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## Lawyer: How to beat patent trolls



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Trolls aren't just hungry for bridge-crossing billy goats any more. Businesses, too, can fall prey to a different kind of troll: those that use patents to squeeze cash from companies under threat of litigation.

Out with a new book on how to beat the trolls is Minneapolis-based Merchant & Gould intellectual property lawyer [Dan McDonald](#), author of "Protecting Your Company from the New Era of Patent Infringement Suits."

*MPSBJ: What's a patent troll?*

McDonald: "Troll" is an impolite term used to describe companies in the business of acquiring patents and suing companies for infringement. They do not make or sell their own products, but rather generate revenue solely through patent licenses, settlements of lawsuits or winning damages awards in lawsuits. A more polite term is nonpracticing entities, or NPEs.

*MPSBJ: Who should be on the lookout for patent trolls, and why?*

McDonald: Financial institutions, software companies, retailers and telecommunications companies (cable, phone, video, etc.) are on the short list of targets. Beyond that, other types of companies are targets who use specific technologies for communications, data storage or data management, or who use customized technology on the Internet to either sell or promote products.

*MPSBJ: What are patent trolls looking for in a target?*

McDonald: One, they want to be pretty sure the target infringes the patent, which they can often figure out through websites or product brochures. Two, they want the target to make a lot of money on using the infringed technology. They expect to get more money if the target makes more. Three, they want a target that is likely to settle the case instead of going to trial. NPEs will go to trial if they have to, but they don't want the cost or risk a finding that their patents are invalid. That would end the NPE's ability to make money on the patent against other potential infringers.

*MPSBJ: How can you tell if you're being targeted?*

McDonald: The NPE may send you a letter offering a license. Often, however, they will sue without advance notice.

*MPSBJ: How common are these kinds of cases?*

McDonald: In recent years, hundreds of lawsuits have been filed by NPEs against a variety of companies. ... Since so many companies today use Internet or communications technologies regardless of their core business, more companies are vulnerable to these lawsuits than they may realize. NPE cases tend to be against larger companies, but many smaller companies are now being targeted, as well.

*MPSBJ: How has patent law changed for patent seekers and alleged infringers?*

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Dan McDonald, a Merchant & Gould lawyer, is the author of a new book on guarding against patent lawsuits

McDonald: In the last year or so, Congress has passed major changes to patent laws that affect inventors and companies accused of infringement. For example, starting March 16, the U.S. is going to a first-to-file patent system similar to the European system. We are encouraging most clients to file applications on any pending ideas as soon as possible — ideally before March 16 — because the current laws are more favorable to patent applicants in most ways. Even after March 16, inventors generally will want to get their applications on file with the Patent Office as soon as possible. Alleged infringers got some good news in the new law. Companies sued for infringement now have several more ways to challenge the validity of a patent at the Patent Office instead of in court. Proving that a patent is invalid in court is an uphill battle. The Patent Office, on the other hand, is generally a more favorable place to have a patent scrutinized and invalidated by experts. A successful challenge to a patent's validity is a complete defense to infringement, so these new options really help accused infringers.

*MPSBJ: If it goes to court, what then?*

McDonald: Most NPE cases settle. However, accused infringers who are confident of their defenses will contest the charge. Sometimes, this requires that they go all the way through trial. That can be slow and expensive. When the patent can be challenged at the Patent Office instead of in court, however, that can resolve the case more quickly than a trial and cost much less. Either way, a successful outcome will not only save the costs of paying the plaintiff, but can serve as a deterrent to other NPEs looking for targets to sue. And once in a while, if you win, you might get some or all of your fees and costs paid by the patent owner. That is a rare, but good day.

*MPSBJ: How can businesses protect themselves?*

McDonald: An ounce of prevention is worth a pound of cure. When developing new products, search for existing patents that could be trouble before the product goes to market. If a problem patent is discovered, the product can usually be redesigned or the patent can be licensed or even purchased. Also, get good indemnity agreements with your technology vendors. Often, companies get sued for technology that they bought from someone else, or for activities that are outsourced. A good indemnity agreement can help a company pass the defense costs and other risks onto the vendor.

It makes sense to work with an intellectual property attorney experienced in dealing with these types of situations. Few attorneys have actual experience with both litigating patent cases in court and invalidating patents at the Patent Office. Ask them: Have you tried patent cases? Have you invalidated patents at the Patent Office? If you pick an attorney that does not know and use all the available tools in the toolbox, you might not be advised of the optimum strategy.

And finally, read my book.

*MPSBJ: Why did you write this book?*

McDonald: These types of patent suits are catching companies unawares. I wanted to give them the heads up and address the practical issue of today, which is how to deal with NPEs whether you like them or not.

About the book Title: "Protecting Your Company from the New Era of Patent Infringement Suits" Author: [Dan McDonald](#), intellectual property lawyer at Merchant & Gould Format: ebook Publisher: Execsense Inc. (San Rafael, Calif.) Available at: Amazon.com Retail: \$9.99

Jim Hammerand covers banking/finance, courts, and professional services



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