

Supreme Court Ruling in *MedImmune v. Genentech* Upsets
Fundamental Assumptions About Reliability of Patent Licenses,
According to Morrison & Foerster Attorney

01/10/2007

LOS ANGELES/WASHINGTON, D.C. (January 9, 2007) – The Supreme Court's January 9 ruling in the patent case of *MedImmune v. Genentech* "upsets the fundamental, real-world assumptions that people make when entering into licensing deals—namely, that the license is something on which they may actually rely," according to Morrison & Foerster LLP patent litigator Charles Barquist.

"What else is a license, after all, but a compromise and a settlement of not only the negotiated value of the intellectual property, but also of the underlying validity of that patent?" Barquist asks. "This case turns that critical understanding on its head, and allows someone who has taken a license—and indeed is benefiting from that license—to nevertheless turn around and claim that the patent they are benefiting from is invalid."

Barquist suggests that, despite the Court's narrow procedural approach, this ruling could still have a significantly chilling effect on several fronts, affecting both licensors and licensees, and far more broadly than simply the area of life sciences covered in the fact pattern of the case: "Why would a licensor compromise now, perhaps agreeing to a lower royalty percentage that benefits the licensee, if it knows that the licensee can simply turn around and sue to invalidate the underlying patent anyway?"

Barquist goes so far as to suggest that licensing from universities and other research institutions could begin to decline as a result of the *MedImmune* ruling.

"Such licensing from research institutions is designed to take the important benefits of government-sponsored research and distribute them to us all. It will be interesting to see how this aspect of licensing is impacted as a result of the decision."

Barquist suggested that the ruling will affect how future licenses are drafted. He wonders, for instance, whether licensors will now require licensees to contractually waive claims challenging the underlying patent, and how courts will view such attempts.