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RECENT DEVELOPMENTS AND TRENDS IN LICENSING

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BREACH OF LICENSE

Dow developed an improved method for filling abandoned mines in order to prevent the collapse of the overlying land. The government and Dow entered into a contract for using the improved method. Under part of the contract, the government was licensed to use this invention as disclosed in Dow's patent application and any patents issuing thereon. The terms of the license provided for a royalty-free right to use the invention for government purposes on federal lands only and thereafter to use the license at a royalty rate. Later, Dow requested an accounting from the government for royalties due under the license. The government informed Dow that new information raised seriously litigable issues as to validity and infringement and viability of the license. The letter affirmed that no royalty payments would be made. The government contended that it did not repudiate the license because its refusal to pay royalties was based on the belief that it had not practiced the invention. The court noted that repudiation occurs when one party refuses to perform and communicates that refusal distinctly and unqulifiedly to the other party. The injured party can then choose between terminating the contract or continuing it. The court noted that the government's letter to Dow clearly and unequivocally expressed the government's contention to never pay royalties and furthermore showed an intention to challenge not only the validity of the patent, but also the viability and life of the license itself. The court noted that these actions of the government constituted a distinct and unequivocal refusal to perform under the license, thus causing a material breach or repudiation of the license. *Dow Chemical Company v. The United States*, 226 F.3d 1334 (Fed. Cir. 2000).

COMPULSORY LICENSE

Compulsory licensing is a very rare remedy and is typically only ordered in cases of patent withholding, misuse, or use of a patent to monopolize a market. *The Laser Eye Center v. Autonomous Technologies Corporation*, 116 F.Supp.2d 1159 (C.D. CA. 2000).

COPYRIGHT – REFUSAL TO LICENSE

CSU appealed the judgment of the District Court dismissing on Summary Judgment claims by CSU that a refusal by Xerox to sell patented parts and copyrighted manuals and to license copyrighted software violated the antitrust laws. The court noted that intellectual property rights do not confer a privilege to violate antitrust laws. Moreover, the court said the Copyright Act expressly grants a copyright owner the exclusive right to distribute the protected work by transfer of ownership or by rental, lease or lending. According to the court, the owner of a copyright, if it pleases, may refrain from vending or licensing and content itself with simply exercising the right to exclude others from using its property. Thus the court ruled that in the absence of any evidence that the copyrights were obtained by unlawful means or used to gain monopoly power beyond the statutory copyrights granted by Congress, refusal by Xerox to sell or license its copyrighted works was squarely within the rights granted by Congress to the copyright holder and did not constitute a violation of the antitrust laws. *In re Independent Service Organizations Antitrust Litigation*, 202 F.3d 1322 (Fed. Cir. 2000).

COPYRIGHT SUBLICENSE

In 1994 the 801 Tower in downtown Los Angeles and four towers that form its street wall on the south side of the building became the Second Bank Of Gotham in the movie Batman Forever. The artist, Andrew Leicester, claimed copyright protection of these towers along with artistic works he created in a courtyard space by the towers. R & T had contacted Leicester to create the courtyard and Leicester gave R& T a perpetual, irrevocable license to make reproductions of the courtyard. Later, Warner Bros. obtained written permission from R & T to use the premises of the 801 Tower for filming the movie, Batman Forever. The artist was not consulted. Warner Bros. built a miniature model of the 801 Tower that included a miniature of the courtyard for special effects shootings. Leicester argued that the District Court erred in ruling that Warner Bros. acquired a license from R & T to make a three dimensional model of the courtyard. The issue turned on whether R & T was able to sublicense and this depended on whether R & T had an exclusive right to make miniatures of the courtyard. The contract between R & T and the artist provided that the artist shall not make any duplicate three dimensional reproductions of the final work and the artist granted to the owner a perpetual irrevocable license to make reproductions of the work. The artist claimed that R & T did not have an exclusive right to make miniatures of the courtyard because the contract only prohibited the artist from making identical duplicates of the courtyard. Although the word duplicate three dimensional reproductions can conceivably mean identical duplicate structures the same size as the original, it would be unreasonable to interpret the term so narrowly. The Appellate Court concluded that the District Court correctly construed the contract between R & T and the artist as conferring on R & T an exclusive right to make three dimensional representations of the courtyard of all sizes and, therefore, R & T could sublicense that right to Warner Bros. *Leicester v. Warner Bros.*, 232 F.3d 1212 (9th Cir. 2000).

