TECHNOLOGY LICENSING
SUMMER 2006
INTELLECTUAL PROPERTY SUMMER INSTITUTE

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FINAL EXAMINATION

This is a two-hour (with more time for ESL students), open-book exam. You may consult any materials. Yet, your examination must be your own work. Do not discuss it with other students.

Write your answers in the blue books supplied, but please **use only one side of the page** and **observe the margins**. Please do write legibly.

Grading will be anonymous; please **do not** put your **name** on anything you turn in.

USE YOUR EXAMINATION NUMBER.

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PROBLEM 1

A. Facts

Summit Corporation entered into an oral agreement pursuant to which Pinnacle, Inc. was permitted to use Summit's trademark on goods manufactured and sold by Pinnacle. Summit had been associated with Pinnacle for over ten years and respected its ability and expertise. Only once did Summit casually test Pinnacle's goods made under the license. Summit never received any complaints about Pinnacle's goods. Subsequently, the parties had an irreconcilable disagreement about royalties and ended up in court with Summit suing Pinnacle for breach of contract. In defending itself, Pinnacle contended that the agreement between them was a naked license and hence unenforceable.

B. Question

How should the court rule in this situation and why? **[20 points]**

PROBLEM II

A. Facts

You are acting as a licensing counsel for ABC Company, the owner of four U.S. patents covering process techniques for making electrical cable (U.S. Patent Nos. 5,000,001; 5,000,002; 5,000,003; and 5,00,004), and two patents, U.S. Patent Nos. 5,100,100 and 5,100,200, each covering a different new electrical cable of novel construction and properties. The four process patents are useful in making the two patented cables. But the four process patents are also useful in making several types of unpatented electrical cable that are being sold in high volume.

Representatives of ABC Company and XYZ Company have negotiated a tentative agreement calling for ABC Company to grant XYZ Company a nonexclusive license under the four process patents (a) to make products covered by U.S. Patent No. 5,100,200, and any unpatented electrical cable and (b) to make, use and sell products covered by U.S. Patent 5,100,200.

B. Question

Draft a grant clause and any related definition clauses needed to express the tentative agreement of ABC Company and XYZ Company. **[20 points]**

PROBLEM III

A joint 2004 document of MIT (Massachusetts Institute of Technology) and the National Science Foundation carries the following passage about the patent/trade secret interface:

> Trade secrets and patents are often complementary and can often dovetail together. Trade secrecy can be used in the early research and development stages, before patents are sought. Trade secrets protect sub-patentable innovations. Sometimes it is possible to protect the know-how associated with patents as trade secrets, but this strategy can be risky as it may run afoul of patent disclosure requirements, e.g. best mode requirement.

And the Inventor's Digest of July/August 2002 has this to say about trade secrets:

> What is a Trade Secret? It's a process or method that is used to produce a product and those who developed the

process or method chose not to patent it but, instead, chose to keep it secret from the world.

Is this an adequate and correct description of the nature, role and value of trade secrets? **[20 points]**

PROBLEM IV

Technology licensing arrangements harbor risks for both licensors and licensees as for example, below-par or poor performance by licensee, subsequent issuance of dominant third-party patents, and grant of more favorable licenses to additional licensees.

What clauses need to be negotiated and written into technology licenses as devices for the protection of the license partners? Describe the scope of such clauses **[20 points]**

PROBLEM V

Miscellaneous Questions

1. Why should one volunteer to draft a technology license after conclusion of the negotiation? **[5 points]**
2. Discuss the pros and cons of lumpsum royalty payment provisions from licensor's and licensee's perspective. **[5 points]**
3. Apart from normal termination of a license on the stipulated termination date or termination by either party for default and breach of contract, who can as between licensor and licensee terminate the license at will after giving due notice to the other party and why? **[5 points]**
4. In a technology licensing arrangement, licensee can be expected to engage in R&D activities aimed at improving the licensed product. Assuming the improvements are commercially very important also for licensor (to use the improved commercial embodiment or license other parties and include such embodiment), what clause should be included in the license? How should the converse be dealt with, where licensor continues R&D work? **[5 points]**
5. Why is franchising said to be a legal minefield? **[5 points]**

Note: Only four out of the five questions under PROBLEM V will be included in the number grade, i.e. one question need not be answered.

— END OF EXAMINATION —