

# Strategies for Deterring and Avoiding Intellectual Property Litigation

The landscape for marketing, advertising, and selling businesses' goods and services has evolved. Through the Internet

and social media, businesses are taking advantage of the opportunity to initiate direct contact with consumers more than ever and on a global basis. Taking advantage of ever-evolving technology, businesses also have greater means to communicate and partner with other businesses in order to sell their goods and services on a global scale.

However, along with the advantages that the Internet, social media, and increased technology bring are more opportunities for persons to use businesses' brands and copyrighted works without authorization, and to sell products that infringe their patents. Technology has ushered in a new age of cybersecurity threats, exposing businesses to the risk of the catastrophic loss of consumer data, as well as their own intellectual property.

As a result and, not surprisingly, intellectual property litigation is on the rise. See Chris Dimarco, *Identity Crisis: The Rise in IP Litigation*, Inside Counsel (Feb. 24, 2014), <http://www.insidecounsel.com/2014/02/24/identity-crisis-the-rise-in-ip-litigation>; Gene Quinn, *The Rise of Patent Litiga-*

*tion in America: 1980–2012*, IP Watchdog (April 9, 2013), <http://www.ipwatchdog.com/2013/04/09/the-rise-of-patent-litigation-in-america-1980-2012/id=38910/>. Intellectual property litigation is not only high stakes but is also one of the most expensive forms of litigation. See *Patent Litigation Costs How Much Does It Cost to Protect a Patent?* See, e.g., <http://www.patentinsurance.com/custdocs/2013aipla%20survey.pdf>.

This article discusses relatively low-cost strategies for protecting intellectual property and explores how following these strategies can help businesses deter and avoid intellectual property infringement and data loss, minimizing the risk of time-consuming and expensive litigation. This article also discusses low-cost strategies that reduce businesses' risk of infringing upon other parties' intellectual property rights.

## Low Cost Ways to Deter and Avoid Intellectual Property Litigation Proof of Prima Facie Ownership of Intellectual Property Can Help Deter Litigation

The obvious means through which businesses may protect the exclusive rights to sell products and use brands and artistic works is through obtaining and maintaining intellectual property rights in them. Businesses accomplish this by obtaining patent registrations on their inventions and using and registering their trademarks and copyright.

A business's ability to demonstrate prima facie intellectual property rights through registrations, in and of itself, can prevent litigation. Businesses often compel parties to immediately cease and desist from further infringement by simply providing proof of patent, trademark, or copyright registrations, typically in a cease and desist letter. Moreover, a business may use its registrations in monitoring and enforcement procedures which, if done properly, will allow them to obtain monetary damages from infringers in amounts that equal or exceed the resources spent on those procedures.

That said, vigilantly obtaining patent, trademark, and copyright registrations is often out of line with businesses' budgets. Businesses frequently elect not to include—or they eliminate—intellectual property protection from their budgets during financial downturns, given the significant expense involved. This is particularly true when it comes to protecting intellectual property abroad.

In the event businesses do not have the resources to obtain maximum protection of rights to their inventions, brands, and works of art through registrations—often an issue with emerging companies—other, less expensive ways exist to protect intellectual property.

## Contracts Acknowledging Intellectual Property Rights Can Deter Litigation

While more of a base line method of protection, written agreements can provide businesses with an alternative, less-costly means of protecting their intellectual property. Among other scenarios, written agreements can be used to obtain acknowledgements of intellectual property rights from:

- Employees, particularly those involved in the development of technology, who



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use and have access to businesses' proprietary information, and who help businesses develop intellectual property strategies.

- Service providers that have access to or are involved in the development of a business's technology or marketing and promotional activities. Written agreements are typically important when protecting intellectual property from independent contractors such as manufacturers, software developers, website designers, or marketing businesses that may develop or improve the intellectual property of a business, giving rise to potential claims over the improvements.
- Distributors, manufacturer's representatives, and similar businesses that promote and sell other businesses' products and services. These businesses are often given limited access to and use of others' intellectual property.

Well-crafted, written agreements that protect and precisely define businesses' intellectual property rights often prevent litigation over those rights, particularly at the end of business relationships. These written agreements will not only clarify businesses' ownership rights over their intellectual property but can also contain provisions that describe the transition of intellectual property back to them—and the consequences for failing to do so, including the right to seek monetary damages, attorneys' fees, and injunctive relief.

Clear and unambiguous written agreements governing businesses' intellectual property and the use of it often lead to the swift resolution of disputes, or at the least to the narrowing the issues of those disputes. Through those written agreements, ownership claims have been conceded and infringers are commonly relegated to arguing that infringing conduct falls outside of the agreements' defined rights.

