MORRISON FOERSTER

"Commercially Reasonable Efforts", "Arising IP" and Similar Clauses – How Precision in Contract Language Can Help Avoid Future Disputes

Presented by:
Matthew Chivvis
Spencer Chen

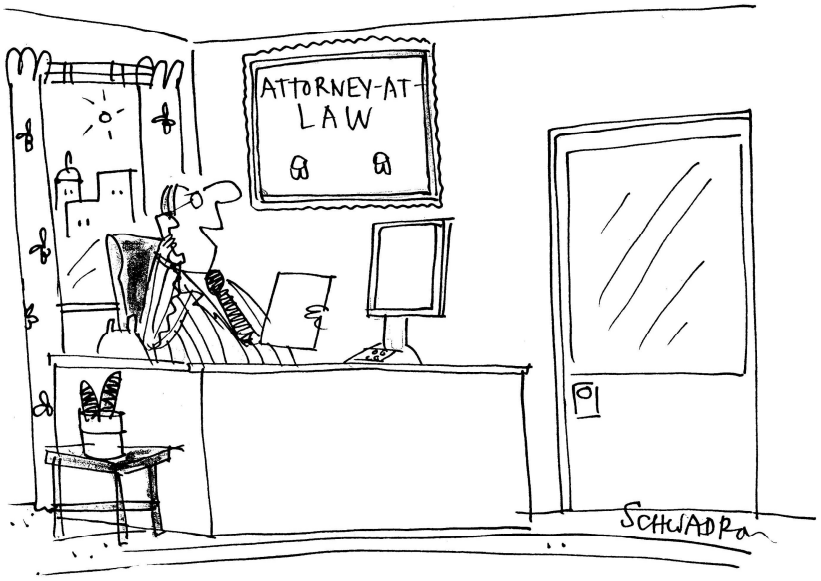
March 11, 2026

Presented by:

Matthew Chivvis
Partner/Co-Chair of Life Sciences
IP Litigation Group
Morrison & Foerster LLP
San Francisco, CA
mchivvis@mofo.com
(415) 268-7307

Spencer Chen
Vice President, Commercial
Karius, Inc.
Redwood City, CA
spencer.chen@kariusdx.com
(650) 409-5007, Ext. 387

Simplicity Versus Specificity



"We structured the deal so that you'll need a lawyer to explain it."

CartoonStock.com

Who decides?

When do we want or need a decision?

The Deal Lawyer's Job

The Trial Lawyer's Job

Case Study

Fortis v. Johnson & Johnson

Commercially Reasonable Efforts v. Best Efforts

"Variations on the 'efforts' concept include commitments to make: 'good faith efforts,' 'commercially reasonable efforts,' 'reasonable efforts,' 'reasonable best efforts' and 'best efforts.'" **From a transactional standpoint, these variations reflect "a hierarchy from lowest (good faith efforts) to highest (best efforts) level of commitment."** This is logical as a matter of plain English since the words used have different meanings. **But there is no agreement in case law over whether they create different standards**."

Fortis Advisors LLC v. Johnson & Johnson, No. 2020-0881-LWW, 2024 WL 4048060, at *25 (Del. Ch. Sept. 4, 2024), judgment entered, (Del. Ch. 2024)

Trials Are Moral Battles About Motivations

"J&J's promise to Auris was broken almost immediately after closing."

"Auris feared that a poor performance would be the end of iPlatform since it had learned J&J's robotics budget left no room for Verb and iPlatform to be developed in parallel."

"But J&J viewed the resulting delays as beneficial since it could avoid making the earnout payment."

"J&J wrote off the iPlatform milestones under the pretext of an unforeseen policy change that would require the robot to achieve regulatory clearance through a different pathway than the one listed in the merger agreement."

"This defense is dubious; it was concocted after J&J was sued."

Quotes from the introduction to *Fortis Advisors LLC v. Johnson & Johnson*, Court of Chancery (September 4, 2024).

