

Detailed Table of Contents

Preface	v
Preface to the First Edition	vii
Summary Contents	ix
Contents of Forms	xxv
1 Some Premises and Commentary	1
1.00 Orientation and a Disclaimer of Legal Completeness	1
1.01 License Agreements as a Separate Topic	2
1.02 A Pessimistic Prognosis Concerning Certainty of Draftsmanship	3
A. The Semantic Problem	4
B. Uncertainty Through Human Frailty	6
1. Ambiguity	6
2. Vagueness	8
3. Misplaced Modifier	11
1.03 <i>Contra Preferentum</i>	13
2 Legal Principles	15
2.01 Evaluating the Legal Nature of the Subject Matter	15
A. The Scope of a Patent	16
B. The Scope of Unpatented Technology	17
2.02 The Transfer of Technology and Patents: License and Assignment	20
A. License	20
B. Assignment	21
C. Assignment Formalities	25
D. Assignment of Right to Sue for Infringement	27
2.03 Agreements to Assign	28
2.04 The Rights of Joint Owners	31

3	Enforcement of Licensed Patents.....	35
3.00	Standing to Sue for Patent Infringement— Generally	35
3.01	Standing to Sue for Patent Infringement— Exclusive Licensee.....	37
	A. Constitutional Standing for Exclusive Licensees	37
	B. Grant of “All Substantial Rights” to Exclusive Licensees	40
	C. Joinder of the Patent Owner	43
3.02	Standing to Sue for Patent Infringement— Non-Exclusive Licensee	44
3.03	Contracting for the Right to Sue	45
3.04	Common Interest and Joint Defense Agreements	49
4	Express Agreements: Nonexclusive Licenses, Nonassertion Agreements, and Exclusive Licenses.....	53
4.00	Forms and Types of Express Licenses	53
4.01	The Nonexclusive Patent License	55
4.02	The Nonassertion Agreement	56
4.03	The Exclusive License	63
	A. Exclusive Licenses: Antitrust Aspects	64
	B. Hart-Scott-Rodino Act Filing	65
	C. Exclusive Licenses: Sublicensing Rights	66
	D. Exclusive Licenses: Reservations	68
	E. Exclusive Licenses: Protection of the Licensor	69
	1. Termination by the Licensor	69
	2. Conversion from an Exclusive to a Nonexclusive License	70
	3. “Best Efforts” and Other Commitments by the Licensee	71
	F. Exclusive Licenses: Assignment of the Patent.....	73
5	Specific Types of Licenses.....	75
5.00	The Field of Use License	75
5.01	The Cross License.....	77
5.02	The Grantback License	80
5.03	The Sublicense.....	81
	A. “Have Made” Rights	86
5.04	The Compulsory License.....	87
5.05	The Shop Right.....	88
5.06	Foundry Agreements	89

6	Intellectual Property Licenses and the Uniform Commercial Code.....	91
6.00	Application of U.C.C. Article 2	93
6.01	Application of U.C.C. Article 2A.....	94
7	Implied Licenses	101
7.00	Introduction	101
7.01	Implied Licenses That Arise by Consent of the Patentee.....	104
7.02	Implied Licenses That Arise From Misleading Conduct by the Patentee	106
7.03	Implied Licenses That Arise From the Express Grant of Limited Specific Rights	107
7.04	Implied License to Additional Patent Rights That Arise From an Existing License Agreement	108
7.05	Implied Licenses That Arise From an Unrestricted Sale of an Unpatented Machine or Component Useful Only in Practice of a Patent	111
7.06	Implied Licenses and the Requirement of Not Practicing the Patent.....	114
7.07	Implied Licenses and Restrictions Imposed at the Time of Sale.....	116
8	Patent Exhaustion.....	117
8.00	Introduction to the Doctrine of Exhaustion	117
	A. Reasonable and Intended” Noninfringing Uses... ..	118
	B. “Essential Features”	120
8.01	Exhaustion of Patents on Different Inventions	121
8.02	Contracting Around Patent Exhaustion.....	123
	A. Authorization to Sell	126
	B. Conditional Sales.....	127
	C. Conditioning Authority to Sell on Payment of Royalties.....	131
	D. Restraint on Alienation	132
8.03	International Exhaustion	134
9	Issues in License Agreement Negotiation	137
9.00	Introduction	137
9.01	Initiation of Negotiations and the Notice Letter	137
9.02	Other Consequences of Negotiation	140
9.03	The Negotiation Agreement.....	142
10	The Opening Part of the Agreement	145
10.00	Introduction	145
10.01	Date	146
10.02	Description of the Contracting Parties.....	147
10.03	Recitals.....	149

