Finnegan's monthly update on developments affecting licensing and other IP transactions

September 2016

"Most-Favored" Licensee Clause Entitles Paid-Up Licensee to Refund of $69M Amount Exceeding Lump-Sum Payment of Subsequent Licensee

by John C. Paul, D. Brian Kacedon, and Hala S. Mourad

A licensee successfully invoked the "most-favored" licensee clause in its paid-up lump-sum license agreement to retroactively apply the more favorable price terms of a later paid-up lump-sum license agreement of a subsequent licensee. This resulted in a refund of $69 million, the difference between the amount it paid under its original license agreement ($70 million) and the amount required to be paid under the later license agreement with more favorable terms ($1 million).

A Prior Agreement to Outsource Manufacturing Does Not Invalidate a Patent

by John C. Paul, D. Brian Kacedon, and Andrew E. Renison

A patent is invalid if a product embodying the claimed invention was "on sale" more than one year before the filing of an application for the patent. In a recent en banc decision, the Court of Appeals for the Federal Circuit held that, for an invention to be "on sale," a product must be the subject of a commercial sale or offer for sale, and that a commercial sale is one that bears the general hallmarks of a sale pursuant to Section 2-106 of the Uniform Commercial Code, specifically, the passing of title from the seller to the buyer for a price, evidencing relinquishment of interest and control over the product.

Alleged Omitted Inventor with No Patent Ownership Fails to Adequately Allege Reputational Harm to Sue for Inventorship Correction

by John C. Paul; D. Brian Kacedon; and Robert C. MacKichan, III

The Federal Circuit affirmed a district court's dismissal of a former PepsiCo scientist's case against PepsiCo alleging that he had been erroneously omitted as a named inventor on a series of patent applications and an issued patent. Since the

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alleged omitted inventor had effectively assigned all of his patent rights to PepsiCo, he was required to adequately allege facts demonstrating actual harm to his reputation and an economic impact, such as loss of employment. His allegation that he "sustains and/or might sustain damages" was inadequate as merely "conjectural or hypothetical."

Purchaser of Patents Barred from Asserting Patents Against Practicing Entity Led to Believe It Would Not Be Sued by Prior Owner

by John C. Paul, D. Brian Kacedon, and Hala S. Mourad

Within a few days of purchasing several patents for $2 million, a patentee began sending demand letters to potential infringers and filed a patent infringement suit within the year. The U.S. Court of Appeals for the Federal Circuit, however, affirmed the decision of a Kansas district court that the prior owner of the patents, by working with the defendants for years through unlicensed activity, led the defendants into inferring that the patents would not be asserted against them. Based on this conduct, the Court held that the new patent owner was equitably estopped from asserting the patents.

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