TECHNOLOGY LICENSING

FALL 2008

FINAL EXAMINATION

Professor Karl F. Jorda December 2008

Instructions:
This is a two-hour (more for certain foreign students) open-book exam. You may consult the course materials as well as any other materials.

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

Do not just slavishly copy passages from materials you brought along but instead try to synthesize a coherent composition of your own.

Grading will be anonymous; please do not put your name on anything you turn in. BE SURE YOUR EXAM NUMBER IS ON EACH BLUE BOOK YOU TURN IN.

PROBLEM I

A. Facts

Apex Corporation entered into an oral agreement pursuant to which Summit Corporation was permitted to use Apex's trademark on goods manufactured and sold by Summit. At least 90% of the components for Summit's goods were manufactured by Apex. Apex told Summit that if Summit chose to use its own parts, Apex wanted to know about it. Apex tested parts of Summit's goods. Further, Apex had been associated with Summit for over ten years and respected its ability and expertise. Apex never received any complaints about Summit's goods. Subsequently, the parties had an irreconcilable disagreement about royalties and ended up in court with Apex suing Summit for breach of contract. In defending itself, Summit contended that the agreement between them was a naked license and hence unenforceabale.

B. Question

What should the court's ruling be and why? **[15 points]**

PROBLEM II

Please analyze the following contract clauses from a license agreement and comment on their defects, flaws or shortcomings, if any, with specific suggestions for modifications and improvements. It's not necessary to redraft the clauses found wanting. **[15 points]**

AGREEMENT

This Agreement, effective as of November 1, 2005, is between ABC Corporation (hereafter "Licensor") and the West Coast Division of XYZ Company (hereafter "Licensee").

WHEREAS Licensor owns and will maintain certain patents and patent applications relating to certain mechanical gadgets and their manufacture; and

WHEREAS Licensee desires and Licensor is willing to grant a license under such patents and applications to make and use such mechanical gadgets.

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Article I — Definitions

1.1 "Licensed Patents" shall mean the patents and applications listed in Attachment A hereto.

1.2 "Licensed Products" shall mean mechanical gadgets covered by Licensed Patents.

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Article II — License Grant

2.1 Licensor agrees to grant to Licensee a non-transferrable, indivisible, non-exclusive license under the Licensed Patents to make, use and sell Licensed Products, with right to sublicense.

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Article IV — Improvements

4.1 All improvements to the Licensed Product hereafter acquired or developed by Licensor shall be included in the Licensed Patents, and Licensor shall provide Licensee with sufficient information to use such improvements in performance under this Agreement.

Article V — Termination

5.1 Either party may terminate this Agreement thirty days after written notice to the other party of a material breach of the Agreement if the other party has not remedied such breach.

Article VI — Most Favored Licensee

6.1 At Licensee's option, Licensor agrees to modify this Agreement to conform to the terms and conditions of any subsequent license to a third party for manufacture and sale of mechanical gadgets if such subsequent license is more favorable.

Article VII — Third Party Infringement

7.1 On receipt of written notice from Licensee of unlicensed infringement of the Licensed Patents by a third party, Licensor shall bring suit against such infringer with the intention of eliminating such unlicensed activity. If Licensor has not brought suit within sixty days of receipt of such notice, Licensee shall have the right to bring such a suit.

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PROBLEM III

A. Facts

Conventional wisdom has it that

Patents and trade secrets are at best only alternative forms for protection of innovation.

Because patents require disclosure of the invention as a *quid pro quo* for exclusivity, it is reprehensible to rely on trade secrets.

Because the patent system requires an "enabling" and "best mode" disclosure of an invention, patents necessarily disclose and hence preempt all the trade secrets that are useful or indispensable in the practice of the patented invention.

B. Question

Are the above statements truisms or misconceptions and why one or other? **[15 points]**

PROBLEM IV

Miscellaneous Questions

1. What is an essential exercise in IP licensing practice prior to negotiation of a license agreement or prior to commencement of manufacture and sale of a new product or prior to initiation of an infringement and/or invalidity suit and what does such an exercise involve? **[5 points]**

2. At what point in negotiations of clauses in license agreements should royalty or other money terms be taken up and why? **[5 points]**

3. As between licensor and licensee whose "economics" controls the negotiations, i.e. is more important to the outcome of the determination of a reasonable royalty? **[5 points]**

— END OF EXAMINATION —

KFJ/Ruh/12.8.08