

Klarquist



Pre-Suit Patent Notices and Cease & Desist Notices

Salumeh Loesch
April 14, 2015

Cease-And-Desist Notices

- Patentee – To Send or Not to Send
- Alleged Infringer – Fight or Flight

What Is A Cease-And-Desist Letter?

- No “legal” definition
- Any notice of rights
 - Provide patents to potential infringers
 - Send letter with infringement allegations
 - Provide claim charts or draft complaint
- Comes down to sender’s goals and resources

Checklist of Laws

- §§ 271(b), (c)
 - Knowledge of patent
- § 287(a)
 - Pre-suit damages for apparatus claims, if no marking
- § 154(d)
 - Damages from publication of application to issuance of patent
- 28 U.S.C. § 2201(a)
 - Declaratory judgment action
- ORS Ch. 19, § 2
 - Unlawful trade practice cause of action for bad-faith allegations

Pop Quiz #1

Sufficient §§ 271(b) and (c) notice?

US Patent No.	Assignee
9,000,000	Klarquist Sparkman
9,000,001	Miller Nash
9,000,002	Stoel Rives
9,000,003	Perkins Coie
9,000,004	Tonkon Torp
9,000,005	Ball Janik
9,000,006	Klarquist Sparkman
9,000,007	Miller Nash
9,000,008	Stoel Rives
9,000,009	Perkins Coie
9,000,010	Tonkon Torp
9,000,011	Ball Janik
9,000,012	Klarquist Sparkman
9,000,013	Miller Nash
9,000,014	Stoel Rives
9,000,015	Perkins Coie
9,000,016	Tonkon Torp
9,000,017	Ball Janik
9,000,018	Klarquist Sparkman
9,000,019	Miller Nash
9,000,020	Stoel Rives
9,000,021	Perkins Coie
9,000,022	Tonkon Torp
9,000,023	Ball Janik
9,000,024	Klarquist Sparkman
9,000,025	Miller Nash
9,000,026	Stoel Rives
9,000,027	Perkins Coie
9,000,028	Tonkon Torp
9,000,029	Ball Janik
9,000,030	Klarquist Sparkman
9,000,031	Miller Nash
9,000,032	Stoel Rives
9,000,033	Perkins Coie

Notice: Indirect and Willful

- §§ 271(b), (c) notice may only require identification of the patent
- If sender wants to guarantee sufficient notice, then:
 - Identify patent; and
 - Identify infringing products or technology

Notice: Indirect Infringement

Contributory Infringement:

- knowledge “that the combination for which his component was especially designed was both patented and infringing.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2067 (2011).

Induced Infringement:

