TECHNOLOGY LICENSING
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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 I

A. Facts

Your (client) corporation manufactures and sells carpets. It obtained a basic patent which describes and claims a novel method of tufting carpets. Additionally, it has two patent applications pending in the U.S. Patent & Trademark Office and two invention disclosures waiting to be filed, all covering improvements to this tufting method. You have been asked to draft a royalty-bearing license agreement for several other companies in this industry to use this tufting method.

B. Question

For starters please draft an appropriate Grant Clause with a Definitions Clause for terms used in the Grant Clause that need to be defined. **[20 points]**

PROBLEM II

A. Facts

Your (client) corporation manufactures and sells dyestuff for dyeing carpets, among other products. A technical director of this corporation invented an improved method for tufting carpets and obtained a patent which describes and claims this tufting method. This tufting method is a great advance in carpet manufacturing and 20 companies, some of whom already are buyers of dyestuffs of your (client) corporation and some of whom have been targeted as potential customers, showed an interest in being licensed to use this tufting method — even for royalty payments. Nonetheless, you offer royalty-free licenses to all of them.

B. Questions

Why? Is it ever advantageous and advisable to grant royalty-free rather than royalty bearing licenses and, if so, why? **[20 points]**

PROBLEM III

A. Facts

Most papers and talks on valuation of intellectual property rights are written/given by financial consultants and experts, who start by discussing three standard valuation methods, namely, the cost, market and income approaches, and invariably and quickly conclude that the income approach is the method of choice to use.

B. Questions

What is wrong with this approach? What does this approach ignore? **[20 points]**

PROBLEM IV

A. Facts

A license agreement, which grants "the exclusive right under the Licensed Inventions to make, use, sell…Licensed Products" for medical and veterinary uses, includes the following clause:

> "7. Best Efforts Obligation. (Licensee) shall exercise its best efforts to exploit the Licensed Products."

B. Question

Please comment on the adequacy of this clause and, should you find it unsatisfactory, please draft the clause as it should have been worded or what it should have provided for. **[20 points]**

PROBLEM V

A Facts

Conventional wisdom has it that

> Patents and trade secrets are mutually exclusive and one or the other has to be chosen for protection to the exclusion of the other.
>
> Trade secrets are merely a matter of "contract rights created in trade secret agreements" as per abstract of our "U.S. Patent & Trade Secret Law" course; that is, no contract, no trade secrets.
>
> A patentable invention must be patented for protection, while only unpatentable know-how can be protected via trade secrets.

B. Question

Are the above statements truisms or misconceptions and why one or other? **[20 points**

— END OF EXAMINATION —

KFJ/Ruh/6.26.08