# Klarquist

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Pre-Suit Patent Notices and Cease & Desist Notices HALL

ITTEL TAXABLE

HILL

Salumeh Loesch April 14, 2015



## • 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

Klarquist

## 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 Perkins Coie			
9,000,003				
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 <u>may</u> only require identification of the patent
- If sender wants to guarantee sufficient notice, then:
  - $\circ~$  Identify patent; and
  - $_{\odot}~$  Identify infringing products or technology



# **Notice: Indirect Infringement**

## <u>Contributory Infringement:</u>

 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 Klarquist

# Pop Quiz #2

#### Sufficient § 287(a) notice?

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

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nts	Direct Dial (303) 298-5773	T 73318	
iits	Fax No.	1 /3318	
	(303) 313-2818		
	Ma Thomas Schoen President		
	Prescription Supply 2233 Tracy Road		
	Northwood, OH 43619		
	Auention: Legal Department		
	Re: Metabolite Laboratories; U.S. Patent Nos. 5,295,873 and 6,297,224		
	Dear Mr. Schoen:		
	This firm represents Metabolite Laboratories, Inc., which is the owner of the States patents referenced above. Copies of those patents are enclosed.	two United	าคาเสมสอลเปละปาสรรมอิตามเตลเอออตรอยแกกระกรหนอย มาการอากออกรอดเวลอดเวลอดเวลอดเวลอดเวลอดเวลอดเวลอดเวล
	Patent no. 6,297,224 (the "224 Patent") covers transing or preventing elevate homocysteine by administering an oral formulation of vitamin $B_{12}$ and folate, with o	ar without	GIBSON, DUNN & CRUTCHER LLP
	vitamin B <sub>6</sub> . Patent no. 5,795,873 (the "873 Patent") covers treating or preventing clo of homocysteine by administering particular formulations of vitamin B <sub>12</sub> and folate, it is a structure of the structur		
	without vitamin <b>B</b> <sub>4</sub> .		January 13, 2004 Page 2
	Metabolite has exclusively licensed certain formulations of vitamin B <sub>12</sub> and f Panulah, Inc. Panulah has experied that license to use uffecture and cell a presentition	folate to	
eric	Pamilab, Inc. Pamilab has exercised that liconse to manufacture and sell a prescription under the name FOLTX*. FOLTX* contains 1.0 mg vitamin B12, 2.5 mg folate and	25 mg	It recently came to Metabolite's attention that one or more small generic drug companies
	vitamin B <sub>0</sub> . POLTX <sup>#</sup> is specifically for treating or preventing elevated homocystein are Pamtab's materials showing its use in treating or preventing elevated homocysteir	e. Enclosed nc.	It recently came to Merabolite's attention that one or more small generic drug companies are offering generic equivalents to FOLTX <sup>*</sup> . As the patent owner, Metabolite wanted to alert you to the patent coverage on FOLTX <sup>*</sup> . We would arge you to consult with your patent attorney
	Pamlab's manufacture and sale of FOLTX" is covered by the 224 Patent (see,	e.g. claims,	before entering into any arrangements for the distribution, dispensing or substitution of these generic equivalents in place of a legitimate prescription or order for FOLTX*.
	1-2, 6-7, 11-12 and 16-17) and is covered by the 873 Patent (see, e.g. claims 13, 15, 139, 43 and 45). As mentioned above, Pamlab's manufacture and sale of $\frac{POLTX^8}{15}$ is e	19, 21, 37, expressiv	Thank you for your cooperation.
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# Notice: § 287(a)

- Purpose of § 287(a) is met when the "recipient is informed of the <u>identity of the patent</u> and the <u>activity</u> that is believed to be an infringement, accompanied by a <u>proposal to abate the infringement</u>, whether by <u>license or otherwise.</u>" *SRI Int'l v. Advanced Tech. Labs.*, 127 F.3d 1462 (Fed. Cir. 1997).
- Letter must support "<u>objective understanding</u> 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.





