

# PATENT LICENSING PRINCIPLES

Patent licensing is a \$150 billion annual business in the U.S. that facilitates the sharing of inventions with firms that develop them into new products and services. But it is also a business where abuses have occurred. Therefore, licensors and licensees alike must act **ETHICALLY, RESPONSIBLY, KNOWLEDGEABLY** and with **RIGOR** to achieve mutual benefit and economic growth.

Conversant Intellectual Property Management believes the following 10 principles are the basis of ethical and beneficial patent licensing. We act according to these principles every day.

## OWNERSHIP OBLIGATIONS

- 1) A patent's true, direct **ownership** should always be disclosed and never hidden behind shell or sham companies.

## LICENSOR OBLIGATIONS

- 2) A **licensor** should only seek to license or enforce a quality patent for which it has invested material resources to conduct due diligence regarding its technical merits, claim definiteness, and scope and relevance of the prior art, if any.
- 3) A **licensor** should enter into negotiations with a potential licensee only when it has such a quality patent and diligent investigation indicates it is (a) valid, (b) enforceable and (c) being used, or likely to be used, by the potential licensee. The licensor should be willing to provide documented evidence of use, including claim charts, to the licensee for its review. And if a licensor learns during discussions with the licensee that the patent is not likely to be valid or enforceable, or used by the licensee, then the licensor should withdraw that patent.
- 4) Although a **licensor** is by law free to license anywhere in a chain of distribution, a responsible licensor generally should not seek licenses from or threaten litigation against a business such as a start-up company, a local retailer or a small end-user customer unless it directly competes against the licensor.

## LICENSEE OBLIGATIONS

- 5) A **licensee's** responsibility is to investigate the licensor's claims fairly and honestly and, if it determines that the licensor is likely to have valid and enforceable claims, conduct good-faith discussions with a willingness to take a license on fair and reasonable terms.
- 6) A **licensee** should engage in good-faith discussions with the licensor and make reasonable, good-faith efforts to meet with and respond to the licensor in a timely manner. Individuals acting on behalf of the licensee must have the authority to negotiate with and, if appropriate, reach an agreement with the licensor.
- 7) A **licensee** should be willing to take a fair and reasonable license where appropriate. This means that the licensee must fairly acknowledge that if its activities use, or are likely to use, the invention claimed in a licensor's patent, then the licensee owes the licensor reasonable compensation for the use of that patented technology. A licensee should not take a free ride off another's patented innovation.

## DUE DILIGENCE OBLIGATIONS

- 8) **Due diligence** by both parties includes a reasonable effort to review and fairly assess the technical merits of the licensor's patent as it relates to the licensee's products and processes, the legal issues related to claim construction and other patent matters, the businesses of both the licensor and the licensee, and the market related to their patents, products and processes.

## LITIGATION OBLIGATIONS

- 9) **Litigation** should only be resorted to by a licensor when good-faith license negotiations prove unsuccessful or a potential licensee demonstrates an unwillingness to negotiate in good faith for a license. A licensor should initiate litigation only for the purpose of obtaining appropriate compensation for the use of its patented technology, or that of a related portfolio of patents, and never for the purpose of achieving a nuisance or litigation-cost-based settlement.
- 10) Both parties to litigation should act **ethically and responsibly** during all proceedings, and always be willing to discuss a reasonable settlement. Obstructionist, irresponsible or unreasonable behavior by either party, both prior to and during litigation, should have consequences for the party engaging in that behavior.

This is what we believe. Tell us what you think.  
Let's start the conversation.

**c·nversant**<sup>™</sup>  
INTELLECTUAL PROPERTY MANAGEMENT

November 2013