

Licensors Responses to the MedImmune Decision

- Assume can not prevent licensee challenges to licensed patents as violation of spirit of *Lear v Adkins*
- Assume *Lear v Adkins* does not prevent clauses reducing the incentive to challenge the licensed patents.

Five Approaches for the Licensor

- License with Consent Decree
- Paid Up license
- Termination on Challenge Clause
- Arbitration Clause
- Clause Adjusting Royalty for Challenge

License with Consent Decree

- Precede License with Patent Infringement Suit
 - Bring a Friendly Expected Suit
 - Settle Early into Litigation with Consent Decree
- Not Collusive-Giving Potential Licensee Tools to Investigate Validity
 - Full Access to Discovery
 - Forum to Explore Issues

Paid Up License

- Will Involve Discount from Running Royalty
 - Reflect Net Present Value
 - Reflect Shifting of Risk of Patent Invalidity to Licensee
- Could Involve Adjustment Clauses
 - Licensors Will Reimburse if Sales Less Than Projection
 - Licensee Will Pay if Sales More Than Projection
- Possibly Pay by Negotiable Instruments
 - Allow Less Affluent Licensee to Irrevocably Commit to Payment
 - Provide Maturity Dates Over the Life of the License

Termination on Challenge Clause

- Common in European Licensing

- European Licensing has Always had to Recognize License's Ability to Bring Nullity Suit in Various Countries
- Clause Approved By EU Competition Authority

- Unitary License Can Protect Multiple Patents

- All the Members of a Patent Family if Any One Challenged
- Unrelated Patents if All Included in One License

- Could be Viewed as Contractual Reversal of MedImmune

Arbitration Clause

- Require Validity and Infringement Disputes be Arbitrated
 - Authorized by 35 USC 294
 - Ameliorates Risk of Blonder Tongue Collateral Estoppel
- Limit Available Discovery
 - Reduce Cost of Proceeding
 - Effectively Eliminate Some Issues Such as On Sale Bar
- Link with Admission of Infringement for Already Identified Products-Particularly Effective for Long Lived Products with Fixed Identities Like Pharmaceuticals

Clause Adjusting Royalty for Challenge

- Provide for Lower Royalty if Licensee Agrees Not to Challenge
 - Make License Available without Restriction at Reasonable Royalty
 - Provides Incentive for Not Challenging But Not a Bar to Challenging
- Provide for Higher Royalty After Unsuccessful Challenge
 - Provide Initial Pre-Challenge Royalty Rate
 - Provide for Higher Rate After Unsuccessful Challenge
 - Basis That Tested Patent More Valuable
 - Not a Penalty for Challenge But Recognition of Economic Reality