

DUANE MORRIS LLP

Dealing With Patent Trolls

situation

Counsel receives a demand letter from a patent-assertion entity, sometimes known as a "patent troll," claiming that a product or process of counsel's company infringes upon a patent owned by the troll.

in-house counsel challenge

Counsel need to ensure a resolution acceptable to their business, recognizing that they are dealing with an entity concerned only with winning a lump sum payoff or royalties.

approach adopted

While patent trolls are focused on monetizing patents rather than shutting down a product line or process, they hold the threat of injunction.

A company's first duty when faced with potential patent infringement is to determine whether or not the company's product or process infringes upon the patent. It remains sound advice to seek a competent opinion from outside counsel. However, reliance on such opinion in litigation will lead to waiver of the attorney-client privilege. Furthermore, if the case goes to trial, the lawyer giving the opinion would likely be disqualified from acting as trial counsel since he/she could be a witness.

In addition to determining your company's exposure, gauge the exposure of competitors. Often, another business in the industry has been sued or approached on the same issue, so the best course of action may be to monitor how the competitor's situation plays out. In some cases, such as when a series of companies pay the same royalty, the resolution affects all competitors equally.

In other instances, counsel may be faced with an overaggressive patent troll. Recently, a patent-holder sent letters to a company's customers stating that company was not licensed to perform a certain process, but that a competitor (which had settled) was. Such action may require counsel to push for a declaratory judgment of non-infringement. However, some trolls are well-funded and willing to ride out expensive court actions. If a matter ends up in court, counsel should attempt to portray the litigant as interested only in monetizing the patent, rather than protecting intellectual property.

In general, in-house counsel should not be focused on winning vindication at trial. Even if a company is convinced it does not infringe, the cheapest option is often to settle quickly, since shrewd trolls will seek settlements that are ultimately cheaper than litigation.

implementation steps

1. Fulfill the duty to exercise due care with respect to patents.
2. Perform a risk assessment and determine how this potentially affects business or product lines.
3. Evaluate whether a wait-and-see approach or an aggressive push toward resolution is warranted.
4. Be practical: Is a quick and relatively cheap resolution better for the company than vindication after costly litigation?
5. Look for opportunities to turn a patent troll's aggressiveness against it.

measuring success

Vindication in court is not always a victory for the company. Settlements often will cost less than litigation. However, the issue may be so important to the company that the best approach is to fight aggressively. Counsel should look to make the best business decision, especially when the patent in question affects competitors as well.

future issues to consider

With the value of intellectual property continuing to rise, companies will encounter more well-funded patent trolls. Counsel should strategize about how to resolve various situations arising with patent enforcement entities.



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