Policing Intellectual Property

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ABSTRACT

A university's intellectual property (IP) cannot be simply shelved and forgotten. IP, with patents as a particularly cogent example, must be managed, monitored, maintained, and policed in an ongoing "cultivation" of the IP rights. For patents, it is important to be able to identify potential infringement early, by means of coordinated surveillance by the technology transfer office. If, and when, possible patent infringement is detected, it will then be necessary to evaluate the type of infringement, that is, direct or contributory, and also to assess whether the activity legally appears to be infringing, reading on each and every element of a patent claim. Strategic and business considerations must be considered as the university decides what course of action might be appropriate in response to an alleged infringement of a patent. Specifically, in the context of litigation, the university must consider whom to sue (if there are multiple infringers), when to sue (if too late, could risk loss of IP rights), and where to bring suit (for a favorable venue). An even more critical consideration is whether to even litigate at all. It may be wiser to seek one of various forms of alternate dispute resolution, for example, negotiation, mediation, or arbitration. It is important to never forget that litigation is expensive, risky, and unpredictable. Hence, it should be viewed as not the first option, but as the final one, and it should be approached as a cold business decision and not to give teeth to emotions or carry out revenge. Throughout the process of managing and policing its IP rights, a university should have access to legal counsel. Finally, proactive, good license hygiene is the best way to proceed, and the most effective way to avoid expensive litigation. By demonstrating credibility, conviction, and focus, the university will show potential infringers that it is serious about policing its IP, and that they therefore won't be able to escape the university's diligent surveillance. Licensing, and not infringement, will then become the only sensible route to accessing the patent rights.

1. INFRINGEMENT OF INTELLECTUAL PROPERTY

Infringement is any manufacture, use, sale, offer to sell, or importation of intellectual property (IP) that has not been authorized by the legal owner of the IP. Forms of IP that are subject to infringement include patents, copyrights, and trademarks; these provide the owner of the IP rights with certain legal remedies for redressing infringement. Infringement of IP should be considered neither mysterious nor overly complex and technical. Basically, infringement is analogous to trespassing on another person's physical property or real estate: it is an invasion and misappropriation of another's exclusive property right. Correspondingly, one can obtain permission to occupy, or to use, real estate by renting it or to use IP by licensing it; the two actions are entirely parallel.

Identifying and taking action to remedy infringement is an essential part of IP ownership.

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Asserting IP rights is essential for preserving these rights and for maximizing their economic value. A university's maintenance and assertion of its IP ownership rights, including a willingness to bring legal action if necessary, is essential for the licensability of its IP. The perception on the part of industry and, in particular, potential infringers, that the university will take action to remedy infringement is critical for the focus, determination, and credibility of the university's technology licensing effort and key to the value of its licensable technology. This chapter examines these issues in the context of U.S. patent law.

2. HOW TO IDENTIFY INFRINGEMENT

Infringement is a legal event, that the patent owner (patentee) bears the burden of proving. Proof of infringement proceeds by a two-step analysis. First, the alleged infringed invention must be defined, by the court's construing of the actual patent claims. Second, the patentee, through the strength (or preponderance) of the evidence must show that infringement actually occurred. Hence, the patentee can neither guess, think, nor presume infringement, but rather must *prove* infringement. For example, if the patent in question is a process, the fact that a product sold by the "infringer" is identical to the university's product does not prove the alleged infringer is liable; the alleged infringer could be using an entirely different process to make the product.

Typically, literal infringement occurs when the infringer's product or process reads on each and every element of a patent claim. The fewer the elements or steps in a patent claim, the more likely apparent infringement will turn out to be actual infringement.

