

# 5 ways to parlay infringement into

*What it takes to turn intellectual property infringement into an ancillary income stream* **BY TIM MURPHY**

**INTELLECTUAL PROPERTY LAWSUITS** are on the rise. The United States Patent and Trademark Office (USPTO) recently reported a “drastic rise in patent litigation”—and the U.S. isn’t the only nation seeing rising numbers of suits. A September 2017 *World Trademark Review* report adds, “The volume of patent litigation in China has increased significantly in recent years.”

Patent holders spend untold hours and egregious sums of money trying to protect their intellectual property—and the marketplace edge often reliant on those assets. But what if rather than issuing the knee-jerk cease and desist letter and otherwise going the exhaustive and expensive litigation route, patent owners instead strategically engaged said offenders in ways that boost their own bottom lines, accelerate growth, raise capital, and expand market share?

This is the approach I took when competitive businesses used industry-leading materials and methodologies for which I and my company, a chain of family entertainment centers, hold patents. Rather than litigating with the sole intention of shutting down the offenders or their use of our IP, I adopted a strategic partnership mentality, enforcing patent rights in a way that’s earning my company significant ancillary revenue streams and hastening corporate growth.

Here are five tips for parlaying a patent infringement situation into profits:

**1 | Strategize ways to near-term and long-term monetize.** Create new opportunities together in a joint venture or strategic partnership. New services, additional product lines, and spinoff businesses can be created to benefit both parties. Just because an entity has infringed on



a patent does not mean that they want to or intend to continue infringing in the future or that they are unscrupulous. Clearly lay out a plan that is win-win for both parties and work together to build both bottom lines. Strategize how you and the infringing party can work together as strategic partners on an ongoing basis to sustain value.

# patent profits

Also, explore if the relationship can evolve to working together to sell additional products or services that you were previously not exploring, or that didn't make sense in the short term. There are several ways the relationships can be extrapolated for mutual gain. It's just a matter of aptly conveying the value your organization brings to the table, not the least of which is the patent license or usage opportunity for the party that would otherwise have neither.

**2 | Offer a licensing and/or royalty fee for continued use.** While you should have a cease and desist letter at the ready, the other party may be unaware of their patent infringement. Most good business people want to do the right thing and don't intentionally violate a patent. You can capitalize on this by developing a program offering a usage license or royalty fee for the life of the patent payable in a lump sum, as annual payments, or as monthly payments to make it easier for the infringing party to budget. Your patent attorney or your company's corporate counsel can help create this license agreement to help protect your company as well as the ownership integrity of the patent itself.

**3 | Make your outreach binary; either work together to monetize or face legal action.** Try to give your patent offenders options that make it easy and attractive for them to work in sync with you. It's not hard to open your net wider to provide new and creative solutions. Opportunities include:

- Providing a license for the length of the patent.
- Selling a license for a shorter period.
- Providing an outlet for the offending party to sell you their business if that is their intention, or if there is little opportunity to collect a license fee.
- Suggesting operating as a joint venture or partnership such that your patent license serves as your investment into the new entity.
- Creating new products with the infusion of the patent that each party could bear responsibility for selling.
- Developing a scenario in which both parties could come together to sell both companies to a larger entity, such as a private equity firm that may purchase both businesses.

**4 | Get a sense of intent and beware the "patent-pending game."** Some infringing businesses and manufacturers will claim to have patents pending. But often these companies only have patent(s) "pending" that are actually infringing on perfected patent claims of another party. So be sure semantics isn't getting in the way of everyone's clear understanding of the legal situation and real ramifications.

**5 | Vehemently protect your well-earned patent-holder rights.** You achieved patent protection for a reason. File everything necessary to keep the patent valid and unencumbered. Let the industry know your intentions so that there is no misconception of who owns the patent, who has the protected claims, and that rigorous legal action will be taken against anyone violating the protected claims.

Take an offensive strategy by ensuring that patent infringers know with specificity how your claim(s) are far superior than their designs. To accomplish these objectives, have your attorney write letters to the patent infringers as soon as possible, outlining exactly how, when, where, and why they have misused your patent(s) without a proper license. Continue aggressive follow-up and take pictures and collect other evidence, as appropriate, of how the infringers have illegally used your patent. Always be willing to act and pursue legal action if need be. But make every attempt to monetize before going this route, as one company's mistake could be your good fortune.

While we've found it highly prudent to work with infringing organizations as strategic partners and settle patent disputes through lump sum or monthly payments to reduce ongoing legal costs for both parties, there are some instances where it's necessary to use legal means to make patent infringements work in your favor. My company has settled suits by having the infringing party purchase our patent license, allowing them to continue to operate their business using our three perfected patents that cover 59 claims.

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