ELECTION OF REMEDIES

The plaintiff in this case filed a complaint for trademark infringement arguing that the defendant-licensee used unauthorized channels of distribution to sell the licensor's goods, distributed unauthorized articles bearing one or more of the trademarks by making unauthorized changes to the licensor designed articles and operated the licensor's outlet stores without approval of their design or merchandise. The licensee contended that by continuing to enjoy the royalties flowing from licensee's sales to discounters and other commercial retailers and by continuing to perform its own duties under the license agreement, the licensor elected to forego the remedy of termination of that license pursuant to the election of remedies doctrine which prevents a party from terminating a license where it has chosen to affirm that license by continuing its performance thereunder and for accepting the performance of the breaching party. The court noted that the equitable doctrine of election of remedies is centuries old and deeply rooted in a balance of fairness to both parties and cannot be overridden by mere supposition or extended inference but only by explicit language in the license which is not present in the license at issue. The court said that it was undisputed that the licensor continue to collect royalty payments under the license while continuing to perform its own duties under that license even though the licensor was aware of the various breaches of the license agreement. Thus, the court said, the licensor may not seek termination as a remedy with respect to the alleged breaches by the licensee. *Calvin Klein v. Wachner*, 129 F.Supp.2d 254 (S.D.N.Y. 2001).

EXCLUSIVE LICENSE

A marketing agreement between parties recited that the licensor desired to supply power window kits for sale in North America and that the licensor agreed to supply products to the licensee for sale in North America and that the licensee shall have the exclusive right to market the products in North America. The license also recited that the licensee would not sell other products which competed directly with the licensor's products. The court said that from this language, it was evident that the licensee was the exclusive distributor throughout North America as covered by the licensor's patent. The court concluded that the license served to make the licensee an exclusive licensee under the patent thus giving the licensee standing to sue as a co-plaintiff. *Viam Manufacturing, Inc. v. Iowa Export-Import Trading Company,* 2000 U.S. App. LEXIS 22443 (Fed. Cir. 2000).

To determine whether an agreement constitutes an exclusive license or instead transfers all substantial rights in a patent, the court said it must ascertain the intention of the parties and examine the substance of what was granted by the license. Here the court noted that the party Somique had retained significant ownership rights in the licensed patent. Under these retained rights Somique could develop and manufacture products for sale only to the party Mentor and supervise and control Mentor product development. Somique also was obligated to pay the maintenance fees for the licensed patent. Finally, and to the court, most importantly, Somique had the first obligation to sue parties for infringement. Failure to take appropriate action against infringers would constitute a breach of the agreement. The court stated that in light of Somique's substantial retained rights, particularly its initial right and obligation to sue for infringement, the court concluded that Mentor did not receive all substantial rights in the patent. *Mentor v. Medical Device Alliance, Inc.*, 240 F.3d 1016 (Fed. Cir. 2001).

Nike and Sony entered into a copyright licensing agreement that granted Sony an exclusive license. Subsequently, Sony transferred all of its rights in the exclusive license to the plaintiff in this case. The court said that the determinative issue was whether the 1976 Copyright Act allowed Sony to transfer its rights under an exclusive license lacking the original licensor's consent. The court concluded that there was no indication, either in the statutory text or in the Notes of Committee on the Judiciary, that Congress intended to bestow upon an exclusive licensee the right to sublicense the subject matter of their license. *Gardner v. Nike, Inc.*, 110 F.Supp.2d 1282 (C.D. Cal. 2000).

FIDUCIARY RELATIONSHIP

The licensor in this case asserted that the licensee owed a fiduciary duty to the licensor and this fiduciary duty was breached by the licensee through bad business practices. The court noted, however, that none of the licenses imposed upon the licensees anything more than ordinary contractual duties. The licenses were governed by New York law and under New York law parties to a license do not ordinarily bear a fiduciary relationship to one another unless the parties specifically agree. The court noted that in certain limited and unusual circumstances, there may be special factors that create fiduciary relationships between contracting parties such as, for example, when one party's superior position or superior access to confidential information is so great as virtually to require the other party to repose trust and confidence in the first party. *Calvin Klein Trademark Trust v. Wachner*, 123 F.Supp.2d 731 (S.D.N.Y. 2000).

