

Warning Letters (Patent and Trademark)

July 20, 2016

Pete Cuomo, Of Counsel





Overview of Discussion

- What is a Warning Letter?
- •Sending a Patent Warning Letter
 - Declaratory Judgment Jurisdiction
- Receiving a Patent Warning Letter
 - Willful Infringement
- Avoiding Warning Letters
- Warning Letters Trademark
- Key Takeaways







What is a Warning Letter?

- •Communication (written, electronic or oral) sent by IP owner informing recipient that its activities may infringe the owner's patent rights.
- May also be referred to as a Cease and desist letter
 - a demand or request to halt activity, usually accompanied by the threat of legal action.



Components of a Warning Letter

- Parties involved
 - -IP owner
 - Recipient suspected infringer
- Legal representation
- •IP at issue
 - -Patent number/specific mark
- Basis of alleged infringement
 - -Specific acts of recipient (e.g. accused product)
- What IP owner wants





Purpose of a Warning Letter

Start dialogue with suspected infringer

- Invitation to license; facilitate collaboration
 - Business decision: consider economics
- Pre-litigation strategy
 - -Feel out recipient; gauge response

Halt infringement by threatening lawsuit

Not likely; may work on small companies





Purpose of a Warning Letter

\$

Starting point for litigation (and damages)

- Provides Notice to alleged infringer
- •A warning letter meets the notice requirement "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, Inc. v. Advanced Tech. Labs., Inc.,* 127 F.3d 1462, 1470 (Fed. Cir. 1997).
- Start the clock on damages 35 U.S.C. § 287(a)
 - Provisional Rights for published, pending patent
 - Requires proof that infringer was notified of infringement
 - Allows for damages even where patentee failed to mark its products

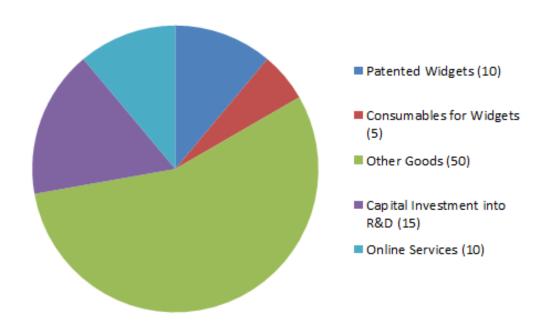


Sending a Patent Warning Letter



Determine Goals and Position

- Importance of the patent to overall business
- Protection and outcome desired
- Investigate allegedly infringing entity
 - -Nature of recipient's business
 - Prior relationship with allegedly infringing entity?
 - -How important is recipient's activities to its overall business?
 - -How much has already been invested?

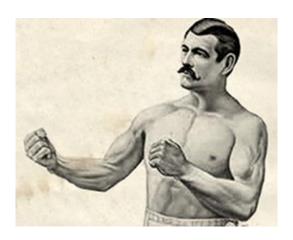




Anticipate the Response

- •Be certain you can prevail
 - -Put case together before sending warning letter
 - -Confirm your rights in the patent
 - Patent misuse claim
- Consider and prepare for all scenarios
 - -Ready for recipient's response?
 - -Economic considerations and Market analysis
 - -Litigation budget







Counsel Should Draft the Warning Letter

- Use an attorney with drafting experience
 - -Set tone depending on strategy
- Warning letter (and any admissions therein) may become part of litigation pleadings
 - -Signer may be called as witness
 - -Recipient may also become a witness





Act in Good Faith

- Ensure good-faith basis to send warning letter
- Liability for False Statements
 - Recipient may bring claims based on false allegations if recipient can show, by clear and convincing evidence, that the allegations in the letter were "objectively false" and that the patent owner made those false allegations in "bad faith" (knowing they were false)
- •Liability for Unfair Competition or Tortious Interference with Business Relations claim
 - -Can send warning letter to third parties other than alleged infringer (infringer's customers/vendors), but consult attorney and use extreme caution

Establish Time Frame for Plan of Action

- •If recipient does not respond right away, don't wait to file suit
- Avoid laches defense
 - Unreasonable delay after IP owner knew or should have known of infringing
 activity = no infringement damages prior to lawsuit
 - No suit within 6 years = rebuttable presumption of laches
- Avoid equitable estoppel defense
 - -IP owner sends warning letter, recipient responds, patent owner fails to reply, and accused infringer continues activities
 - If equitable estoppel established, lawsuit barred





KEY CONSIDERATION – Sending Warning Letter

DECLARATORY JUDGMENT JURISDICTION

- •Declaratory Judgment Act, 28 U.S.C. §§2201-2202: federal courts may declare the rights and legal relations of parties where an "actual controversy" exists
- •DJ jurisdiction gives warning letter recipient standing to file suit to have the patent declared invalid, not infringed, and/or unenforceable





