

Recent Legal Issues
or
Things to Consider When
Creating a License

Andrew Watkins

Eliot Abolafia

Tim Wittig (SAIC)

Your Distinguished Panel

- **Andrew Watkins** Director, Technology Transfer Office
Centers for Disease Control and Prevention
- **Eliot Abolatia** Patent Counsel for NAWC
CTSD
- **Tim Wittig** Principal
SAIC Technology Management Advisors

Things to Consider When Licensing

- License is not a FAR Contract
- But it is a Contract with Requirements
 - A Bargain with Consideration is Required
 - Consideration = Value?
 - Rights in Inventions Required?
 - Patentable Subject Matter vs. Patentable
 - Mixing Patentable and Non-Patent Subject Matter
 - Joint Ownership a Problem?
 - Signed by the Parties
- Some Problems with a Test!

Patent License as a Contract

- The Authority to License Federal Patents is Found in Title 35 and 15 of the US Code, not in Title 49.
 - The FAR does not apply
 - License signed by Lab Director not a contracts officer with a warrant
 - FAR competition, set-aside, and other provisions also do not apply
- BUT, there are significant requirements.

Minimum Requirements

An Agreement

Consideration

Signed by the Parties

This took a whole year in law school

A Bargain

- There must be something of value provided by both sides to the contract
 - Both parties must provide something
 - Can't be one sided
 - But can have Performance by One before Exchange by the Other
 - Can have mutual promises to act

Something of Value?

- As long as the things exchanged have some value, the consideration requirement has been satisfied – But
- We are exchanging technology.
- What are the issues?
 - Does the US have rights in the technology
 - Is there an executed assignment?
 - What if the US does not have all the rights?

What is the nature of the Technology?

Two Tests

Is or May be Patentable

Patentable Subject Matter

- In both instances, the Patentable Subject Matter rule applies

Process, Machine, Manufacture, Composition, New Use
or Improvement of the Above

- Most of the time, this is not a problem

Process, Machine, Manufacture, Composition of Matter, a New Use or Improvement of the Above

- Patentable Process is a big issue today
 - In Re Bilski
- The Business Process Patent
 - Process describing the steps in a business activity was determined to be patentable subject matter.
 - Then a process described in software and implemented by a computer was determined to be patentable.
 - Then the whole thing got out of hand

Bilski Issues

- The US Supreme Court decided to reverse field and stop the expansion of the business process patent.
- Their decision (still being discussed everywhere) says that for a process to be patentable, the result must be “transformational” or be “tied to a machine’

So What?

- The issue involves software.
 - Recall that software is a series of steps that describe a process, executable by a machine.
 - The question becomes whether, under Bilski, a process performed by a machine, meets the Bilski test.
- What does “Tied to a Machine mean?”
 - The answer is not clear.
- If the answer is no, some or all software patents will be neither patentable nor patentable subject matter. Software would then be data.

Is or May be Patentable

- The statute authorizes the Government to license invention that is or may be patentable.
 - Thus an invention disclosure through a patent application that describes an invention that appears to be patentable subject matter meets this test.
 - However, if one know that the In Use, On Sale or Publication Bar is in effect, the invention is not patentable. (old test)
 - As long as one does not have facts to support the belief that the invention is not patentable, it can be licensed.

But – the 2006 Federal Register change alters the test

- The Test has been expanded by a regulation published in 2006 to include as licensable, patentable subject matter.
 - **Federal Register** / Vol. 71, No. 45 / Wednesday, March 8, 2006 / Rules and Regulations
- The regulation describes the Dept of Commerce view that “the term (patentable subject matter) to mean that the invention must have the potential of being protected and so could include computer software and biological materials or any other subject matter in 35 U.S.C. 101”

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But DOC Goes On

- With respect to an invention which has been in public use or on sale for more than a year because of a license, it may not be patentable under 35 U.S.C. 102(b).
- In addition, an invention may not be patentable because it would have been obvious under 35 U.S.C. 103.
- Since sections 102 and 103 both contain conditions for patentability, they are not considered to affect the licensability of unpatented inventions. All that is required is that the invention have patentable subject matter

And On

- “If know-how includes an invention, then it can be licensed.”
- The licensing of an invention which is not protected by any intellectual property can be considered as creating a bailment of the personal property which is subject to certain conditions of use. Those terms may be enforced as a matter of contract. In the absence of any underlying intellectual property, there are no rights available to enforce against third parties.
- But what about information that could be reached under FOIA?

FOIA raises an issue with respect to inventions which have an information content because under FOIA that information may be available for free or for the cost of reproduction. This would obviously complicate the licensing of inventions. However, the invention may not be a record which is subject to FOIA. Biological materials are not a record subject to FOIA. On the other hand, there is a question whether software is a government record subject to FOIA.

So What Did We Just Learn?

The following are licensable

- Inventions that are or may be patentable
- Inventions that are patentable subject matter, even if no longer “patentable”
- Inventions contained in data

But Information that is not included in the definition of patentable subject matter may not be licensable but might be the subject of a bailment.

Where does that leave our Process Software?

- Is a process patentable subject matter?
 - A process that is transformational or is tied to a machine.
- Is the software “tied to a machine”?
- Lets go on to other requirements

Must the US Own the Invention

- For something to be of Value, the US must own at least some rights to the invention
 - Make sure you have a signed assignment
 - Some offices require that all the Government have all the rights before it will proceed with a patent application. Does that preclude licensing?
 - Joint ownership does not preclude licensing but it can create real trouble if not made very clear.

Signed by the Parties

Who are the Parties?

For the Government,

- the statute tells us the Senior leader of the “laboratory”

For the private party,

- Does the Organization have the power to enter into a license
- Has the Board of Directors given the power to sign to the signor, or,
- Do the bylaws give the power to bind the organization to the signor?

Is the Private Party Validly Existing?

- Requirements
 - Is it incorporated?
 - Has it paid its taxes
 - Has it paid its franchise fee?
- How do I find out
 - Secretary of State
 - certificate of good standing, or
 - Require your licensee to provide you a copy of the corporate charter, the bylaws, and the certificate in good standing and opinion of counsel.
- Watch out especially in start up licensees.

Some Examples to Clear This Up

- If my license to Smith says that Smith can only sell products that contain the licensed material to US Businesses, Can the US enforce that license term against a non-US firm that bought such a product?

– Quanta 128 S. Ct. 2109 (2008)-

Term of the License

- When the term of the patent expires, does the License collapse?
- What rights does the licensee have if the Federal Licensor terminates the License
 - Is there a better way?