FOREIGN LICENSES

Black Clawson is a licensee of certain intellectual property owned by Pagendarm. The license granted Black Clawson the exclusive right to use proprietary information in its manufacturing business. A German company with a similar exclusive license from Pagendarm covering Europe filed a lawsuit in a German court against MKK. This resulted in a settlement agreement with the German defendants. A clause of the settlement agreement provided that the plaintiff, Pagendarm, waived for past and future, all claims against the defendant, MKK to which it is or will be entitled concerning the technology licensed to Black Clawson. The District Court in the United States interpreted this language to release the defendants from liability to Black Clawson. In the United States license, Black Clawson possessed all substantial rights to the technology including the right to bring suit for interference with the technology and Black Clawson's rights to that technology. The court noted that a release by a patentee precludes any subsequent action by a licensee arising out of infringement. The policy goal underlying this rule corresponds to that supporting the doctrine of *res judicata* preventing duplicative litigation against a single infringer for a single act of infringement. The appellate court noted that that goal is not implicated here because the acts complained of by Black Clawson are different from those upon which the German litigation was founded. The appellate court stated that an exclusive licensee for all or any specified portion of the United States is an assignee as to the specified territory and may sue in its own name for infringement of its rights even against the licensor. *Black Clawson v. Kroenert Corp.*, 2001 U.S. App. LEXIS 4932 (8^{th} Cir. March 28, 2001).

GOVERNING LAW CLAUSE

The parties entered a license agreement including a governing law clause that stated that the agreement would be governed, interpreted and construed in accordance with the laws of the State of California and that any litigation shall take place in California. The licensor terminated the license and in response to the notice of termination, the licensee filed an action for a declaratory judgment of invalidity and noninfringement of the licensed patent. The licensor then filed a Complaint with the International Trade Commission charging that the licensee's importation of its products infringed the licensed patents. The licensee then requested the court to restrain the licensor from pursuing any disputes, controversies, claims or differences that arise from under or out of the license agreement in any place outside of California. The licensee argued that because the International Trade Commission is located in Washington, D.C., the Complaint before the Trade Commission by the licensor violated the license agreement and specifically the governing law clause. The court then sought to interpret the governing law clause and looked to the parties' intentions with regard to the word litigation as used in that clause. The court determined that the term litigation in the governing law clause included proceedings before the International Trade Commission. Thus, the court concluded that the governing law clause requires any litigation between the parties including the International Trade Commission proceedings to take place in California but because the International Trade Commission cause of action could not be brought in California, the court said that it follows that the parties did not agree to the International Trade Commission as a forum for any litigation. *Texas Instruments Incorporated v. Tessera, Inc.*, 231 F.3d 1325 (Fed. Cir. 2000).

IMPLIED LICENSE

Villanova University used certain school trademarks and allowed one of the alumni organizations also to use the school's trademarks to solicit charitable funds for the university's athletic programs. In 1999 the university terminated its affiliation with the alumni organization. The alumni organization, however, continued to use some of the trademarks. The alumni association raised defenses of estoppel and laches arguing that there was never a licensing agreement between the parties and the university was barred from seeking an injunction after the alumni's 28 years of uncontrolled use of the trademarks. The court ruled, however, that the parties' conduct gave rise to an implied license. The court stated that permission to use trademarks coupled with the exercise of reasonable control over such use can lead to an implied license between the parties. The court noted that the university exercised a sufficient degree of control over the alumni's operations such that an implied license was created and by continually identifying and enforcing guidelines for the alumni associations operations. The university maintained the requisite level of control. The court stated that whether the parties thought of the arrangement as an implied license at the time was irrelevant. The court reasoned that the test for whether an implied license existed is based solely on the objective conduct of the parties. *Villanova University v. Villanova Alumni Educational Foundation*, 123 F.Supp.2d 293 (E.D. Pa. 2000).

