

LEADING EDGE SERIES

Driving Innovation:
Standards in Licensing and
Intellectual Capital Management

Join us on May 14, 2019 at the Silicon Valley USPTO

KEYNOTE SPEAKER



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Secretary of Commerce for Intellectual Property

LES LEADING EDGE SERIES SPEAKER INTERVIEWS

Q&A with David J. Kappos, Partner, Cravath, Swaine & Moore; Former Under Secretary of Commerce for Intellectual Property and Former Director of the USPTO

LES: You will be delivering the keynote titled “Behavioral Issues in Licensing of SEPs and other IP — Defining Acceptable and Best Practices through Voluntary Standards.” In a few short sentences, what can attendees expect to learn?

Kappos: This presentation is going to try to do something that I haven’t seen done before. I will explore the behavioral issues involved in negotiating IP licenses, including licenses for standard-essential patents (SEPs). Issues include hold-out by licensees, hold-up by licensors, global royalties, provision of infringement proof-packages and timeliness of responses, among others. The idea is to synthesize practices that we are aware of that could be characterized as acceptable practices or, in some cases, even best practices, that licensors and licensees of SEPs can employ to reach an agreement. These best practices could be the beginning of a framework that can guide participants on all sides of IP licensing transactions. It’s something I believe is sorely needed.

LES: Can you provide some examples of such acceptable or best practices, for both the licensor and licensee?

Kappos: Of course. An acceptable practice or a best practice as a licensor would be a requirement for the licensor to identify, early in the negotiations, the standard that’s implicated, its patents that are involved, and what about the licensee’s activity has informed the patent holder that the licensee is implementing the standard and even the patent. Another best practice for the licensor might be to include in its licensing approach a document that explains how one or more of its patent claims reads on the standard that it believes the prospective licensee is implementing.

A requirement placed on the licensee would be that once it has received that information, the licensee would be required to respond with any counterarguments that it has, such as that it is not implementing the standard or not implementing a particular part of the standard. Or, the licensee could respond that the patent is invalid and provide the basis for that assertion. If the basis is that the invention is not novel or that it is anticipated or obvious given the prior art, then the prior art should be identified, along with how the prior art invalidates the claims and which claims those

are. The licensee could also believe that none of these apply. The response by the licensee should be provided within a reasonable period of time, generally three months or less.

LES: What are the advantages of defining these acceptable or best practices in advance? And the opposite question: what happens if you don't?

Kappos: I'll start with the second question. If you don't define acceptable practices in advance, you get the world as we know it, which is a world in which agreement can't be reached, resulting in excessive litigation and disputes that wind-up having to get resolved by many courts worldwide. We're living in a pretty unpleasant place in this regard.

But if we make significant improvements, we will get standards set more quickly; we will get products in the marketplace more efficiently; and we will get innovators who are paid for their innovations and can go on to create further innovation. So there are upsides for the implementers, upsides for the innovators and upsides especially for consumers.

LES: What are some of the main challenges or opportunities related to this topic?

Kappos: Within the scope of this topic, the biggest opportunity going on right now is the opportunity to avoid the patent wars that we've experienced, which have had the unfortunate effect of casting aspersions on the value of the intellectual property and the importance of innovation. Avoiding those patent wars is also the biggest challenge because they have become so prevalent.

LES: What are you looking forward to the most at the event?

Kappos: I'm looking forward to learning from the other speakers, and actually hearing the other panel discussions and talks. This community is a very unique place in the world where people have extremely well-informed views about commercial outcomes and advancing technology into the marketplace.