

Agreements Relating to Patents & Bird & Bird

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Agreements Relating to Patents

- *What are we going to cover?*

- Differences between Licences and Assignments
- Licensing Considerations
- Legal Formalities for Patent Assignments and Licences
- Assignment of Patent Priority Rights
- Effect/Importance of Registration

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1. Differences between Licences and Assignments

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Differences between Licences and Assignments

- **Assignment** – a transfer of right(s).
- **Licence** – a permission from one party (the licensor) to another party (the licensee) to do something that, without the licence, would be an infringement of the licensor's IP.
 - IP may be "licensed-out" or "licensed-in", e.g.:
 - Company may "license-out" to another organisation in return for a royalty or other benefit, financial or otherwise;
 - Company may "license-in" to enable use of another company's IP to develop business and products.
 - Terms and conditions of IP licence normally negotiated directly between the licensor and licensee, and will vary greatly depending on the particular circumstances and the relative bargaining strengths of each party.

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Licence compared to Assignment - *Licences*

Licence

- Inventor retains security of underlying rights
- Will continue to participate in exploration
- Will receive royalty income (possibly in addition to other payments)

Suitable

- Where value of IP is yet to be established; or
- Where inventor cannot commit to required substantial investment

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Licence compared to Assignment - *Assignment*

Assignment

- Appropriate for a sale of business or where IP owner wishes to withdraw from field / realise value immediately.

Advantages:

- Money up front and no more obligation

Disadvantages:

- No involvement in further exploitation
- How to fix price?

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2. Licensing Considerations

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IP Licences: Reasons for Licensing-out

Sharing Risk: Where a licensor licenses the right to manufacture and sell products, the licensor receives revenues from that licensing but does not take the risk of manufacturing, promoting and selling those products.

Revenue Generation: An owner of IP may commercialise in the IP itself and may obtain additional income by licensing the IP to someone else to commercialise it in a different field.

Increasing Market Penetration: An owner of IP may license another business to sell in territories that the owner cannot cover.

Collaboration: Businesses may want to work together to develop new products and services.

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IP Licences: Reasons for Licensing-in

Reducing Costs: A business may "buy-in" innovation to reduce its research and development costs.

Saving Time: A business may get its products or services to market more quickly by acquiring a licence to use existing IP, instead of re-inventing the wheel.

Accessing Expertise: By taking a licence, a business may tap into expertise that it does not have in-house.

Obtaining Competitive Advantage: By acquiring a licence to use IP, a business may obtain an advantage over its competitors.

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IP Licences: Cross-licensing

An agreement between two competitors in the products covered by the agreement:

- one party grants a licence to the other in exchange for the other party also granting it a parallel licence
- e.g. two companies may own patents for different aspects of the same product. By cross-licensing, each party maintains the freedom to bring their products to market.
- Can be intra-group

[NOTE: Are there any European competition law issues]

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IP Licences: Examples of cross-licensing

- e.g. 1: cross-licensing can provide companies with access to materials other companies are working on – encourages / increases innovation.
- e.g. 2: patent pools – a partnership between two or more entities, ("consortium"), that agree to share the patent rights for a particular form of intellectual property or technology - often associated with complex technologies that require complementary patents in order to provide efficient technical solution
 - Can lower transaction costs and lower litigation

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IP Licences: Licensing considerations (1)

- Exclusivity – Exclusive / Sole / Non-exclusive:
 - **exclusive licence** - licensee is licensed “to the exclusion of all other persons (including the proprietor or applicant)” (s.130(1))
 - **sole licence** - a qualified exclusive licence - the proprietor or applicant (licensor) may also exercise the right
 - **non-exclusive licence** - licensor may exercise right and may license other licensees
- *Illumina v. Premaitha [2017] EWHC 2930 (Pat)*
 - licence only exclusive under s.130(1) if granted to single person. Illumina was not an exclusive licensee as licence was granted to 'Illumina and its Affiliates'

Subject matter | Client Details

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IP Licences: Licensing considerations (2)

