



## Breaking News

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### **Survey Shows Supreme Court Ruling May Hinder IP Licensing**

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SAN FRANCISCO, Feb. 22 /PRNewswire-USNewswire/ -- Future technology innovation may be hindered as a result of a recent Supreme Court decision regarding intellectual property (IP) licensing, according to members of the Licensing Executives Society (LES).

Results of a survey of 186 corporate executives, patent attorneys, and licensing consultants across the United States and Canada were released today at the LES Winter Meeting in San Francisco, California.

Eighty percent of LES members who participated in the survey said the recent high court ruling that MedImmune can sue Genentech to challenge the validity of its patent for a certain drug "will hold large implications for the (IP) licensing profession."

The case is a landmark decision because it allows MedImmune to file a lawsuit challenging the validity of the licensed patent even while it continues to pay royalties to Genentech under a patent licensing agreement. Before this ruling, licensees were not permitted to sue licensors while an agreement between the two parties was in effect.

"Essentially this ruling allows licensees to either win or break even if they decide to challenge the licensed patent," said LES President Allen Baum, a partner with the law firm Hutchison Law Group, PLLC, based in Raleigh, North Carolina.

Patent licensing agreements are critical in nearly every industry and are the foundation of many products that consumers use every day. Licensing deals are often based on the underlying trust between the two parties, and some LES members fear this decision could undermine that trust.

"It makes the two parties potential adversaries rather than partners following any licensing of intellectual property," one member said.

Academia, which has increasingly been a source of new technology as the research budgets of many corporations have declined, could also suffer.

"This case will particularly hurt academic institutions which cannot afford litigation costs and have relied on licensing fees to pay for their technology transfer efforts," a member said.

Survey respondents predicted that the Supreme Court ruling will cause licensors to begin demanding higher upfront fees in licensing deals, insert "no challenge" clauses into contracts, and stipulate that any challenge to a patent by a licensee is grounds to terminate a licensing agreement.

Seventy-nine percent of LES members surveyed said licensees will be "somewhat more likely" or "much more likely" to challenge patents after consummating a license agreement.

Fifty-seven percent of LES members surveyed said licensors will be "somewhat more likely" or "much more likely" to seek higher upfront payments to offset the downside risk of not being able to collect future royalties.

"Once a licensing deal is done, most everyone stops thinking about the validity of the underlying patents," Baum said. "But now licensors will constantly be looking over their shoulder even after an agreement is signed to see if their licensees will sue for patent invalidity. It strips away the permanence of a done deal."

SOURCE Licensing Executives Society

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