record.

• Always check for UCC filings!



DUE DILIGENCE FOR PATENTS:

- Establish legal status of the patent
 - Are the maintenance fees all paid?
 - Has the patent been involved in any litigation and been found invalid or infringing?
 - Is this patent still in force? Determine natural "life" of the patent.
 - Adverse Decisions - any BPAI actions?
 - Any disclaimers or dedications which place the patent in the public domain?
 - Certificates of Correction make minor changes or corrections to the patent
 - Any extensions of the normal term for the patent?
 - Check for any assignment of previous patent licenses
 - USCC search
- Establish the current owner of the patent
 - Has the patent been reassigned? (See USPTO Assignment Database)
- Are there "pending" offspring of this patent? (Check Continuity data on PAIR)
- Any post-issuance activity:
 - Application for reexamination
- Is this patent protected in another country? INPADOC or Esp@cenet

SOME SOURCES TO SEARCH FOR THE ABOVE INFORMATION:

- CLAIMS/Current Patent Legal Status (Dialog File 123 - see Bluesheet)
- Lexis Shepardize the patent; Lexis the patent - bring up record and look at heading
- Westlaw Keycite the patent
- USPTO: Public PAIR
- Reassignment database
- Interference decisions

Courtlink to check for any patent litigation filed
LitAlert to check for any patent or trademark case filings in Federal District Court
Esp@cenet, INPADOC and/or Derwent for foreign family members



Frank X. Curci, Esq.



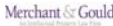
If you would like more information or assistance, please contact Frank X. Curci at 402.262.5851 or email him at fcurci@csllaw.com.

Admitted to practice in Arizona, New York and Oregon.

Mr. Curci is a Member (Partner) of Jennings, Strouss & Salmon in the Intellectual Property, Technology and Biotechnology Practice Groups. Frank represents clients in domestic and international intellectual property and technology matters. He advises entities in many technology sectors, including biotechnology, life sciences, medical device, semiconductor, software, and other technology companies, and universities/research institutes. Frank counsels universities/research institutes and private sector technology companies concerning research collaborations, sponsored research, material transfers, and other technology transfer matters. He also represents technology companies in their participation in technology standards-setting organizations and other multi-party technology collaborations and consortia. He is on the Board of Directors of the Arizona BioIndustry Association and serves as its current statewide Vice-Chair. Since January 1996 he has been an Adjunct Professor of Law teaching intellectual property courses at Arizona, California and Oregon Law Schools. He is currently an Adjunct Professor at the Sandra Day O'Connor School of Law at Arizona State University, teaching "High Technology Licensing." He previously taught at the University of the Pacific, McGeorge School of Law in Sacramento, California, and at Lewis & Clark Law School in Portland, Oregon where he taught "International Intellectual Property Law" and other intellectual property courses. Frank was a visiting attorney at a Tokyo, Japan law firm in the early 1990s and his practice has had an international focus since that time. Frank writes and lectures on domestic and international intellectual property and technology issues.

This information is intended for general information purposes only and not as specific legal advice. You are urged to consult an attorney concerning your situation and any specific legal questions you may have.

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Hope Porter



If you would like more information or assistance, please contact Hope Porter at 736.291.8088 or email her at HPD@csllaw.com or hopeporter@merchantandgould.com

Since 1990 Hope Porter has been the Library Manager at Merchant & Gould, an Intellectual Property firm headquartered in Minneapolis, MN with multiple national regional offices.

She has built a unique collection of print and on-line IP legal resources as well as managed document delivery and reference services. She and her staff provide IP and business database research for both the prosecution and the litigation practice at her firm. She has served as the president of the Minnesota Association of Law Libraries and as MALL Education Chair. She has also been a presenter at one of MALL's bi-annual Legal Research Institute sessions. For 2 years, she co-chaired the IP caucus of the American Association of Law Libraries. She appeared on the panel for the July 2005 - AALL Program (G1) "So, Now You've Got an IP Practice" for the 98th Annual Meeting and Conference, San Antonio TX.



Lucy Curci-Gonzalez



If you would like more information or assistance, please contact Lucy Curci-Gonzalez at 212.908.6122 or email her at lucicg@kenyon.com

Lucy Curci-Gonzalez has over 25 years of library management and intellectual property research experience. Prior to joining Kenyon & Kenyon LLP as Director of Library Services, she was the head librarian at Morgan & Finnegan LLP. Mrs. Curci-Gonzalez earned her MS in Library and Information Science from The School of Library Service at Columbia University. She has worked as a catalog, interlibrary loan and reference librarian at state court, law school, corporate legal department and federal government agency law libraries in New York City.

Lucy is active in the Law Librarians Association of Greater New York and in the IP Group of the American Association of Law Libraries Private Law Libraries Special Interest Section. Lucy is a past PLL Chair and was recently elected to the AALL Executive Board. She has also published articles and made numerous presentations on IP law research and law library management for LLAGNY, AALL, the Practising Law Institute and Legal Information Alert, the Patent Information Users Group, and for advanced legal research courses at New York Law School and at St. John's University library school.



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