Indeed, defining intellectual property rights in written agreements is particularly important for multinational businesses because intellectual property rights are primarily jurisdiction-specific. For example, patent and trademark rights in the United States are not enforceable outside of the country. If businesses have not taken steps to protect their intellectual property outside the United States

through registrations, written agreements are often a primary way to deter former foreign business partners from attempting to claim ownership in foreign jurisdictions after the termination of the business relationship. This risk is often observed when a foreign distributor attempts to obtain a cheaper, alternative source of products in

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order to continue to sell under the manufacturer's brands.

Even without registrations or contracts, businesses may still have recourse to prevent claims over their intellectual property by threatening litigation under common law or unfair competition statutes, for example, when a distributor engages in deceptive conduct in order to obtain a manufacturer's intellectual property rights. However, those kinds of fact-intensive claims are often less threatening than clear-cut intellectual property infringement or breach of contract claims at the onset of a dispute and, as a result, may not be compelling enough to prevent the need to file a lawsuit.

### **Intellectual Property Searches and Clearance Opinions Help Avoid Litigation**

When businesses have new ideas for products or the marketing and advertising of their products, they should adopt the practice of researching whether those ideas could possibly infringe upon another's intellectual property. Before expending significant resources toward new products, businesses should explore whether those products could possibly infringe upon existing patents or trademarked designs. Businesses should likewise investigate whether any new marketing or advertising concepts could possibly infringe upon existing trademarks or copyright. Such investigations typically involve comparing businesses' ideas with existing registrations and uses in the marketplace, after a search of registration databases and other available information.

Such searches provide businesses with the ability to avoid intellectual property infringement before the launch of new products and marketing or advertising campaigns, and to evaluate the risk of infringement against the possible economic benefits. The earlier the searches, the more cost-effective they are—if a search reveals that another party owns the intellectual property, a business is able to avoid investing research and development resources towards a product it cannot sell or market and advertising it cannot use.

Businesses may also take the additional step of obtaining infringement, or "freedom to operate," opinions from outside counsel as to whether their ideas could possibly infringe upon another party's intellectual property. Such opinions should allow businesses to thoroughly assess the potential of infringement claims being asserted against them and typically provide comfort with business decisions. Moreover, if a business obtains a legal opinion and is later accused of infringement, this opinion can serve as evidence that the business did not engage in willful infringement. Similarly, businesses that sell the products of other parties or that incorporate others' products into their own should demand "freedom to operate" reassurances that those products do not infringe upon any patents.

### Protecting Cybersecurity to Prevent Data Breaches Can Deter Litigation

News reports of cybersecurity breaches occur almost daily, many of which relate to the loss of intellectual property and confidential and proprietary business information through economic espionage. For example, federal investigators recently revealed that several businesses in the United States had their intellectual property, trade secrets, internal communications, and other commercially sensitive and proprietary information misappropriated by officials of the Chinese government. See Joe Pagliery, *What Were China's Hacker Spies After?* CNNMoney (May 19, 2014, 10:59 P.M.) <http://money.cnn.com/2014/05/19/technology/security/china-hackers/index.html>. Cybersecurity breaches are fast becoming the primary concern for many risk management professionals because businesses are not only exposed to the loss of intellectual property and personal data, but also the risk of paying significant monetary damages and being sanctioned by the Federal Trade Commission (FTC), which claims broad authority to regulate cybersecurity issues under Section 5 of the FTC Act, 15 U.S.C. §45(a).

While maintaining robust cybersecurity is a significant cost for businesses, implementing some of the relatively less expensive measures can minimize the effect of intentional or unintentional data breaches caused by employees and other personnel. Businesses can develop and implement written compliance and response cybersecurity protocols. Businesses can also train their employees on compliance with electronic data protocols and appoint compliance officers and response teams to oversee and execute those protocols. See *Cyber Attacks: Prevention and Proactive Responses*, Vince Farhat, Bridget McCarthy and Richard Raysman, Holland & Knight LLP, Practical Law Publishing Limited and Practical Law Company, Inc. (2011), available at <http://www.hklaw.com/publications/cyber-attacks-prevention-and-proactive-responses-11-28-2011/>.

### Conclusion

While intellectual property litigation is on the rise, businesses can adopt some basic practices to avoid becoming embroiled in intellectual property lawsuits. By securing

intellectual property rights through registration processes and written agreements, conducting intellectual property searches, obtaining clearance opinions, and proactively taking steps to ensure robust cybersecurity, businesses may help deter and avoid intellectual property lawsuits and the significant costs associated with them. 