



The legal problems arising from auctioning of IPRs

SIEMENS

Brennan – CT IP L&T
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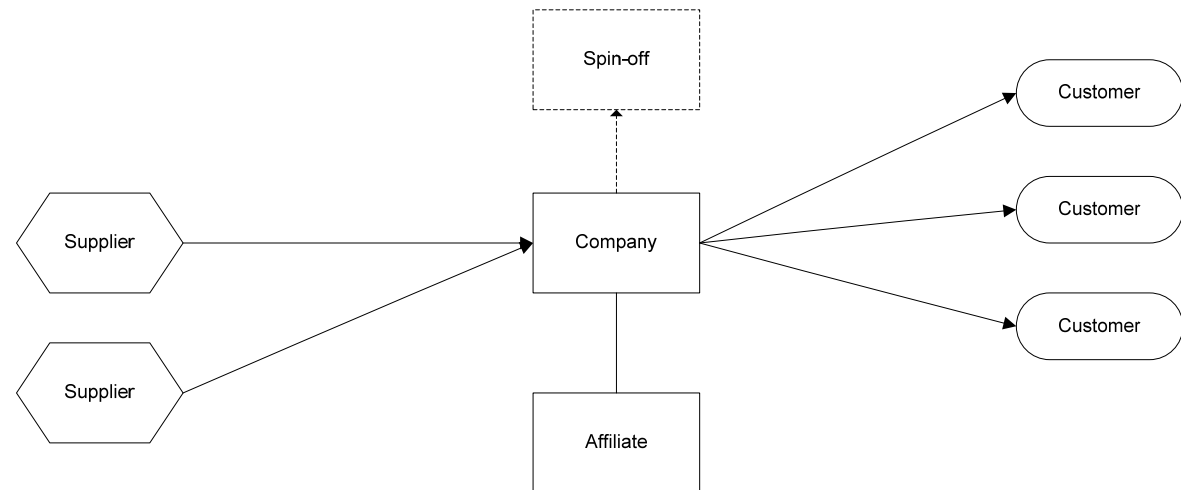
Some common legal issues that arise when auctioning patents

1. Ensuring freedom to operate
2. Addressing prior licenses
3. Identifying the assets to be transferred
4. Preserving the attorney-client privilege
5. Facilitating recordation of the assignment
6. Addressing rights to pre-existing claims

1. Ensuring freedom to operate

Various parties may need rights to the transferred technology as some point in the future.

- Affiliates
- Spin-offs
- Customers and suppliers



1. Ensuring freedom to operate

- Affiliates and subsidiaries may need continuing rights to the transferred technology.
- “Affiliate” and “subsidiary” have the following dictionary definitions; they may need to be defined in the agreement in order to cover the entities of concern.

Affiliate company. Company effectively controlled by another company. A branch, division, or subsidiary. Under Investment Company Act (15 U.S.C.A. § 80a-1), company in which there is ownership (direct or indirect) of 5 percent or more of the voting stock. *Black’s Law Dictionary* 6th Ed.

Subsidiary corporation. One in which another corporation (i.e. parent corporation) owns at least a majority of the shares, and thus has control. Said of a company more than 50 percent of whose voting stock is owned by another. *Id.*

1. Ensuring freedom to operate

- Spun off business units may need continuing rights to the transferred technology.
- Customers may need more protection than is provided by an implied license through exhaustion.
- Retaining a limited right to grant sublicenses may be desirable.

1. Ensuring freedom to operate



- Suppliers may be covered to some extent by the “have made” rights associated with the statutory language “to make, use, offer to sell, sell, and import”.
- Adding the words “have made” is more explicit but may suggest an intent to depart from the statutory bundle of rights.

2. Addressing prior licenses



- Sharing prior license information can be challenging.
- Buyers generally want as much information as possible.
- When a company's licensing history is complex, license coverage may be difficult to analyze.
- Possible approaches include:
 - a “white list” approach
 - a “grey list” approach

2. Addressing prior licenses

- An NDA can help protect the confidentiality of shared information.
- Existing revenue streams from prior licenses should be addressed in the final agreement to avoid confusion.

