



701 - Practical Tips Regarding IP Indemnifications

Bill Becker

Senior Director, Intellectual Property
Align Technology, Inc.

Mikhail Lotvin

Senior Counsel
Hewlett-Packard Company

Douglas Luftman

Associate General Counsel, Intellectual Property
Palm, Inc.

Faculty Biographies

Bill Becker

Bill Becker is currently the senior director of Intellectual Property for Align Technology, Inc. in Santa Clara, CA with responsibility for intellectual property development, licensing, transactions and litigation, primarily with respect to patents, trade secrets and other intellectual property at Align. Align is a medical device company engaged in the design, manufacture and marketing of Invisalign® aligners, the world's leading invisible orthodontic product and one of the world's largest manufacturers of mass customized products.

Mr. Becker formerly was deputy general counsel - intellectual property for 3Com Corporation in Santa Clara, CA. Prior to this, he was the associate general counsel and intellectual property counsel of VLSI Technology, Inc. in San Jose, CA. He has been the vice president and chief legal counsel of Bourns, Inc. in Riverside, CA and a patent attorney for General Electric where he received his initial training in intellectual property law as a part of General Electric's Washington patent operation in Washington, DC.

Mr. Becker is currently a co-chair of the IP committee of ACC's San Francisco Area chapter. He is particularly proud that he has served for over five years as an attorney advisor for local high school Mock Trial competitions. He is a member of the bars of the U.S. Supreme Court, California and the District of Columbia is registered to practice before the United States Patent and Trademark Office and has received formal training in mediation.

He is a graduate of George Washington University Law School and Carnegie Mellon University

Mikhail Lotvin

Mikhail Lotvin is senior counsel at Hewlett-Packard Company (legal department) in Cupertino, California. His responsibilities include intellectual property, licensing, contracts, technology transactions, and litigation.

Mr. Lotvin graduated from Fordham University, with his J.D., from State University of New York at Stony Brook with a B.E., University of Massachusetts with a M.S., and Boston University with a M.A.

Douglas Luftman

Douglas Luftman is associate general counsel of intellectual property at Palm, Inc., headquartered in Sunnyvale, California, the heart of Silicon Valley. Palm is renowned for its rich history of innovation, dating back to the original category-defining Palm Pilot personal digital assistant and more recently the Treo™ smartphone and the Foleo™ mobile companion.

Mr. Luftman's current areas of focus include strategic intellectual property counseling, patent portfolio development, intellectual property assertion and licensing strategy, IP asset acquisitions, standards development strategy, IP and technology licensing and open source management strategy. Prior to joining Palm, Mr. Luftman's roles have included vice president, general counsel and secretary of Caspian Networks, Inc., west coast counsel of CIENA Corporation and senior intellectual property counsel for Intel Corporation's communications group. Prior to working in-house, Mr. Luftman was an attorney at Fenwick & West LLP in Palo Alto, California.

Mr. Luftman has spoken at a variety of forums including professional trade organizations as well as a guest lecturer at the University of California, Hastings College of the Law and the University of California, Berkeley School of Law – Boalt Hall on topics relating to IP strategy for high technology companies.

Mr. Luftman received his J.D. with honors from the George Washington University Law School, Washington DC, where he was Technical Editor of the Law Review. Mr. Luftman received his B.A. from the University of California, Los Angeles.

SAMPLE IP INDEMNITY PROVISIONS WITH SOMEWHAT REASONABLE
TERMS
for
ACC's 2007 Annual Meeting

These excerpts have been generated solely for educational purposes to illustrate various positions and issues that can be confronted in an IP indemnity negotiation. These provisions should not be used in its current form in commercial agreements. Use at your own risk.