The general rule is that an individual owns the patent rights to the subject matter of which he is an inventor, even though he conceived it or reduced it to practice in the course of his employment. There are two exceptions to this rule: first, an employer owns and employee's invention if the employee is a party to an express contract to that effect;

second, where an employee is hired to invent something or solve a particular problem, the property of the invention related to this effort may belong to the employer. An implied in fact license which conveys ownership of an invention to an employer is an agreement founded upon a meeting of the minds which is inferred from conduct of the parties. *Banks v. UniSys Corporation*, 228 F.3d 1357 (Fed. Cir. 2000).

Munn hired Linder to photograph picture frames manufactured and offered for sale by Munn. Linder photographed the frames with the understanding that the photographs would be used by Munn's sale forces. Later, Munn used the photographs in catalogs and brochures and offered them as publicity releases. In its defense, Munn argued that it had an implied license to use the photographs in a catalog. The court said that implied licenses would be found only in narrow circumstances where one party created a work at the other's request and handed it over intending that the other party would copy and distribute it. An implied license can only exist where an author creates a copyrighted work with knowledge and intent that the work would be used by an author for a specific purpose. The court noted that no court has found an implied license where the nature of the use is contested. An implied license to use a copyrighted work the court said cannot arise out of the unilateral expectations of one party. There must be objective conduct that would permit a reasonable person to conclude that an agreement had been reached. The creation of an implied license as in the creation of any implied contract requires a meeting of the minds. *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F.Supp.2d 301 (S.D.N.Y. 2000).

Unless the parties to a license provide otherwise in the license, the purchaser of a patented article has an implied license not only to use and sell the patented article but also to repair it to enable it to function properly. This implied license covers both the original purchaser of the article and all subsequent purchasers. *Bottom Line Management, Inc. v. Pan Man, Inc.*, 228 F.3d 1352 (Fed. Cir. 2000).

LICENSE INTERPRETATION

When interpreting the provisions of a license, a court is required to determine the parties' intent as that intent was expressed in the words the parties used, the setting in which the license was entered and the primary purpose or object for which the bargain was struck. To do that, the court looks at the license, its purpose and setting, as a reasonable outsider and seeks the interpretation such a person would make given the parties' handiwork. The court is not permitted to effectuate the parties' hidden or unexpressed intentions nor is it permitted to rewrite the contract in order to formulate provisions that in its view more closely approximate the parties' true intent than the provisions they themselves chose. *Instruments S.A. v. American Holographic Inc.*, 57 U.S.P.Q.2d 1852 (Mass. Super. 2001).

LICENSE-TRANSFER OF ALL RIGHTS

CPL and IPD entered into a license that granted IPD numerous rights in the licensed patent. The license accorded IPD an exclusive license. IPD later sued TCI for infringement and TCI filed a Motion to Dismiss on the grounds that IPD lacked standing. The issue was whether the license transferred all substantial rights to the licensee. The court said to determine whether a patent transfer agreement or license conveys all substantial rights under the patent to a licensee or fewer than all those rights, a court must assess the substance of the rights transferred. In making such a determination, the court noted that it is helpful to consider rights retained by the grantor or licensor in addition to rights transferred to the licensee. In this license, CPL retained the right in certain circumstances when CPL is a necessary party to require IPD to obtain its consent to proceed with litigation. Also, the right in other circumstances when CPL was not a necessary party to be fully informed and to be consulted with regard to litigation. A third right retained was the right to assign all of its rights under the agreement and to prevent IPD from assigning its benefit under the license to a third party without prior written consent from CPL. CPL also retained the right to require its consent to settlements and to collect 50% of any profits realized from a litigation. The court stated that in light of CPL's right to permit infringement in certain cases, the requirement that CPL consent to certain actions and be consulted in others, and the limits on IPD's right to assign its interest in the patent, the license at issue transferred fewer than all substantial rights in the patent. Thus it was clear that IPD was an exclusive licensee rather than a nonexclusive or bare licensee since an exclusive licensee receives more substantial rights in a patent than a nonexclusive licensee but receives fewer rights than an assignee of all substantial rights. *Intellectual Property Development, Inc. v. TCI Cablevision*, Appeal No. 00-1236 decided May 7, 2001 (Fed. Cir.2001).