With this in mind, it is important to consider claim structure and scope when a university initially files a patent application. The university will be in much better position to protect its IP rights if the attorney who prepared and prosecuted the application understood that the university has no need for narrow-claim, defensive patents. A university does not manufacture and therefore has no products to protect. Unless the claims of a university patent are sufficiently broad to have economic value (this cannot easily be avoided if one practices the technology), the patent will have little, and perhaps even negative, value. For example, negative value may arise if the inventor exclaims, "*Look at this infringer,*" and the university responds, "*Yes, the company is practicing your invention, but our claims were drafted too narrowly, and our patent is therefore not infringed.*" At that point all may painfully realize that during the actual prosecution of the patent application, it would have been better to appeal to the patent office for, and then lose on, broader claims. The inventor would thereby have realized that a patent with real economic potential was unattainable from the start, rather than only becoming disappointed later, accusing the licensing office of not doing its job with adequate diligence, when the patent is only then determined to be worthless.

The key message here is this: patent prosecution must be conducted with an eye toward winning future infringement litigation should it arise. The whole point of patent prosecution should not be to have a given claim or any claim allowed so a patent will issue, but rather to have a claim approved that is consistent with the university's mission, has economic potential in the marketplace, and will be enforceable.

Assuming the university owns a patent with strong claims, how can the university determine, especially when not actively engaged in the marketplace, whether that patent is being infringed?

2.1 *Establishing surveillance for possible infringement*

Inventors should be contacted on a regular basis and asked if they know of anyone who is or might be infringing their patent. If nothing else, the effort could lead to licensing possibilities and reveal who is interested in using the patented invention.

Technology transfer staff members should review key media related to the technology on a regular basis to watch for potential infringers. Again, this is doubly advantageous because it can also generate licensing possibilities. The focus of the marketplace reviewers in the technology transfer office must not be on marketing alone, but also on infringement and licensing opportunities.

Therefore, to the greatest extent possible, one must know the marketplace. It is critical to make an effort to talk to existing licensees, alumni, others who are knowledgeable in the relevant areas, and to potential licensees of related technology in order to learn what they and their peers are doing and/or thinking of doing. In other words, it is essential to build and maintain professional networks.

2.2 *Evaluating infringement*

Unless the technology transfer manager is an IP legal professional who can assess the possibility of infringement, it will be necessary to initially seek the opinion of counsel in order to be certain of potential infringing activity. As previously stated, the burden of proving infringement is on the patentee. Therefore, the university cannot expect the apparent infringer to willingly help prove there is actual infringement. While certain industries typically respect university patents and are forthcoming, others have a "catch me if you can" attitude. If the university has a process patent where the process does not leave a footprint on the product, proving infringement may be extremely difficult.

Literal infringement requires that each and every element or recitation in a particular claim must be infringed. If there are five steps in the claim and the apparent infringer practices only four of those steps or combines a different fifth step with the university's first four steps, there may be no infringement. Being close to infringement does not usually count towards an infringement determination.

There is, however, the ***Doctrine of Equivalents***, which is a more flexible rule of claim interpretation. The doctrine provides that, even though a claim is not literally infringed, a case for infringement can still be made if the infringer has used a variant of the patented invention that is substantially the same as what is actually claimed as the invention. If a technology transfer manager thinks that the apparent infringer is too close to be allowed to escape infringement, the manager should get an expert opinion to help the university decide whether the Doctrine of Equivalents may be applicable.

It is important to note, however, that the Doctrine of Equivalents cannot be employed where the patentee narrowed the claims in response to a substantive rejection by the patent office during patent prosecution. This creates a bar to the use of the doctrine (File Wrapper Estoppel), because it would be unfair to initially argue during prosecution that the claims were narrow enough to avoid prior art and hence be patentable, but then later, during infringement proceedings, attempt to expand the scope of the claims beyond their literal language by invoking the Doctrine of Equivalents, that is, to attempt to reclaim in litigation what was surrendered during prosecution of the patent application. Once the scope of the claims is narrowed, it is narrowed for good.

2.3 *Record keeping and evidence gathering*

In general, the better the records kept by the inventors, the better the patentee's (or applicant's) ability to win in an infringement action. However, in litigation, the patentee's records, while a source of validation of assertions in the patent, are accessible to the opponent and may be searched for contradictory statements or adverse data that was not given to or considered by the patent examiner. A possible defense raised, if such adverse data is found by the alleged infringer, may be considered *fraud against the patent office*. This is a form of inequitable conduct perpetrated by the patentee during prosecution of the patent application, by which the patentee deceives the patent office by either withholding material or submitting false information, thereby rendering the patent unenforceable. The patentee should search its own records so that it is not later surprised by any data that might be subsequently used against it. The best way to avoid this problem is to pay close attention to the duty of disclosure to the Patent Office during the prosecution of the patent application, that is, better to take a proactive and preventive approach early on than to be sorry later.

