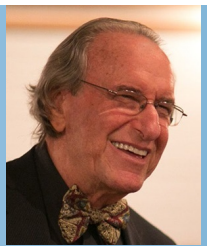
# NARCISSISTIC CEOs: HANDLE PATENTS WITH CARE

Paul J Sutton
*Sutton Magidoff*



While it may be natural to react with outrage when a company discovers that an arch competitor has knowingly introduced a product that infringes its patent, that outrage, if not checked and dealt with carefully, can lead to disastrous results. It is under this type of scenario that the leadership of a company will be tested.

Typically, the discovery of patent infringement will trigger prompt consultation with patent counsel. The patent attorney, who may not have prosecuted and obtained the patent in question, will study the patent and its file history and compare the patent's claims with the accused product.

If one or more claims of the patent 'read on' the accused product, the attorney will provide to the patent's owner its infringement opinion. This will open the door to the patent owner's right to seek damages and injunctive relief in appropriate US district courts.

There are times that such a preliminary investigation by patent counsel will uncover problems with the patent(s) in question. While the patent owner may strongly and confidently believe that valuable patent rights belong to the company, patent counsel may discover that infringement does not in fact exist.

How can this happen? Very simply, it may be that the attorney responsible for prosecuting the underlying patent application that led to the patent's issuance amended the originally filed claims in order to obtain allowance. Or, it may be that in pursuing allowance, the attorney made arguments that will be treated as "prosecution estoppel". Such estoppel has the effect of limiting the scope of the issued claims as if their language had been expressly amended.

Such claim limitation may occur without the knowledge or appreciation of the inventor or owner. Clients often turn over to prosecuting patent attorneys the complete responsibility for obtaining allowance of the patent application without monitoring the exchanges that occur between counsel and the US Patent and Trademark Office (USPTO) examiner. The focus of the client is often simply 'will I get a patent?', with little or no attention paid to the scope and meaning of the patent's claims.

A patent claim defines the meaning and scope of the patent owner's intellectual property rights. When this becomes disputed, US district court judges are entrusted to make reviewable *Markman* determinations of the actual scope of protection.

## More concerns

Another problem for a patent owner may arise when patent counsel may discover relevant prior art that was never disclosed to or considered by the USPTO examiner allowing an application. Such prior art may serve to invalidate one or more claims of a patent, removing from the patent owner's arsenal the very weapon it has relied on.

Furthermore, if a counsel discovers that such relevant prior art was known to the inventor(s) and was deliberately withheld from the examiner, such conduct may be deemed inequitable, rendering the patent unenforceable and exposing the owner asserting it to an award of damages and/or attorneys' fees.

"SOME EXECUTIVES WILL WANT TO SHOOT OFF AN ANGRY CEASE AND DESIST LETTER, PUTTING THE INFRINGER ON NOTICE THAT THE PATENT OWNER FULLY INTENDS TO ENFORCE ITS RIGHTS."

Turning back to our infringement scenario, there will be a good-faith impulse to immediately challenge a patent infringer. Some executives will want to shoot off an angry cease and desist letter, putting the infringer on notice that the patent owner fully intends to enforce its rights. Other executives will want to bypass this step and immediately commence patent infringement litigation. It is in making this decision that an infringer may actually be given a strategic opportunity never intended by the patent owner.

The writing of a threatening letter will create a justiciable controversy that gives the accused infringer the right and opportunity to commence a declaratory judgment action seeking a finding of invalidity and/or non-infringement. US declaratory judgment actions serve to terminate a controversy in question.

An accused infringer will have the opportunity to choose the jurisdiction of its lawsuit, which may greatly favour it. In addition, the accused infringer will become a plaintiff in the lawsuit, not a defendant, which will give it tactical and psychological strategic advantages.

Perfectly good intentions may lead to unwanted litigation in less than favourable jurisdictions, if not guided by sound legal representation in an inclusive atmosphere of sober analysis. Narcissistic chief executives beware. ■

*Paul J Sutton is founding partner of IP boutique law firm Sutton Magidoff. He can be contacted at: paul@suttonmagidoff.com*