

FIGHTING BACK Against Patent Trolls

By John M. Toth

For many corporate counsel, the term “patent troll” is still a dirty word that can provoke a knee-jerk reaction of “litigate or settle now.” Typically, a patent troll is a company that owns and asserts patent rights against alleged infringers to generate revenues from either settlements or licensing agreements but does not use the patented technology itself. For many companies, patent troll-like behavior is now a legitimate part of patent and marketing strategy. Fortunately, recent developments in the courts have significantly impacted the available strategies for combating patent trolls and “trollish” behavior. For example, an accused infringer can now negotiate a licensing agreement with a patent troll yet retain the option of later litigation to potentially relieve any obligation to pay ongoing royalties.

Corporate counsel need to weigh all risks when confronted with an apparent patent troll situation because the stakes can be high in patent litigation. The nationwide median for fees for patent litigation with more than \$25 million at stake is over \$4.5 million—while the median winning verdict was calculated to be approximately \$4.2 million, according to research compiled by the American Intellectual Property Law Association and the University of Houston Law Center Institute for Intellectual Property & Information Law.

“How trollish a business looks and acts is a matter of degree,” says Steven R. Trybus, a partner at Jenner & Block LLP. “Companies asserting infringement may have no assets except for one or two patents, fitting a traditional definition of a troll. Or they may

“Because these lawyers handle many such cases, they often target companies with a reputation for settling infringement allegations,” he notes. A cease and desist letter seeking a quick settlement for \$50,000 or less likely indicates a troll with no broader business purpose than to get some money from a large number of companies.

However, Trybus cautions, “A troll that approaches a limited number of companies with specific infringement assertions may be seeking an exclusive license, or even to sell its patent. Don’t assume that litigation and settlement are your only options.”

Making the Litigation Decision

Every company should have an established process for deciding if litigation makes sense, says Trybus, adding, “If you are caught off-guard by an aggressive troll who threatens a lawsuit within a week, you may make a rash and uninformed decision to settle without pursuing all your dispute resolution options.”

A good first step is to analyze the troll’s litigation history to see how many lawsuits it has brought and how many were successful. That can shed light on a range of options, from filing a request for reexamination with the U.S. Patent and Trademark Office to seeking a declaratory judgment that the troll’s assertions are incorrect.

be legitimate competitors with multiple patents that your company needs. If approached, your business analysis and litigation strategy should be customized to deal with either type of patent holder.”

Keep Your Options Open

Trybus says patent holders may approach many companies alleging possible infringement, often using lawyers who accept the matter on contingency.

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New Precedents

Some 2007 court decisions have set new precedents that potentially impact litigation strategies against true patent trolls. In *MedImmune, Inc. v. Genentech, Inc.*, the Supreme Court reversed precedent and ruled that licensees can challenge the infringement and validity of a licensed patent without first breaching or terminating the license.



standard that a potential infringer had an affirmative duty to avoid infringing a patent once it had notice of the patent. The *Seagate* decision emphasized that “there is no affirmative obligation to obtain opinion of counsel” that the subject patent was not infringed or is invalid.

In *SanDisk Corp. v. STMicroelectronics, Inc.*, the Federal Circuit, relying on *MedImmune*, ruled that certain circumstances provided a basis for declaratory judgment jurisdiction where there were ongoing license negotiations and accusations of infringement, but the patent holder had made some limited assurance it would not file suit.

The Federal Circuit, in its August 2007 *In re Seagate Technology, LLC* decision, fundamentally changed the law regarding proof of willful infringement. The court held that in order to have willful infringement, the patent holder must show “objective recklessness” by the infringer. In doing so, the court abandoned its previous

Technology Properties Ltd. and Patriot Scientific Corp. v. Matsushita Electric Industrial Co., Ltd., et al. is a high-profile infringement case involving micro-processor technology brought in the Eastern District of Texas, a venue deemed highly favorable to patent holders. The case is being monitored by many because the plaintiff has written numerous companies alleging infringement of the patents-in-suit. But a Markman ruling earlier this summer caused the plaintiffs to agree to a judgment of non-infringement of one of the patents at issue. The court’s decision more precisely defined the terms of the patents, better enabling alleged infringers to assess the patents and determine whether licensing or litigation is the preferred strategy.

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Jenner & Block Partner Reginald J. Hill points out that proactively using declaratory judgment actions against patent trolls may be an effective strategy. Accused infringers can choose a favorable forum and seek the court’s determination that there is no infringement or that the patents are invalid.

“Courts until now have been reluctant to accept declaratory judgment cases while negotiations between the patent holder and the accused infringer were going on. A recent change in the law after the Supreme Court’s decision in *MedImmune v. Genentech* opens the courts to declaratory judgment lawsuits in such situations,” Hill explains.

A Business Solution

Should accused infringers automatically seek declaratory judgment as a pre-emptive move when approached by trolls?

Trybus thinks that since the courts now accept declaratory judgment cases even

during negotiations, seeking a business solution first is more practical. He recommends that accused infringers analyze disputed patents to determine whether they are core components of their product technology, then determine whether the patent owner is a troll seeking a quick settlement or a legitimate competitor with a broader business-driven strategy for making an accusation of infringement and who may be willing to pursue other resolutions, such as cross licensing or selling the patents.

For legitimate companies, infringement litigation or declaratory judgments may create a situation of mutually assured destruction. Both sides incur significant legal fees, and a verdict of willful infringement can subject the infringer to an award of treble damages. An analysis of what an accused infringer can gain through negotiations with the patent owner may lead to a profitable licensing or purchase of the patents while preserving the declaratory judgment option. ●



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