IP Indemnity for sale of components- reasonable, but favorable to Buyer

Except as stated below, Seller will at its expense, indemnify, hold harmless, and defend any claim brought against Buyer (including its officers, employees, and subsidiaries) and will pay all costs and damages, court judgments or awards finally awarded against Buyer (including direct damages and damages for willful infringement) and all reasonable associated costs and expenses (including without limitation, reasonable attorney's fees, expert fees, and costs and expenses related to any appeal (such as bond) to the extent the proceeding is based on a claim that a Product delivered to Buyer infringes a copyright, trade secret, trademark, mask work, other proprietary right of a third party (excluding patents, which are addressed immediately below), or any United States, European Union, Japanese, Canadian or Australian patent (a "Covered Claim"). Such indemnity is conditioned upon Buyer promptly (i) notifying Seller of the Covered Claim, (ii) giving Seller a copy of each communication relating to the Covered Claim it receives from the claimant (except that, with respect to confidential communications, Seller and Buyer will mutually agree on an appropriate non-disclosure agreement and such disclosure is subject to the prior approval of the third party claimant) and (iii) giving Seller the authority, information and assistance necessary to defend or settle the Covered Claim at Seller's sole expense, **provided however, that Seller agrees to provide complete indemnification with respect to such Covered Claim and provided further, that in no event will Seller have the right to enter into a settlement which would involve any payment of consideration by Buyer without Buyer's prior written consent. If the litigation involves claims other than the Covered Claim, then Seller agrees to negotiate in good faith with Buyer matters relating to the direction of the defense and sharing the cost of defense; provided, however, that nothing in this paragraph shall limit Seller's ability and authority to defend in its sole discretion any Covered Claim for which Seller agrees to provide complete (subject to the limits of liability specified herein) indemnification and nothing herein shall alleviate Seller's responsibilities and liabilities hereunder.**

Seller will not be obligated to defend or be liable for costs or damages to the extent the infringement arises out of **and, but for the following, there would be no infringement:**

- (a) **required compliance with Buyer provided technology or Buyer provided specifications which are not substantially the same as or included in Seller's specification for its comparable part prior to receiving the Buyer provided specifications (if there is no commercially reasonable way to implement such Buyer provided technology or specifications without such infringement),**

- (b) Modification of the Product (except modifications provided by Seller);
- (c) Buyer's combination of the Product with hardware, software or other materials not provided by Seller except where:
- (i) Required by Seller to meet specifications or otherwise,
 - (ii) There is no substantial use for the Product absent such combination, or
 - (iii) **required in order to be able to use functionality resident in the Product which is not merely enabled in the Product and which is identified in Seller's specifications or features list, but only if there is no possible, commercially reasonable, non-infringing alternative to such combination that would permit use of such functionality;**
- (d) **Buyer's failure to use reasonable materials or instructions provided by Seller which would have rendered the Product non-infringing after sufficient time, following receipt by Buyer, for Buyer to reasonably implement them, but only provided that (i) use of such materials and instructions are communicated in writing to Buyer and identified as required to be implemented to avoid loss of IP indemnification (ii) no substantial material or labor cost addition, or qualification or re-tooling costs shall be incurred as a result of using such materials or carrying out such instructions (unless Seller reimburses such costs) and (iii) the implementation of such instructions or use of such materials can be completed in a commercially reasonable timeframe and do not materially and adversely affect the performance and specifications of the Product; or**
- (e) **use of the Product not in accordance with required specifications, which have been communicated to Buyer in writing and which have been clearly marked as required prior to its ordering its first production order for such Product.**

**SAMPLE IP INDEMNITY FOR LICENSE OF CUSTOM DEVELOPED
HARDWARE DESIGN**

Licensor will defend, **at Licensee's request and option**, or settle any claim, suit or proceeding brought against Licensee based upon a claim that Licensee's use or distribution of any of the Deliverables as authorized hereunder and in the forms permitted hereunder infringes or misappropriates the Intellectual Property rights of a third party, and Licensor will pay the damages and costs (including reasonable attorney's fees) finally awarded against Licensee a, so long as: (i) Licensor is notified promptly in writing of such claim, suit or proceeding; and (ii) Licensee cooperates reasonably, and gives all necessary authority, information and assistance to Licensor in Licensor's control of the claim, suit or proceeding at Licensor's expense.

