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BOOK REVIEW

LICENSING GUIDE FOR PRACTITIONERS

1991 Licensing Law Handbook. By Howard C. Anawalt and Elizabeth F. Enayati. *Clark Boardman Company*, 1991. 370 pages, 4 appendices. \$65.00

Anna Longwell†

INTRODUCTION

The 1991 Licensing Law Handbook by Howard C. Anawalt and Elizabeth Enyati is a topical, practical treatment of intellectual property licensing and a number of related activities and issues which the intellectual property practitioner may encounter in the course of practice. Although focussed on the high-technology areas of semiconductors, biotechnology and software, the book develops a number of themes that should also serve practitioners in other areas of intellectual property. The book urges the reader to develop a "creative, intelligent approach to licensing,"¹ and provides a number of techniques to assist in this development. The text is sufficiently clearly written that it could also be useful to lay executives in the biotechnology, semiconductor and software industries as an introduction to a complex but important business area.

Most notable is the presentation of a set of "Guidelines," outlining the practical consequences of implementing the ideas developed in each chapter, presented in the form of aphorisms. While some of these may be belaboring the obvious, the effect as a whole is to distill a number of useful concepts, and keep them before the reader as he or she reviews each chapter.

Chapter organization is logical, starting with a general discussion of the types of protection for intellectual property that exist in the United States (and only very superficially, worldwide). Then the

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1. HOWARD C. ANAWALT & ELIZABETH F. ENAYATI, LICENSING LAW HANDBOOK 289 (1991).

text turns to tactics for the practitioner, first in terms of protection for both inventors and employers of inventors, then in terms of developing corporate practices that foster inventiveness while they protect the company from liability for infringement. Following this, recent developments in intellectual property law are discussed, then the pros and cons of, plus some tactical suggestions for, intellectual property litigation. The book ends with a description of non-traditional methods for dispute resolution.

Patent Protection

As this text is concerned mainly with United States patent law, the authors lay out the various requirements for a United States patent. They use the example of the SCIDhu mouse to illustrate a novel biotechnology development, for which a patent application has been made. The SCIDhu patent is an example of the involuted relationships that develop in many high-technology intellectual property cases, in that the inventor, McCune, assigned the patent rights to Stanford, and Stanford licensed its application to McCune's new company, SysTemix. It is unfortunate that they did not use the SCIDhu mouse as an example to point out another practice common to high-technology intellectual property law, that of licensing an application prior to issuance of the patent.

Some general practices and procedures are recommended, such as documentation of conception and of first reduction to practice, as well as documentation of due diligence in reducing the concept to practice. The authors' discussion of patents contains a number of helpful suggestions, such as obtaining the file wrapper for a patent if the client is somewhat unfamiliar with the field of the invention. Guideline 5 reminds the reader of the obvious but important "verify that the licensors are the patent-holders of record."² The authors walk the reader through a patent application, and offer several examples in the appendices. The most interesting example from the standpoint of the ever-narrowing hierarchy of claims is the partial excerpt from the patent for the Harvard Mouse.³

New developments in patent law are treated. These include the recent court decision to apply industry standards to the interpretation of the terms of a license agreement,⁴ the requirement for a deposit in biotechnology patents,⁵ and the finding by the United States

2. *Id.* at 13.

3. *Id.* at Appendix A.

4. *Motorola Inc., v. Hitachi Ltd.*, 750 F. Supp. 1319 (W.D. Tex. 1990).

5. MANUAL OF PATENT EXAMINING PROCEDURE § 608.01(p)(c) (1985).

Supreme Court⁶ that a competitor can test and obtain FDA approval for medical devices prior to the expiration of the patent when it plans to market the invention after the patent expires.

Copyright

In terms of copyright protection, the authors remind us that the owner of the copyright would in most cases be the employer, not the creator. However, it is important to distinguish between employees and independent contractors for purposes of ensuring ownership of the copyright. They discuss recent court cases which explain this important difference,⁷ but do not offer practical guidelines to practitioners in drafting contracts for independent software developers. Many older contracts contain a "boilerplate" clause stating that the contractor is not an agent of the company, without an additional clause assigning copyright to the company. Now, if the company wants to retain copyright, such contracts may not be sufficient.

Since independent creation is a defense to copyright infringement claims, some manufacturers make use of the "clean room" approach to protect against claims of copyright infringement. As long as the creators are sufficiently isolated from the "contaminating" influence of the competitor's product, whatever they create will perforce be original.

The text includes a discussion of recent developments including joint authorship of computer software,⁸ and the ramifications of such developments in terms of copyrightability. For copyright in the context of user interfaces, the authors explain the "Look and Feel" doctrine, and focus particularly on the most recent case, *Lotus Development*,⁹ which is treated at length by the authors in Chapter 4, "Recent Developments."

Trade Secret

The form of protection afforded by trade secrets varies from state to state, but most have adopted some form of the Uniform Trade Secrets Act. The authors point out that trade secret protection is inexpensive, quick and effective. However, it requires a lot of work to maintain trade secrets. The authors suggest ways of imple-

6. *Eli Lilly & Co. v. Medtronic, Inc.*, 110 S. Ct. 2683 (1990).

7. *E.g.*, *Community for Creative Non Violence v. Reid*, 490 U.S. 730 (1989).

8. *Ashton-Tate Corp v. Ross*, 728 F. Supp. 597 (N.D. Cal 1989).

9. *Lotus Development Corp. v. Paperback Software Int'l*, 740 F. Supp. 37 (D. Mass 1990).

menting vigilance with respect to limiting the internal dissemination of the secret, as well as clear employee guidelines and complete exit debriefing. The authors address the major problem with trade secrets, the difficulty of policing their adoption by another user, and suggest how and when trade secrets are best implemented.

