

**AXIS**

# **Defending Against Patent Trolls**



Non-Practicing Entities (NPE'S) known colloquially as 'patent trolls' are individuals or companies that acquire patents with the primary intent of using them to sue or threaten legal action against other businesses for alleged patent infringement. Their goal is to extract financial settlements or licensing fees from these companies, rather than developing or using the patented technology themselves.

It's important for businesses to protect themselves from patent trolls for several reasons:

### **1 Financial Risk:**

Defending against patent troll lawsuits can be expensive, even if the claims are baseless. Legal fees and potential damages can significantly harm a company's balance sheet, particularly early-stage companies.

### **2 Diversion of Resources:**

Dealing with patent troll litigation can divert a company's time and resources away from innovation and growth.

### **3 Reputational Damage:**

Being involved in a lawsuit can harm a company's reputation, potentially deterring investors, customers, and partners.

### **4 Inhibiting Innovation:**

Fear of patent troll litigation may discourage innovation and investment in research and development, limiting a company's competitive edge.

**Businesses can protect against patent trolls by employing strategies such as building a strong patent portfolio, conducting thorough patent searches, monitoring patent-related developments and purchasing intellectual property insurance.**

Intellectual property insurance serves as a valuable tool for businesses to proactively manage the potential legal and financial risks associated with intellectual property, thereby promoting innovation, and preserving their intellectual property rights.

Intellectual property insurance provides companies with the following advantages:

#### **1 Mitigate Financial Risk:**

Patent litigation can be costly, with legal fees and potential damages adding up quickly. Patent insurance can cover these expenses, reducing the financial burden on the business.

#### **2 Encourage Innovation:**

Knowing that they have protection in case of an IP dispute, businesses may be more willing to invest in research and development leading to more innovation.

#### **3 Risk Transfer:**

IP insurance provides a safety net, allowing businesses to manage the risk associated with IP-related legal challenges. Risk transfer is essential for startups and small companies with limited resources.

#### **4 Protecting Assets:**

A company's intellectual property, including patents, are often its most valuable assets. IP insurance helps safeguard these assets and ensures they are not lost due to litigation.

#### **5 Negotiation Leverage:**

IP insurance can strengthen a company's position during contract negotiations, such as licensing agreements, finance deals and other partnerships, allowing it to secure better terms by showing potential partners its intellectual property is protected.

#### **6 Peace of Mind:**

Derisks the contractual indemnities often contained in commercial contracts.