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PATENT LICENSING UPDATE

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TOPICS & CASES

Licensing Obligations & General Releases from
Settlement Agreements

Acquisition of Licenses Through M&A Activity

Portfolio Licensing-Created Shielding from
Establishing Article III Standing

Automatic Title Assignment Issues

LICENSING OBLIGATIONS & GENERAL RELEASES FROM SETTLEMENT AGREEMENTS

[Gen. Hosp. Corp. v. Esoterix Genetic Lab'ys, LLC, 16 F.4th 304 \(1st Cir. 2021\)](#)

- General Hospital Corporation and Dana-Farber Cancer Institute, Inc. (the Hospitals) licensed patents related to the detection of the epidermal growth factor receptor (EGFR) mutation with a right sublicense to third parties in exchange for a sublicensing fee.
- The rights were sublicensed to Esoterix.
- Esoterix sued QIAGEN Manchester, Ltd. for infringement, settled, and promised a portion of the settlement to the Hospitals.
- The settlement agreement made by the Hospitals included two releases.
 - One directed towards liabilities from litigation
 - Another more general release



GEN. HOSP'S. GENERAL RELEASE

The Hospitals released Esoterix:

*“of, from, and with respect to, any and all liabilities, losses, damages, charges, complaints, claims, counterclaims, obligations, promises, agreements, controversies, actions, causes of action, suits, rights, demands, costs, debts and expenses... **arisen before the Effective Date**... which may have **arisen out** of, the [prior litigation], (ii) the Patent Rights; (iii) the [License], including but not limited to the provision of any notice(s) required under the [License] or the payment of any past royalties or other fees pursuant to the [License]”*

Esoterix argued that the release operated to discharge the payment obligations for all uses and sales that occurred before June 27th.

FINDINGS REGARDING THE GENERAL RELEASE

The court found that the release was limited in two functions:

- Temporally Limited – any matter that “may have arisen before the Effective Date”
 - The fees and royalties owed to the Hospitals arose upon the receipt of its sublicensing income received from the sublicenses.
- Limited by Subject – the matter must “relat[e] or aris[e] from” one of the release’s enumerated topics
 - While the litigation was obviously enumerated, but a general release can operate to settle all other, unrelated matters. Eck v. Godbout, 831 N.E.2d 296, 300-01 (Mass. 2005).
 - This language led the 1st Cir. to conclude that the release “plainly applies to any and all of Esoterix’s royalty obligations under the license.”

"A searching examination of the License leaves no doubt but that it is devoid of any terms that suggest that the obligations must be due or payable before they are deemed to originate."

ACQUISITION OF LICENSES THROUGH M&A ACTIVITY

Oyster Optics v. Infinera Corp., 843 Fed.Appx. 298 (Fed. Cir. 2021)

- In 2016, Oyster Optics filed lawsuits against several entities, including Coriant Corporation and Infinera Corporation, alleging infringement of telecommunications-related patents.
- Oyster filed an additional suit against Infinera separately in 2018, asserting infringement of an additional patent.
- A few months after Oyster and Coriant settled, Infinera acquired Coriant.
 - The settlement agreement between Oyster Optics included the following clause:

*Subject to the terms and conditions of this Agreement, Oyster hereby grants to each of the Coriant Defendants, their **Affiliates**, a non-exclusive, nontransferable, non-assignable (except as provided herein), royalty-free, irrevocable, perpetual, and fully paid-up license, without the right to sublicense, in the Territory under the Licensed Patents, to make, have made, use, offer for sale, sell, import, export, distribute, or otherwise supply, provide or dispose of, the Licensed Product.*
(emphasis added)



ADDITIONAL DEFINITIONS FROM THE AGREEMENT

Affiliates

- “**any person now or in the future**” who owns a majority decisional ownership in Coriant

