

TECHNOLOGY LICENSING  
FINAL EXAMINATION

December, 2005

Professor Jorda

**Instructions:**

This is a two-hour (more for certain foreign students) open-book exam. You may consult the course materials as well as any other materials.

Write your answers in the blue books supplied, but please use only one side of the page and observe the margins. Please write or print as legibly as possible.

Grading will be anonymous; please do not put your name on anything you turn in.  
BE SURE YOUR EXAM NUMBER IS ON EACH BLUE BOOK YOU TURN IN.

**PROBLEM I**

A. Facts

A licensee paid the licensor \$150,000 plus an advance on royalties of \$100,000 for a nonexclusive license under three patents. Subsequently the licensee exercised his option to convert the nonexclusive license to an exclusive license by paying a second \$150,000 fee and a second advance against royalties of \$100,000. Seven years later the licensor brought suit against the licensee on the grounds that it had breached the contract by not fulfilling an obligation to use the best efforts to exploit the patents on the basis that although the license did not contain a best efforts clause, it must be implied because the contract contemplates the payment of royalties.

B. Question

1. How should the court decide this issue? In your answer discuss also the rationale behind a "best efforts" clause and at least three (3) examples of better alternatives for accomplishing the same. [15 points]

**PROBLEM II**

A. Facts

Red Maple Restaurant, Inc. sued Red Maple, Inc. for trademark infringement. The Plaintiff owned two registrations: "RED MAPLE" and "RED MAPLE and DESIGN" for restaurant services, while defendant had no registration but operated under the name RED MAPLE RESTAURANT. Plaintiff had leased the restaurant to one of its key employees, including exclusive use of its two marks for a term of one year. The defendant claimed that plaintiff had therefore abandoned the mark by granting a naked license, inasmuch as there was no control by plaintiff of the nature and quality of the restaurant's services. Evidence adduced at trial by plaintiff showed that the lease provisions granted plaintiff

certain rights of control; plaintiff continued to show an interest in the restaurant's operation; defendant used the same menus, served the same food as had plaintiff and there was no depreciation of the quality of the restaurant services rendered during the period of the lease.

B. Question

Who prevails and why? In answering these questions, also discuss the rationale behind the quality control requirement in trademark licensing and what the requisite elements and steps of a quality control policy and procedure are. **[15 points]**

**PROBLEM III**

A. Facts

In a license agreement covering patents and trade secrets

- the licensed patent and trade secret rights are about equally important,
- the stipulated royalty rate is 5% of the net sales of the licensed product,
- the "Term and Termination" clause provides for duration of the agreement "until the last-to-lapse of the Licensed Patent and Trade Secret Rights," and
- the patent rights in fact expire at one point during the agreement while the trade secrets continue and survive as trade secrets.

So far the licensee has paid all royalties due under the agreement in a timely manner. Another royalty payment will be due soon.

B. Question

Can the licensee stop making royalty payments to the licensor now? If so, why? If so, how should the agreement have been drafted to avoid the problem? **[15 points]**

**PROBLEM IV**

1. What are "grantbacks" and "grantforwards" and what is their status from an antitrust/patent misuse standpoint? Draft an illustrative problem-free grantback clause. **[5 points]**
2. Describe at least three (3) examples of implied licenses. **[5 points]**
3. Can a trustee in bankruptcy of a trademark owner, who files for bankruptcy after entering a license agreement, reject the license and thus unilaterally deny licensee the right to use the licensed trademark? If so, why? If not, why not? **[5 points]**

**- END OF EXAMINATION -**