Commercially Reasonable Efforts – Internal-Facing Standard

"Commercially Reasonable Efforts" defined as the expenditure of efforts and resources in connection with research and development and obtaining and furnishing of information to and communications with applicable Governmental Entities in connection with obtaining the applicable 510(k) premarket notification with respect to the applicable Robotics Products consistent with the usual practice of Parent and its Affiliates with respect to priority medical device products of similar commercial potential at a similar stage in product lifecycle to the applicable Robotics Products[.]

…

Parent shall not, and shall cause its Affiliates (including the Surviving Corporation) not to, take any actions, or refrain from taking any actions, concerning the business or operations of Parent or any of its Affiliates (including the Surviving Corporation) (A) with the intention of avoiding any of Parent's obligations to pay any Earnout Payment or (B) based on taking into account the cost of making any Earnout Payment(s) made, or actually or potentially to be made, pursuant to this Agreement.

Fortis Advisors LLC v. Johnson & Johnson, No. 2020-0881-LWW, 2024 WL 4048060, at *24-25 (Del. Ch. Sept. 4, 2024), judgment entered, (Del. Ch. 2024)

Case Study

S'holder Rep. Servs. v. Alexion

Commercially Reasonable Efforts – External-Facing Standard

"Commercially Reasonable Efforts" means, with respect to the Product, using such efforts and resources typically used by biopharmaceutical companies similar in size and scope to [Alexion] for the development and commercialization of similar products at similar development stages taking into account, as applicable, the Product's advantages and disadvantages, efficacy, safety, regulatory authority-approved labeling and pricing, the competitiveness in the marketplace, the status as an orphan product, the patent coverage and proprietary position of the Product, the likelihood of development success or Regulatory Approval, the regulatory structure involved, the anticipated profitability of the Product, and other relevant scientific, technical and commercial factors typically considered by biopharmaceutical companies similar in size and scope to [Alexion] in connection with such similar products. The obligation to use such efforts and resources, however, does not require that [Alexion] or its Affiliates act in a manner which would otherwise be contrary to prudent business judgment and, furthermore, the fact that the objective is not actually accomplished is not dispositive evidence that [Alexion] or any of its Affiliates did not in fact utilize its Commercially Reasonable Efforts in attempting to accomplish the objective.

S'holder Representative Servs. LLC v. Alexion Pharms., Inc., No. 2020-1069-MTZ, 2024 WL 4052343, at *14 (Del. Ch. Sept. 5, 2024)

Implications of Arising IP Clauses – *Amgen v. J&J*

The New York Times | https://www.nytimes.com/1998/12/19/business/amgen-wins-one-against-johnson-johnson.html

Amgen Wins One Against Johnson & Johnson

By Bloomberg News
Dec. 19, 1998

See the article in its original context from December 19, 1998, Section C, Page 14 Buy Reprints

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Amgen Inc., the world's leading biotechnology company, won all rights to a once-a-week version of its $3 billion anemia drug in an arbitration battle with Johnson & Johnson, the companies said today.

Johnson & Johnson, the world's No. 5 drug maker, had sought rights to sell the new version of recombinant human erythropoietin, or EPO. A 1985 licensing agreement with Amgen created the basis for the battle by dividing the market for EPO, now the world's best-selling bioengineered drug.

https://www.nytimes.com/1998/12/19/business/amgen-wins-one-against-johnson-johnson.html?smid=url-share

