

Patent Licensing After *MedImmune*: New Rules for Licensors and Licensees

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MedImmune v. Genentech (1/9/07)

- Supreme Court ruled, 8-1, that a patent licensee is not required to terminate or breach its license agreement before seeking a declaratory judgment that the patent is invalid, unenforceable, or not infringed
 - Constitution requires a “case or controversy” to sue
 - Lower courts had held that the licensee needed a “reasonable apprehension of suit” before bringing a DJ action
 - No breach or termination, no apprehension

What Does This Mean?

- Licensee can seize the initiative with little downside risk
 - Breaching the agreement by stopping royalty payments puts the licensee at risk of being enjoined and paying treble damages for willful infringement, if unsuccessful
 - But now, the licensee can challenge the patent but use the license as a safety net
 - The licensor can't counter sue for infringement

Subsequent Federal Circuit Decision

- *SanDisk v. STMicroelectronics* (Fed. Cir.)
 - ST offered to license 14 patents to SanDisk. Provided detailed infringement analysis, but said no intention to sue. SanDisk filed a DJ action
 - Court held: assertion of patent infringement in context of licensing negotiations was enough of a “case or controversy” to support the DJ action
 - Look at totality of circumstances: is there a substantial and immediate controversy between parties with adverse legal interests?

Implications and Consequences

- Major shift in balance of power between licensors and licensees
- Significant uncertainties for licensors
 - Potential renegotiations and/or lawsuits
 - How to safely start negotiations?
- Licensors will develop new strategies
 - Will try to get more compensation up front
 - Will try various kinds of “no challenge” clauses
- More litigation
- Undercuts need for patent “reform” legislation