

# Lawyer Insights

## Settling IP Disputes Early Is an Art Form Requiring Creativity

By Armin Ghiam

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After negotiating and settling more than 100 disputes covering all forms of intellectual property, I've started to recognize recurring themes that have helped me quickly exit "settleable" IP cases.

The first step in resolving an IP dispute is assessing whether the case might benefit from an early settlement discussion. This involves weighing the likelihood of success on liability, calculating potential damages, and reviewing the history between the parties.

The assessment will help determine whether early negotiations with opposing counsel are beneficial. Parties need not wait for the Rule 26(f) conference. Preliminary discussions, even prior to service of process, can be helpful because the parties have ample time to meet, exchange, and process information.

The purpose of these discussions is to learn the adversary's position and determine whether there is a practical way to settle the case. Never be afraid of calling opposing counsel for a settlement discussion—it can lead to disposal of a case quickly and cost efficiently. Many cases offer opportunities for early resolution, particularly if the damages calculation is simple or the question of liability is almost irrefutable.

For example, a defendant's profit is a reasonable benchmark for damages calculations in most IP cases. While profit may be subject to certain deductions—and there are always other esoteric damages calculations such as lost revenue or reasonable royalties—a defendant's profit provides a range of exposure for both parties to consider. If the exposure is low, exchanging data early makes sense.

As another example, sometimes a plaintiff's primary objective isn't to recover money damages, but rather to stop the infringing conduct. In these cases, there can be a genuine desire by both parties to avoid legal costs, so early discussions can reduce expenses. Again, prompt disclosure of a defendant's profits can help advance discussions quickly or at least inform the parties' positions.

Counsel must determine after the preliminary discussion whether a follow-up discussion makes sense. Follow up is futile if there's no mutual desire for resolution. And in cases driven by emotion, follow up can be reductive—no matter how genuine or sincere. When conditions aren't ripe, ongoing discussions may signal weakness and embolden the opposing side.

### Principles to Consider

Settlement negotiations are susceptible to miscommunication because they involve many human interactions. Don't be surprised if a client or adversary gets it all wrong, particularly if they're not a frequent litigator. Don't read into the other side's missteps. If you notice a shift in discussions, try to cut out intermediaries; encourage direct, clear conversation; and restore trust.

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Be forthcoming with documents early in the discussions. Adversaries are entitled to receive documents through discovery, whether today or a year from today. Sometimes, it's better to share immediately to create goodwill, clarify misunderstandings (such as that the exposure in a case is perceived to be much higher than it is), and potentially lead to early exit.

Damages are the cornerstone of any settlement discussion. Present a coherent theory of damages in your discussions with opposing counsel. Otherwise, negotiations can delve into chaos, and parties lose trust. If there is no theory of damages behind a money demand, it will feel like a shakedown to the receiving party.

If the adversary doesn't seem serious in the discussions, try creating a sense of urgency. For example, file a motion for preliminary injunction. It can be costly to respond, and suddenly the recipient will have no choice but to get serious about the case and any desire to settle.

While it may not be possible to settle today, parties' respective positions and appetite for litigation can change quickly. Set aside your ego and treat the other side with respect throughout the litigation. It could lead to smoother settlement discussions later on.

### Potential Obstacles

Not every IP dispute is ripe for early settlement. Cases in which the nature of liability is speculative or the question of damages may not be answered easily without extensive fact or expert discovery are generally not good candidates.

An IP plaintiff must prove liability and damages suffered. Weak cases usually contain serious questions about a plaintiff's likelihood of success that can prompt a defendant to fight. Advancing settlement discussions would be difficult unless the plaintiff were only seeking a nuisance settlement. In cases where a plaintiff needs to conduct discovery to know the true value of its case, early settlement discussions would be speculative.

Cases in which early resolution isn't the primary objective also aren't ripe for early settlement. Some are emotionally driven from a sense of betrayal felt by the IP owner, who is seeking vindication. Instruction in those instances is often to litigate, no matter the cost or recovery. Also, not every counsel wants to resolve every dispute for the benefit of the client.

### Takeaway

Settling an IP dispute is an art form—it requires creativity, patience, and a genuine desire to advance your client's best interest through diplomacy instead of war. Sometimes you fail, but when you succeed, it's very rewarding.

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