10.04	A “Modern” Style of Contract Opening.....	151
10.05	Formal Structure of the Body of the Agreement.....	152
11	Definitions.....	155
11.00	The Location of Definitions.....	155
11.01	The Several Kinds of Definitions.....	157
	A. The Precising Definition	157
	B. The Stipulative Definition	159
11.02	Strategy in the Choice and Design of Definitions	161
11.03	Precising Definitions for Patent Licenses	161
	A. Licensed Patent Definition	161
	B. Licensed Product Definition	164
	C. Definition of the Parties.....	167
12	The Granting Clause; Elements of the Grant; Definition of Licensed Subject Matter	169
12.00	Outline of the Granting Clause	170
12.01	Notes on Granting Clauses.....	171
	A. “Grants” or “Grants and Agrees to Grant”	171
	B. “Subsidiaries, Affiliates, and Controlled Companies”	171
	C. “Under the Licensed Patents”	174
	D. “And for the Lives of Such Patents”	176
	E. Character of License.....	178
	F. Statutory Rights Granted	180
	1. “Make, Use, Offer to Sell, Sell, and Import” (Clauses 1, 2, and 3).....	180
	2. “Make, Have Made, Use, Offer to Sell, Sell, Import, Lease, or Otherwise Dispose of” (Clause 4)	180
	3. “Make” (Only), “Use” (Only), “Sell” (Only)— With or Without Limitations (Clauses 5, 6, and 7).....	182
	G. “Throughout the United States of America, Its Territories and Possessions”	183
12.02	Definition of Licensed Subject Matter.....	185
13	Reservations and Improvements.....	189
13.00	Reservations	189
	A. Reservation of Rights in the Grantor	190
	B. Reservation Made Necessary by the Existence of Prior Licenses	191
	C. Reservation in Nonexclusive Grants	192
13.01	Improvements.....	193
14	Royalties, Reports, and Payments	197
14.00	Determination of Amount of Royalties.....	198

14.01	Selection and Definition of the Royalty Base	199
	A. Selecting the Royalty Base	199
	B. Defining the Royalty Base	201
	1. Vagueness as to Subject Matter	201
	2. Uncertainty Concerning Metes and Bounds.....	202
	3. Reach-Through Royalties	204
	4. Uncertainty as to Licensee's Sales and Distribution System	206
	C. Net Selling Price: Deductions and Special Circumstances	208
	D. Royalty Stacking Provisions	214
14.02	General Statement of Royalty Obligation.....	215
14.03	Reporting and Accounting Provisions	217
14.04	Minimum Annual Royalties.....	220
14.05	Keeping and Auditing Records of the Licensee	222
14.06	Providing for the Possibility of Inflation or Deflation	224
14.07	Nomenclature Information to Be Furnished	225
15	RAND Principles.....	227
15.00	Determining a RAND Royalty.....	228
15.01	Liability for Breach of a RAND obligation.....	234
15.02	RAND Commitments and Injunctions	235
16	United States Tax Issues Relating to Transfers of Patents and Know-How	237
16.00	Introduction	238
16.01	The Structure of United States Tax Law Applied to Patent and Know-How Transfers to Determine Eligibility for Capital Gains Treatment.....	238
16.02	U.S. Tax Treatment of the Proceeds of Transfers of Patent Rights.....	240
	A. Existence of a Capital Asset.....	240
	B. Has There Been a Sale or Exchange (Section 1231) or a Transfer of All Substantial Rights (Section 1235)?.....	240
	C. Has the Intellectual Property Been Held for the Required Period?.....	242
16.03	U.S. Tax Treatment of the Transferor's Proceeds Resulting From a Know-How Transfer	242
	A. Sale or Exchange of Know-How by a Business Entity	242
	B. License of Know-How by a Business Entity.....	243
16.04	Tax Treatment of Costs of Acquiring Intellectual Property—Deductibility or Amortization.....	243
	A. Cost of Patents Purchased Separately	244

