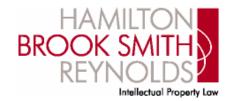
## AVOIDING LITIGATION IN LICENSING NEGOTIATONS

Presentation to the Boston Entrepreneurs' Network

> by Brian T. Moriarty December 4, 2007



## **Licensing Negotiations: Why?**

- Out-License: to earn money
- In-License: to gain access to product-critical technology
- Licensing a necessary part of business
  - Need to be aware of patent landscape for Freedom to Operate purposes



## Licensing Negotiations: Who?

- Established companies with products
  - Usually an out-license of your technology
- Other small companies with technology
  - Usually an in-license for Freedom to Operate
- Lawsuits can arise in either scenario



### **Licensing Negotiations: What?**

- Pure licensing deal
  - License to use patent
- Covenant to not sue or be sued
  - Peace treaty to avoid litigation
  - Both sides need "ammo" a patent or technology
- Business collaboration/asset purchases
  - Extensive business development deals
  - Usually have milestones
  - Usually have 'dispute resolution' and 'venue' provisions



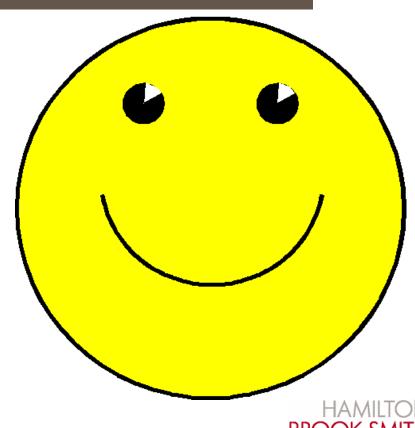
### **Licensing Negotiations: When?**

- Friendly negotiations with someone you know
- Requests to or from strangers
  - Including patent assertion companies
- Both situations require savvy approach to avoid litigation



### The Old School Way to Avoid Litigation

- Act respectable
- Do not threaten people
- No one gets sued



### The Old School anti-Litigation Dance

- A carefully orchestrated dance to avoid conveying any actual threats
- But worded in such a way to 'motivate' the target
- Bottom Line: if you made someone uncomfortable, they sued





## The Old School Way to Get Sued

- Threaten to sue unless the target takes a license
- If target has a "reasonable apprehension" of being sued, target could file a pre-emptive suit
- Called a Declaratory Judgment Action or a "DJ"



### **New School**

Supreme Court in <u>Medimmune</u> case in 2007 overruled "reasonable apprehension" of litigation test

Now much easier to bring DJ action to claim patent invalidity or non-infringement

Licensing negotiations can quickly turn into litigation





#### INTELLECTUAL PROPERTY LAW ALERT

March 29, 2007

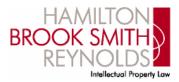
### New "Hair Trigger" Can Turn Licensing Negotiations into Litigation

By Brian T. Moriarty

The U.S. Supreme Court's January 2007 decision in *MedImmune* clarifying the power of federal courts to hear patent licensing disputes has already had an immediate and dramatic impact. This week, in *Sandisk v. ST Microelectronics*, the Federal Circuit reversed decades of precedent and has now made it substantially easier for a prospective licensee to gain a tactical advantage by filing a lawsuit rather than negotiating a license. Because of this fundamental change, the tactics used to make or respond to unsolicited licensing offers will now change.

#### THE NEW RULE

Under the new rule, a company that receives an unsolicited request to take a patent license can bring a lawsuit against the patentee where the company is left

