



Intellectual Property Licensing: 2024 Year in Review

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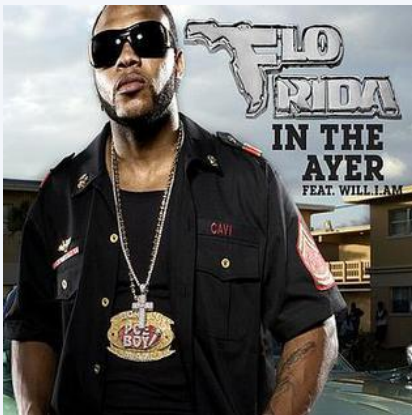
January 31, 2025

Warner Chappell Music v. Nealy (Sup. Ct.)

WARNER CHAPPELL MUSIC, INC. V. NEALY, 601 U.S. 366 (2024)

Case Background

- Nealy and Butler form Music Specialist, Inc.
- Unknown to Nealy, Butler contracts with Warner Chappell
- Music Specialist's songs incorporated into major hits, including Flo Rida's "In the Ayer."
- Nealy sued for copyright infringement within three years of his discovery but asked for damages dating back ten years.



Warner Chappell Music v. Nealy (Sup. Ct.)

WARNER CHAPPELL MUSIC, INC. V. NEALY, 601 U.S. 366 (2024)

Case Holdings


- Affirmed: Copyright owner can obtain damages for any timely infringement claim, no matter when infringement occurred.
- Under Copyright Act, a plaintiff must file suit “within three years after the claim accrued.”
- Open Issue: Supreme Court assumed discovery rule governs timeliness of claim for this case only, but remaining circuit split regarding “injury rule” or “discovery rule”?
- *Drafting Considerations: in releases and risk allocation, be mindful of copyright infringement actions that may have occurred more than three years ago.*

Corteva v. Inari (D. Del.)

CORTEVA AGRISCIENCE LLC V. INARI AGRIC., INC., NO. CV 23-1059, 2024 WL 3653040 (D. DEL. AUG. 2, 2024)

Case Background

- Corteva deposited seeds with ATCC's public depository.
- Seeds transferred to ATCC depository with conditions.
- Competitor obtains seeds from ATCC depository via ATCC's standardized MTA.
- Competitor exports seeds to Belgium and uses in R&D.
- Corteva sues for infringement (patent and plant variety), breach of contract (MTA), state UDAP law, and conversion.



Hybrids tolerant to:			
2,4-D choline	Glyphosate	Glufosinate	FOP herbicides

Insect protection from PowerCore® or Vorceed™ trait technology

Corteva v. Inari (D. Del.)

CORTEVA AGRISCIENCE LLC V. INARI AGRIC., INC., NO. CV 23-1059, 2024 WL 3653040 (D. DEL. AUG. 2, 2024)

Case Holdings

- Case survives motion to dismiss.
- MTA's terms prohibiting commercial use of deposited seeds not inconsistent with PTO Regulations regarding "public availability".
- "We disagree that making the seeds available to the public without restriction nullifies any commercial use restrictions . . ."
- Court denies certification for interlocutory appeal.
- *Drafting Considerations*: *Conditional transfers under MTAs remain an attractive method to transfer possession of materials. Not superseded by patent rules.*

Ares v. Dyax (3d. Cir.)

ARES TRADING S.A. V. DYAX CORP., 114 F.4TH 123 (3D CIR. 2024)

Case Background

- Dyax licenses patents from CAT; sub-licenses to Ares.
- Ares royalties based on its commercialized Therapeutic Antibody Products.
- The product discovery practiced the patents, but the product itself did not.
- Dispute over whether Ares owes royalties after expiration of last CAT patent.



Ares v. Dyax (3d. Cir.)

ARES TRADING S.A. V. DYAX CORP., 114 F.4TH 123 (3D CIR. 2024)

Case Holdings

- *Brulotte*: royalty obligation is unenforceable if calculated based on activity requiring the use of inventions claimed in the licensed patents after expiration.
- *Brulotte* does not apply here: the Therapeutic Antibody Products did not refer to or depend on the CAT patents.
- *Drafting Considerations*: *post-expiration, reach-through royalties may not be barred, if royalties calculated on activities not requiring use of patents*

Corteva v. Monsanto (Del. Super. Ct.)