LICENSEE ESTOPPEL

K. B. & Associates obtained a license to use the mark MATTRESS WAREHOUSE in areas of Ohio and West Virginia from a predecessor, Westco. Later, the companies entered into an agreement that limited K. B.'s use of the mark to its existing stores unless Westco granted permission for the use in additional stores. K. B. asked for permission to use the trademark in one of its stores in Kentucky and Westco denied permission but later discovered that K. B. had used the trademark in Kentucky and seven other unauthorized stores causing Westco to sue for breach of contract. The court found that licensee estoppel (i.e., the licensee is estopped from claiming any rights against the licensor which are inconsistent with the terms of the license) prohibited K. B. from challenging Westco's rights to the trademark. K. .B asserted a defense that Westco had not controlled use of its mark or controlled the quality of the products sold by Westco's licensee and thus had issued a naked license. The court found that even if this were true, licensee estoppel barred this defense. As the court noted, the rationale underlining the application of licensee estoppel to naked licensing is compelling. The court stated that licensing agreements have a covenant barring licensee's from challenging the right to license. In effect, the court said a licensee claiming that its own license is a naked license essentially seeks to benefit from its own misfeasance. *Westco Group, Inc. v. K. B. & Associates, Inc.*, 128 F.Supp.2d 1082 (N.D. Ohio 2001).

Creative brought a trademark infringement action against Sherlock. Creative licenses trademarks and other intellectual property to which it has rights. Fascination manufactures and sells science oriented products. Sherlock never entered into a formal distribution agreement with Fascination to market Fascination's products, but Sherlock distributed several of Fascination's products that were licensed by Creative. Sherlock requested from Fascination permission to use its certain trademarks and domain names and this resulted in an oral agreement that Sherlock could do so for the sale of Fascination's products. Later, Fascination sent a draft internet website license agreement to Sherlock and Sherlock responded that it did not need a license. In response, Fascination withdrew Sherlock's permission to use its trademarks. Sherlock then refused to transfer the domain name back to Fascination and made known its intent to continue using the trademarks without permission. In suing for infringement, Sherlock argued that Creative's grant of authority to Fascination to use the trademark had been a naked license that granted permission to use the mark without attendant provisions to protect the quality of the goods bearing the licensed mark. It was argued that naked licensing is treated as abandonment of the trademark. The court stated, however, that the status of Sherlock as a licensee estopped it from making the naked licensing argument. According to the court, a licensee is estopped from claiming any rights against the licensor which is inconsistent with the terms of the license. The court stated that this is true even after the license expires. The licensee is estopped from contesting the validity of the mark or challenging the license agreement as void or against public policy for reasons such that it is a naked license. The court ruled that during the term of the relationship with Fascination when Sherlock sold Creative's products, Sherlock was licensed to use the mark and licensee estoppel existed. *Creative Gifts v. UFO*, 235 F.3d 540 (10^{th} Cir. 2000).

The Sturgis area Chamber of Commerce had a logo utilized as an official logo of a rally. Sturgis Rally & Races, Inc. was able to use the logo under a trademark license. The Plaintiffs contended that as former service mark licensees, the defendants were estopped from challenging the ownership or validity of the trademarks that the defendant had licensed. The court said that even in the absence of any license provision preventing the licensee from contesting the validity of a licensed trademark, a licensee in recognition of the licensor as the owner of the trademark under the terms of a license is estopped to claim otherwise. *The Sturgis Area Chamber of Commerce v. Sturgis Rally & Races, Inc.*, 99 F.Supp.2d 1090 (D.S.D. 2000).