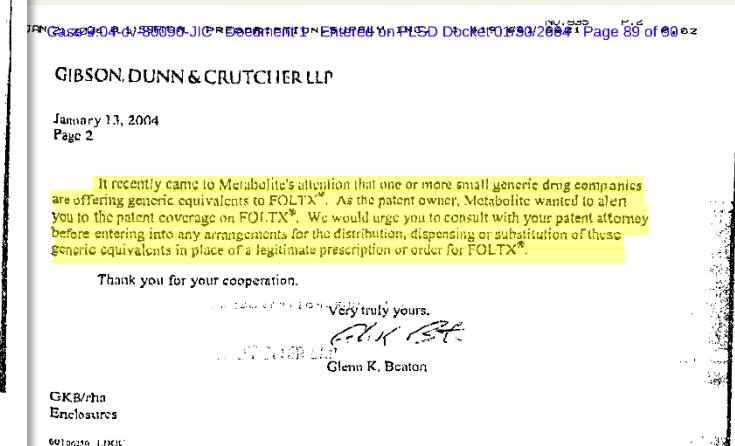
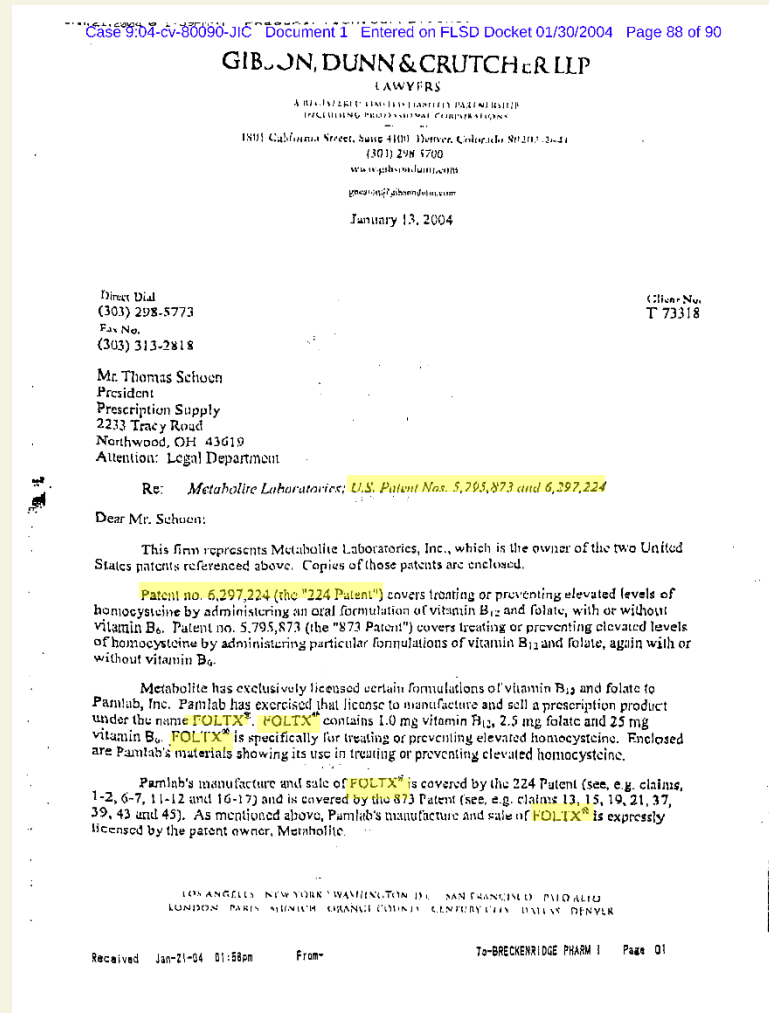
- knowledge of the patent and “knowledge that the induced acts constitute patent infringement.” *Id.* at 2068.

See, e.g., Fujitsu v. Netgear, 620 F.3d 1321 (Fed. Cir. 2010): letter identifying patent + standard-compliant products infringe = sufficient §§ 271(b) and (c) notice

Pop Quiz #2

Sufficient § 287(a) notice?

It recently came to Metabolite's attention that one or more small generic drug companies are offering generic equivalents to FOLTX®. As the patent owner, Metabolite wanted to alert you to the patent coverage on FOLTX®. We would urge you to consult with your patent attorney before entering into any arrangements for the distributions, dispensing or substitution of these generic equivalents in place of a legitimate prescription or order for FOLTX®.



Notice: § 287(a)

- Purpose of § 287(a) is met when the “recipient is informed of the identity of the patent and the activity that is believed to be an infringement, accompanied by a proposal to abate the infringement, whether by license or otherwise.” *SRI Int’l v. Advanced Tech. Labs.*, 127 F.3d 1462 (Fed. Cir. 1997).
- Letter must support “objective understanding that the recipient may be an infringer.” *Monsanto Co. v. Bowman*, 657 F.3d 1341 (Fed. Cir. 2011).

Notice: § 287(a)

Requirements:

- Identify patent
- Identify patent owner
- Identify follow-up contact info
- Identify infringing products or technology
- Offer license, negotiation, etc.

