

The logo for K&L GATES, featuring the text "K&L GATES" in white, uppercase letters on an orange rectangular background.

K&L GATES

Intellectual Property Licensing

George D. Dickos, Esq.

What is a license?

- Agreement to allow someone to do something they otherwise couldn't
 - Why couldn't they do it?

- Most important aspects of any contract:
 - Clear and Complete

What's an Intellectual Property License?

- License to do something relating to intellectual property that one otherwise couldn't do
- That leads to . . . What is Intellectual Property and what can one “do” under it?
- There are 4 main types of intellectual property, and what one can “do” under them differs based on the differences between the respective types of intellectual property.

They are:

➤ Patents

➤ Trademarks

➤ Copyrights

➤ Trade Secrets

Patents

- Patents protect underlying ideas of inventions
 - Processes, machines, articles of manufacture, compositions of matter
 - Patents grant the inventor(s) the right to exclude others from claimed invention for twenty (20) years from effective filing date
 - Constitutional basis

Patents (continued)

➤ Patent requirements include:

- Invention must be new
- Invention must be non-obvious
- Invention must contain statutory subject matter

➤ Examples

- Machines, computers, software, processes for making things

Other Types of Patents

➤ Design Patents

- Protect new, original and ornamental designs for articles of manufacture
- Right of priority only six (6) months
- Term is fourteen (14) years from issuance

➤ Plant Patents

- Protect asexually reproduced varieties of plants

Infringement

- Infringement is the unauthorized making, use, offer for sale or sale within the United States, or the importation into the United States of the patented invention
 - Inducement is also infringement
 - Contributory Infringement – offer for sale, sale or importation of a component that is:
 - A material part of the invention
 - Knowing it to be especially made or adapted for use in infringement
 - And not a staple article of commerce suitable for substantial non-infringing use

Remedies for Infringement

➤ Remedies

- Injunctive relief
- Damages
 - Adequate to compensate for infringement, but not less than reasonable royalty, plus interest and costs
 - Court may increase damages three times
 - In exceptional cases, court may award attorneys' fees

Trademark/Service Mark Registrations

- Marks protect words, names, symbols, and designs used to identify the source of goods or services
 - Marks can include colors, sounds, shapes
 - Strength of marks – fanciful, arbitrary, suggestive, descriptive, generic
- Federal registration - Use or intent-to-use in interstate commerce – National effect and notice
 - Unregisterable
 - Generic
 - Merely descriptive
 - Likely to cause confusion with previously registered mark or previously used mark or trade name
- Analysis looks at similarity of marks, goods or services, channels of trade, purchasing environment, purchaser sophistication, actual confusion

Remedies

- Infringement
 - Any use in commerce of any reproduction, counterfeit, copy or colorable imitation of a requested mark in connection with goods or services where such use is likely to cause confusion or to cause mistake or to deceive
- 43(a) – false designation of origin, misleading description of fact
 - Federal unfair competition law

Remedies (continued)

➤ Relief

- Injunctions to prevent infringement
- Seize and destroy infringing articles
- Recover (1) defendant's profits, (2) damages sustained by plaintiff, (3) costs of action
- Court can multiply damages 3x
- Court may award attorneys' fees in exceptional cases

Copyright

- Protects the expression of ideas, not ideas themselves
- Must be:
 - Original work of authorship
 - Fixed in a tangible medium of expression
- Examples:
 - Pictorial, graphic and sculptural works
 - Literary works, e.g., books, web pages, software
 - Musical works
 - Dramatic works
 - Motion pictures and audiovisual works
 - Sound recordings

Copyrights

- Pursue copyright protection for:
 - Artistic designs--including for or on products
 - Code
 - Manuals and publications
- Copyright registration is relatively inexpensive

Copyright – Exclusive Rights

- Reproduce copyrighted work
- Prepare derivative works
- Distribute copies of copyrighted work
- In the case of literary, musical, dramatic works, to perform the work publicly and to display it publicly
- In the case of pictorial, graphic or sculptural works, to display it publicly

Copyright – Notice and Registration

- Copyright notice may be given: ©, year, owner
 - If notice is used, no weight will be given to a defense based on innocent infringement in mitigation of actual or statutory damages
- Registration is permissive, but no infringement action may be commenced until copyright is registered
 - Also, no statutory damages or attorneys' fees are available for infringement commenced after first publication of the work, unless registration is made within three months of first publication.

Copyright – Infringement

- Infringement is the violation of any of the exclusive rights
- Remedies
 - Injunctive relief
 - Impounding and disposition of infringing works and means for reproducing them
 - Actual damages and additional profits of the infringer, or
 - Statutory damages
 - \$750 - \$30,000 per work
 - Court can increase to \$150,000 or reduce to \$200
 - Costs and attorneys' fees
 - Criminal penalties - fine, forfeiture and destruction, imprisonment

Trade Secrets

- Definition: Any confidential information which gives a business a competitive advantage
- Examples:
 - Machinery drawings, manufacturing processes, product design details
 - Economic terms of arrangements
 - Configurations of systems and underlying software
 - Methods of doing business
 - Supplier data
 - Customer data
 - User data

Trade Secrets (continued)

- Protect trade secrets by:
 - Contracts with third parties, e.g., nondisclosure agreement and/or license
 - Contracts with employees
 - Limiting access

Summary

- A variety of intellectual property protections may be used, alone or in combination, to protect creative developments:
 - Patents
 - Trademarks/Service Marks
 - Trade Secrets
 - Copyrights
- The optimal selection of the form of intellectual property to be licensed is case-specific

Types of Intellectual Property Licenses:

- Exclusive
- Nonexclusive
- Sole

Key Definitions

- Licensed Rights
 - Licensed Patents
 - Licensed Copyrights
 - Technical Information
 - Licensed Trademarks
- Licensed Product
- Licensed Process
- Improvement
- Affiliates

Rights Granted:

- Make
- Have Made
- Use
- Sell
- Have Sold
- Import

- Right to Sublicense?

Limitations on Rights Granted:

➤ Territory

➤ Fields of Use

Common Provisions:

➤ Royalties

- Up front – common with exclusive licenses

- Running

 - Per Unit

 - Percentage – of what?

 - Gross Sales

 - Net Sales

 - Common Deductions

- ***Common Provisions (continued):***
 - Accounting and Record-Keeping; Audit
 - Confidentiality (to protect trade secrets)
 - Technical Assistance

Warranties and Disclaimers

➤ Title

➤ Operability

➤ Noninfringement

Best Efforts

Improvements

- Key issue is who owns improvements
- Significant problems arise with joint ownership
 - Crossing licenses
 - Accounting
 - Enforcement of intellectual property rights
 - Security interests

General

- Enforcement Against Infringers
- Choice of Law
- Venue
- Arbitration/Mediation
- Assignment

Summary

- Intellectual property licensing centers on clarity of intellectual property being licensed, rights granted and obligations imposed