#### • No need to:

 $\circ$  Threaten suit

 $_{\odot}$  Demand end of infringement

○ Make unqualified charge of infringement

 $_{\odot}$  Show infringer believed letter was charge of infringement

#### • Just need:

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





#### Sufficient § 287(a) notice?

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

#### <u>YES</u>

*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>U.S. Patent No. 4,016,750</u>, 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)



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





# Pop Quiz #4

#### Sufficient case or controversy?

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

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alents			Direct Dial (303) 298-5773	Cilicar No. T 73318			
			Fax No.	1 1310			
e Id			(303) 313-2818 Mr. Thomas Schoon Prescription Supply 2233 Tracy Road Nonthwood, OH 43619 Attention: Legal Department				
		يو. م	Re: Metabolite Laboratories; U.S. Patent Nos. 5, 795, 873 and 6, 397, 22-	2	÷		
			Dear Mr. Schoen:				
			This firm represents Metabolite Laboratories, Inc., which is the owner of the States patents referenced above. Copies of those patents are enclosed.	e two United		୵ଵ୳ଢ଼୶ଢ଼୶୰୶୶୵ଽଽଽଽଡ଼ଡ଼୵୲୲ଡ଼ଵଢ଼୶୶୶୶୶ଽ୵ଽୠ୲ଌ୲୶ୡ୰୶୶୳ଽଊ୲୵୰୶୲୳ଽଊ୲୵ଽୡ୶୵ୖଌ୶୶ୖୖୖୖ୶ୣଌ୲୶ୖଽୠୖ	N
			Patent no. 6,297,224 (the "224 Patent") covers training or proventing elevated (ev homocysteine by administering an oral formulation of vitamin B <sub>1</sub> ; and folate, with or will vitamin B <sub>6</sub> . Patent no. 5,795,873 (the "873 Patent") covers treating or preventing clevate of homocysteine by administering particular formulations of vitamin B <sub>13</sub> and folate, again	or without levated levels		GIBSON, DUNN & CRUTCHER LLP	
			without vitamin $\mathbf{B}_{4}$ .	, againt want of		Jamary 13, 2004 Page 2	
eneric		Metabolite has exclusively licensed vertain formulations of vitamin B <sub>12</sub> and folate to Pamlab, Inc. Pamlab has exercised that license to manufacture and sell a prescription product under the name FOLTX <sup>2</sup> . FOLTX <sup>2</sup> contains 1.0 mg vitamin B <sub>12</sub> , 2.5 mg folate and 25 mg		Fage 2 It recently came to Metabolite's attention that one or more small generic drug companies are offering generic equivalents to FOLTX <sup>6</sup> . As the patent owner, Metabolite wanted to alen			
			vitamin B <sub>0</sub> . FOLTX <sup>*</sup> is specifically for treating or preventing elevated homocysteine. Enclosed are Pamtab's materials showing its use in treating or preventing elevated homocysteine.	no. Enclosed		you to the patent coverage on FOLTX <sup>*</sup> . We would urge you to consult with your patent attorney	
		<u>.</u>	<b>Pam</b> lab's manufacture and sale of FOLT $X^8$ is covered by the 224 Patent (see, e.g. claims, 1-2, 6-7, 11-12 and 16-17) and is covered by the 873 Patent (see, e.g. claims 13, 15, 19, 21, 37,		before entering into any arrangements for the distribution, dispensing or substitution of these seneric equivalents in place of a legitimate prescription or order for FOLTX*.		
		•	39, 43 and 45). As mentioned above, Pamlab's manufacture and sale of FOLTX <sup>®</sup> is	expressly		Thank you for your cooperation.	
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# <u>§ 287(a) Notice ≠ DJ</u>

"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)

- "Whether the facts alleged, under all the circumstances, show that there is a <u>substantial controversy</u>, between the parties having <u>adverse legal interests</u>, of sufficient <u>immediacy</u> and <u>reality</u> 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)

