**EXAM # _____**

# TECHNOLOGY LICENSING
# FINAL EXAMINATION

Professor Jorda

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**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.

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

For many years, eyeglass lenses made of glass (not those made of plastic) had been required by the U.S. government to be of a specified hardness (strength) so that they would not be likely to break (in normal usage) and injure the wearer. Until 1990, a special heat treatment (annealing) of the lenses was adequate to meet government specifications. In 1990 new specifications were promulgated and the old heat treatment techniques were no longer adequate.

Edward Bell invented a new process for chemically treating the lenses so they could meet the government specifications. Bell obtained a patent on his process, which was adopted immediately by the entire eyeglass lens industry.

This industry is composed of three large competitors and a large number of smaller companies. The market share of these companies is as follows:

| | |
|---|---|
| American Opticon (AO) | 30% |
| Bash and Lam Co. (B&L) | 25% |
| Universal Optical Corp. | 20% |
| All others (largest having 4% of market) | 25% |

Bell, through his licensing expert, Elias Colt, has succeeded in licensing his process to a number of small companies, totaling about 20% of the market, but has not succeeded in licensing the three major companies, partly because of some questions about the validity of Bell's patent.

Thomasina Edison, Universal Optical Corporation's director of licensing, has been approached by Colt to take a license. Edison has asked Universal's patent counsel, Perry Bailey, to check out the patent.

Bailey told Edison that it is clear that Universal, as well as the rest of the industry, got its technology from Bell's work and is infringing the patent. However, because of some prior publications and prior patents, Bell's patent may not be valid. When pressed, however, Bailey states that, all things considered, he thinks there is a 60% chance the patent would be held to be valid by a court.

Colt tells Edison that Bell is going to file a patent infringement suit against one of the big three companies, and Colt thinks Bell might decide to file suit against Universal, the smallest of the big three, because he might have a better chance of winning, or settling, a suit against the smaller company.

Edison has negotiated the royalty rate down about as far as she thinks she can and Universal does not object in principle to taking a license at these rates. However, Universal does not want to have to pay royalties to Bell unless its two bigger competitors are paying the same royalties.

Edison believes that Bell may sue Universal first. Edison also believes, from talking to AO's and B&L's patent and licensing people, that neither AO or B&L will take a license until Bell wins a patent infringement suit against either AO or B&L. Also, Edison is afraid that if Universal is sued, and loses, Bell could obtain an injunction which would, in effect, require Universal to pay much higher royalties to Bell (before Bell would have the injunction removed) than Edison has negotiated.

Edison's objectives, are, therefore:

1. Not get sued by Bell because of the years which would be spent in the litigation, the cost of the litigation, estimated as at least $1,000,000, and the disruption the litigation would cause to Universal's management, its lawyers and its technical and marketing employees.
2. Not pay any royalties until AO and B&L pay.
3. Not pay any royalties higher than AO and B&L will ultimately pay.

Bell's objectives are:

1. License all the eyeglass lens industry.
2. If the only way #1. Can be accomplished is by suing for patent infringement, then Bell will sue.

B. Question

What kind of business arrangement should be proposed that would meet the objectives of both Universal (Edison) and Bell? Please prepare an outline of the features of your proposed business arrangement — one what would be a win/win resolution. Do not draft an agreement or clauses for an agreement. **[20 points]**

**PROBLEM II**

What is the rationale behind the quality control requirement in trademark licensing and what are the requisite elements and steps in exercising legally adequate quality control? **[10 points]**

**PROBLEM III**

In a recent meeting of West Legalworks in New York City on "Advanced Strategies for Cultivating, Exploiting, Tracking and Protecting Your Intellectual Property," the moderator of a Roundtable Discussion on "Choosing the Optimal IP Strategy for your Company" stated that she thought of trade secrets as "baby patents."

Please write a brief essay on whether this is a correct or an incorrect characterization of trade secrets. **[10 points]**

**PROBLEM IV**

Miscellaneous Questions

1. If your client or company negotiates a license agreement in the United States with a value of over $51 million, what do you have to be concerned about and why? **[5 points]**
2. What are important exceptions to the confidentiality obligations to be stipulated in secrecy agreements or trade secret licenses? **[5 points]**
3. Can intellectual property misuse be "purged" or rectified? If so, how? What is the effect of any such purging and as of when is it effective? **[5 points]**
4. What is the relationship between minimum royalty and running royalty clauses in license agreements? **[5 points]**

KFJ/Ruh/12.6.07

**- END OF EXAMINATION -**