CORTEVA AGRISCIENCE LLC V. MONSANTO CO., NO. N22C-10-293 PRW CCLD, 2024 WL 4197718 (DEL. SUPER. CT. SEPT. 16, 2024)

Case Background

- Bayer (Monsanto) and Agrigenetics (Corteva) enter into 2002 license to Roundup-ready corn technology.
- Last-applicable US patent expired 2022; last-applicable Brazilian patent expires 2028.
- Corteva files suit; contending Bayer continued royalty demands unlawful under *Brulotte*

Corteva v. Monsanto (Del. Super. Ct.)

CORTEVA AGRISCIENCE LLC V. MONSANTO CO., NO. N22C-10-293 PRW CCLD, 2024 WL 4197718 (DEL. SUPER. CT. SEPT. 16, 2024)

Case Holdings

- Relationship of royalty term to licensed territories was ambiguous
- Court looks to amendments' references to “world-wide” license, conjunctive language, and “upon the expiration of last to expire [patents]”
- “Latest-running-patent” agreements are enforceable
- Licensing of non-patent knowledge also proper under *Brulotte*
- *Drafting Considerations: Specificity for territorial and IP scope royalty terms*

Fuel Automation Station v. Energera (10th Cir.)

FUEL AUTOMATION STATION, LLC V. ENERGERA INC., 119 F.4TH 1214, 1231 (10TH CIR. 2024)

Case Background

- Energera previously settled patent infringement suit against FAS.
- Settlement: (1) Energera will “not to sue [FAS] or otherwise engage [FAS] in any domestic or foreign legal or administrative proceeding” related to the patent rights, and (2) both parties expressly permitted to use, lease, and license equipment.
- Contract stated that it “is not a license,” but Press release said both parties gave permission to sell, lease, and license their own equipment.
- Energera later sues FAS’s subcontractor for infringement; FAS sues for breach of settlement.



Fuel Automation Station v. Energera (10th Cir.)

FUEL AUTOMATION STATION, LLC V. ENERGERA INC., 119 F.4TH 1214, 1231 (10TH CIR. 2024)

Case Holdings

- District court held that the settlement agreement unambiguously protects downstream users.
- “Otherwise engage” could show parties’ intent to prohibit Energera from suing FAS’s downstream users.
- Patent exhaustion recognizes “an inherent promise not to sue downstream owners of those items” from release for sales or leases.
- *Drafting Considerations: Covenant not to sue for sales may protect downstream users. Wiggle language like “otherwise engage” can be used to broaden the scope of protection.*

Interstate Medical v. Wanda Bowling (10th Cir.)

INTERSTATE MED. LICENSURE COMPACT COMM'N V. BOWLING, 113 F.4TH 1266, 1273 (10TH CIR. 2024)

Case Background

- Former IT manager had login information for PayPal, G Suite, and GoDaddy accounts.
- Interstate for breach of contract for not returning login information.
- Under the contract, manager was required to return “intellectual property,” all “deliverables undertaken in further of [s]ervices,” and “materials” that contain, reflect, incorporate or are based on confidential information



Interstate Medical v. Wanda Bowling (10th Cir.)

INTERSTATE MED. LICENSURE COMPACT COMM'N V. BOWLING, 113 F.4TH 1266, 1273 (10TH CIR. 2024)

Case Holdings

- Manager argued that logins were not subject to the contract; lost summary judgment
- Tenth Circuit reverses: Contract is ambiguous, and possible that logins would merely be “information” like SSNs
- Evidence that logins created before the work also created issue over whether they are “deliverables undertaken in furtherance of [s]ervices,” or “material” based on confidential information.
- *Drafting Considerations: don't assume that “intellectual property” and “confidential information” are expansive for purposes of PIIAs and licenses*

OneSource Virtual v. Foster Poultry (Del. Super. Ct.)

ONESOURCE VIRTUAL, INC. V. FOSTER POULTRY FARMS, LLC, NO. N24C-02-019 SKR CCLD, 2024 WL 4544334 (DEL. SUPER. CT. OCT. 21, 2024)

Case Background

- Onesource files an action in D.Del. in Nov 2023.
- In Jan 2024, Foster Farms files an action in CA, and one day later moved to dismiss the D.Del. action for lack of SMJ.
- Governing agreement includes choice of venue: “*Foster Farms agrees it will irrevocably submit itself to the personal and subject matter jurisdiction of... Delaware and will not object to such venue on the theory of forum non conveniens or any other legal theory.*”
- OneSource voluntarily dismisses federal action and refiles in Delaware state court.