B.	Cost of Patent Rights Transferred by License (Not as Part of a Sale of a Trade or Business)	244
C.	Cost of Patents Purchased as Part of the Sale of a Business	245
D.	Cost of Patent Licenses Acquired as Part of a Trade or Business	245
E.	Cost of Patent Licenses Acquired Separately	246
F.	Purchase Price for Know-How and Trade Secrets	246
G.	Cost of Know-How Licenses	246
16.05	Tax Treatment of Payments Under International Transactions	246
17	Protection for a Nonexclusive Licensee.....	249
17.00	Protection Against a Subsequent More Favorable License	250
A.	The Most Favored Licensee Provision: Drafting Considerations.....	253
B.	The Most Favored Licensee Provision: Sample Provisions	257
17.01	Protection Against Toleration of Third-Party Infringement.....	262
18	Transferability of Rights and Obligations of License Agreements	267
18.00	Assignment of License Agreements Generally	269
18.01	Licensor's Right to Assign the Licensed Patent.....	272
18.02	Licensor's Right to Assign the License Agreement....	275
18.03	Licensee's Right to Assign the License Agreement ...	276
19	Representations, Warranties and Negation of Implications	283
19.00	Warranties	284
A.	In Connection With a Simple License Grant	285
B.	In Connection With a Grant of Future Rights	285
C.	In Connection With the Outright Sale of Patents or of a Business to Which Patent Rights May Be Relevant.....	287
D.	In Connection With an Exclusive License.....	290
19.01	Negation of Implications by Licensor.....	292
20	Indemnification and Liability Insurance	295
20.00	Indemnification Provisions Generally.....	297
A.	Who Indemnifies.....	297
B.	Defend and Indemnify.....	298
C.	What Claims and Liabilities Are Subject to Indemnity	300

D. Exceptions to Claims and Liabilities	305
E. Indemnitor Rights to Minimize Liability	306
20.01 Indemnification by the Licensor	307
20.02 Liability of the Licensor, Indemnification by the Licensee	308
20.03 Mutual Indemnification Provision	310
20.04 Liability Insurance Against Third-Party Claims	311
21 Licensing of Pending Patent Applications	313
21.00 Royalty Payment Provisions for Licensing Patent Applications	314
21.01 Assumption by Licensee of Responsibility for Prosecution of Patent Applications of the Licensor ...	316
22 Alternative Dispute Resolution	321
22.00 Negotiations	322
22.01 Mediation	324
22.02 Arbitration	326
22.03 Staged Proceedings	335
23 Common Provisions of Consequence	339
23.00 Choice of Law and Forum Provisions	340
A. Choice of Law	340
B. Choice of Forum	346
23.01 Notices Under the Agreement	349
23.02 Patent Marking	351
23.03 Force Majeure Provision	353
23.04 Severability Provision	354
23.05 Amendment of Agreement—Oral or Course of Conduct	355
23.06 Non-waiver Provision	356
23.07 Integration	357
A. Contract Interpretation	357
B. Use of Integration Provision to Preclude Asserted Prior Understandings	361
23.08 Government Approval Provision	364
24 Term and Termination of the Agreement	367
24.00 The Significance of “Termination”	367
24.01 Formal Treatment of the Termination Problem	369
24.02 Termination for Breach	371
24.03 Termination on Change of Control	373
24.04 Termination Not the Sole Remedy	375
24.05 Some Tax Considerations in Reference to Termination Provisions	375

25 Execution of Agreements: Problems of Authority and Proof	377
25.00 Authority to Contract.....	378
A. The New Enterprise Situation.....	378
B. The Problem of Intra-Corporate Authority	379
C. A Married Individual in a Community Property State.....	381
25.01 Execution	381
25.02 Authentication.....	384
A. Execution by an Individual Acting on His or Her Own Behalf	384
B. Execution on Behalf of a Corporation	385
26 Bankruptcy Law Considerations.....	389
26.01 Asset Disposition	390
26.02 Automatic Stay	391
26.03 Contracts.....	393
A. Rejection of Executory License Agreements	395
1. Protection for Licensees of Bankrupt Licensors	397
B. Assumption of Executory License Agreements....	400
26.04 Bankruptcy License Drafting Issues.....	401
A. Protection for the Licensee of a Bankrupt Licensors.....	401
B. Protection for the Licensor of a Bankrupt Licensee.....	402
26.05 Security Interests	405
27 Validity and Construction of Patents	407
27.00 <i>Lear</i> and the Doctrine of Licensee Estoppel	407
27.01 <i>Lear</i> and Liability for Royalties.....	413
28 Settlement of Patent Litigation.....	417
28.00 Releases	417
28.01 Discontinuance of Suit	423
28.02 Avoidance of Publicity.....	426
28.03 Avoidance of Relitigation of Validity and Enforceability Issues.....	429
29 Confidential Disclosure Agreements	431
29.00 Confidential Information	432
29.01 Disclosure of Confidential Information	435
29.02 Confidentiality Obligations.....	436
29.03 Residual Rights	438
29.04 Term of the Agreement.....	438
29.05 Option for a License	439

