

SMART BUSINESS[®]

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DALLAS

Food FOR thought

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TURNED A FLOUNDERING
LSG SKY CHEFS INTO A
FINANCIAL WINNER BY
FOCUSING ON EFFICIENCY
AND DIVERSIFICATION

SMART LEADERS

How Jeffrey A. Hage builds a team instead of a company of individuals at Winstead

FAST LANE

Why Splash Media's Chris Craft seeks people with a sprint mentality and marathon endurance

Patent infringement

How to respond to alleged violations **Interviewed by Curt Harler**

Nothing puts a damper on a morning quite like the threat of a lawsuit. Your executive team discovers that another company (maybe a competitor) is claiming you infringed on its patent rights when you took its manufacturing process or technique. The potential plaintiff demands you stop at once and pay millions of dollars in damages.

What you do next will have a huge impact on your success in defending against those allegations, says Matthew S. Anderson, shareholder at the Dallas law firm of Munck Carter, P.C.

“Whatever you do,” he says, “don’t panic.”

Smart Business spoke to Anderson about the appropriate steps to take at the threat of patent litigation.

I just received that letter — what do I do now?

With the broad subject matter available for patent protection, any company is potentially vulnerable to infringement accusations for products it sells, services it provides, even its internal business practices. A company can even be accused of infringement for the way it uses a product purchased from someone else. A letter suggesting you may ‘practice a patented invention’ doesn’t even mean you’ve intentionally done something wrong — just that you should carefully examine your practices and potential liability.

Should we tell them their charges are unfounded, ridiculous?

No — if only for the reason that you may not immediately know what the asserted patent covers and how it relates to your business practices or products. If you’ve been informed of a potential infringement, approach responding as seriously and methodically as you would any significant legal transaction. You certainly don’t want to go on the record with the patent owner or his legal counsel without consulting your legal team first.

Your lawyers, particularly attorneys experienced in both intellectual property and litigation matters, can help you determine your potential exposure from legal, monetary and business perspectives. A thorough



Matthew S. Anderson
Shareholder
Munck Carter, P.C.

analysis can help you determine if you infringed at all, what the potential monetary damages are and how hard you should defend the accusation. Your attorneys also can help determine when the best solution for you is a business deal with the other side, rather than a legal fight.

Typically, attorneys will first draft a letter to send in reply. It basically says, ‘We’ve received your letter, we’re taking it seriously, and we will investigate.’

What information will my lawyer want to have?

Your attorneys will review the asserted patent to determine what devices or processes are covered, then sit down with various people in your company to get an initial view of whether there’s an actual infringement problem. Depending on the nature of the patent, the attorneys may need to interview management, salespeople, engineers or others. Attorneys will work to determine what other liabilities or indemnifications you may have, depending on your relationships with customers and upstream vendors affected by the patent.

MATTHEW S. ANDERSON is a shareholder at Munck Carter, P.C., where he practices in the Intellectual Property section. His practice focuses on patent procurement, enforcement and defense, and identifying, protecting and exploiting intellectual property. Reach him at manderson@munkcarter.com.

What if there is a chance they are correct?

There are several different ways you can respond. If the potential financial exposure is small, you may simply wish to settle the matter and move on. You can negotiate to license the patent and let the patent owner’s enforcement activities help you keep your place in the market. You may wish to vigorously defend the accusation or challenge the validity of the other party’s patent in the courts or in the United States Patent and Trademark Office.

You mean their patent might not be valid in the first place?

Sometimes, the Patent Office issues a patent it shouldn’t. When that happens, the patent can be declared invalid. If you’ve been threatened with an infringement lawsuit, you may want to sue the other side first, to have the courts declare that either the patent is invalid or you don’t infringe. By taking the matter to the courts first, you generally can choose where the lawsuit will be tried. As an alternative, your attorneys can ask the Patent Office to reexamine the patent, an option that may be less expensive than trial.

What is the best way to cover my company to assure this never happens?

While it seldom is possible to be sure that nothing you do will ever infringe a patent, should you become aware of a patent that potentially covers your business or products, a patent attorney can help you avoid or reduce legal exposure by providing a professional legal opinion as to noninfringement, or can help you ‘design around’ patents that you are aware of so that you don’t infringe. If you hear of patents that are being asserted in your industry or against your customers or competitors, it may be prudent to have your attorneys examine your potential exposure before the patent owner approaches you. <<