### 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)



### 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)

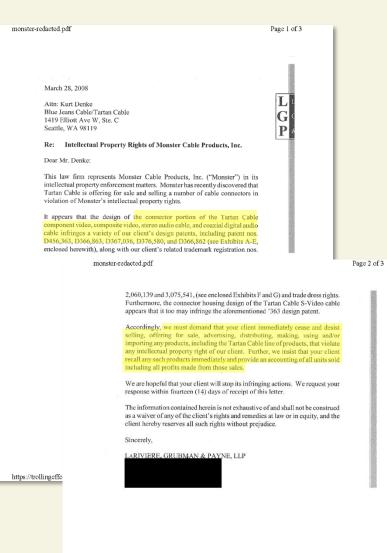


# <u>Pop Quiz #5</u>

#### § 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

Klarguist

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

Breckenridge Pharm. v. Metabolite Labs., 444 F.3d 1356 (Fed. Cir. 2006)

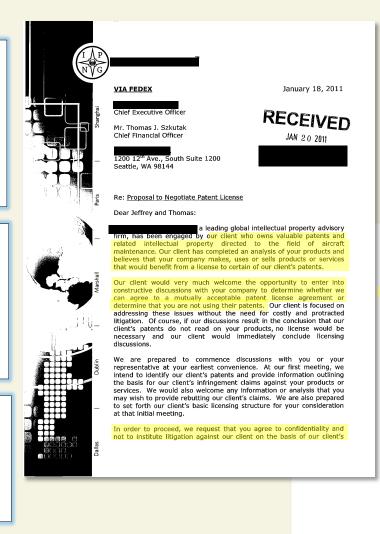
# Pop Quiz #6

#### 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.



request to seek amicable licensing discussions. We have enclosed a one page proposed form of agreement addressing these issues.

As we stated above, our client's preferred approach is to conclude licensing discussions without resorting to litigation. We hope you share this objective.

Our client has agreed to keep this offer open for the next ten days. Please let us know at your earliest convenience whether you agree to this proposal and when you would be available to meet. I can be reached at (214) 438.0800 or via email at erich@ipnav.com.

Regards,



# **State Legislation**

- Key: bad faith assertion of patent infringement

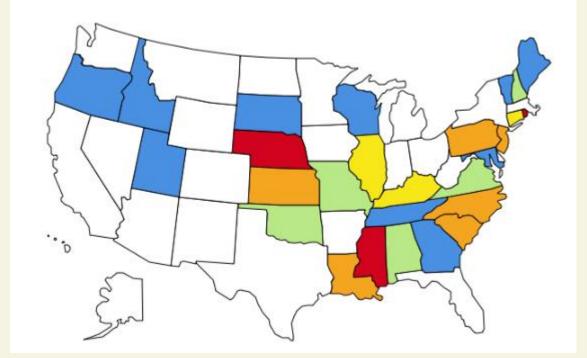
   No patents or claims identified
   No infringing product identified
   Demand payment
- Indicators of no bad faith
  - Sender is inventor or original assignee
     Sender practices patented technology
- Remedy: Unfair trade practices cause of action



# **State Legislation**

#### Gaining popularity

• 18 states have passed legislation, 11 having pending bills



• Goal: Protect small businesses from extortion



# <u>ORS Ch. 19 § 2</u>

• Can't send letter asserting infringement claims in "bad faith"

#### • Evidence of bad faith:

- Demanded payment within unreasonably short period of time
- o 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

 $_{\odot}$  Patentee knew claim was meritless



# <u>ORS Ch. 19 § 2</u>

#### • Evidence of good faith:

- $_{\odot}$  Letter includes patent number, contact info, and basis of allegations
- $_{\odot}$  Compared claims to alleged infringement
- $_{\odot}$  Good faith settlement negotiations
- $_{\odot}$  Use patented invention
- $_{\odot}$  Sender is named inventor or assignee or college
- $_{\odot}$  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))



# <u> Alleged Infringer – Fight or Flight</u>

- 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