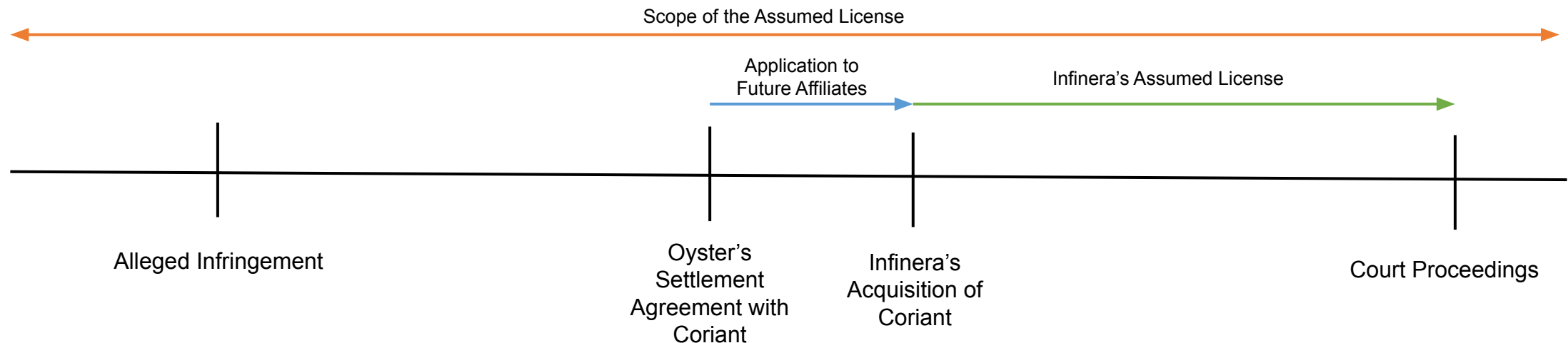
Licensed Products

- “**any** Subject Matter made, have made, used, offered for sale, sold, imported, exported, distributed, or otherwise supplied, provided or disposed of, in the U.S. **at any time**, directly or indirectly by or for or on behalf of any of the Coriant Defendants, their **Affiliates**, or respective predecessors.”
- The agreement also included a list of “Licensed Patents” which included the allegedly infringed patents

Infinera filed a motion of summary judgment in the patent litigation arguing that it was a beneficiary to the licenses after acquiring Coriant.

HOLDINGS FROM OYSTER OPTICS V. INFINERA CORP.

- By defining an “Affiliate” as “**any person nor or in the future**” who owned more than half of Coriant, future owners could benefit from the settlement agreement.
- Additionally, defining “Licensed Products” to apply to any products made, sold, or supplied “**at any time**” allowed for retroactive application of the license.
- The Federal Circuit affirmed the district court’s decision to grant summary judgment for Infinera.



PORTFOLIO LICENSING-CREATED SHIELDING FROM ESTABLISHING ARTICLE III STANDING

[Apple Inc. v. Qualcomm Inc., 992 F.3d 1378 \(Fed. Cir. 2021\)](#)

- After Qualcomm filed suit against Apple for infringement on claims from two patents, Apple sought *inter partes* review by the Patent Trial and Appeal Board (PTAB IPR) of claims from both patents.
 - PTAB IPR: Trial proceeding to review the patentability of one or more claims in a patent only on a ground that could only be raised under §§ 102 or 103, and only based on prior art consisting of patents or printed publications.
- The Board held that Apple did not prove the challenged claims in either patent invalidated the patent.
- Apple and Qualcomm settled in the infringement dispute, but Apple appealed the Board's decision.

Regarding Standing:

- Title 35 allows anyone “who is not the owner of the patent” to file an IPR before the USPTO.
- But Article III standing is still a necessity to appear before the Federal Court.