When gathering evidence of infringement, if the university has other licensees, they will usually help the university to acquire information and analyze samples. If necessary, the university may have to buy an infringing product

and analyze it. The university will need to document exactly where the infringer is selling the offending product, for example, whether directly, or through agents or distributors. When the infringer is manufacturing or using the infringing product, the evidence must be hard, including documents, materials (with analysis of the materials), and eyewitness testimony (for example, a signed affidavit as to what a person would testify to if called as a witness). Hearsay will not prove the university's case. "*My brother-in-law told me that he had seen* ..." won't work. Actually proving infringement, and exactly when and where it occurred or continues to occur, is necessary but frequently quite difficult. Issues of venue, that is, where legal action can be brought, may cause the university to want to prove infringing acts in a certain geographic area; this makes the job potentially more difficult.

3. SOME LEGAL (AND PRACTICAL) CONSIDERATIONS

3.1 *Patent or contract suit*

If the person using the technology or inventions has not signed a license agreement, usually a contract of some sort, then the university's only practical litigation recourse is usually a suit for patent infringement. If there is another legal relationship such as a license agreement where the licensee has ceased to pay royalties, or a material transfer agreement where it appears that the infringer is improperly using material received from the material transfer agreement, there are alternatives to consider, such as breech of contract actions. It is possible that the location of litigation (or the issues) may be in the university's favor, or the price of litigation may be cheaper if the university brings suit on an existing contract rather than a suit for patent infringement. It is therefore important to examine, in depth, all the business relationships existing between the infringer and the university, which may include consulting contracts between the inventors and the infringer.

3.2 *Whom can the university sue?*

If there is more than one possible infringer, then it is important to weigh the pros and cons of suing each infringer. Sometimes the choice is clear; at other times consideration must be given to select the target of litigation. A patent owner need not sue all infringers at the same time. A single suit against a single member of a group of infringers is the usual tactic.

Patent litigation is expensive and, as in a poker game, it is difficult to win against a player who has an order of magnitude more money than the rest of the players. The player who has more money can unfairly distort the game. The same is true in patent litigation, and it is usually inadvisable to litigate against the party that has the largest financial resources or the largest financial interests in the outcome of the litigation. On the other hand, the party having the largest financial interest may indeed be the one to sue, because in a practical sense, if the litigation is successful, then the issue will have been essentially resolved, with the largest part of the market secured and other infringers likely to fall into line and comply with licensing terms.

Other considerations include the convenience of the forum, ease in collecting damages, and existence of issues that are particular to a given infringer that might enhance the university's chances of winning. For example, clear statements that an infringer's actions were knowing and deliberate may indicate selection of that particular infringer to sue. The alleged infringer has made himself a target for litigation.

One method of managing the venue of the lawsuit is to sue a party in the distribution chain in a location of the university's choice: for example, a party who through purchase is an infringer. Frequently the original infringer becomes involved in such a lawsuit because of an obligation to indemnify the purchaser. Therefore, the university can potentially access the most important infringer in a favorable venue, which otherwise might have been difficult or even impossible.

The patent law provides recourse and remedy not only against direct infringement, but also against contributory infringement and inducement to infringe. A party can infringe by actively and knowingly assisting in another's direct infringement. The most common type of ***contributory infringement*** is where a company sells

a component to the infringer in a situation where the company knows or should have known that the only practical use for that component was to make infringing devices or create an infringing use. As for ***inducement to infringe***, the patent statute states, "*Whoever actively induces infringement of the patent shall be liable as an infringer.*" Hence, inducement to infringe is where the party actively and knowingly aids and abets another in direct infringement. Whether a company intends to induce infringement is a factual determination.