Notice: § 287(a)

- No need to:

- Threaten suit
- Demand end of infringement
- Make unqualified charge of infringement
- Show infringer believed letter was charge of infringement

- Just need:

“affirmative communication to the alleged infringer of a specific charge of infringement by a specific accused product or device” and it is “sufficiently specific to support an objective understanding that the recipient may be an infringer.” *Monsanto Co. v. Bowman*, 657 F.3d 1341 (Fed. Cir. 2011).

Pop Quiz #3

Sufficient § 287(a) notice?

1. Models Ultramark 4 and 8
2. U.S. Patent No. 4,016,750
3. Nonexclusive license under the patent

YES

SRI Int'l v. Advanced Tech. Labs.,
127 F.3d 1462 (Fed. Cir. 1997).

We have noted from your advertising literature that [ATL] products Models Ultramark 4 and 8 may infringe one or more claims of [U.S. Patent No. 4,016,750](#), Philip S. Green, ULTRASONIC IMAGING METHOD AND APPARATUS. A copy of the patent and its associated reexamination certificate are enclosed. The patent is assigned to [SRI] and nonexclusive licenses are extant.

SRI would be pleased to provide [ATL] with a nonexclusive license under the patent. For your information, counterpart applications are on file in a number of countries outside the United States. If you are of the opinion that you do not need a license from SRI, it would be helpful if you could give us some insight into your reasons.

Notice: § 287(a)

When this threshold specificity is met, “the ensuing discovery of other models and related products may bring those products within the scope of the notice.”

- *See, e.g., Funai Electric Co. v. Daewoo Electronics*, 616 F.3d 1357 (Fed. Cir. 2010) (letter identified two products, but found to be adequate actual notice as to all products with same or similar technology)
- *See, e.g., Gart v. Logitech*, 254 F.3d 1334 (Fed. Cir. 2001) (letter identifying patent and accused product provided actual notice because earlier letter sought license)

Notice: § 154(d)

“Additional” period of damages (reasonable royalty) – after patent application publishes but before patent issues

Provisional rights are available if:

1. The issued patent claims are substantially identical to the claims in the published application; and
2. Defendant had actual notice of the published patent application.

Stephens v. Tech Int'l, 393 F.3d 1269 (Fed. Cir. 2004)

