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How Companies Decide Whether to Enforce IP Infringements

Type of IP and cost-recovery analysis come into play

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When intellectual property gets infringed on, even companies with lots of resources to pursue legal action have decisions to make about whether to go after the infringer.

Merchant & Gould partner Ryan Fletcher offered up some insights on considerations for companies that see their intellectual property infringed. He said while they can vary based on a company's size or the type of intellectual property it has, the general premises are the same.

Having a strong internal intellectual property strategy at the outset — such as deciding in what circumstances to pursue legal action and what intellectual property to register — makes enforcement much easier, Fletcher said. As one component, registering copyrights costs very little, and it opens a path for a company to bring legal action against infringers and to recover statutory damages. Other strategic considerations include having a distinctive trademark that will have legal strength and concrete use agreements with business partners.

Is the IP a copyright, trademark or patent?

The distinction drives the rest of the analysis, Fletcher said. The different types can carry different analyses in the protection they're entitled to.

Trademarks are unique in that they can lose legal strength if the rights go unenforced over time. Fletcher said that doesn't happen with patents or copyrights. "If you don't enforce your trademark rights and a number of people pop up and start using your mark or a confusingly similar version of your mark, a competitor that you do want to enforce against someday will use all of that evidence as a defense to your enforcement."

Enforcement efforts could include attempts to take competing products offline that infringe on a company's in-

tellectual property. Some large e-commerce websites provide those services for sellers. Companies can also decide to reach out directly to infringers to take care of the issue before going to litigation. Fletcher said patents are more expensive to enforce than trademarks, so then the other components of analyzing whether it's worth it to enforce infringement would come in: Whether the patent is core to the business, whether the infringer is a true competitor and the cost of enforcing the patent versus the recovery potential.

Is the IP essential or tangential to the business?

Fletcher said companies should consider whether the intellectual

property is worth going after. But a company providing the same goods or services in the same market is a much more direct concern.

What's the cost of enforcing the rights versus the recovery potential?

The cost-recovery analysis is one consideration that can be more favorable to a business if they register their intellectual property from the outset. The ability to recover statutory damages for copyrights lowers the cost of enforcement, Fletcher said, because a company doesn't have to prove the harm it suffered as a result of infringement on its intellectual property. Instead, the law lays out the amount of



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property that's getting ripped off is their core product or branding.

"Is it a trademark for a tiny product, or maybe a service they haven't invested much money in yet and isn't core?" Fletcher said. "Is the trademark the name of the company, or is it a patented message or apparatus that is their core product?"

Is the other company a competitor?

Companies would also consider whether an infringer presents a true competitive threat to their business. Someone selling a small amount of product knockoffs on eBay in China, Fletcher said as an example, may not

damages a company can recover for each instance of infringement.

"Which makes it much easier arithmetic and much easier to prove than if you're trying to prove what would constitute a reasonable royalty on a patent infringement claim," Fletcher said. "You can imagine how complicated that becomes very quickly if the patent claim is directed to, for instance, one small component of a computer ... So then what percentage of the value of the computer does that component add? That gets very fact-dependent very quickly."

Fletcher added the cost-recovery analysis may be the most important

consideration for small businesses, because they likely just don't have the resources to go after every infringer, especially large companies.

"[Big companies'] businesspeople are savvy enough to understand ... they can put up a fight knowing that a little mom-and-pop shop just doesn't have a million dollars to spend enforcing its patent.

At the end of the day, cost becomes a much more important factor in that analysis." There's a growing niche of litigation finance companies, which help fund litigation in return for a share of the recovery amount.

The industry is expected to keep growing, and according to Above the Law, investors view litigation finance as a distinctive type of investment because likelihood of success in litigation doesn't correlate with the success of other markets. "There are avenues that are becoming available for very small companies or even mid-size companies that don't want to spend or don't have the resources to enforce all of their IP, but could potentially rely on a third party litigation investment," Fletcher said. •

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