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Verne, B. Michael

From: [redacted]
Sent: Wednesday, February 28, 2007 1:32 PM
To: Verne, B. Michael
Subject: [redacted]HSR confirmation

Mike - I know that HQ is closed, but thought I would send this so you could see it whenever you are back on-line. Thanks for your assistance.

1. Is the following license grant potentially reportable? My client (Company A) and a potential collaborator (Company B) are discussing a joint product development agreement in which Company B would license certain patent rights to Company A. Although the license is titled as an exclusive license, under that license, Company B is reserving the right to conduct under those patents. (The relevant language from the draft collaboration agreement is excerpted at the bottom of this email.) Under that situation, we believe the license grant is not exclusive in a field of use and therefore is not a potentially reportable acquistiion. Please let us know if you agree.

1) AGREE
2) MOOT

2/28/07

2. If the license grant is potentially reportable, when is the decision concerning reportability made? We believe the reportability determination - and the valuation of the [existing] U.S. patent rights it is acquiring should be made at the outset rather than making separate reportablility analyses each time a collaboration product reached phase II development. This belief is based on Informal Staff Opinion 0205006 ttp://www.ftc.gov/bc/hsr/informal/opinions/0205006.htm), which appears to address questions regarding a similar collaboration. In that interpretation, you agreed that the reportability of the transaction should occur at the time of the initiation of the collaboration (and grant of rights) despite the fact that at that time it may have been unclear what rights would be included in the grant because the coverage of the grant was contingent on the grantor's later identification of the subject of those rights. It is unclear from this interpretation whether the grantor had any discretion in what would be later identified, and thus what rights would be granted. In my client's proposed collaboration the grant is a present grant of rights and the grantor has no discretion over whether patents will or will not be included in the grant even though it is unclear whether particular products will reach phase II development.

DRAFT LANGUAGE FROM COLLABORATION AGREEMENT

Exclusive License – Company B Collaboration Gene Patents. Subject to

the terms and conditions of this Agreement, Company B agrees to grant and hereby grants to Company A an exclusive, nontransferable, nonassignable (whether by operation of law or otherwise, except in accordance with Section 15.1), royalty-bearing, worldwide license under Company B's interest in Company B Collaboration Gene Patents to make, have made, use, have used, offer to sell, sell and/or import a Collaboration Product containing a Collaboration Gene that has been advanced to Phase II Development (which includes either Company A Collaboration Genes or Company B Collaboration Genes or both), or Fragment or Homolog thereof, in the Field until the later of the time when (a) the obligation to make payments under Section 8.6 expires in respect of such Collaboration Gene, or (b) the expiration of all Company B Collaboration Gene Patents Covering such product or Collaboration Gene, Fragment or Homolog. This license includes the right to grant sublicenses to make, have made, use, have used, offer to sell, sell, have sold and/or import a product made under this license. This license shall not preclude Company B and its Affiliates from using Company B Collaboration Gene Patents for Research.

"Research" means to make, study, perform tests, evaluate, or use for internal business purposes, but not to import, export, sell, offer for sale, or have sold.

Reservation of Rights. Company B retains title to, ownership of, and Control over all Intellectual Property rights of Company B not expressly granted to Company A pursuant to this Agreement.

[redacted]

For more information about [redacted] lick here:
[redacted]