Implications of Arising IP Clauses – *Ferring v. VectivBio*

THE GLOBE AND MAIL*

Ironwood Pharma Resolves Ferring Dispute, Amends License Terms

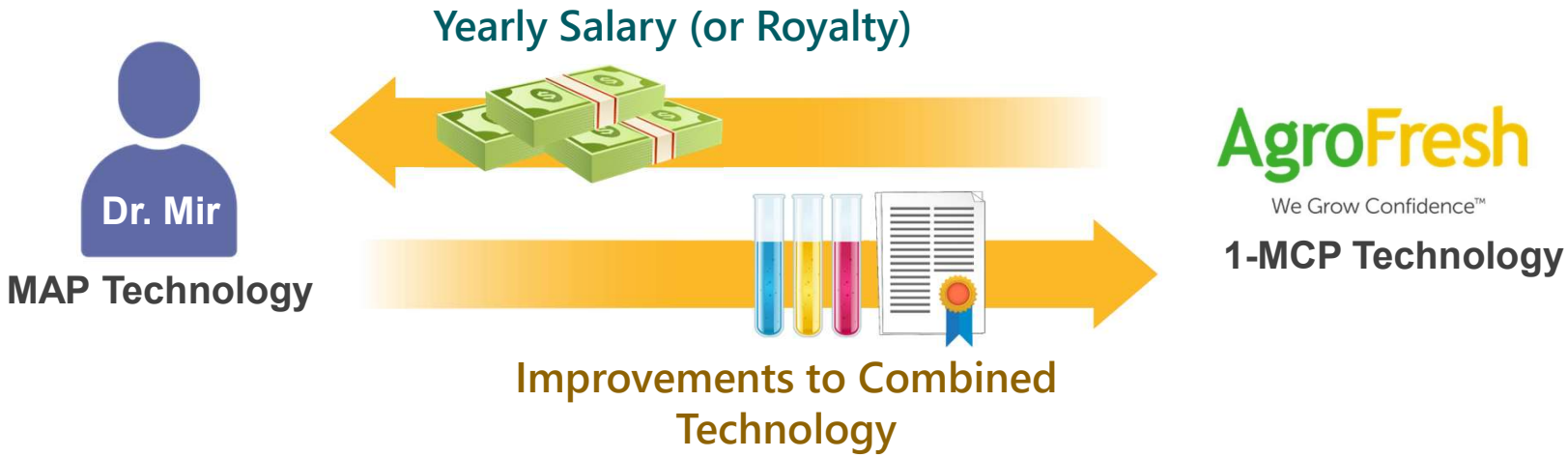
Tipranks - Tipranks - Wed Dec 24, 2025

On December 18, 2025, Ironwood Pharmaceuticals' subsidiary VectivBio AG amended its exclusive license agreement with Ferring International Center to revise financial and intellectual property terms, including a total payment obligation of $12.5 million—an initial $7.5 million followed by $5 million due by December 31, 2026, subject to possible acceleration—alongside new tiered royalty commitments on net sales of licensed products. Under the revised structure, VectivBio will pay Ferring a high single-digit royalty for seven years following first commercial sale of each licensed product and a reduced low single-digit royalty thereafter until relevant patent coverage expires, while the amendment also clarifies ownership and other IP rights; on the same date, VectivBio, Ironwood and Ferring entered into a settlement and release resolving all claims related to Ferring's lawsuit in the U.S. District Court for the Eastern District of Texas, removing a legal overhang and providing clearer economic and IP terms around the licensed portfolio.

https://www.theglobeandmail.com/investing/markets/stocks/IRWD/pressreleases/36776892/ironwood-pharma-resolves-ferring-dispute-amends-license-terms

Case Study

AgroFresh v. MirTech



AgroFresh Inc. v. MirTech, Inc., 257 F. Supp. 3d 643, 650 (D. Del. 2017)

Dispute: Ownership of "Improvement" IP

May 2011 Commercial Agreement

12.1 During the Term of this Agreement, MirTech shall promptly inform AF of any and all inventions, discoveries, improvements or other modifications which are related to the Products ("Improvements"), whether patentable or not. In further consideration of the compensation paid to MirTech by AF under this Agreement, MirTech hereby assigns automatically all rights, and all future rights, to AF, at no additional cost to AF, any and all proprietary interests and rights, for all countries, in the Improvements, including, without limitation, any patent rights, know-how, copyrights, or other intellectual property. MirTech shall execute any documents necessary to accomplish such assignment.