3. Identifying the assets to be transferred

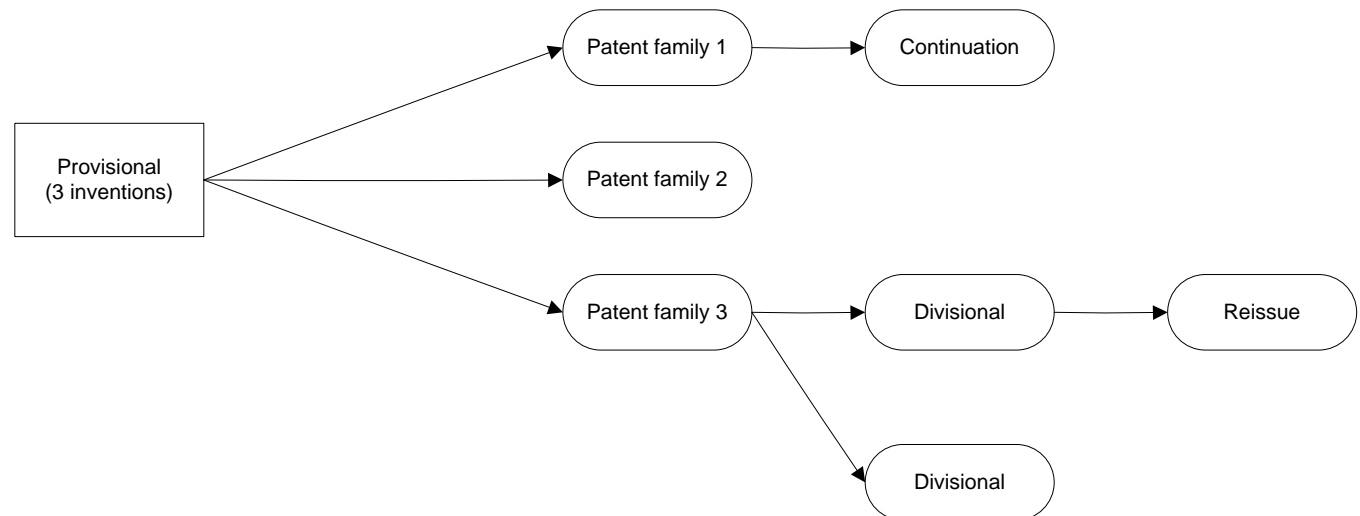
- A list of specific patents and applications is often used to identify the assets to be transferred.
- Some deals involve definitions for the assets to be transferred.

3. Identifying the assets to be transferred

An overly broad asset definition may encompass unintended assets:

“Patents” means

- (i) each of the provisional patent applications, patent applications and patents listed in Exhibit A;
- (ii) all patents or patent applications *which form a basis of priority for the foregoing or which claim priority to the foregoing ...*



4. Preserving the attorney-client privilege

- Sharing privilege documents with a potential buyer may waive the attorney-client privilege.
 - Invention disclosures
 - Correspondence with attorneys and agents
- The “common interest” doctrine may or may not help.

5. Facilitating recordation of the assignment

Recordation is not required for an assignment to be valid under US law, but recordation may preserve rights against a subsequent *bona fide* purchaser.

35 U.S.C. 261 Ownership; assignment.

...

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing.

...

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths ...

An assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

5. Facilitating recordation of the assignment

Facilitating a buyer's recordation may involve:

1. A simplified assignment document
 - “for good and valuable consideration”
 - grant clause
 - identity of the assets
2. A certificate of acknowledgement
 - common law notary
 - civil law Notar

6. Addressing rights to pre-existing claims

- Assigning all right, title and interest to a patent does not generally transfer the right to sue for past infringement.
- The right to sue for past infringement may be assigned, but it must be explicitly transferred.

See Brunsvold & O'Reilley, Drafting Patent License Agreements (5th Ed.) (citing *Moor v. Marsh*, 74 U.S. 515 (1868)).



Thank you