- Scope and Field
- Territory – are manufacturing territories and selling territories the same?
- Duration – for the duration of the Patent or for duration of any know-how licensed (to the extent it remains confidential?)
 - US Supreme Court cases: *Brulotte v Thys Co* 379 U.S. 29 (1964), reaffirmed by *Kimble v. Marvel Entertainment, LLC*, 576 U.S. 446 (2015)
 - a contract calling for payment of patent royalties after the expiration of the licensed patent is misuse of the patent right and unenforceable
- Payment - % of NSP, flat royalty, minimum royalty, up-front fee

IP Licences: Licensing considerations (3)

- Enforcement as Licensee
 - s.67(1) - Exclusive licensee entitled to bring infringement proceedings in respect of infringement committed after the licence date (can be varied or supplemented by contract)
 - s.67(3) - Patent proprietor must be made a party to proceedings – but if made defendant, not liable for costs unless takes part
- Sub-licensable?
- Termination triggers
- Assignability (of licence)
- Warranties and indemnities?

3. Legal Formalities for Patent Assignments and Licences

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Legal Formalities – Patent Assignments/Licences (1)

- **s.30(1)** Patents and patent applications are personal property
- **s.30(2) - Assignments:** Patents and patent applications may be assigned or mortgaged
- **s.30(4) - Licences:** A licence may be granted to work the invention the subject of the patent or application
 - The licence may provide for sub-licences
 - The licence/sub-licences may be assigned or mortgaged

(**NOTE:** Where patent or application owned jointly, and no contrary agreement, consent of all co-proprietors is required s.36(3))

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Legal Formalities – Patent Assignments/Licences (2)

- **s.30(6)** [as amended] - Assignments or mortgages of a patent or right in a patent (or patent application) **must be**:
 - in writing; and
 - signed by or on behalf of the assignor or mortgagor, otherwise they are void.

Note:

- Prior to 1 January 2005, assignments/mortgages had to be signed by all the parties (i.e. including the assignee/mortgagee) – no longer the case
- Art 72 EPC provides that 'An assignment of a European patent application shall be made in writing and shall require the signature of the parties to the contract'.

- **Valid Contract? Consideration?**

- "an instrument in writing satisfying s.30(6) is effective as a legal assignment without any additional requirement for consideration" - Wright Hassall LLP v. Horton Jr and Anr [2015] EWHC 3716 (QB)

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Assignment - the Mechanics

- *How not to do it...*

- Party A '*will own / shall own*' the Foreground IP
 - Objective – but not enough to actually assign legal title
- US Supreme Court - Stanford v Roche Molecular Systems
 - 1st Agreement - relevant inventor '*agreed to assign*' the invention to Stanford
 - 2nd Agreement – relevant inventor promised that he '*will assign and do hereby assign*' invention to Cetus (later acquired by Roche)
 - ~ Court held that the language "*agree to assign*" in 1st agreement was merely a promise to assign at some undetermined future point, whereas language in second agreement was a present assignment of the inventor's future inventions.

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Assignment - the Mechanics

- *How to do it properly!*

Party B hereby assigns to Party A absolutely with full title guarantee all its right, title and interest in and to the Patents and in and to all and any inventions disclosed in the Patents

- 'hereby' – no further document or action required
- 'absolutely' – no retained rights. No trust (at least that is the plan . . .)
- 'right, title and interest' – captures all rights (including non-property rights). Idea is nothing is left behind

Law of Property Act (Misc Provisions) 1994

- "Full title guarantee" incorporates the following covenants:
 - That the assignor is entitled to sell the property.
 - That the assignor will do all it reasonably can, and at its own expense, to vest title to the property in the assignee.
 - That the property is free from encumbrances and adverse rights other than those which the assignor does not, and could not, reasonably know about.

