

## Supreme Court Ruling Raises Questions Concerning Patent Licenses

The United States Supreme Court on Tuesday issued an opinion that could alter the balance of power between patent holders and their licensees. In *MedImmune v. Genentech*, the Supreme Court held that a patent licensee does not have to breach or terminate a license agreement before bringing an action challenging the scope or validity of a licensed patent. In other words, a U.S. federal court will entertain a lawsuit by a patent licensee challenging a licensed patent even if the licensee is still paying royalties.

At the same time, *MedImmune* potentially raises more substantial questions for patent holders and licensees than it answers. This is not the first time the Supreme Court has tried to balance the competing demands of Constitutional, contract and patent laws - between holding a party to its contract and not allowing invalid or overbroad patents to persist. How these countervailing policies ultimately balance out was left by the Supreme Court to answer another day. This includes the core question of how a patent licensee, royalty-paying or not, might ultimately succeed in challenging a licensed patent.

This uncertainty poses challenges to parties who earn revenue from patents, licensees of patents, and parties to licensing negotiations. Patent licenses may no longer bring litigation peace, adding further instability to anticipated revenue streams. Patent licensees thinking of challenging licensed patents need to give careful consideration to how the challenge affects their rights and obligations going forward. And parties to patent-licensing negotiations should monitor the ever-changing legal landscape *MedImmune* represents in structuring their patent license arrangements.

In the wake of *MedImmune*, parties to patent licenses or license negotiations may want to take a second look at their licenses and their licensing strategies. Patent holders may also want to consider taking a second look at their patents to anticipate and address any issues that may exist in their patent claims. The Intellectual Property attorneys at Ropes & Gray LLP regularly counsel clients on such issues.

### Contact Information

If you have any questions about *MedImmune* and its effect on your business activities, please do not hesitate to contact one of our attorneys below or your regular Ropes & Gray contact.

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