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How Asking One Fundamental Business Question Can Reduce Expense and Improve Business Outcome of Patent Litigation

While a majority of companies consider the cost of obtaining patent protection an essential element of the product and technology development process, few of these same organizations favor the prospect of asserting their patent rights against potential infringers. Moreover, no company relishes the prospect of being a defendant in a patent lawsuit. That most do not readily welcome patent litigation is not surprising given that [the average cost of large case \(i.e., over \\$25 MM at stake\) patent litigation through trial in 2007 was about \\$5MM per party in 2007. For disposition of smaller cases, the total amount per party was about \\$1MM in 2004 dollars.](#)

Why does it cost so much for a patent owner to assert her patent rights against an alleged infringer? Put simply, patent litigation at its core is an adversarial undertaking in which lawyers typically define the meaning of a successful outcome. In this context, each discovery battle or brief writing episode serves as an essential battle that must be won in the overall patent litigation "war." The patent litigation process itself can become an end unto itself, and the business interests of the parties become secondary to validation of the party's legal positions by the judge.

In my experience, even the most sophisticated business managers can lose objectivity and become emotionally involved in the patent litigation process. As one example, I once heard a general counsel of a large manufacturing company exclaim using profanity that there was no

way his company would settle a patent lawsuit brought by my client, even when the judge made it clear that his company would lose the case at trial. The case eventually settled, but not before both sides spent several weeks in preparing for trial at considerable extra expense.

In another example, a prestigious New York City patent litigation firm convinced a patent holder that its case against my client was a guaranteed win and that a court would like award many millions in damages and my client would also be required to remove its supposedly infringing product from the market. As a result, the patent owner threw every legal argument it could against my client, which required my client to pay several \$100K per month in legal fees. Understandably upset about the cost and concerned about an adverse litigation outcome, my client attempted to settle with the patent owner on several occasions. However, because the patent owner had been assured by their counsel that the lawsuit was a winner and that damages and market supremacy were inevitable, no settlement was possible. At trial, the patent owner lost and no damages were awarded. While my client did ultimately prevail, the cost to do so greatly affected its profits for that year. Indeed, the only winners in the patent litigation were the lawyers, who were rewarded handsomely for taking the case to trial.

While I previously benefited both financially and professionally from the adversarial nature of patent litigation as both a law firm and corporate IP lawyer, I now believe that patent litigation rarely benefits any of the participants other than the legal professionals involved. I believe a significant reason for this is that when faced with a patent litigation matter even the most highly skilled managers seem to check their business pragmatism at the door. These otherwise engaged and hands-on businesspeople typically pass over all or almost all responsibility for managing expensive and time consuming patent litigation to their lawyers. Certainly, these lawyers have the best interest of their clients as the primary motivation for their actions. Nonetheless, no matter how well-intentioned a patent professional may be, putting her in charge of managing a patent litigation is akin to "putting the fox in charge of guarding the henhouse."

To put business interests ahead of legal ones, corporate managers must begin to engage with their company's patent litigation just as they would any other aspect of their business costing

\$1MM or more and that also have potential to affect their company's competitive position in the market place. This does not mean that business people must insert themselves in the day-to-day decision-making aspects of patent litigation. Rather, I believe that corporate managers must apply the same type of business process control to patent litigation matters as they do to other parts of their business.

It is beyond the scope of this writing to suggest a business process design for patent litigation as a whole. Each situation will also present different issues and, as such, no single business process will be appropriate for all patent litigation. Instead, the fundamental premise of my argument is that corporate business managers must resist their typical reaction of "call my lawyer" when faced with a patent litigation issue. I believe that patent litigation should be treated first and foremost as a concern for the business. Of course, patent litigators should manage the day to day operational aspects of the litigation, but business management oversight is a critical function to ensure that the legal aspects do not quickly overshadow the business interests at stake in the litigation.

Many corporate business leaders no doubt are reluctant to become involved in patent litigation because even the most basic cases involve highly complex and even arcane issues. However, when one cuts through these issues, the basic question that a corporate manager should ask when faced with patent litigation is no different from the question forming the basis of any other significant business decision:

Should we be in this business?

That is, the first thing a corporate manager should ask when faced with a patent litigation question is "should we be in the business of litigating this patent matter or issue?" This should be asked not just when the patent litigation matter arises, but also when any significant decision point occurs in the process. Moreover, this question should be posed to those without a vested interest in the outcome of the litigation; specifically, lawyers involved in the process should not be the primary source of validation of whether the lawsuit should be pursued vigorously.

Notably, the above question differs from the usual patent litigation questions asked by business managers which generally comprise: "what is our chance of winning this litigation?"

and "how much will this lawsuit cost us"? These more common inquiries pre-suppose that the litigation battle is inevitable and, as such, are directed toward mitigating the damage caused to a company by a patent lawsuit. In contrast, the "should we be in the business of litigating this patent matter or issue?" question sets up a threshold inquiry of whether the litigation process should occur at all, the answer to which should serve a gate keeping function at all significant points in the patent litigation process.

Admittedly, at least two sides must be assuaged in any patent litigation matter. Application of rational business considerations by one side may therefore be met with resistance by the other participants. Nonetheless, there can only be benefits to applying objective business considerations to a process that often can seem somewhat irrational from a business perspective. Assuming equally competent legal representation, I strongly believe that the party who approaches their role as a patent litigant as it does other objective business situations will end up spending considerably less than the other litigants on legal fees.

No doubt, many patent litigation professionals will find my analysis an over-simplification of the complex issues typically involved in patent litigation. This may be true, however, there is no question that most high-level corporate managers believe that patent litigation is a highly unpleasant process that should be avoided as much as possible. At any rate, the patent litigation process is undeniably broken, and any modification in how it is managed by should be welcomed by the participants. It can therefore do little harm for corporate managers to input some fundamental business process controls of the patent litigation process prior to letting their lawyers lose to beat their opponents into the ground.