In this case, the licensor contended that the licensee was estopped to assert the invalidity of the licensed patent because they were licensees who neither ceased payment of royalties nor notified the licensor that the reason for a cessation was the claimed invalidity of the licensed patents. The court noted that in *Lear v. Adkins*, the Supreme Court held that the doctrine of licensee estoppel may not be employed by a patent licensee in defense of a claim by the licensor for unpaid royalties on the ground that the patent in question was invalid. Nevertheless, the doctrine of patent licensee estoppel is not entirely dead. A licensee is estopped to challenge the validity of a licensed patent in defense of a claim for unpaid royalties until it: (1) actually ceases payment of royalties, and (2) provides notice to the licensor that the reason for ceasing payment of royalties is because it has deemed the relevant claims to be invalid. But it does leave open the possibility that *Lear v. Adkins* will be applied once the licensee stops paying royalties on the grounds of alleged invalidity. *Revson v. Claire's Stores, Inc.*, 120 F.Supp.2d 322 (S.D.N.Y. 2000).

PATENT LICENSE

The Court of Appeals for the Federal Circuit has ruled that there is no doctrine of equivalents for a patent claim element that has been amended for a reason related to patentability. The court has abandoned its flexible bar against applying the doctrine of equivalents in favor of a complete bar. According to Judge Michel, the ruling in this case will most likely impact untold numbers of licensing agreements that are predicated on the assumption that patent claims with an amended limitation are still entitled to a range of equivalents. *Festo Corp. v. Shoketsu*, 187 F.3d 1381 (Fed. Cir. 2000).

RIGHTS UNDER A LICENSE

Speedplay and BeBop entered into a license that provided that if in the event Speedplay failed to halt an infringement within three months, then BeBop shall have the option to initiate appropriate legal proceedings in its own name. The court noted, however, that BeBop's right to sue an infringer if Speedplay did not, was illusory because Speedplay could render that right nugatory by granting the alleged infringer a royalty-free sublicense. Thus, the court noted that Speedplay controlled the enforcement of the licensed patent for all practical purposes. The license also provided that Speedplay could not assign its interest in the license without consent of BeBop and that this consent shall not be withheld unreasonably. The court noted that a licensor does not retain a substantial right in a patent merely by reserving a reversion in the licensed patent contingent upon the licensee's financial distress or the licensee's cessation of production of machines embodying the patented invention. *Speedplay, Inc. v. BeBop, Incorporated*, 211 F.3d 1245 (Fed. Cir. 2000).

SMALL ENTITY STATUS

Every owner of a patent is statutorily required to pay three maintenance fees after issuance of the patent in order to maintain the patent in force. A reduced fee may be paid if the patentee qualifies as a small entity, i.e., when the patentee and any licensee under the patent each has fewer than 500 employees. If a patent owner and licensee presents itself to the Patent and Trademark Office as a small entity when in fact the patent owner had licensed the patent to a corporation with more than 500 employees and thus was a large entity and this status was sought in bad faith, the patent involved in the license is unenforceable. *ULead Systems Inc. v. Lex Computer & Management Corp.*, 130 F.Supp.2d 1137 (C.D. Cal. 2001).

STANDING TO SUE

This suit involved an exclusive licensee who had been given sufficient rights in a patent to obtain standing only if the patent owner was joined in the lawsuit. The court said the beneficial ownership of the right to prevent others from making, using, or selling the invention conferred standing on the exclusive licensee. *Hill Phoenix, Inc. v. Systematic Refrigeration, Inc.*, 117 F.Supp.2d 508 (E.D. VA. 2000).

Southpac entered into a license granting to Prima Tek I the exclusive worldwide right to make, use and sell the products and processes covered by the patents but only to the extent necessary to grant a license to Prima Tek II. Prima Tek I itself was unable to make, use or sell any products or processes covered by the patent and thus it subsequently transferred the licensed rights to Prima Tek II. In evaluating whether a particular license transferred all substantial rights in a patent to the licensee, the court said that it paid particular attention to whether the license conveyed in full the right to exclude others from making, using and selling the patented invention in the exclusive territory. The court noted that under the terms of the license before it, Prima Tek I had a right to exclude which was explicitly defined and then extinguished by the sublicense to Prima Tek II. According to the court, absent the right to exclude others from making, using and selling the patented inventions, Prima Tek I had an asserted role as an effective patentee but which was doubtful and thus would have no standing in a lawsuit against an accused infringer. *Prima Tek II v. A-Roo Company*, 222 F.3d 1372 (Fed. Cir. 2000).

