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Karthika Perumal
Womble Bond Dickinson (US) LLP
Partner - Houston, Texas

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Standard For Performance

What is the Performance Level Required - Expectations

- **Reasonable efforts**
 - Reasonable actions to achieve a stated objective
 - No expectation that all possibilities are to be exhausted
- **Commercially reasonable efforts**
 - Actions that reasonable people in that business would make
 - No expectation that all possibilities are to be exhausted
- **Best efforts**
 - All actions should be undertaken to achieve the stated objective

Reasonable Efforts and Best Efforts - Reality

- **Texas:** No significant differences between best efforts and reasonable efforts
- **New York:** Best efforts and reasonable efforts are interchangeable terms – some support for best efforts standard being more onerous than a reasonable efforts standard
- **California:** Diligent efforts of a reasonable person under comparable circumstances; higher than commercially reasonable efforts
- **Illinois:** Best efforts are judged against objective criteria to measure the efforts. Reasonable efforts implies good faith and fair dealing

Party's promise to use best efforts may be too indefinite and uncertain to be an enforceable standard

Commercially Reasonable Efforts - Reality

- **Texas:** totality of circumstances analysis
- **New York:** at the very least some conscious exertion to accomplish the agreed goal, but less than a degree of efforts that jeopardizes one's business interests
- **California:** efforts are reasonable under the “circumstances” standard
- **Illinois:** Commonly accepted commercial practices of responsible businesses which afford all parties fair treatment
 - *Industry standards may not be decisive.*

What is Commercially Reasonable Efforts?

- Analysis of specific facts of the case and the totality of the parties' business relationship:
 - Whether the promising party used the level of effort that a reasonable business entity would have used in similar circumstances.
 - The economic feasibility and profitability of an action, as well as other factors relevant in the particular industry.
 - How cost, skills, and efficacy factors relate to relevant industry standards.
 - The promising party's financial resources, business expertise, and business practices.
 - Whether the promising party used reasonable efforts and worked in good faith to fulfill its obligations.

“Commercially Reasonable Efforts” = “All Reasonable Efforts”

Use of the term “commercially reasonable efforts” placed “an affirmative obligation on the parties to take *all reasonable steps*” to achieve the stated objective.

Practice Pointers

- Avoid general terms if possible
- Use the terms consistently
- Use defined terms for efforts
 - Use objective criteria to describe the required effort
- Include specific carve outs in the definition

Forum Selection Provisions

Kannuu PTY Ltd. v. Samsung Elecs. Co. (Fed. Cir. 2021)

- Agreement: Samsung and Kannuu entered into a NDA with a forum selection clause
 - “Any legal action, suit, or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby must be instituted exclusively in a court of competent jurisdiction, federal or state, located within the Borough of Manhattan, City of New York, State of New York and in no other jurisdiction.”
- Context: No deal. Kannuu sued Samsung for Patent infringement and breach of NDA. Samsung filed IPRs. PTAB instituted review. Kannuu filed PI to compel Samsung to request dismissal – denied by district court.
- Issue: Does the forum selection clause in the NDA control the IPR??

Kannuu PTY Ltd. v. Samsung Elecs. Co. (Fed. Cir. 2021)

- NDA expressly denied any language from being construed as granting a license:
 - *“[N]othing contained in this Agreement will be construed as granting any rights to the receiving party, by license or otherwise, to any of the Confidential Information disclosed by the disclosing party except as specified in this Agreement. Additionally, this Agreement imposes no obligation on either party to purchase, sell, license, transfer or otherwise dispose of any technology, services or products, or to engage in any other business transaction. Nothing in this Agreement shall be deemed to grant to either party a license under the other party's copyrights, patents, trade secrets, trademarks or other intellectual property rights.”*
- Connection between the two—the IPR and the NDA—is **too tenuous** for the IPR to be precluded by the forum selection clause

Nippon Shinyaku Co. v. Sarepta Ther., Inc. (Fed. Cir. 2022)