AgroFresh Inc. v. MirTech, Inc., 257 F. Supp. 3d 643, 650 (D. Del. 2017*)*

Dispute: Ownership of "Improvement" IP

May 2011 Consulting Agreement

> Research and development of current and new combination technology, including the development of new intellectual property, comprised of modified atmospheric packaging ("MAP") including microperforated flexible film bags, pouches, rollstock and lidstock, perforation design, etc. and ethylene inhibitors including, but not limited to, 1–methylcyclopropene and its analogs and homologs ("1–MCP") for use on bananas and other produce. New products developed using these combined technologies are "Product" or "Products."

AgroFresh Inc. v. MirTech, Inc., 257 F. Supp. 3d 643, 650 (D. Del. 2017*)*

Dispute: Ownership of "Improvement" IP

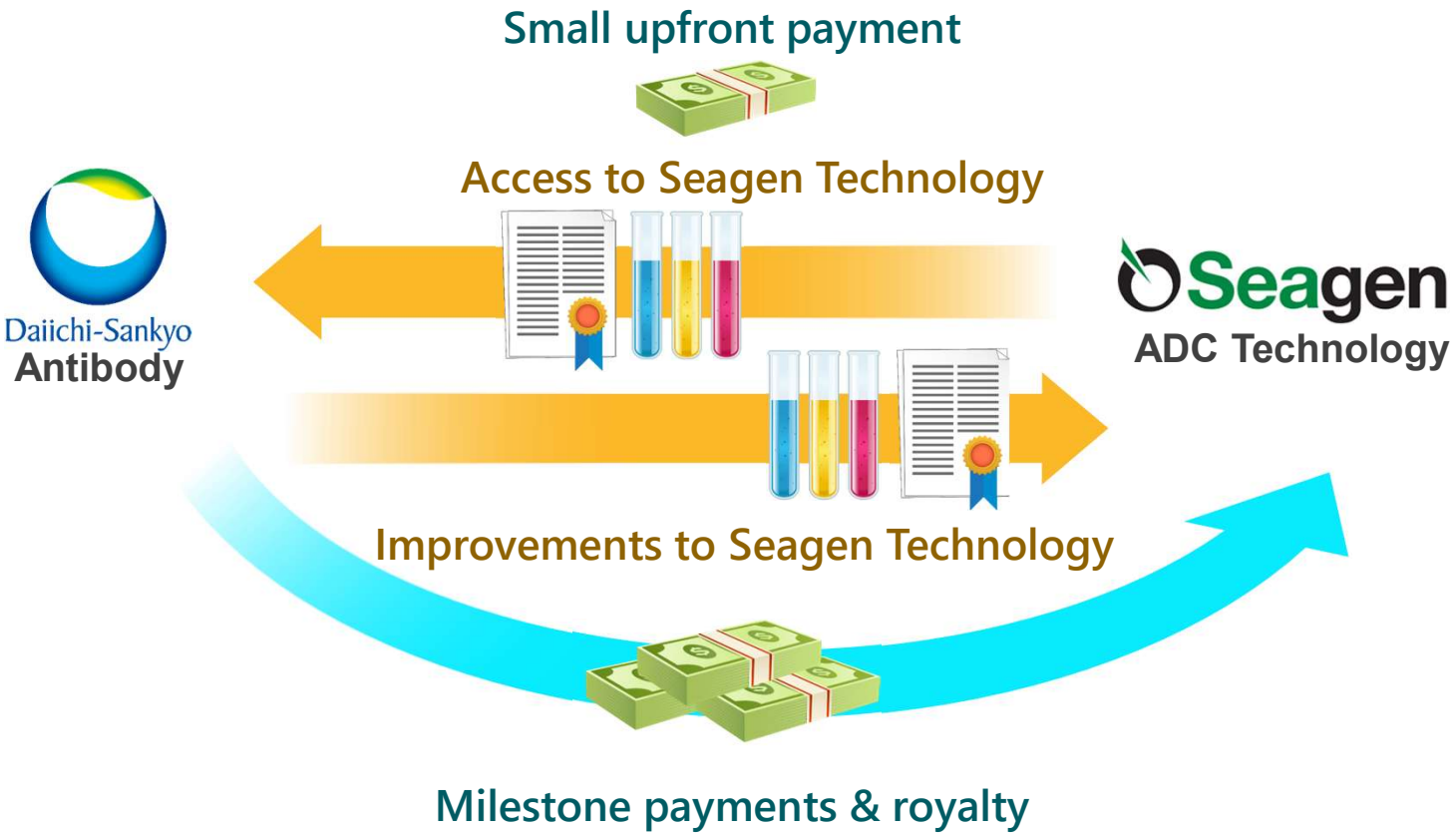
May 2011 Consulting Agreement – Attachment A