Declaratory Judgment Action

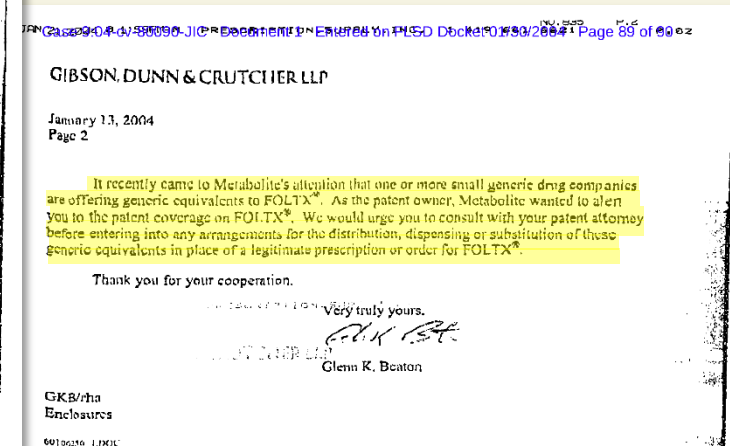
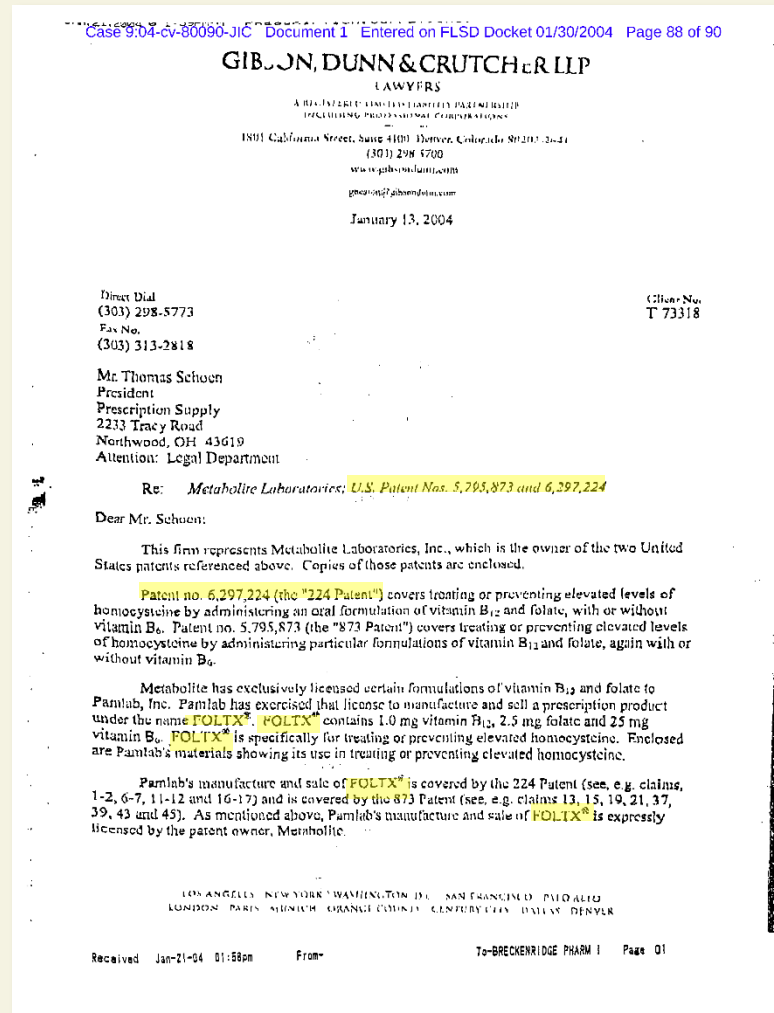
- Low risk
- Common situations:
 - Relationship between the parties (license)
 - Competitors



Pop Quiz #4

Sufficient case or controversy?

It recently came to Metabolite's attention that one or more small generic drug companies are offering generic equivalents to FOLTX®. As the patent owner, Metabolite wanted to alert you to the patent coverage on FOLTX®. We would urge you to consult with your patent attorney before entering into any arrangements for the distributions, dispensing or substitution of these generic equivalents in place of a legitimate prescription or order for FOLTX®



§ 287(a) Notice ≠ DJ

“These statutory purposes are distinct, serve different policies, and are governed by different laws. ... [Section] 287(a) is designed to assure that the recipient knew of the adverse patent during the period in which liability accrues. ... Actual notice may be achieved without creating a case of actual controversy in terms of 28 U.S.C. § 2201.”

SRI Int’l v. Advanced Tech. Labs., 127 F.3d 1462 (Fed. Cir. 1997) (pre-MedImmune)

Declaratory Judgment Action

- “Whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”
- A plaintiff shouldn’t have to “bet the farm” or risk treble damages and the loss of business before seeking a DJ.
- Reasonable apprehension of suit isn’t necessary.

MedImmune v. Genentech, 549 U.S. 118 (2007)

Declaratory Judgment Action

Judgment will affect parties' positions

- "Likely, as opposed to merely speculative" consequence
- "Substantial" and "concrete stakes"

Apotex v. Daiichi Sankyo, Case No. 2014-1282, 2014-1291 (Fed. Cir. Mar. 31, 2015)

DJ Plaintiff needs a product

- "Substantially fixed" technology
Cat Tech v. TubeMaster, 528 F.3d 871 (Fed. Cir. 2008)
- Evidence of when product will be used in potentially infringing manner

Matthews Int'l v. Biosafe Eng'g, 695 F.3d 1322 (Fed. Cir. 2012)

Declaratory Judgment Action

No DJ if:

