

Check Your Technology License: Payments May Be Unenforceable

The U.S. Supreme Court recently found that a party licensing or selling its patent rights cannot receive royalties after a patent expires, regardless of whether or not the contract allows for the payment of such royalties. But an article published by Womble Carlyle Sandridge & Rice says that contract drafters can still achieve payment deferral and risk allocation without a long-term royalty distribution using creative and strategic provisions.

“Expiration of a patent also terminates the rights to collect royalties on that patent – even if a license contract says otherwise,” Theodore Claypoole writes in the article. “All businesses are reminded to check the termination date of any patent licensed to the business for use of underlying technology. While the license may remain valid, the licensor’s right to collect royalties may be invalid. While it is only natural for patent holders to want to profit from their patents as long as possible, according to the Supreme Court patent holders can only earn royalties for sales made before their patents expire. Royalty-bearing licenses like the one in *Kimble* should be careful in how payments are allocated, or risk partial or total invalidation.”

Read the article.