3.3 *Where can the university sue?*

In the United States, since patents are enforced in the federal courts, theoretically, a university can sue for infringement anywhere in the United States, but there are jurisdictional requirements, venue, and service requirements that usually limit the number of actual forums available. When considering where to file a suit, proximity to the court may be a major issue. The university must also consider where its trial counsel and inventors or other witnesses are located, whether there is a need to compel certain witnesses to attend, and in what jurisdiction the university can likely prevail. Of course, specifically inconveniencing the party one intends to sue should not be overlooked as a useful strategy.

Certain courts are busier than others, and therefore, if the university looks for a speedy trial, it may want to pick a forum that has a small backlog or one that has developed an attitude, capacity, and reputation for rapidly processing cases.

Furthermore, the attitude of a particular judge or a group of judges in a particular court may influence the choice of forum. If the university can determine that the judge has an identifiable track record for deciding certain underlying issues, then it may, or may not, choose that court, based upon the record of the judge's rulings, philosophy, and apparent priorities.

If a jury trial is selected, then the location of the forum can have a substantial impact on the nature and attitude of the jurors. A state university that has a long history of agricultural extension no doubt has an advantage if the jury consists of local farmers. On the other hand, if the university sues an infringing company, seeking venue in a small town where the company is the largest single employer, then it can expect that the jury might be biased against the university and favor the accused infringer.

U.S. federal law and a section on the venue of particular U.S. federal courts states that, "*Action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.*" The federal courts are split as to what is a regular and established place of business. Some courts have held that there has to be a formal office and others have held that a sales representative operating out of his or her home may satisfy the requirements.

3.4 *When can the university sue?*

A university cannot initiate patent litigation until after there is an actual act of infringement. At the other extreme, the university must bring the suit before the suit is barred by the potential equitable defenses pursuant to the statute of limitations, the doctrine of laches, or equitable estoppel.

From a strictly legal technical point, there is no such thing as a statute of limitations in the patent law. That is, there is nothing in the patent statute that absolutely bars the bringing of an infringement suit. However, the statute does bar recovery of damages for infringing activity that occurred more than six years prior to the filing of the infringement action.

Laches can be defined simply as the patentee waiting too long to take action for no good reason. The federal circuit has held that laches bars relief on a patentee's claim only with respect to damages that occurred prior to the suit. It is important to note that there are two elements to laches. First, there must be an inexcusable delay for an unreasonable length of time in initiating litigation. Second, the defendant must show that the litigation was prejudiced by the delay. The longer the delay, the less is needed to show specific prejudice. Usually there has to be a considerable delay before the doctrine of laches has any relevance. There is a presumption of laches after six years, but the patentee can overcome this with suitable evidence rebutting the two elements that establish laches.

Another defense against a patent infringement action is *equitable estoppel*, which simply means that there is a particular reason that the university, as the patentee/plaintiff, should be barred from suing the particular defendant. Equitable estoppel usually results when the patentee intentionally communicates with the infringer such that the infringer relies upon and is then mislead and materially harmed by the deeds, actions or words of the patentee. For example, the officers of the patentee through affirmative conduct induced the infringer to believe that the patentee had abandoned its claim against the alleged infringer, and therefore, the infringer kept manufacturing. Clearly, there should be an equitable estoppel. It is important to note that the silence of the patentee alone will not constitute an equitable estoppel, although that silence over a long period of time may create laches.

4. THE LAWYERS

4.1 *How soon should counsel become involved?*

There are no right or wrong answers for how soon to involve counsel. Before doing so the university should determine that there is in fact an infringement. If the answer is yes, the university should then determine whether the usual licensing routes been explored and a negative response received? If the answers to these questions are also yes, then the university should recognize that the case is not an ordinary one and that there are valid business reasons to consider infringement action. At that point, the university should have preliminary discussions with its counsel prior to making any decisions.

