

COLUMN

All in the Family

When buying a patent, check out its relationship to others.

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Technology companies routinely conduct patent sales, whether through high-profile auctions like the one recently proposed by Yahoo, or as part of ordinary-course asset divestitures. There are many considerations to address when conducting a patent sale to ensure that both the buyer and seller realize maximum value from the transaction; however, one issue in particular that is sometimes overlooked is the importance of assessing the so-called patent families that constitute the patent portfolio for sale.

Depending on how patents within a patent family relate to one another, if the ownership of such patents is separated such that some of the patents in the family are sold to the buyer but the seller retains others in the family, the parties may not realize maximum value from the transaction.

For example, failure to acquire an entire patent family may leave the buyer without ownership of patents covering the latest improvements of the patented technology or without control over the prosecution of important pending claims. Even worse, if patents within a patent family are subject to a filing called a “terminal disclaimer,” separating their ownership may render certain of them unenforceable. Here we provide an overview of this specific



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risk and offer general guidance on how to address it in the context of a patent sale.

When two or more commonly owned patents disclose the same invention, with the later-filed patent containing patentable indistinct variations of the same inventive concept disclosed in the first-filed patent, the U.S. Patent and Trademark Office may reject the later-filed patent on the basis of what is known as “nonstatutory obviousness-type double patenting.”

Nonstatutory obviousness-type double patenting is a judicial doctrine that was created for two primary purposes: (1) to prevent patent owners from unjustly extending a patent’s exclusionary term by filing repeated applications for the same invention, and

(2) to prevent alleged infringers from being subjected to litigation from multiple parties that own patents covering the same invention.

To overcome a nonstatutory obviousness-type double patenting rejection, a patent owner may, in certain situations, elect to file a terminal disclaimer, which cures the problem by setting the expiration date of the later-filed patent as the same date as the first-filed patent. However, to ensure that infringers of the two patents cannot be subject to litigation by more than one patent owner, the later-filed patent for which the terminal disclaimer is filed is enforceable only for and during the period that such patent is “commonly owned” with the first-filed patent. Therefore, separating the ownership of such

patents can render the later-filed patent unenforceable. Accordingly, early in a patent sale transaction, it is critical for the parties to carefully assess whether any patents contemplated for sale are subject to a terminal disclaimer. Ideally, if any terminal disclaimers were identified, all of the patents subject to them would either be sold to the buyer or retained by the seller.

When two or more patents disclose the same invention, the PTO may reject one.

Nevertheless, there may be valid business reasons why the seller may wish to retain one patent subject to a terminal disclaimer but sell another. For example, although the seller may be willing to sell a later-filed patent subject to a terminal disclaimer, it may desire to retain exclusive rights to the first-filed patent for a specific commercial objective (e.g., to conclude a litigation involving the patent or maintain exclusive rights in a field involving the patented invention). Given that the common ownership requirement of 37 C.F.R. §1.321(c) has no exceptions, in such circumstances, additional transaction structures are necessary. These include:

■ **Licensing:** The parties' objectives may be achieved by having one party own all of the patents subject to a terminal disclaimer and grant the other party a license. Whether the seller or buyer would be the licensor or licensee, and whether the license would be

exclusive or nonexclusive, would depend on the specific circumstances. However, any exclusivity granted to one patent subject to a terminal disclaimer but not the other must be granted with significant caution because an exclusive license that transfers "all substantial rights" in the patent to the licensee may be deemed a de facto assignment, *Aspex Eyewear v.*

Miracle Optics, which could result in the loss of common ownership.

■ **Granting Joint Ownership:** In certain circumstances, it may be desirable for each party to become undivided joint owners of all of the patents subject to a terminal disclaimer, allowing each party the right to fully exploit the patents. However, among other considerations, such a structure would require each party to join any proceeding to enforce the patents against infringers, and the parties would have to determine to what extent, if any, they must account to each other in connection with any exploitation of the patents. Moreover, because joint ownership enables each owner to fully exploit a patent, consideration should be given whether any exclusive rights should be granted to either owner (taking into account the limitations described above).

■ **Contractual Obligations:** Certain commercial objectives may be

achieved by having one party own all of the patents subject to a terminal disclaimer and impose contractual obligations on the other to conduct certain activities (e.g., one party could be required to transfer all or a portion of recoveries from the assertion of the patents to the other party or enforce the patents on the other party's behalf). This approach would need to be tailored to each party's specific objectives and could be used in conjunction with a licensing structure.

These approaches are nonexhaustive and highlight that any approach used in a patent sale to preserve common ownership of patents subject to a terminal disclaimer while ensuring that both parties' objectives are satisfied will need to be carefully crafted to the specific transaction. Accordingly, engaging patent transactional experts early in the sale process is essential to identifying all relevant issues and constructing an optimal sale structure that maximizes value for all parties.

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