OneSource Virtual v. Foster Poultry (Del. Super. Ct.)

ONESOURCE VIRTUAL, INC. V. FOSTER POULTRY FARMS, LLC, NO. N24C-02-019 SKR CCLD, 2024 WL 4544334 (DEL. SUPER. CT. OCT. 21, 2024)

Case Holdings

- Motion to dismiss denied
- Delaware law (*McWane*) generally requires deference to the earlier-filed litigation.
- Foster Farms styled its motion as an SMJ challenge, invoking a niche legal theory of “dominant jurisdiction,” but the Court recognized this strategy as an objection to venue.
- Because the “Governing Law and Venue” provision broadly and expressly prohibits objecting to venue in DE, the Court chose not to apply *McWane* deference.
- *Drafting Considerations*: consider implications of non-exclusive venue clause and whether exclusive venue may be better.

Crocs v. Effervescent (Fed. Cir.)

CROCS, INC. V. EFFERVESCENT, INC., 119 F.4TH 1 (FED. CIR. 2024)

Case Background

- Accused infringers brought false advertising counterclaim because Crocs's Croslite® material was touted as “patented” and “proprietary”
- Croslite material undisputedly not patented
- District court rejected the false advertising counterclaim: statements about *inventorship*, thus question of authorship not characteristics



Crocs v. Effervescent (Fed. Cir.)

CROCS, INC. V. EFFERVESCENT, INC., 119 F.4TH 1 (FED. CIR. 2024)

Case Holdings

- District court erred in granting summary judgment against counterclaim.
- Crocs' advertisement statements are not solely an expression of innovation/authorship.
- [A] cause of action arises from Section 43(a)(1)(B) where a party falsely claims that it possesses a patent on a product feature and advertises that product feature in a manner that causes consumers to be misled about the nature, characteristics, or qualities of its product.”
- *Drafting Considerations: Another item for licensor consideration in allocating risk and compliance of patent marking under § 287*

SRS (Syntimmune) v. Alexion (Del. Ch.)

SHOLDER REPRESENTATIVE SERVS. LLC V. ALEXION PHARMS., INC., NO. 2020-1069-MTZ, 2024 WL 4052343 (DEL. CH. SEPT. 5, 2024))

Case Background

- Alexion acquired Syntimmune in November 2018 for \$400M upfront and up to \$800M in milestone earnouts.
- Alexion has complete discretion over development, subject to “commercially reasonable efforts.”
- Merger Agreement included “outward-facing” CRE definition. Included considerations of factors like safety, efficacy, and market competitiveness, but did not explicitly allow the buyer to consider its own efforts and cost required for the undertaking.
- Alexion pauses and eventually terminates an acquired development program.

Alexion Discretely Discontinues Development of an Anti-FcRn Drug

February 26, 2020 | 2 min read | Alex Keown

SRS (Syntimmune) v. Alexion (Del. Ch.)

S'HOLDER REPRESENTATIVE SERVS. LLC V. ALEXION PHARMS., INC., NO. 2020-1069-MTZ, 2024 WL 4052343 (DEL. CH. SEPT. 5, 2024))

Case Holdings

- Court held Alexion breached the CRE covenant, used “hypothetical company” analysis (i.e., what efforts and resources would a hypothetical company of similar size and scope use).
- Damages TBD (on top of \$130M awarded for a milestone determined to have actually been met).

Fortis (Auris) v. Johnson & Johnson (Del. Ch.)

FORTIS ADVISORS LLC V. JOHNSON & JOHNSON, NO. 2020-0881-LWW, 2024 WL 4048060 (DEL. CH. SEPT. 4, 2024)

Case Background

- J&J acquired Auris Health in 2019, for \$3.4B upfront and up to \$2.35B in milestone earnouts.
- J&J chose to integrate the Auris product with an existing J&J project. None of the earnout milestones were met.
- Merger Agreement set forth an “inward-facing” CRE definition, for a “priority device,” prohibited J&J from taking into account the cost of making Earnout Payments, and lacked language otherwise granting J&J complete discretion over decisions.



AURIS™

Fortis (Auris) v. Johnson & Johnson (Del. Ch.)