4.2 *Who will serve as counsel?*

There are several very important issues that must be contemplated in selecting counsel. If the university (the client) does not control the proceedings, and therefore, does not control the cost, the result typically is extraordinary financial bleeding. If the university finds that it is working with counsel who tends to say, "*Just leave it in our hands; we know best,*" the university can expect the fees to be high. It is important to pick counsel who has a perspective as to the way proceedings are conducted and the way costs are controlled that is compatible with the philosophy of the technology transfer office and the university. For example, does the university intend to be represented at every deposition held by the other side? What level of discovery is the university going to seek? Is the selected counsel comfortable working solo or with one other people in the firm, or does the intended counsel suggest that there be a team of four people, plus a backup team of two people (as a precaution)? These attitudinal differences vastly affect the kind of litigation that is going to be conducted and the cost of that litigation.

The amount of money spent has some bearing on the outcome of the litigation, but the attitude should be, "*I want to spend the least amount of money necessary to win,*" not, "*Let's do everything imaginable so that nobody can ever accuse us of losing because we failed to do (and spend) enough.*"

The university may have trial lawyers on staff. Those trial lawyers can be invaluable for interfacing between the university and outside trial counsel, and also for helping the university manage the issues, even though in-house trial lawyers may not have any experience with patent litigation.

A decision to hire outside counsel leads to the question of whether one attorney, one firm of attorneys, or multiple attorneys should be involved. One can argue that lawyer(s) rendering opinions as to whether infringement exists and, if so, a strong likelihood of prevailing in litigation, should be independent of the lawyer(s) who ultimately litigate. For example, if the lawyer rendering the opinion recognizes that he or she will not financially benefit from a statement that there should be litigation, then the university is more likely to get an unbiased answer. The same is true on the issue of infringement. If the lawyer understands that he or she will not have the benefit of the litigation if he or she gives the opinion that there is infringement, then the university may get a more objective opinion. This is not necessarily the case, for example, if the university has a solid, trusting relationship with counsel, and counsel recognizes that sooner or later, given a legitimate

case, he or she indeed will have involvement in litigation, then the university can comfortably use the same lawyer(s) for both opinion work and litigation. After all, the more a university works with an attorney or firm, the more likely the technology transfer manager and other institutional legal counsel will generate useful opinions and advice.

There are no right answers to selecting counsel. The bottom line is to pick a trial lawyer who accepts the fact that he or she will be required to justify how and why the money is spent and to give the university clear choices so that it can control costs. Keep in mind that the actions of the opposing side have a large impact on costs. Once litigation is commenced, while the university may diligently work to control costs, the actions of the other side can make that job difficult. Frequently the best estimates of cost before litigation starts are discovered to be completely inaccurate after the litigation is under way and the issues are revealed. Therefore, it is important to select counsel who is willing to revisit the issues of control of the proceedings, including control of costs and strategy, so that the university can continue to make intelligent choices.

5. IS THE UNIVERSITY READY TO LITIGATE?

Patent litigation is expensive, involves substantial risk, and endangers the university's IP rights. A frequent defense to an accusation of infringement is patent invalidity. Therefore, the university can lose the litigation on a judgment that the individual is not an infringer and can also lose on a judgment that its patent is invalid. However, an issued patent is presumed valid by statute, and the accused infringer carries the burden of proving (by clear and convincing evidence) that the patent is indeed invalid. Still, in the event of a declaration of patent invalidity, the university has no further opportunity to license the technology and any existing licensees will stop paying royalties. On the other hand, if the university has a group of licensees and there is a party substantially infringing without licensing, ultimately all of the university's licensees will recognize this and possibly also stop paying royalties unless the university takes action. As a result, the university may be in the position where it will bleed to death slowly or have an instant death if it loses the litigation. In any event, the only way to preserve the long-term economic viability of the proprietary technology is to bring suit.

