

Perspectives on Select Patent Licensing Issues

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Overview

- Review of rights, jurisdiction, and conflicts arising the interplay of patent law with other fields of law
- A few considerations for creating robust patent licenses
- Licensee issues arising from AIA rules on proceedings before the PTO

Framework of Rights

Review of Rights

- Right to make, use, and sell is a common law right of the inventor
 - Property right in common law
 - Presumptively given to inventor
 - Right to make, to sell, and to use were determined to be substantive rights and thus conferred separately
- Right to exclude others is a statutory right conferred by patent laws
 - Presumptively given to patent applicant (initially)
 - Patent ownership transfer is governed by statute 35 U.S.C. § 261
- License is different from an ownership conferred by assignment

Standing

Review: Sufficient ownership to have standing to sue on patent rights

- Only patent owner can sue for infringement
 1. Must own (have title) or
 2. Must stand in the shoes of the owner through a license

Jurisdiction

Review: Federal and state law affect patent licenses

- A patent license is a contract on property
 - For matters of contract, generally state law applies
 - For matters of property, generally state law applies
 - But patents are federally created rights and federal law preempt in this space

- So be mindful with respect to patent licenses

Conflicts

Conflicts arising from federal patent law interplay with state law

- *Example*: Assignment of a nonexclusive license
 - *Troy Iron & Nail Factory v. Corning*, 55 U.S. 193 (1853)
- *Example*: No challenge clause
 - *Rates Tech v., Inc. v. Speakeasy, Inc.*, 685 F.3d 163 (2d Cir. 2012)
- *Example*: "hereby assigns" and "shall assign" are construed as matter of federal law even though the proper construction of the remainder of the agreement is a matter of applicable state law
 - *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319 (Fed. Cir. 2010)

Create Robust Licenses

- Be mindful of the ownership and jurisdictional framework
- Be aware of no challenge clauses
- Note that licensee-challenge landscape has changed
- Consider some strategies

Licensors

- Licensors side:
 - Be explicit about rights are being given
 - Structure your deal to protect against patent challenges

For example, consider

- Valuation of benefits transferred
- Structure of payments keyed to valuation
- Front-loaded payments
- Attorney's fees upon challenge

Notice the the Prior Use Defense

- Prior user is a defense to patent infringement
- 35 U.S.C. § 273
 - (1) such person, acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use; and
 - (2) such commercial use occurred at least 1 year before the earlier of either—
- Effectively prevents exclusivity in the market
- Is discovery of prior use after grant of an exclusive license a breach?
 - If so, what due diligence is required?
- Better to treat explicitly in the license

Licensee

- Licensee side: include explicit protections
 - Reserve the right to a challenge
 - Express statement that validity and enforceability are not admitted to
 - Structure payments
 - Get more control over patent assets
 - Perhaps in exchange for giving up challenging rights

Control Over Patent Assets

- Secure the appropriate rights with respect to the PTO through the license

Remember that

- Post-grant proceedings are not “prosecution”
- Post-grant proceedings are conducted with the “patent owner”
- Licensee is not the patent owner

Control at the PTO

- Prosecution
- Post grant proceedings
 - Whether
 - When
 - Content
 - Termination or Settlement

Prosecution

- Common ownership under 102(c)
 - Formerly 35 U.S.C. § 103
 - For joint research agreements
 - AIA permits overcoming art if agreement was in affect prior to filing of the patent application

Post-Grant Proceedings

- Post-grant proceedings
 - Inter Partes Review (IPR)
 - Post-Grant Review (PGR)
 - Covered Business Method Review (CBM)
- Supplemental examination

Preliminary Responses

Statute provides “patent owner” the right to respond

- IPR 35 U.S.C. § 313
- Post-grant 35 U.S.C. § 323

Settlement

Statute provides “patent owner” the right to settle

- Inter partes review 35 U.S.C. § 317
- Post-grant review 35 U.S.C. § 327

Supplemental Examination

- Patent owner can request a supplemental examination to correct errors
 - 35 U.S.C. § 257
 - To correct “consider, reconsider, or correct information believed to be relevant to the patent”
 - May lead to reexamination without the participation of the patent owner
 - “The reexamination shall be conducted according to procedures established by chapter 30, except that the patent owner shall not have the right to file a statement pursuant to section 304.”

Supplemental Examination

- Licensee would benefit from having the right to control filing of supplemental examination and to control the content of all petitions and correspondences
- Timing is important

Citation of Prior Art

- Citation under 35 U.S.C. § 301
- May file a statement and court documents disclosing patent owner statements regarding the meaning and scope of claim language
- Will be used in
 - Reexamination § 304
 - Inter partes review § 314
 - Post-grant review § 324

Citation of Prior Art

- Licensee would benefit from having the right to control patent owner activity and disclosures

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