- Covenant not to sue

Already v. Nike, 133 S.Ct. 721 (2013)

- Injury to only DJ plaintiff's customers
- Speculative product

Matthews Int'l v. Biosafe Eng'g, 695 F.3d 1322 (Fed. Cir. 2012)

- Speculative risk of infringement

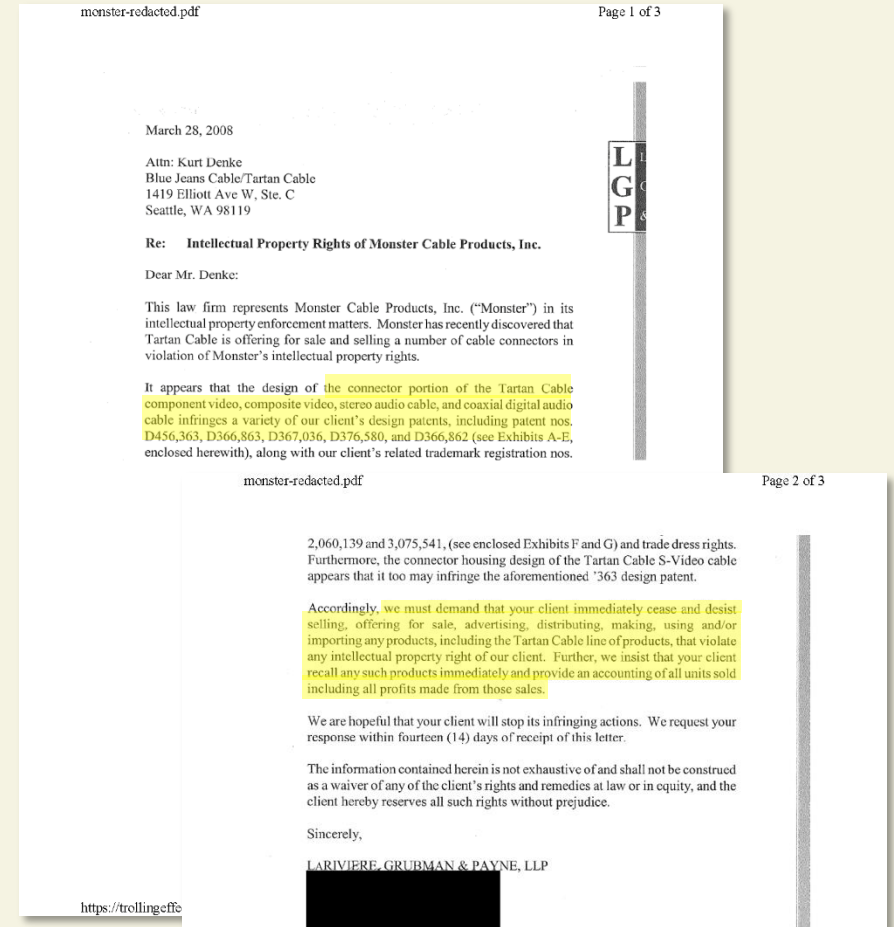
Organic Seed Growers v. Monsanto, 718 F.3d 1350 (Fed. Cir. 2013)

Pop Quiz #5

§ 287(a) notice and DJ?

The connector portion of the Tartan Cable component video, composite video, stereo audio cable, and coaxial digital audio cable infringes a variety of our client's design patents, including patent nos. ...

we must demand that your client immediately cease and desist selling, offering for sale, advertising, distributing, making, using, and/or importing and products, including the Tartan Cable line of products, that violate any intellectual property rights of our client. Further, we insist that your client recall any such products immediately and provide an accounting of all units sold including profits made from those sales.