5.1 *Warning letters*

After identifying a likely act of infringement, the technology transfer manager may enter into a dialogue with the infringer in an effort to end the infringement; this is frequently resolved by entering into a license negotiation. At some point there will be a written communication stating that the university believes the party may be an infringer and that if it neither ceases nor licenses, the university will consider taking legal action. The manager should understand that if the university clearly and precisely accuses a party of infringement and threatens the party with litigation, then the situation may rise to the level of an actual case/controversy, triggering the accused party's right to seek a declaratory judgment. This involves asking the court to declare that there is no infringing activity and/or that the university's patent is invalid. Therefore, the right to seek legal relief becomes not only the university's, but also that of the party accused of infringement; in other words, the table has turned. Therefore, caution is important. As long as the university's letters fall short of making an actual accusation of infringement and of threatening litigation, then the decision to go to court remains solely with the university. If a manager is not comfortable, experienced, and skilled in drafting such letters, then a warning letter should be reviewed (and possibly even written) by counsel before it is mailed. Clearly, the wrong warning can lead to unintended consequences and come back to hurt the university in several ways.

5.2 *Beware of oversights in record keeping*

A university is not ready to litigate until it has investigated its own records and spoken with the people on the university's side who are associated with the potential litigation (and who might be witnesses) to discover whether there is any knowledge or written correspondence or records

that would have an embarrassing or otherwise negative impact on the outcome of the litigation. The university should not let the infringing party discover these damaging oversights; it should know about them ahead of time because this may greatly impact the decision of the university's trial counsel of whether to proceed with litigation.

5.3 *Exhaust all alternative means of settling the controversy*

Before the university litigates, it should consider involving a third party for informal dispute resolution or possibly proceeding with formal arbitration or alternative dispute-resolution mechanisms in order to find a solution short of court.

5.4 *Valuing the alternatives*

The alternatives to litigation include changing the licensing terms or creating licensing scenarios that take into account issues raised by the infringer as reasons for not taking a license. It is a wise strategy to consider offering license terms that make opposition to paying royalties economically irrational (when compared to the costs of litigation) for the infringer. When valuing the alternatives and seeking alternative resolution, the university must consider other licensees and the existence of *favored nation* clauses in other license agreements. The university may have to extend the same terms to all its other licensees, and therefore, alternative dispute resolution may have a financial impact beyond the particular infringing activity, with a potentially broader impact and implications for the value of the technology.

The university must reach an approximation of the true cost of litigation, which is more than the cost of outside attorneys. Litigation requires an enormous amount of staff time, not only of the technology transfer office, but of the university's counsel office as well. Also, litigation can involve much of the inventor's time and anguish, since the inventor's skill and integrity may be challenged in the litigation. Ultimately, of course, there is the dollar cost. Importantly, the university must recognize that past infringement, the cost of the litigation, and the impact on the future value of the technology are issues that have to be separately assessed when considering alternatives.

5.5 *Making a difficult business decision: Walk away or litigate?*

Because patent litigation is expensive and puts the university's IP at risk of being declared invalid, the vast majority of patent disputes are settled before they ever come to court. For both sides, it is usually better to resolve the dispute than to litigate. But ultimately, the technology transfer manager may be required to make a very hard business decision on behalf of the university. A manager should never litigate out of anger or pride. The university should only litigate if it makes absolute business sense, that is, if it is economically better to litigate than not to litigate, and only after the university has examined all of the issues, including the risk of losing versus the value of winning, and finds, on balance, that it makes sense to litigate.

5.6 *The effect of the Markman decision*

The way patent litigation is conducted was significantly impacted by the Supreme Court decision in *Markman v. Western Instruments, Inc.*[1] Claim interpretation was taken away from the jury and handed to the court. The result of Markman and related later cases was that claim interpretation could occur at any time in the litigation, and not just before, during, or after the trial.

In *Vitronics, Inc. v. Conceptronic, Inc.*[2] the federal circuit held that it is the rare case where patent claims should be interpreted based on anything other than the patent, the specification, and the file history (the public record). Therefore, the hope was that claims could be construed early so that the parties would know the meaning and scope of the claims before starting discovery. Since discovery is often over one-half the cost of expensive patent litigation, if it can be narrowed to more-specific issues, cost should be less, enhancing the chance for early settlement.