> 1. Ongoing research and development of current and new combination technology, including development of new intellectual property, combining (i) modified atmosphere packaging comprising one or more microperforated film(s) ("MAP") and (ii) compounds which inhibit the ethylene response in plants including, but not limited to, 1–methylcyclopropene and its analogs and homologs (collectively, "1–MCP"), for use on bananas and other produce. Products developed using these combined technologies are "Product" or "Products" under this Agreement. Other plants and/or plant parts may be added to the Services by written agreement of the Parties. The Parties agree that the definition of Products can and may be expanded to include additional product or products.

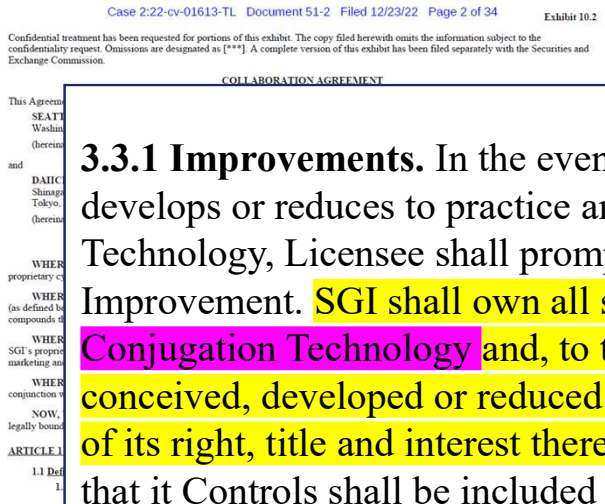
AgroFresh Inc. v. MirTech, Inc., 257 F. Supp. 3d 643, 650 (D. Del. 2017*)*

Case Study

Seagen v. Daiichi Sankyo


Small upfront payment
Access to Seagen Technology
Daiichi-Sankyo
Antibody
Seagen
ADC Technology
Improvements to Seagen Technology
Milestone payments & royalty

Dispute: Ownership of “Improvement” IP



Case 2:22-cv-01613-TL Document 51-2 Filed 12/23/22 Page 2 of 34

Exhibit 10.2

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [***]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

COLLABORATION AGREEMENT

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ARTICLE 1

1.1 Def

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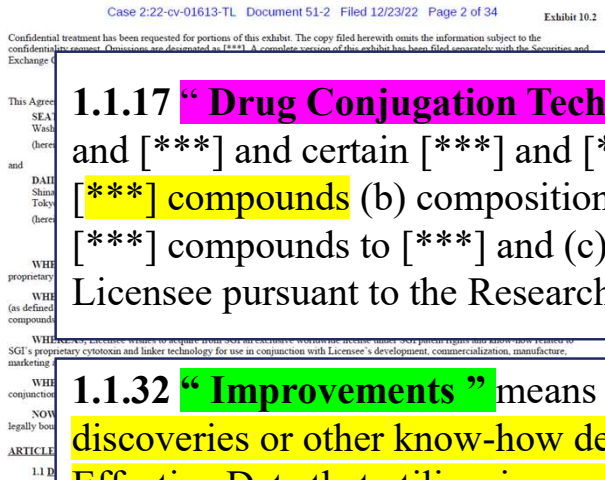
3.3.1 Improvements. In the event that, during the Term, Licensee conceives, develops or reduces to practice an Improvement that relates to the Drug Conjugation Technology, Licensee shall promptly notify SGI of the discovery of such Improvement. SGI shall own all such Improvements that relate to the Drug Conjugation Technology and, to the extent that such Improvements shall have been conceived, developed or reduced to practice by Licensee, Licensee hereby assigns all of its right, title and interest therein to SGI. SGI’s interest in any such Improvements that it Controls shall be included in the SGI Technology and made available to Licensee via the Exclusive License provided in Article 3. Licensee may use such Improvement assigned to SGI by Licensee for any purpose within the scope of the Exclusive License granted herein solely during the Term of this Agreement.