Agreement: Nippon Shinyaku and Sarepta entered into Confidentiality Agreement

- **Covenant Not to Sue** that, included, but was not limited to “patent infringement litigations, declaratory judgment actions, patent validity challenges before the U.S. Patent and Trademark Office or Japanese Patent Office, and reexamination proceedings before the U.S. Patent and Trademark Office”
- After the expiration of the Covenant Term, a **Forum Selection Clause** governed disputes between the parties: “all **Potential Actions** arising under U.S. law relating to patent infringement or **invalidity**, and filed **within two (2) years of the end of the Covenant Term**, shall be filed in the United States District Court for the District of Delaware and that neither Party will contest personal jurisdiction or venue in the District of Delaware and that neither Party will seek to transfer the Potential Actions on the ground of forum non conveniens.”
- MCA defined “Potential Actions” as encompassing patent or IP disputes “filed with a court or administrative agency prior to or after the Effective Date” in the relevant countries.

Practice Pointers

- Parties can bargain away their rights to file IPR petitions
- Type of agreement- licensing, settlement, joint development, or confidential / non-disclosures involving patents- is not dispositive
- Carefully negotiate the forum selection clause to suit your needs
- Choose a term for a forum selection clause

Standing For Exclusive Licensee

In Re Cirba Inc. (Fed. Cir. 2021)

Licensors/Assignee:
Cirba IP Inc.

Licensee/Assignor:
Cirba Inc.

Accused Infringer:
VMware

- Agreement: Cirba Inc. was the initial inventor of the patent then transferred the patent via an assignment agreement to Cirba IP. Cirba IP Inc. entered into a license agreement with Cirba Inc. regarding the patent
- Cirba Inc. and Cirba Inc IP then collectively issued a patent infringement claim against VMware
- Issue: Is the license agreement an exclusive license agreement granting Cirba Inc. the right to sue?

In Re Cirba Inc. (Fed. Cir. 2021)

- License Agreement:
 - Section 2 - IP hereby grants, and Inc. accepts, an *exclusive, transferable*, worldwide license *to use* the Products.
 - Section 8 - Inc. acknowledges that, between Inc. and IP, IP is the exclusive owner of all proprietary rights, including rights based upon trade secret, patent and copyright laws, and this Agreement gives Inc. no rights in such proprietary rights.

USFRF v. Fujifilm Med. Sys. USA (Fed. Cir. 2021)

Licensors/Assignee:
USF

Licensee/Assignor:
Univ. of South Florida
Research Foundation, Inc.
(USFRF)

Accused Infringer:
Fujifilm Medical Systems
USA, Inc.

- Agreement: Inventors of patent assigned rights of invention to USF; USF then entered into a license agreement with USFRF for the patent.
- USFRF filed a patent infringement claim against Fujifilm
- Issue: Did the license agreement between USF & USFRF (silent on right to sue) allow USFRF to sue by itself?

USFRF v. Fujifilm Med. Sys. USA (Fed. Cir. 2021)

Analysis for whether a licensor has transferred away sufficient rights to render an exclusive licensee the owner of a patent:

- Nature and scope of Licensor's retained right to sue accused infringers
- Exclusive right to make, use, and sell
- Scope of Licensee's right to sublicense
- Reversion of rights to Licensor following breach of license
- Right of Licensor to receive a portion of \$\$ in infringement suit by Licensee
- Duration of the license rights granted to Licensee
- Ability of Licensor to supervise and control Licensee's activities
- Obligation of Licensor to continue paying patent maintenance fees
- Nature of any limits on Licensee's right to assign its interests in the patent

Practice Tips

- When a patent owner retains key rights or is silent on those rights → Licensee may lack the statutory right to sue on its own
- Evaluate License Agreements to determine the necessary parties based on its specific terms and intent of the parties → Fix as needed before suit
- Licensees of patents from state universities need to consider the sovereign immunity issues when proceeding with infringement suit

Definitely Do Not Go Here...

“Contract law is essentially a defensive scorched-earth battleground where the constant question is, 'if my business partner was possessed by a brain-eating monster from beyond spacetime tomorrow, what is the worst thing they could do to me?’”

- Charles Stross