If Licensor agrees that such claim or suit is fully covered by this indemnity provision, then Licensor shall be permitted to direct the defense or settlement of such claim except that Licensor may not enter into a settlement arrangement which would result in a significant adverse affect on Licensee or any payment by Licensee without Licensee's prior written consent. **If Licensor does not agree that the claim or suit is fully covered by this indemnity provision, then the parties agree to negotiate in good faith an equitable arrangement regarding the defense of the claim or suit and any settlement thereof consistent with Licensor's obligations hereunder.**

Notwithstanding the foregoing, Licensor is not obligated to defend or settle any such claim, suit or proceeding and is not obligated to pay any such damages or costs, to the extent such claim, suit or proceeding would be Licensee's responsibility pursuant to Section xx or arises out of:

- (x) **a combination of the Deliverables with technology not supplied by Licensor, except where the Deliverables have no non-infringing use other than in such combination;**
- (y) A modification, alteration or amendment of the Deliverables by Licensee, if such infringement would not have occurred but for such modification, alteration or amendment by Licensee; or,
- (z) **A change to the Deliverables requested, directed or required by Licensee, if such infringement would not have occurred but for such requested, directed or Licensee-required change and there was no commercially reasonable non-infringing way to make such change.**

LICENSE OF STANDARD PRODUCT DESIGN-Control of Litigation vs. Limitation of Liability

Licensee agrees to defend, including any costs, bond expenses and the like incurred with respect to an appeal, and indemnify LICENSOR, at Licensee's expense, and to pay costs and damages finally awarded in any such suit or amounts agreed upon in settlement, subject to the limitations of this Clause XXX, provided that Licensee is notified promptly in writing of the suit, and at Licensee's request and at its expense is given control of the suit and all requested reasonable assistance to defend the same at Licensee's expense. However, in no event will Licensee have the right to enter into a settlement which would involve any payment of consideration by LICENSOR or restrict LICENSOR from performing its obligations under this Agreement without LICENSOR's prior written consent. Upon LICENSOR's request, **LICENSOR shall have the right to monitor Licensee's defence of such claim or suit, including reasonable contact and discussions with Licensee and Licensee's counsel;** however, this shall not entitle LICENSOR to participate in Licensee's sole control of the defense prior to Licensee expending the Maximum Dollar Amount of Liability, as defined below, and electing in writing to withdraw from LICENSOR's defense. **Licensee shall notify LICENSOR in writing on or before the time that Licensee expends YYY Million Dollars in defending LICENSOR from a claim or suit under this Clause 16.2 and shall specify in such notice whether or not Licensee will continue the defense beyond the**

Maximum Dollar Amount of Liability, or whether it will be withdrawing from the defense. In addition, in the event Licensee fails to provide the required notice, including its decision as to whether it will continue to defend LICENSOR or will withdraw from the defense, Licensee shall continue to be responsible for all fees and expenses incurred and for the defense of LICENSOR for fourteen (14) calendar days from receipt of such notice or up to ZZZ Hundred Thousand Dollars (US\$z00,000), whichever is greater. Upon LICENSOR's receipt of notice from Licensee that Licensee is withdrawing from LICENSOR's defense and upon Licensee's reaching the Maximum Dollar Amount of Liability, LICENSOR shall have the right to exercise sole control of LICENSOR's defense of the suit at LICENSOR's sole expense. In that event, Licensee agrees to provide all requested reasonable assistance in the defense of the same at Licensee's sole expense. For the avoidance of doubt, Licensee shall have the right to continue to defend itself, and LICENSOR shall have no right or obligation to defend Licensee in any fashion whatsoever for claims under this Clause XXX.