File A DJ, Need Personal Jurisdiction

Rule:

- C&D letter into forum alone is insufficient
- Need C&D letter and something “more”

Yes Personal Jurisdiction:

- On-going relationship in the forum
- Licensee in forum with power to litigate
- Exclusive licensee/distributor conducts business in forum

No Personal Jurisdiction:

- No license agreement
- Attempts to negotiate license agreement
- Sales in forum only through licensees

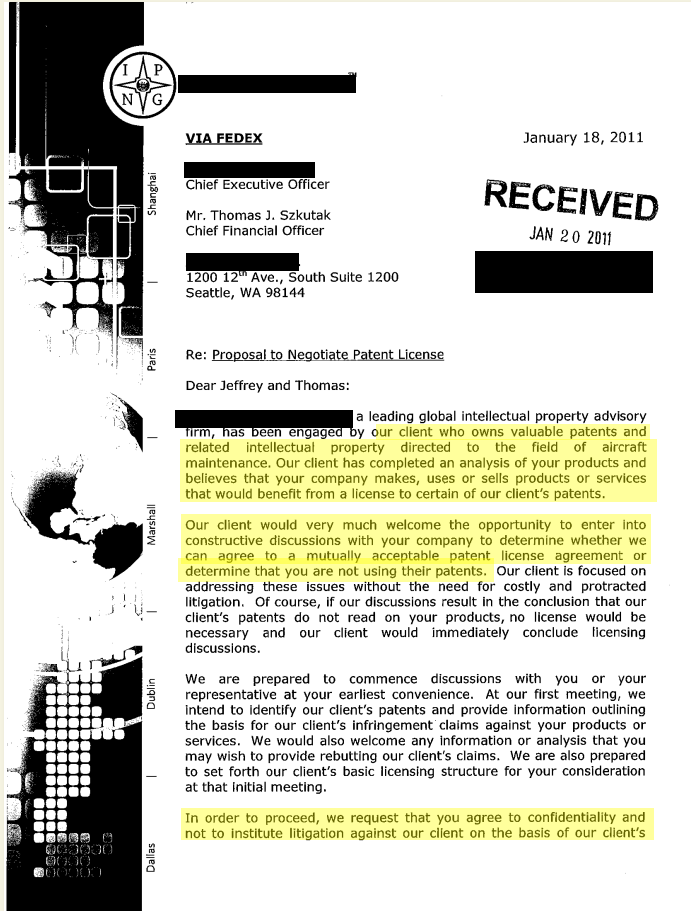
Pop Quiz #6

Avoids DJ?

[O]ur client ... owns valuable patents and related intellectual property directed to the field of aircraft maintenance. Our client has completed an analysis of your products and believes that your company makes, uses or sells products or services that would benefit from a license to certain of our clients products.

Our client would very much welcome the opportunity to enter into constructive discussions with your company to determine whether we can agree to a mutually acceptable patent license agreement or determine that you are not using their patents.

In order to proceed, we request that you agree to confidentiality and not to institute litigation against our client on the basis of our client's request to seek amicable licensing discussions.



Enclosure (Confidentiality and Forbearance Agreement)