FORTIS ADVISORS LLC V. JOHNSON & JOHNSON, NO. 2020-0881-LWW, 2024 WL 4048060 (DEL. CH. SEPT. 4, 2024)

Case Holdings

- Court determined J&J breached its CRE covenant, by deprioritizing Auris's product.
- Sellers prevailed on a fraud claim, given J&J assurances that first milestone was "near certainty" despite knowing of issues in related J&J clinical trial
- Court found breach of implied covenant of good faith and fair dealing because J&J did not pursue alternative regulatory pathway (not anticipated at time of agreement).
- \$1B verdict in favor of sellers

Fortis (Companion Medical) v. Medtronic Minimed (Del. Ch.)

FORTIS ADVISORS LLC V. MEDTRONIC MINIMED, INC., NO. 2023-1055-MAA, 2024 WL 3580827 (DEL. CH. JULY 29, 2024)

Case Background

- In 2020, Medtronic acquired Companion Medical, for \$300M upfront and up to \$175M in earnouts.
- Sellers alleged that Medtronic took actions, such as delaying marketing efforts, to prevent the milestone from being met.
- Merger Agreement did not contain a CRE covenant, and provided that Medtronic could operate the business in its sole and absolute discretion, so long as it did “not take any action intended for the primary purpose of frustrating” the earnout.

Medtronic

 **Companion
Medical**



Fortis (Companion Medical) v. Medtronic Minimed (Del. Ch.)

FORTIS ADVISORS LLC V. MEDTRONIC MINIMED, INC., NO. 2023-1055-MAA, 2024 WL 3580827 (DEL. CH. JULY 29, 2024)

Case Holdings

- Court distinguished between affirmative steps to defeat the earnout (which were prohibited by the “not take any action” language), and simply failing to help the product succeed.
- Court dismissed, ruling that seller must not only allege that buyer took steps to avoid of the earnout payment, but also that the primary purpose of those steps was to avoid the earnout (i.e., needed to show intent)

A Closer Look at “Commercially Reasonable Efforts”

Default Interpretation Under Delaware Law:

- “When the parties do not agree on their own definition of commercially reasonable efforts, the party must “take all reasonable steps” to achieve the outcome.” (per Syntimmune)

Johnson & Johnson Definition:

- “***consistent with the usual practice of Parent and its Affiliates with respect to priority medical device products*** of similar commercial potential at a similar stage in product lifecycle to the applicable Robotics Products”, taking into account...”

Alexion Definition:

- “***such efforts and resources typically used by biopharmaceutical companies similar in size and scope to [Alexion]*** for the development and commercialization of similar products at similar development stages taking into account...”
- “The obligation to use such efforts and resources, however, does not require that [Alexion] or its Affiliates act in a manner which would otherwise be contrary to prudent business judgment...”

A Closer Look at “Commercially Reasonable Efforts”

Continued . . .

Drafting Lessons:

- An “inward-facing” definition is generally more licensee-favorable but can be turned against the licensee/buyer.
- An “outward-facing” definition is generally more licensor-favorable but can be turned against the licensor/seller.
- Consider excluding or including:
 - Similar products licensee has and relative importance of this product
 - Payments required under the agreement
 - Costs required for this product
 - “Sole discretion to operate the business” clause

Buyer-Friendly “Own Business Judgment”

Medtronic Definition:

- **“in accordance with its or their own business judgment and in its or their sole and absolute discretion**, which may have an impact on the payment of the Milestone Consideration”
- “Neither Buyer nor the Surviving Corporation makes any representation or warranty, express or implied, whatsoever, with respect to the achievability of the Milestones...”
- Except as provided in this Section 2.11 . . . neither Buyer nor any of its Affiliates shall have any liability whatsoever to any Former Holder or any other Person for any claim, loss or damage of any nature that arises out of or relates in any way to any decisions or actions affecting whether or not or the extent to which the Milestone Consideration becomes payable in accordance with this Section 2.11.

Key Takeaways for 2025

Contract language rules.

- Delaware is contrarian.
- Courts struggle with hierarchy of “efforts” clauses – specificity and context may help
- Inward looking CRE clauses generally relatively favorable for buyer, depending on buyer’s actual practices (in J&J (Auris), this resulted in a high standard for buyer) and the rest of definition
- Outward looking CRE clauses generally relatively favorable to seller, since seller can look to more objective metric rather than buyer’s subjective intent (per Syntimmune)
- *Brulotte* can be avoided with appropriate contract language

Disputes are fact intensive — high stakes and ambiguity invite litigation.