Dispute: Ownership of “Improvement” IP


Case 2:22-cv-01613-TL Document 51-2 Filed 12/23/22 Page 2 of 34

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ARTICLE

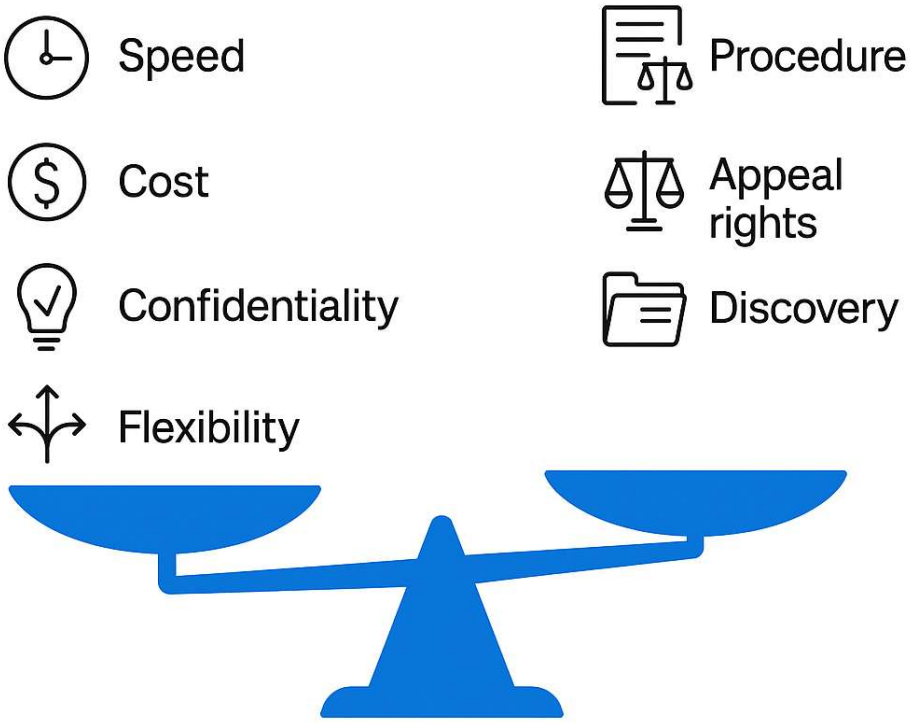
1.1 D

1.1.17 “ Drug Conjugation Technology ” means (a) [***] compounds such as [***] and [***] and certain [***] and [***] thereof, and methods of making and using such [***] compounds (b) compositions and methods useful for attaching the foregoing [***] compounds to [***] and (c) any related assays and methods SGI provides to Licensee pursuant to the Research Program.

1.1.32 “ Improvements ” means all patentable or non-patentable inventions, discoveries or other know-how developed and Controlled by either Party after the Effective Date that utilize, incorporate, derive directly from, directly relate to, are made using or are based directly on the SGI Technology; provided that Improvements shall not include any of the foregoing developed by SGI that, within a reasonable time period after such inventions, discoveries or know-how are made or identified, [***].

1.1.65 “ SGI Technology ” means the SGI Patents and the SGI Know-How.

Arbitration vs. Court



Dispute Resolution: Arbitration

Case 2:22-cv-01613-TL Document 51-2 Filed 12/23/22 Page 2 of 34

Exhibit 10.2

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COLLABORATION AGREEMENT

This Agreement is entered into as of July 2, 2008 by and between:

SEATTLE GENETICS, INC. , a Delaware corporation, having its principal place of business at 21823 30th Drive S.E., Bothell,

19.3 Dispute Resolution. The Parties agree that if any dispute or disagreement arises between Licensee on the one hand and SGI on the other in respect of this Agreement, they shall follow the following procedure in an attempt to resolve the dispute or disagreement.

