Patent Licensing and Selling
Strategy, Negotiation, Forms
Second Edition

Mark S. Holmes
(CEO, PatentBridge, LLC, Menlo Park, California)

For this release, author Mark Holmes has revised and expanded the text and added useful new commentary on the following topics:

**Improvements to the invention:** What might the drafter achieve by qualifying the definition of “improvements” in various ways? See § 1:3.7.

**Royalties:** Sometimes upfront or signing royalties are offset against future running royalties. If so, the licensor may want to consider a time limit during which the signing royalty can offset running royalties. For instance, if the licensor wants to motivate the licensee to act diligently in manufacturing, marketing, and selling licensed products, it can allow the offset for only the first six months of the license term. See § 4:2.

**Who should sign the certification of royalties on behalf of the licensee?** The question of who should sign should not be taken lightly. Licensors should consider insisting that an upper-level executive of the licensee sign the certification. For instance, providing in the license that, at a minimum, a vice president execute the certification lends a degree of seriousness and prestige that would not be accorded to the signature of a lower-level or merely administrative employee. The author suggests how the scene in court might play out when a high-level signer is questioned about an inaccurate document that underreports royalties due. See new § 5:3.1.

**Assignments:** In the Federal Circuit’s *Board of Trustees of Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, the words “I agree to assign” were deemed a mere promise and not effective to convey a present interest in a patent. Accordingly, drafters should be
Disclaimers of implied licenses: The author suggests that, despite the Quanta Computer case, patent owners should consider continuing the practice of disclaiming implied licenses in their patent license agreements. The term of patent licenses can extend over decades. During such lengthy time periods, Congress or the courts may alter legal doctrines such as patent exhaustion. If those doctrines change, licensors may want to be able to avail themselves of having disclaimed implied licenses. See new § 17:4.9[P].

Failure to pay royalties does not make sales unauthorized: The Federal Circuit notes that the sale of a licensed product by a licensee did not become unauthorized merely because the licensee failed to pay royalties to the licensor (Tessera, Inc. v. International Trade Commission). See new § 17:5.4.

Patent exhaustion: The doctrine of patent exhaustion does not apply to multiple related and separately patentable inventions, according to the Federal Circuit (Helferich Patent Licensing, LLC v. New York Times Co.). The court rejected defendants’ core position that “exhaustion bars patent enforcement based on a practical inquiry into whether enforcement would constrain authorized acquirers’ use of the articles they acquired,” which the court believed would unduly extend the doctrine of patent exhaustion. In broad terms, the court’s discussion affirmed the need to maintain stability in existing licensing practices. See new §§ 17:5.5[A]–[D].

New contract provisions: This release includes these new definitions: Example 1:15A (Affiliate); Example 1:110A (Field of use); Example 1:152A (Improvements); Example 1:177A (Intellectual property rights); Example 1:211A (Licensed product). Also included is a sample patent assignment (Example 19:11).

The Table of Authorities and the Index have also been updated.
# FILING INSTRUCTIONS

## Patent Licensing and Selling

**Release #2**

(October 2015)

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Practising Law Institute
1177 Avenue of the Americas
New York, NY 10036

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