PRECEDENT IN *MEDIMMUNE*

- Apple relied on the precedent established by *MedImmune v. Genentech, Inc.*
 - In *MedImmune*, the court held that a licensee was not required to break or terminate the license agreement before seeking a declaratory judgment of noninfringement and invalidity.
 - "Ongoing payment obligations as a condition for certain rights provides standing, irrespective of other patents in the license agreement." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 120, 127 S.Ct. 764, 166 L.Ed.2d 604 (2007)
 - In contrast with the current case, in *MedImmune*, the patent license involved a single patent. The validity of that single patent was central to whether Genentech had to continue paying royalties.
- The license agreement between Apple and Qualcomm included tens of thousands of patents and the validity of the two patents in question was minor in the scope of the entire agreement.
 - The court refused to apply *MedImmune*, stating that Apple's obligations to Qualcomm would not be altered by finding the two patents invalid through the IPR proceeding.
- The court held that Apple lacked Article III standing to appeal from the IPR due to a lack of case or controversy.

AUTOMATIC TITLE ASSIGNMENT ISSUES



[Omni MedSci, Inc. v. Apple Inc., 7 F.4th 1148 \(Fed. Cir. 2021\)](#)

- Dr. Islam (member of University of Michigan faculty) took an unpaid leave-of-absence to start a new Biomedical Laser Company and filed multiple provisional patent applications during that leave.
- He filed non-provisional applications after returning to UM, then assigned the patent rights to Omni on Dec 17, 2013.
- UM considered themselves to be owners of the patents because of the assistance UM provided to Dr. Islam, noting expenditure of medical school funds and assistance from medical school faculty partners.
- In 2018, Omni sued Apple asserting infringement of the patents. Apple filed a motion to dismiss, alleging that UM, not Omni, owned the asserted patents.
- The district court concluded dismissal was improper, stating that UM's bylaws did not present automatic assignment of title, but, at most, a statement of a future intention to assign.

UM'S BYLAW 3.10

1) Patents and copyrights issued or acquired as a result of or in connection with administration, research, or other educational activities conducted by members of the University staff and supported directly or indirectly (e.g., through the use of University resources or facilities) by funds administered by the University regardless of the source of such funds, and all royalties or other revenues derived therefrom shall be the property of the University.

4) Patents, copyrights, and property rights in computer software resulting from activities which have received no support, direct or indirect, from the University shall be the property of the inventor, author, or creator thereof, free of any limitation which might otherwise arise by virtue of University employment.

5) In cases which involve both University-supported activity and independent activity by a University staff member, patents, copyrights, or other property right in resulting work products shall be owned as agreed upon in writing and in advance of an exploitation thereof by the affected staff member and the Vice-Provost for Research in consultation with the Committee on Patents and Copyrights and with the approval of the University's Office of the General Counsel. It is understood that such agreements shall continue to recognize the traditional faculty and staff prerogatives and property rights concerning intellectual work products.

“SHALL BE”

- The court found held that the bylaw 3.10:
 - Merely stipulated the conditions governing the assignment of property rights
 - Paragraph 4 could not be read logically as a present automatic assignment
 - Lacked present tense words of execution
 - Better version: “I/we hereby assign ...”
 - Contrasted with the language used by UM's Office of Technology Transfer in the Invention Report
 - “As required, I/we hereby assign our rights in this invention and all resulting patents ... to the Regents of the University of Michigan.”
 - Notably, this form notes that the assignment is “required” rather than previously executed under bylaw 3.10 and uses unambiguous language.
- Apple relied on multiple cases (*Bd. Of Trustees of Leland Stanford Jr. Univ. v. Roche Mol. Sys., Inc.*; *FilmTec Corp. v. Hydronautics*; *Heinemann v. United States*) to show that the “shall be” language in the bylaw is similar to language that has been categorized as “unambiguously” automatically vesting title by the Supreme Court.
 - The court held that the cases presented automatically vested title because they were federal contracts. See 42 U.S.C. §§ 2182 and 509, and 51 U.S.C. § 20135(b).
 - The cases presented could not be applied to the current case, as no federal contracts were present.



THANK YOU

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