This case involved an exclusive license to manufacture, use and sell aerobic exercise machines under patents owned by the licensor. The licensee sued an accused infringer and the issue before the court was whether the licensee had standing to sue for patent infringement. The court noted that the transfer of the exclusive right to sue for patent infringement would generally permit an exclusive licensee to sue without joining the patentee as a co-plaintiff. The license in this case contained a section concerning suits against infringers and provided that each party shall notify the other party of any suspected infringement and the licensee shall have the first right to institute suit for infringement. The licensor agreed to join as a party plaintiff in any such lawsuit initiated by the licensee if requested by the licensee. The court concluded that this license agreement granted the licensee all substantial rights under the patent including the right to sue infringers and thus the licensee had standing to sue for patent infringement. *Hsin Ten Enterprise USA, Inc. v. Clark Enterprises,* 2000 WL 1886583 (S.D.N.Y. 2000).

The defendant ADM challenged the plaintiff-licensee's standing to sue for infringement of a patent. ADM challenged the license to the licensee from the Soviet Licensing Agency. The District Court determined that the Soviet government owned the invention and that the Soviet government's licensing agency had the right to grant a license to the plaintiff-licensee in this case. The District Court explained that even though the inventor's certificate was issued in the names of the inventors, according to Soviet law the invention became the property of the Soviet government. In 1991 the Russian State returned patent ownership and any license agreements to the various entities from which they originated. The Soviet Licensing Agency assigned the patent to the plaintiff-licensee in this case and the inventors subsequently executed an assignment directly to the plaintiff-licensee. The Court of Appeals agreed that the exclusive license from the Soviet Licensing Agency in which no substantial right was retained by the Soviet government or any other entity conveyed all substantial rights to the patent to the plaintiff-licensee. The Court of Appeals for the Federal Circuit said it is well established that the holder of all substantial patent rights by assignment or by exclusive license has standing to sue for infringement in its own name. *Ajinomoto Co., Inc. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338 (Fed. Cir. 2000).

SUBJECT MATTER INCLUDED IN LICENSE

The Advanced Processor Division of Fairchild Semiconductor Corporation owned technology that was licensed to Intergraph. When Intergraph learned that Fairchild was to be sold to National Semiconductor Company, Intergraph arranged to purchase the Advanced Processor Division from Fairchild including the licensed technology. Intergraph, National Semiconductor and Fairchild entered into a purchase agreement by providing that at the closing of the sale of Fairchild, Fairchild would assign and transfer all of the assets including technology of the Advanced Processor Division to Intergraph. A cross-license between National and Intel was entered on the same day as the acquisition of Fairchild that provided that National would grant to Intel nonexclusive nontransferrable licenses under National patents. Intel argued that the general subject matter of the technology transferred to Intergraph was within the scope of the licensed products as defined in the cross-license with National. The cross-license agreement between National and Intel defined National patent applications as any applications which when issued would become National patents. Since the patent applications for the technology assigned by Fairchild went directly to Intergraph, they could not have become patents owned or controlled by National. Thus, those applications were not part of the cross-license definitions. *Intergraph Corp. v. Intel Corp.*, 241 F.3d 1353 (Fed. Cir. 2001).

TERMINATION

Dow developed an improved method for filling abandoned mines in order to prevent the collapse of the overlying land. The government and Dow entered into a contract for control work using the improved method. Under the contract, the government was licensed to use the invention as disclosed in Dow's patent application. Later, Dow requested an accounting from the government for royalties due under the license but the government informed Dow that it had new information that raised serious issues as to the validity and infringement and viability of the license. The letter affirmed that no royalty payments would be made. On appeal the government argued that Dow could not terminate the license for nonpayment of royalties because the license contained no provision for termination by Dow. However, the court said a material breach or repudiation gives rise to a right to exercise a termination provision in a contract. Moreover, under the circumstances of this case, the court said the absence of an express termination clause would not ordinarily prevent a party from ending the contract. According to the Federal Circuit, every license includes a bargained for exchange of obligations, the material breach of which by one party gives the other party a right to terminate. According to the court, the right to terminate due to a material breach is implied in most licenses. *The Dow Chemical Company v. The United States*, 226 F.3d 1334 (Fed. Cir. 2000).