19.3.4 If, within a further period of [***], the dispute has not been resolved or if, for any reason, the required meeting has not been held, then the same shall be submitted by the Parties for resolution by an arbitral body in Seattle, Washington in accordance with the then-current commercial arbitration rules of the American Arbitration Association ("AAA") except as otherwise provided herein. The Parties shall choose, by mutual agreement, [***] within [***] of receipt of notice of the intent to arbitrate. If no arbitrator is appointed within the times herein provided or any extension of time that is mutually agreed upon, the AAA shall make such appointment within [***] of such failure. The judgment rendered by the arbitrator shall include costs of arbitration, reasonable attorneys' fees and reasonable costs for expert and other witnesses. Nothing in this Agreement shall be deemed as preventing either Party from seeking injunctive relief (or any other equitable or provisional remedy). If the issues in dispute involve scientific, technical or commercial matters, any arbitrator chosen hereunder shall have [***].

Arbitration Rules

ARTICLE 13

Appointment and Confirmation of the Arbitrators

1 In confirming or appointing arbitrators, the Court shall consider the prospective arbitrator's nationality, residence and other relationships with the countries of which the parties or the other arbitrators are nationals and the prospective arbitrator's availability and ability to conduct the arbitration in accordance with the Rules. The same shall apply where the Secretary General confirms arbitrators pursuant to Article 13(2).

2 The Secretary General may confirm as co-arbitrators, sole arbitrators and presidents of arbitral tribunals persons nominated by the parties or pursuant to their particular agreements, provided that the statement they have submitted contains no qualification regarding impartiality or independence or that a qualified statement regarding impartiality or independence has not given rise to objections. Such confirmation shall be reported to the Court at one of its next sessions. If the Secretary General considers that a co-arbitrator, sole arbitrator or president of an arbitral tribunal should not be confirmed, the matter shall be submitted to the Court.

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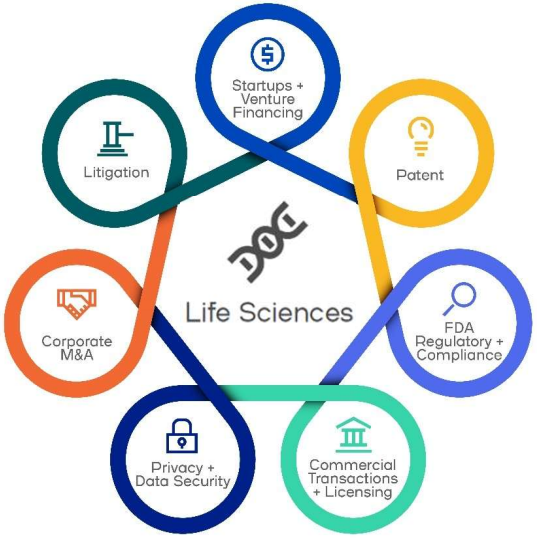
We are problem solvers and trusted business advisors, focusing on the right solutions for your needs, from early-stage research and development to post-market compliance.



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500+

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Ranked for Life Sciences & Pharmaceutical Sector (International & Cross-Border) USA by *Chambers Global* 2020-2023

Ranked for US: Biotechnology Law by *US News – Best Lawyers "Best Law Firms"* 2018-2024

Ranked in Tier 1 nationally for Biotechnology Law.

LMG Life Sciences Awards 2023

Shortlisted for FDA Litigation & Enforcement Firm of the Year.

Named Patent Strategy Firm of the Year for 2022. MoFo was also ranked in the following categories: Patent Litigation, Patent Strategy & Management, and Patent Prosecution.

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"[MoFo] maintains a formidable practice across all areas of IP, including copyright, trademark and patent matters."

***Law360* Practice Group of the Year Awards 2023**

Named Practice Group of the Year for Life Sciences.

MORRISON FOERSTER