Contract

Intellectual property can be protected by agreement, when neither patent, copyright nor trade secret will serve to protect the property in question. Examples of such agreements are development agreements, non-disclosure agreements and licenses themselves. As with all contracts, the better they are drafted, the better for all parties. The book walks the reader through a number of steps designed to elicit the critical terms of different types of contracts.

Inventors as Employees

When counseling inventors or their employers about the best way to protect intellectual property, the authors suggest a practical approach that takes into account the realities of the client's situation. This includes the type of business the client is in, his or her financial and other resources, his or her timeline for new product introduction, the nature of the competition, and of course, his or her expectations.

Employers can, of course, obtain rights to employees' inventions. In general, employees' rights to their inventions may be limited by employment contracts. Since contracts are governed by state law, the authors note some peculiarities of various state laws with respect to employees' rights to their inventions.

One of the areas of law affecting the rights of inventors is that of assignor estoppel, recently affirmed by the Federal Circuit.¹⁰ This doctrine prevents the assignor of a patent from raising a defense of invalidity to a claim of infringement by the assignee. The authors explain and discuss the ramifications of this new doctrine.

The Practical Elements of Licensing

The authors include an excellent discussion of the way to interact with an inventor to obtain the requisite information to answer the question of what type of protection is appropriate. The authors are sensitive to the fact that clients do not want a Master's thesis for an answer every time they ask an attorney if and how an invention

10. *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220 (Fed. Cir. 1988).

can be protected. The conscientious attorney would refine the choices to a few practical alternatives, with a set of clearly defined "pros and cons" for each alternative. The book considers the benefits of cooperative projects to develop new ideas and how to protect them from the more onerous provisions of the Sherman Anti Trust Act. Such cooperative projects are a good idea because they give firms access to more technology than they would have alone, and provide for important synergies in a developing industry.

Enyati and Anawalt warn that the practitioner must always be careful that his or her efforts to protect innovation do not result in stifling innovation. The authors enumerated the considerations that influence the selection of the most appropriate legal advice for different companies. The size and the age of the company are two factors that must be considered, as well as the reliance of the company on innovation, the size of the window of market opportunity for the company's products (time-to-market expectation), and the company's financing. All of these must be considered when framing advice for any particular company. The authors devote special attention to the start-up company since these can be especially vulnerable to litigation.

Areas Requiring Specific Expertise

In addressing some of the basic skills required of intellectual property law practitioners, the authors point out areas of technology in which practitioners should have specific technical expertise.

Areas Requiring Specific Expertise # 1: Computer Technology

Computer technology is one area with its own language, concepts and environment. The language can be acquired by reading trade journals or basic texts. There are legal issues peculiar to the industry such as the extent to which computer programs can be protected by patent. The language used to describe the claim is paramount. For example, in protecting computer programs, if the program can be described according to the ways in which the algorithm is used to configure a computer hardware based process, there is a higher probability that a patent will issue.

Areas Requiring Special Expertise #2: Semiconductor Technology

Semiconductor technology is another area with a specific language, and with legal issues peculiar to the industry. Because the

improvements in this field often occur in quantum leaps, patent policies are extremely important to firms in this industry. Process protection needs to be related to design protection. Since modern chips are complex, containing hundreds of design elements, the potential for infringement is high. The authors point out that patent protection is the principal means of intellectual property protection in the semiconductor industry, but that software or production processes may sometimes be better protected by trade secrets.

Since 1984, with the passage of the Semiconductor Chip Protection Act,¹¹ there are additional statutory protections for the mask works of a semiconductor chip. The book considers recent legal developments and applications for this specialized industry.

Areas Requiring Special Expertise #3: Biotechnology

Finally, biotechnology is another field with a unique language and legal issues peculiar to the field. Many of the inventions have applications in the health care fields. Like the semiconductor field, the health care field is highly dependent on patent protection.

For biotechnology patents, there is a special requirement of a deposit of the microorganism or other biological material used for inventions which depend on the production of the microorganism or other biological material. This book details the deposit process.

Dispute Resolution: Litigation or Alternates?

The book concludes with sections which address the analysis of the impact of litigation on the client firm, and available methods of dispute resolution. The authors recommend prevention over litigation. When contemplating litigation, the client should consider all the factors involved, not just his or her chance of "winning" the case. There are numerous methods of alternative dispute resolution available to the client. The handbook provides a reference table outlining the varieties of dispute resolution techniques available, including binding arbitration, early neutral evaluation, mediation, mini-trial, negotiation, neutral fact-finding (court-appointed or voluntary), and private judging. The advantages and disadvantages of each type of dispute resolution are discussed.

Comment

While this book covers much of what is new in the areas of software, semiconductors and biotechnology, one element that this

11. 17 U.S.C. §§ 901-914 (1984).

book neglects to emphasize is that integrity of data is essential to a viable patent. A patent supported with false data, whether intentionally provided or not, is not a valid patent. The book apparently went to press before the September, 1991 announcement by the Institut Pasteur that it would re-negotiate its 1987 license for the Gallo HIV patent. This announcement came after the admission by R. Gallo that the virus he employed in developing his test was in actuality the virus discovered at the Institut Pasteur. With involvement by the National Institute of Health to determine the extent of the error, multitudinous data audits and likely legal claims, the re-negotiation of the 1987 license will be costly.

CONCLUSION

In general, this book is topical, practical, and clearly written. It should be useful to the practitioner and to the lay reader who is a manager involved in licensing technologies for his or her firm.