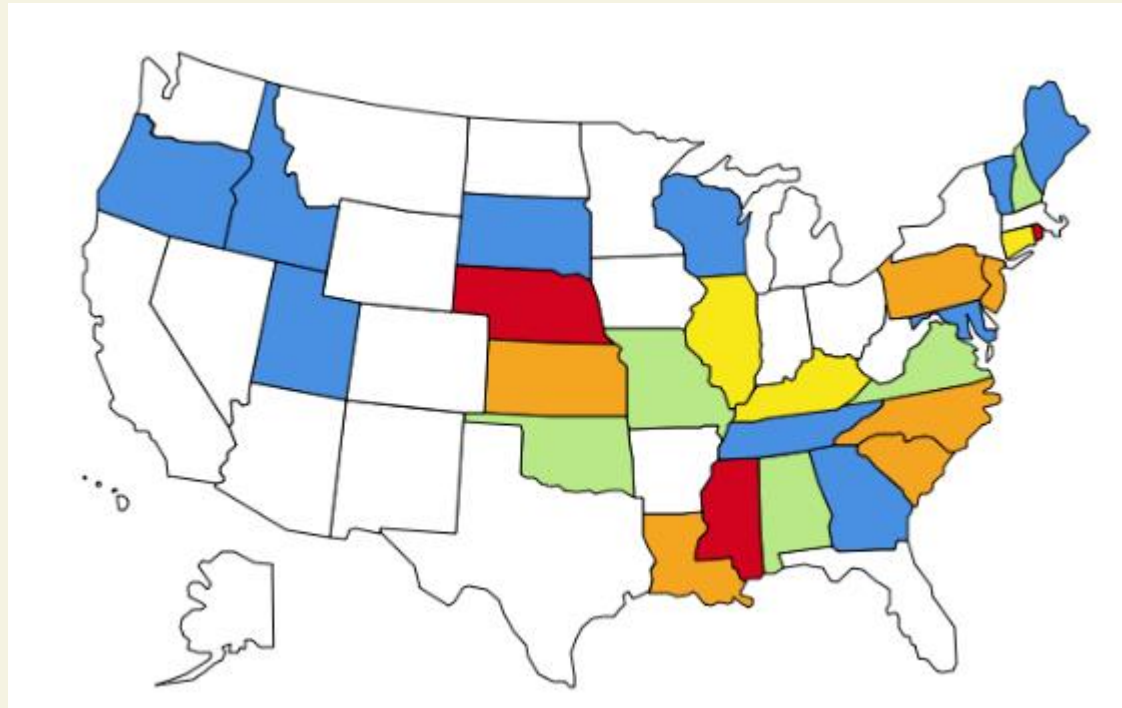
State Legislation

- Key: bad faith assertion of patent infringement
 - No patents or claims identified
 - No infringing product identified
 - Demand payment
- Indicators of no bad faith
 - Sender is inventor or original assignee
 - Sender practices patented technology
- Remedy: Unfair trade practices cause of action

State Legislation

Gaining popularity

- 18 states have passed legislation, 11 having pending bills



- Goal: Protect small businesses from extortion

ORS Ch. 19 § 2

- Can't send letter asserting infringement claims in "bad faith"
- Evidence of bad faith:
 - Demanded payment within unreasonably short period of time
 - Demand didn't include:
 - Patent number
 - Patentee contact info
 - Basis of allegations
 - Before sending letter, didn't compare claims to alleged infringement
 - Demanded unreasonable license amount
 - Patentee knew claim was meritless

ORS Ch. 19 § 2

- Evidence of good faith:
 - Letter includes patent number, contact info, and basis of allegations
 - Compared claims to alleged infringement
 - Good faith settlement negotiations
 - Use patented invention
 - Sender is named inventor or assignee or college
 - Sender has previously effectively enforced patent in court
- Consequence:
 - Attorney General can investigate and file action for unlawful trade practices

Patentee – To Send or Not to Send

Goals:

1. Money
2. License
3. Relationship
4. Stop Infringement
5. Notice
6. Scare tactic
7. Policing
8. Pressure
9. Litigation



Patentee – To Send or Not to Send

Risks to consider:

1. DJ Action
2. Laches
3. State Law Claims
4. Insufficient Notice
5. IPR, PGR, *Ex Parte* Reexam



Threat of IPR/PGR

- Cheaper
 - Quicker
 - Stay litigation
-
- To avoid PGR:
 - Send notice after 9-month PGR period (§ 321 (c))



Alleged Infringer – Fight or Flight

1. Evaluate the potential exposure
2. Who's sending the letter?
3. Opinion of counsel
4. Send a response
5. File a DJ or IPR/PGR
6. Enter into license
7. Send a document retention notice
8. Do nothing



Thank you!

Questions?

Klarquist

One World Trade Center
121 SW Salmon Street, Suite 1600
Portland, Oregon 97204

P: 503.595.5300

F: 503.595.5301

www.klarquist.com

