



IP LICENSING COMMITTEE, FORMS SUBCOMMITTEE

MODEL LICENSING CLAUSES BULLETIN

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TOPIC: Model Licensing Clauses on Licensee's Patent Validity Challenge After *MedImmune*

BULLETIN NO.: 001

DATE: April 16, 2012

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INITIATING LEGAL EVENT: *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 S.Ct. 764, 166 L. Ed. 2d 604 (2007)

KEYWORDS: Declaratory Judgment; Patent Validity; Patent Licensee; Patent Litigation

COMMENTS: The *MedImmune* decision finds a sufficient "case or controversy" to confer jurisdiction for declaratory relief where a patent licensee challenges the validity of the licensed patent even without the licensee ceasing royalty payment or otherwise terminating or breaching the license; this allows a licensee to bring a declaratory judgment action challenging the licensed patent without any prior notice to the licensor.

SCOPE: National

CAUTIONS: The *MedImmune* decision may have far reaching effects whose outer contours may not be currently ascertainable. The potentially wide-ranging effect of this decision likely requires a broad responsive strategy in which licensing clauses only play a part. The following clauses represent certain potential strategies which may or may not prove valid or effective before reviewing courts.

CLAUSE A

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Purpose: Avoid licensee's ability to recover fees already due or paid to licensor if license is successfully challenged.

Text:

Payments Are Final. Should the Subject Patents lapse or be declared invalid, unenforceable or not infringed by Licensee by a Final Judgment entered by a court of competent jurisdiction, Licensee shall not owe any additional payments after the date such judgment becomes final and not appealable. Notwithstanding anything herein to the contrary, however, the parties agree that all payments made pursuant to this Agreement shall be and are final and nonrefundable, regardless of whether any or all of the claims of the Subject Patents later lapse or are declared invalid, unenforceable or not infringed by the Licensee. Licensee waives any and all rights and defenses to challenge or defend against Licensor's right to receive any such final payments due and owing under Section ___ herein, for any reason, including without limitation any contention that the Subject Patents later lapsed, were later declared invalid or unenforceable, or declared to be not infringed by Licensee. In any successful proceeding brought by Licensor to collect the amounts due and owing in accordance with this Agreement, Licensee agrees to pay Licensor's actual costs of collecting the same, including attorneys' fees. The termination or expiration of this Agreement shall not relieve either party of any obligation (financial or otherwise) then owing by it to the other.

CLAUSE B

Purpose: Avoid licensee's ability to challenge licensed patent while remaining licensed, by declaring any challenge a material breach, thus permitting termination.

Text:

Challenge of Patents: The parties acknowledge and agree that this License Agreement is entered into in good faith to avoid litigation under the Subject Patent Rights and to resolve any differences that the parties may have with respect to the same. The parties further acknowledge and agree that the amount of consideration paid hereunder reflects this compromise. Accordingly, the parties agree that it shall be a material breach for the Licensee to challenge, or assist others in challenging, the infringement, validity or enforceability of the Subject Patents, in a court of law, before the U.S. Patent and Trademark office, or in any other forum or proceeding (including without limitation litigation, arbitration or mediation). Upon the occurrence of any such challenge or assistance by Licensee, the Licensor may, at its sole option and discretion, terminate this Agreement and bring an action to seek past infringement damages, including without limitation damages for willful infringement and attorneys fees, as well as injunctive relief. In any such action, Licensee shall not contest Licensor's right to seek and obtain such injunctive relief.

CLAUSE C

Purpose: Obtain damages greater than current royalties in case the licensee cannot be prevented from challenging the patent while remaining licensed.

Text:

Action Permitted upon Patent Challenge or Clause Invalidation: The parties agree that, should a court of competent jurisdiction enter a final judgment declaring the foregoing Section __ (Challenge of Patents) void, [-or- should the licensee challenge the patents while maintaining the payments under this Agreement,] the Licensor shall have the right to seek damages in an amount greater than the Royalties obtained pursuant to this Agreement, and shall further be permitted to seek injunctive relief against Licensee. Licensee agrees not to challenge the ability of the Licensor to seek damages in such greater amount or to seek such injunctive relief.

CLAUSE D

Purpose: Discourage declaratory relief actions or patent challenge actions by restricting forum selection for such actions.

Text:

Jurisdiction: The state and federal courts located in [Licensor's home territory] shall have exclusive jurisdiction over all actions or proceedings that include or come to include any claim for declaratory relief arising under or related to this Agreement or any claim challenging the validity of the Licensed Patents. The state and federal courts located in [Licensor's home territory] or in [Licensee's home territory] shall have exclusive jurisdiction over all other actions or proceedings arising under or related to this Agreement. Licensee shall not attempt to add or include any claim challenging the validity of the Licensed Patents to any action pending in any court other than the state or federal courts located in [Licensor's home territory], and any such addition or inclusion shall operate to divest such court of jurisdiction over that claim. All parties hereby irrevocably consent and submit to the jurisdiction of the foregoing courts as specified, for all such purposes.

CLAUSE E

Purpose: Discourage declaratory relief actions or patent challenge actions by requiring advance notice of such actions.

Text:

Advance Notice of Licensee's Action: Licensee shall not bring or maintain any action or proceeding that includes a claim for declaratory relief arising under or related to this

Agreement or a claim challenging the validity of the Licensed Patents, until the expiration of thirty (30) days after Licensee serves on Licensor written notice of Licensee's intention to bring or maintain such action or proceeding. Licensee shall not amend or expand any then-existing action brought by Licensee against Licensor so as to include in such action a claim challenging the validity of the Licensed Patents.

DISCLAIMER: These model clauses are not legal advice. IPO does not endorse or recommend these or any other particular clauses for use in any particular situation. These clauses are provided as one possibility only, and do not replace the need for a qualified attorney to thoroughly review the situation and to draft provisions tailored to the client's specific situation.

FEEDBACK: Please send any comments, corrections, or suggested topics to:
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