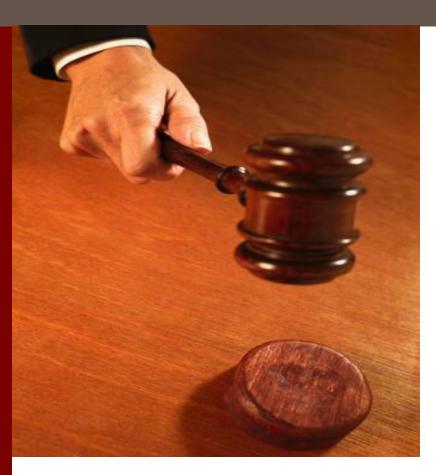


# Fed. Circuit Makes Patent DJ Suits Much Easier: Sandisk (2007)

- A company that receives an unsolicited request to take a patent license and pay a royalty by a patentee
- Can bring a lawsuit against the patentee where the patentee gives the target the option of either:
  - 1) potentially infringing the patent or
  - 2) abandoning its business plan in fear of the patent.
- This "sweeping change" in the law can turn any runof-the-mill licensing negotiation into a patent litigation.



### **Easier to Bring Suit for Solicited Offers**



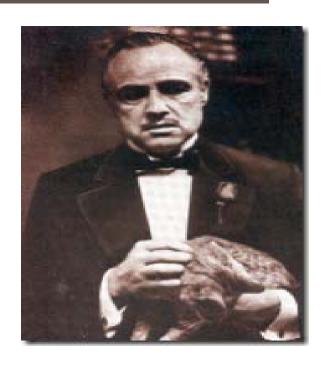
- Any aggressive salesmanship can result in litigation
- If you assert target infringes your patent ...
- ...and they disagree,
- a lawsuit can be brought



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### An Offer You Can't Refuse

- Refusal to take a license can lead to lawsuit
- If you affirmatively tell licensor you do not infringe or patent is invalid, may leave patentee with no choice but to sue
- Be careful in your response

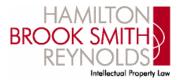




## **How To Avoid Litigation**

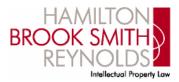
- Be Aware
- Know Your Target
- Do Not Threaten
- Enter into "No Suit" Agreement





### **Step 1: Be Aware**

- Be Aware
  - DJ lawsuits are easy to file and costly to defend
  - Companies use lawsuits as a negotiating tactic
  - Companies fear
    - Patent assertion companies
    - Texas and maybe Wisconsin



## **Step 2: Know Your Target**

- Know Who You Are Dealing With
  - Provide reassurance that you are a legitimate potential business partner
  - Provide assurance that you are not seeking to set up a lawsuit



\$1500 REWARD for Capture

### Less Said, the Better



- Do not "motivate" target to negotiate by suggesting it "might" infringe your patent
- Target is usually sophisticated and can "figure" it out themselves



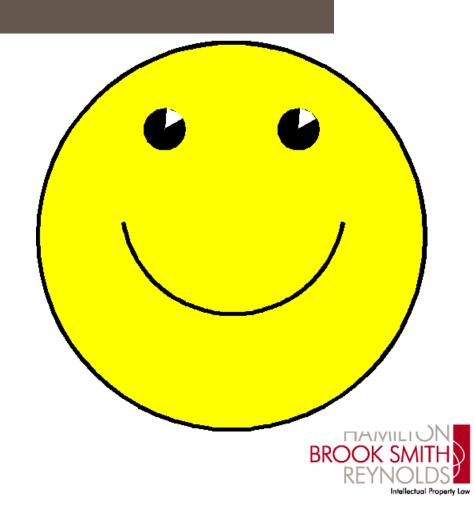
## Enter Into A "No Suit" Agreement

- Before any serious negotiations take place
  - Reach an agreement that neither party will sue based on what is said at the negotiations
  - Agree that no statements can be used as evidence against you or in court for any reason
  - Get agreement in writing
  - If in e-mail form, make sure there is clear stated agreement to terms



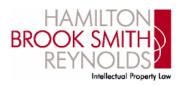
## The New Way to Avoid Litigation

- Act respectable and
- Do not threaten people
- Do not 'motivate' target by explaining why they 'might' infringe your patent
- Reach a "no suit" agreement before negotiating



### But, if You Want to Assert Patent ...

- If your business model is to develop revenue through patent licensing
- As a "patent assertion" company, then . . .
- Need to develop a litigation strategy





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