Assignment - the Mechanics

- *What else to include?*

- Include an assignment of the Patents and the inventions:
 - Inventions are items of property separate from patents and applications, and need to be properly transferred.
- **s.30(7)** - the right to bring proceedings and claim damages for past infringements is capable of assignment in the UK, **but has to be expressly provided for**
 - (Note: but not in some other jurisdictions)
- The right to claim priority – see later slides

Assignment - the Mechanics

- *'Future Assignment'*

- An effective assignment of rights in inventions (or other IP) that have yet to come into existence i.e. the IP is intended to be assigned automatically upon creation
- Works for:
 - Copyright (s91 CDPA)
 - Unregistered design right (s223(1) CDPA)
 - **And now also inventions** (*KCI v Smith & Nephew 2010*)
 - s7(2) Patents Act 'a patent may be granted to the inventor . . . or to a successor in title'

Other express warranties

- The Assignor is the sole legal and beneficial owner of the Patents
- All application, registration and renewal fees have been paid
- The Assignor has not assigned or licensed any of the Patents to any third party
- the Patents are free from any security interest, option, mortgage, charge or lien

But take more care with:

- exploitation will not infringe the IP rights of any third party
- The Patents are valid
- *'So far as the Assignor is aware'* – knowledge qualifier. After reasonable investigation. William Sindall v Cambridgeshire CC [1994] 1 WLR 1016

Further Assurance

- At [its own expense OR the Assignee's] expense the Assignor shall, and shall use all reasonable endeavours to procure that any necessary third party shall, [promptly] execute and deliver such documents and perform such acts as may [reasonably] be required for the purpose of giving full effect to this agreement , including:
 - registration of the Assignee as applicant or (as applicable) proprietor of the Patents; and
 - assisting the Assignee in obtaining, defending and enforcing the Patents, and assisting with any other proceedings which may be brought by or against the Assignee against or by any third party relating to any of the Patents].

4. Assignment of Patent Priority Rights

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Assignment of Patent Priority Rights (*Edwards v. Cook*)

- Priority right cannot be assigned retroactively – see *Edwards v. Cook* [2009] EWHC 1304 (Pat)
 - 31 January 2000 – US patent application filed
 - in names of 3 inventors (one of whom was employee of Cook)
 - 31 January 2001 – PCT application filed, in the name of Cook, claiming priority from US application
 - September 2002 – interests of other two inventors assigned to Cook (after PCT application, before date of grant)
- Court reviewed:
 - Sections 5 and 7 of Patents Act 1977
 - Article 8 PCT
 - Article 4 Paris Convention

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Assignment of Patent Priority Rights (*Edwards v. Cook*)

- *In my judgment the effect of Article 4 of the Paris Convention and section 5 of the Act is clear. A person who files a patent application for an invention is afforded the privilege of claiming priority only if he himself filed the earlier application from which priority is claimed or if he is the successor in title to the person who filed that earlier application. If he is neither the person who filed the earlier application nor his successor in title then he is denied the privilege. Moreover, his position is not improved if he subsequently acquires title to the invention. It remains the case that he was not entitled to the privilege when he filed the later application and made his claim.*
- *I therefore conclude that the acquisition by Cook of all rights in the invention in September 2002 does not permit it to claim priority from the US application.*

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5. Effect / Importance of Registration

- (1) Priority over later transactions
- (2) Costs/expenses

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Effect/Importance of Registration

– *Priority over later transactions*

- **s.32** The comptroller maintains a register of patents
- **s.33** Later assignments/licences/mortgages etc take priority over earlier transactions where:
 - the earlier transaction has not been registered (or in the case of an unpublished application, notice of earlier transaction not given to comptroller), and
 - person claiming under later transaction did not know of earlier transaction
- **s.33(4)** Date of registration of application is treated as registration date (i.e. not the date of the transaction)

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Effect/Importance of Registration

– *Costs/expenses*

- **s.68** - an exclusive licence must be registered with the UK IPO within six months of the date of the licence/assignment agreement in order to protect the right of the exclusive licensee/new proprietor to recover their costs and expenses in any successful infringement proceedings.
- If the licence is not registered, the exclusive licensee/new proprietor loses the right to recover these costs and expenses (unless it was not practicable to register within the six month period and the transaction is registered as soon as practicable thereafter).

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Thank you & Bird & Bird

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