

Intellectual Property Insurance: What IP Attorneys Need to Know

By: Maureen Veterano, Patent Attorney

Intellectual Property (IP) attorneys are held to very high standards as experts in their respective disciplines. As trusted advisers, IP attorneys have a responsibility to provide their clients with the best representation possible. The reality is that most attorneys are simply unaware that they may not be representing their clients to the best of their ability. Sure, they may be able to prosecute a patent like a champ, or write an ironclad freedom to operate opinion; but, they are not wholly serving their client's needs by ensuring they have the means necessary to financially protect their IP should it become involved in litigation. Fortunately, there is a product available to serve the IP attorney and their client in the event of IP litigation, Intellectual Property Insurance. IP insurance can ensure that the money is there to pay legal fees to fight to the end on the merits of the case. IP insurance can make the difference in the outcome of the case.

Consider this. Many clients are unaware that the commercial general liability insurance (CGL) policy they hold is not fully protecting their most valuable assets, the ability to sell their products. And, most IP attorneys do not know that IP insurance is available to help fund their client's IP litigation risks. If a client's IP becomes involved in litigation, specialized IP Insurance products will help ensure that there are funds available to pay the associated legal expenses. Without specific IP Insurance in place, the client may be left with a less desirable way of protecting their IP assets, such as:

- CGL Policy Coverage

Though most companies carry this coverage assuming protection for their IP exposure, more likely than not, IP coverage will be excluded; especially patent risks.

- "Advertising Injury" section of a CGL policy

The coverage afforded to an insured under this section of a CGL policy is extremely limited in scope, meaning the infringing activity must be a direct result of the actual advertising itself, thus leaving a very narrow opportunity for a client to secure coverage.

- Client's Working Capital Reserves

With litigation costs and damages in the millions of dollars, many clients may find themselves struggling to properly fund IP litigation.

Thus, it is wise for the IP attorney to consider their client's ability to fund IP litigation, as it is in the mutual interest of both the attorney and the client to obtain insurance specific to this exposure. If the client's product gets challenged in court, as a plaintiff or defendant, the IP may be in jeopardy if there are not funds to thoroughly and vigorously litigate. The lack of IP insurance could lead to the client losing their IP rights and the IP attorney not being fully paid for services rendered.

Fortunately, a remedy exists, Intellectual Property Insurance. IP Insurance provides the funds necessary to get through the case on the merits. The IP Abatement (Enforcement) insurance policy is a unique plaintiff's policy, which reimburses the litigation expenses to enforce IP against alleged infringers. The IP Defense policy reimburses the litigation expenses to defend against charges of infringing another's IP rights by the products or services that they are selling, and may cover potential damages or settlements.

These insurance policies not only ensure that the client is able to fully protect their IP risks by filling the gap left

by their CGL policy, the policies also ensure that the IP attorney is paid for their services.

Greg Sater, a nationally renowned IP attorney with Rutter & Hobbs in Los Angeles, CA, recognizes the value of holding an IP insurance policy, and is a vocal supporter of IP insurance. Sater recently represented a small startup company against a larger infringer with much deeper pockets than his client's. Sater explains, "There is no doubt that I could not have achieved the result I achieved for my client in that case if my client had not purchased IP [Abatement] insurance. The insurance was outcome determinative."

Sater further noted the difference that IP insurance makes: "That case was the prototypical case in which the little guy normally would lose, or be forced to give up the fight early, even if he's in the right, because he just can't afford the legal fees and costs of a full-blown IP infringement lawsuit; and, looking at him, the other side knows it too. The infringement abatement insurance that my client obtained through IPISC was a game-changer in the case. It leveled the playing field, financially. It made it possible for the little guy to serve more discovery, to fight the discovery battles he needed to fight, to take more depositions, to retain more expert witnesses, to file more legal briefs, to explore more potential arguments, and ultimately, if the lawsuit had not settled prior to trial, it would have given him his day in court. Having the policy made all the difference; it was like getting an injection of adrenaline just at the right time!"

There are many advantages to IP attorneys being informed about the existence of IP insurance, such as furthering goodwill with their clients. As a trusted advisor, the IP attorney can go a step further than just writing a freedom to operate opinion or securing patents for their clients. The IP attorney can demonstrate that they have the best interest of the client in mind by ensuring the client can protect their IP assets.

In addition, there are numerous opportunities for IP attorneys to serve their clients that involve IP insurance.

- License Agreements: When drafting or reviewing license agreements, require that the indemnifying party have an IP insurance policy.

- Supplier Agreements: When drafting or reviewing supplier agreements, require that the supplier has IP insurance, including coverage for UCC warranty of non-infringement.
- Freedom to Operate/Non-Infringement Opinions: At the time a client applies for IP insurance, they may need a freedom to operate or non-infringement opinion from their IP attorney for the products or IP they want to insure under the IP insurance policy.
- Claim Submission: Most IP insurance policies require a favorable opinion of non-infringement (defense) or a favorable opinion of infringement (enforcement) at the time of a claim. This is done by an independent, third-party IP attorney.

Surprisingly, despite the established availability of these policies, many IP attorneys don't even know that IP insurance exists. Equally surprising is the number of IP attorneys who think their clients are covered for IP risk under their CGL policy. IP insurance ensures that both the client and the attorney will have the money available to maximize their chances to win on the merits of the case. It is important to discuss IP insurance with an insurance professional who specializes in Intellectual Property Insurance.

Maureen Veterano, Patent Attorney, IPISC, (mveterano@patentinsurance.com) is the underwriting manager and associate general counsel for IPISC. IPISC continues to be the leading provider of IP insurance in the United States and worldwide with over 20 years of expertise and experience.