What do courts see as “usual” language, so they infer something from its absence?

- As a Seller, include language that Buyer will not “refrain from taking any actions” to frustrate the earnout. *See Medtronic.*
- As a Buyer, include language that “Buyer has sole discretion to operate the business post-closing”. The absence of this language was noted in J&J.

Thank You!

Appendix

Default Interpretation Under Delaware Law:

- “When the parties do not agree on their own definition of commercially reasonable efforts, the party must “take all reasonable steps” to achieve the outcome.” (per Syntimmune)

Johnson & Johnson Definition:

“Commercially Reasonable Efforts” means the expenditure of efforts and resources in connection with research and development and obtaining and furnishing of information to and communications with applicable Governmental Entities in connection with obtaining the applicable 510(k) premarket notification with respect to the applicable Robotics Products ***consistent with the usual practice of Parent and its Affiliates with respect to priority medical device products*** of similar commercial potential at a similar stage in product lifecycle to the applicable Robotics Products”, taking into account: “

- (A) issues of efficacy and safety,
- (B) the risks inherent in the development and commercialization of such products,
- (C) the expected and actual competitiveness of alternative products sold or licensed by third parties in the marketplace,
- (D) the expected and actual patent and other proprietary position of the product,
- (E) the likelihood and difficulty of obtaining FDA and other regulatory approval given the nature of the product and the regulatory structure involved,
- (F) the regulatory status of the product and scope of any marketing approval,
- (G) pending or actual legal proceedings with respect to the applicable Robotics Product,
- (H) whether the product is subject to a clinical hold, recall or market withdrawal,
- (I) input from regulatory experts and any guidance or developments from the FDA or similar Governmental Entity, including as it may affect the data required to obtain premarket approval from the FDA or any similar approval from another Governmental Entity and
- (J) the expected and actual profitability and return on investment of the product, taking into consideration, among other factors, the expected and actual (1) third party costs and expenses, (2) royalty and other payments and (3) pricing and reimbursement relating to the product(s).”

Continued . . .

Alexion Definition:

“Commercially Reasonable Efforts” means using such efforts and resources typically used by biopharmaceutical companies similar in size and scope to [Alexion] for the development and commercialization of similar products at similar development stages taking into account, as applicable, [SYNT001’s] advantages and disadvantages, efficacy, safety, regulatory authority-approved labeling and pricing, the competitiveness in the marketplace, the status as an orphan product, the patent coverage and proprietary position of [SYNT001], the likelihood of development success or Regulatory Approval, the regulatory structure involved the anticipated profitability of [SYNT001], and other relevant scientific technical and commercial factors typically considered by biopharmaceutical companies similar in size and scope to [Alexion] in connection with such similar products.

The obligation to use such efforts and resources, however, does not require that [Alexion] or its Affiliates act in a manner which would otherwise be contrary to prudent business judgment and, furthermore, the fact that the objective is not actually accomplished is not dispositive evidence that [Alexion] or any of its Affiliates did not in fact utilize its Commercially Reasonable Efforts in attempting to accomplish the objective.

Medtronic Definition:

The parties hereto acknowledge that, following the Closing, it is the intention of the parties that the development, marketing, commercial exploitation and sale of the Milestone Products shall be exercised by Buyer, the Surviving Corporation or their Affiliates and transferees ***in accordance with its or their own business judgment and in its or their sole and absolute discretion***, which may have an impact on the payment of the Milestone Consideration.

The parties hereto further acknowledge and agree that achievement of the Milestones is uncertain. Neither Buyer nor the Surviving Corporation makes any representation or warranty, express or implied, whatsoever, with respect to the achievability of the Milestones, and the Company, on behalf of itself and the Former Holders, acknowledges that there can be no assurances that the Milestones are achievable.

Except as provided in this Section 2.11 . . . neither Buyer nor any of its Affiliates shall have any liability whatsoever to any Former Holder or any other Person for any claim, loss or damage of any nature that arises out of or relates in any way to any decisions or actions affecting whether or not or the extent to which the Milestone Consideration becomes payable in accordance with this Section 2.11.