A dispute arose between a licensor and licensee over the use of former major league baseball pitcher Nolan Ryan, his name, likeness and signature. The licensor and licensee after a period of time reached a point where the licensor sent a letter to the licensee terminating the license to use Nolan Ryan's name, likeness and signature. The licensee argued that it was entitled to liquidate the inventory it had upon the termination of the license. The court noted that the license was silent as to liquidating the remaining inventory but noted that if a licensee could sell inventory manufactured during the term of a license over an indefinite period after the termination or expiration, the expiration date would have little force or meaning. The court said that one can imagine a scenario where a licensee intentionally creates a large inventory and thereby grants to itself a *de facto* extension of the license. The court concluded that the licensee in this matter did not have the right to liquidate its inventory and disregard the licensor's objections simply because products were manufactured prior to the termination of the license. *Ryan v. Volpone Stamp Company, Inc.*, 107 F.Supp.2d 369 (S.D.N.Y. 2000).

TRADEMARK LICENSE

FTDI is a flower-by-wire service that connects retail florists and participants in an international floral delivery network. Originals obtained a license from FTDI to use the FTD trademarks. Originals' account with FTDI was in arrears resulting in FTDI terminating Originals' license. Despite this, Originals continued to use the FTD marks and FTDI's copyrighted images and designs even though the license with FTDI was terminated. The court stated that by doing so, Originals was creating the impression that they were FTDI licensees when in fact they were not and the court said that this gave rise to a valid claim of trademark infringement. The court also looked at the claim by FTDI that Originals displayed on their website several FTDI copyrighted images even though Originals no longer had a license with FTDI. FTDI requested an Order that Originals disable its entire website. The court said that this proposed remedy was too extreme. The court said it must consider the potential harm imposed upon Originals by a complete shutdown of its website. The court conclude that the better course was to order Originals to remove from their website any and all appearances of FTDI's trademarks as well as any copies or replications of the FTDI copyrighted images or designs and to remove from its metatags any and all references to FTDI. *Florists Transworld Delivery, Inc. v. Orignals Florists,* 2000 WL 1693980 (N.D. ILL. 2000).

A trademark license is a grant of permission to use the licensor's trademarks. An assignment and a license back to the assignor is a valid commercial practice which enables the assignor-licensee to continue this same business. In this litigation the licensee continued to use the licensed trademarks until immediately prior to filing a bankruptcy petition. In order for the licensee debtor to continue using the trademark after a purported assignment to a new owner, there needed to be a valid license back agreement. A license back is valid if it satisfies the conditions of validity for trademark licenses generally. A valid licensing agreement provides for adequate control by the licensor over the quality of the goods or services produced under the mark by a licensee. Here, however, although the parties intended an assignment and license back, the draft assignment and license was never signed and the court said that is not sufficient to show an actual license back agreement between a debtor and a purported owner of the trademark. *In re Impact Distributors, Inc. v. Cuzcatlan Beverages, Inc.*, 260 B.R. 48 (S.D. Fla. 2001).

P&G sued the defendants alleging that defendants were making counterfeit Head and Shoulders Shampoo. The defendants claimed that P&G abandoned its trademark because P&G knowingly and purposefully gave a licensee the right to use P&G's trademark on a substandard product. This argument was based on a liquidated damages clause in the license between P&G and its licensee to provided no penalty for violating the licensee's ban on trademark use. The court noted that an uncontrolled license may provide the basis for an inference of abandonment of a trademark. The court ruled, however, that there was no abandonment here because the explicit language of the license showed that no reasonable juror could conclude that P&G waived its right to sue for trademark infringement. The license language clearly and expressly prohibited the licensee or any other party or individual from making reference to Proctor & Gamble in its recycled products. In addition, the liquidated damages clause was an alternate theory of recovery for P&G and not a license to its licensee for use of the Head and Shoulders trademark. Thus, the court concluded that the defendants in this case failed to establish that P&G licensed the use of its Head and Shoulders trademark to a recycler. *The Proctor & Gamble Company v. Quality King Distributors, Inc.*, 123 F.Supp.2d 108 (E.D.N.Y. 2000).