The results of the *Markman* and *Vitronics* decisions have been mixed. District courts have shown little uniformity with respect to the timing of claim interpretations. Some courts make their interpretations very early in the process; some as part of a conference just before the trial starts (and after discovery is complete); and some courts do so during or at the end of the trial. Most courts

now have formalized a "Markman procedure." Some have built claim construction hearings into their local rules. Finally, whether extrinsic evidence can be used in a claim construction hearing is far from being settled.

Clearly, claim construction is a critical element in litigation that now has assumed an independent place in the litigation process. If one can obtain early claim construction, doing so should be a significant benefit with respect to the cost of the litigation; if there is a serious issue regarding the scope of the claims, claim construction may prompt settlement or dismissal.

5.7 *The university's role if the licensee litigates*

Some universities may give their licensee the first right to litigate. This is quite common in cases where an exclusive license has been granted. But even in that case, the university should pay very close attention to what is happening and may want to participate in key strategy sessions held by the licensee and its counsel and/or have the university's own counsel participate and/or review all documents. Where the university's personnel are deposed or where discovery is held on the university's documents, the university's counsel should be involved. But, if the university granted the licensee the right to litigate, thus saving the university the cost of litigation, why should the university incur significant expense to look over the licensee's shoulder?

There are a number of valid reasons why the university should remain active in the litigation. On many points the licensee's and university's interests may not exactly correspond, and, in certain situations, a choice may be made that reflects badly on the university, though it would benefit the licensee. This is very important, as there should always be concern for the university's good reputation and the reputation of the researcher/inventor. Both can be at risk in litigation. It is critical to keep in mind that the actions, words, skill, or integrity of the researcher/inventor may be put at issue, which could become traumatic for the researcher/inventor in the unpredictable process of litigation. Another reason to maintain involvement is the potential for a loss of property. As pointed out previously, once a patent is declared invalid, it is forever invalid, so the university could lose its valuable IP rights. The licensee may not have as much at stake; it may only lose by gaining a competitor.

Just because the university lets the licensee assume the burden of litigation, the patentee should still be vigilant as to the licensee's determination, skill, and strategy for litigation, as well as its attitude toward the university and the university's researchers. The patentee should also remain aware of a licensee's financial status. Letting the licensee carry the burden of litigation may significantly ease the university's financial burden and the level of technology transfer staff involvement. However, because it is the university's patent, and because the university's staff may be vital witnesses, the university will almost always have a critical, although reduced, role.

5.8 *The licensee's promise to hold harmless*

In most instances where the licensee is litigating, there is a license obligation to hold the university harmless in the litigation. Even so, the university must look closely at the state and condition of the licensee at the time of the litigation. If things go badly and the university is at risk, can the licensee perform adequately on its promise to protect? Does it have sufficient assets to pay an adverse judgment? Is it going bankrupt? Is there collectable insurance available? There may be a rude awakening, if the university is not attentive to the meaningfulness of a hold-harmless promise, both at the time of entering into the license agreement and at the time litigation by the licensee is contemplated.

6. GOOD LICENSE AND LICENSEE "HYGIENE" TO PREVENT LITIGATION

A technology transfer manager should review the university's license agreements on a regular basis to make sure that its licensees are current in their payments and all other obligations. The technology transfer manager should be talking to the university's licensees about the marketplace and should listen if licensees are complaining that there is a party performing unauthorized acts. The manager should talk to the inventors or other

people who are knowledgeable in the technology field, so that if there are infringers, the university can contact those parties early and they will not be led to believe they are free to act. The single most likely cause for litigation between a university and industry occurs when an industry member has the perception that the university won't litigate, or that the university is inadequately represented and doesn't know what it is doing. Clearly, communicating with conviction and credibility that the university indeed will sue, and emphasizing that the university has, or will, retain competent counsel and pay the price necessary, will go a long way toward bringing the infringer to the table to discuss the issues.

A final word of advice for the university: write the good things, and say the bad things. Although the attorney-client privilege is real, it is frequently penetrated. Consider anything in writing accessible to the other side in litigation and available for use against the university. ■

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1 116 S. Ct. 1384 (1996).

2 90 F.3d 1576 (Fed. Cir. 1996).