30	Agreements Concerning the Sale or Other Transfer of Unpatented Technological Values.....	441
30.00	Definitions	442
	A. Proprietary Information.....	442
	B. Submitted Ideas.....	443
	C. Trade Secrets and Know-How	443
30.01	Principal Drafting Problems in Contracts for the Transfer of Technological Information	445
30.02	Dealing With Submitted Ideas and Other Technical Proposals of Highly Contingent Value	445
30.03	Definition of the Field of Technical Values to Be Dealt With	446
30.04	Responsibility of the Supplier of Information; Disclaimers and Reservations	457
30.05	Limitations and Restrictions on the Conduct of the Recipient of Transferred Information; Abnegation of Restrictions.....	459
30.06	Consequences of Early Termination of Know-How Agreement	461
31	Collaboration Agreements	465
31.00	Introduction	465
31.01	Infringement Liability.....	467
31.02	Funding, Options to Cease Funding.....	468
31.03	Allocation of Intellectual Property Ownership and License Rights	473
	A. Joint Ownership	476
	1. Enforcement of Jointly Owned Patents.....	477
	2. Licensing of Jointly Owned Collaboration Patent Rights	478
	3. Obtaining Jointly Owned Collaboration Patent Rights	479
	B. Joint Research and Patentability	480
	C. Allocation of Ownership of Jointly Developed Inventions	482
	D. Licenses for Collaboration Activity.....	483
31.04	Obtaining and Enforcing Patent Rights.....	485
31.05	Termination, and Effect on Intellectual Property Rights	486
32	Cross-Border Licensing Issues.....	489
32.00	Place of Payment; Rate of Exchange; Tax Burdens ...	490
32.01	Problems of Governmental Approval	493
32.02	Registration, Notification, or Recordation of the Transaction.....	494

32.03	Termination Because of Change of Status of One Party or Because of Modified Exchange Regulations	496
32.04	Choice of Applicable Law and Jurisdiction	497
32.05	Arbitration	498
32.06	Applicable Language	499
32.07	Definition of Included Patent Rights.....	500
33	Export Laws and Regulations of the United States	503
34	University and Government Licensing	511
34.00	The Bayh-Dole Act and Regulation of Government-Funded Inventions at Universities...	512
34.01	University Patent Policies and Ownership of University Inventions	517
34.02	Negotiating Licenses and Sponsored Research with Universities	518
34.03	Inventions Made by Government Employees	522
34.04	Licensing U.S. Government-Owned Inventions	523
34.05	Cooperative Research and Development Agreements (CRADA)	525
35	Selected Competition Law Issues.....	527
35.00	The U.S. Antitrust Laws.....	530
	A. The Sherman Antitrust Act	530
	B. The Clayton Act	531
	C. The FTC Act.....	532
	D. Relevant Market.....	532
	E. Rule of Reason	533
	F. The Per Se Rule	534
	G. The DOJ/FTC Guidelines.....	536
35.01	Licensing and Antitrust	537
	A. Exclusive License	537
	B. Cross License and Patent Pools	538
	C. Refusal to Deal and Exclusive Dealing	538
	D. Improvement Grant Back	539
	E. Tying	540
	F. Reverse Settlements.....	542
	G. Standards Setting	549
35.02	Patent Misuse and Licensing.....	555
35.03	Misuse Based on Tying	557
	A. Exception to Tying.....	558
	B. Tie-Out	559
	C. Package Licensing	560
	1. Multi-Patent Licensing: Suggested Treatment	561
	2. Pooling Patents for Standards Licensing	565

35.04	The Misuse Problem and Label Licensing	570
	A. Label Licensing Staple Articles or Commodities	570
	B. Articles and Commodities Not Suitable for Noninfringing Use	573
35.05	Other Patent Misuse Scenarios	574
	A. Total Sales Royalties	575
	B. Post-Expiration Royalties	575
	C. Hybrid Patent–Know-How Licenses	578
	D. Double Royalties.....	579
35.06	Evolution of Misuse.....	582

Appendices

Appendix A	Antitrust Guidelines for the Licensing of Intellectual Property	585
Appendix B	Assignments.....	619
Appendix C	Simple License Agreement.....	625
Appendix D	Nonexclusive License Agreements	627
Appendix E	Exclusive, Defined Field Patent License Agreement.....	647
Appendix F	Patent and Technical Information License Agreement.....	659
Appendix G	Confidential Disclosure Agreements	671
Appendix H	Forms for Dealing With Outside Submissions	691
Appendix I	Employment Agreement.....	697
Appendix J	Simple Collaboration Agreement.....	705
	Table of Cases.....	715
	Index.....	735
	About the Authors	763
	How to Access Online Materials.....	765