KEY CONSIDERATION – Sending Warning Letter

- MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007)
 - Changed the standard for <u>subject matter</u> jurisdiction
- Avocent Huntsville Corp. v. Aten International Co., Ltd., 552 F.3d 1324, 1334 (Fed. Cir. 2008).
 - Personal jurisdiction based on patentee's activities in enforcing its patent (or forum of general jurisdiction)





Medlmmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007)

- Discarded "reasonable apprehension of suit" test
- Now Totality of the Circumstances analysis
 - -Whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment
 - -Most patent infringement warning letters will create DJ jurisdiction
- Ways to potentially avoid DJ jurisdiction
 - No analysis/infringement determination, bland letter merely requesting information
 - -Do not offer to license the patent
- Consider whether warning letter is necessary



Receiving a Patent Warning Letter

Act Quickly

- •Respond in some fashion within time requested
 - -Timing damages clock running if continue acts alleged
 - -Timely response sets good tone for negotiations
- Perform First-Level Search, Review and Analysis
 - -Look up patents and related patents
 - -Review file histories and ownership
- Does your accused product have all of the elements?
 - Review accused product against claims in light of file history
 - Make initial determination of infringement





Determine Strategy & Respond

Evaluate with in-house counsel

- •Is sender a patent troll or a competitor?
- •If complex, contact outside counsel (for indepth analysis
 - If weak/lacking, give it due attention and respond

Responses

- Reply letter requesting additional information
 - Ask sender to identify all patents and IP at issue
 - Ask sender for basis of alleged infringement;
 asserted claims
- Clarify reasons why you don't infringe





Determine Strategy & Respond

Provide a substantive response drafted by counsel

- •If you have strong arguments, fight it
 - -Seek DJ action against asserted patent(s)
- •In any event, take action to avoid willful infringement
 - -On notice but do nothing, may lead to treble damages and attorneys' fees

Design around

- Depends on the complexity and breadth of the technology
- Offer for royalty or to cross-license
 - What do you have in your own patent portfolio?

Cease production (last resort)

Expensive, disruptive



Willful Infringement - Old Seagate standard

OLD STANDARD

- "Objective recklessness" standard with a 2-pronged test:
 - 1) "infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent."
 - 2) "If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer."
- Must have been proven by clear and convincing evidence
- State of mind of the accused infringer is irrelevant



Halo Electronics v. Pulse Electronics and Stryker Corp. v. Zimmer Supreme Court of the United States (2016)

- •Supreme Court rejected 2-part test from In re Seagate
- "Subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless."
- •District Courts now have "the discretion to award enhanced damages against those guilty of patent infringement."
 - -no "precise rule or formula"; but
 - Supreme Court indicated it should be for "egregious cases of misconduct beyond typical infringement."
- •Burden of proof lowered from clear and convincing to preponderance of the evidence (i.e., more likely than not)



Avoiding Willful Infringement

- Opinions of counsel may help defeat willful infringement claims
- District courts will have a more fact-intensive inquiry weighing willfulness under new standard

MINTZ LEVIN

Patent Counsel | 657 348 3087 | Patent Counsel@mintcoom

One Financial Center Boston, MA 02111 617-542-6000 617-542-2241 fm www.minte.com

July 20, 2015

I.N. House, Esq. General Counsel Company X

Re:

Opinion regarding validity of U.S. Patent No. 3,881,815 PROJECTION TEACHING MACHINE

Dear Sir:

We have been asked by Company X to review United States Patent No. 3,881,815 ("the '815 Patent"), entirlled "PROJECTION TEACHING MACHINE" and to provide our opinion as to whether an informed court of competent jurisdiction, properly apprised of the relevant facts and law would find claims 1 and 4 of the '815 Patent valid. In preparing this opinion, we have reviewed the '815 Patent, the file history for the '815 Patent, and the prior art references identified berein.

L SUMMARY

Based on the factual and legal analysis described below, it is our view that a court of competent jurisdiction, properly apprised of the relevant facts and law, would likely find that



Avoiding Warning Letters



Maintain your IP and Monitor Field

- Obtain opinion for new products to ascertain if others have patent coverage that might be an impediment to the making, using or selling of your company's products
- Search closest competitors
- Develop patent libraries
- Keep good records
- Problem? Consider design change (consult counsel)







Warning Letters - Trademark



Different from Patent Infringement Warning Letters

- •Cease and desist letters mean what they say IP owner wants recipient to immediately stop use of their IP
- Can be more aggressive
 - -Potentially less at stake: less time and money spent developing TM than patent
 - Conversely, the trademark might be far more valuable
- May work better
 - -Different types of companies using trademarks; smaller companies





Similar to Patent Infringement Warning Letters

When you receive a cease and desist letter, follow the same steps:

- Investigate and evaluate claims
 - -Search federal and state trademark databases
- •Involve U.S. counsel at the outset if U.S. based companies or registrations involved
- •If U.S. based subsidiary is allegedly infringing party, review insurance coverage to determine if notification required (to avoid waiving coverage)
- Weigh pros and cons of declaratory judgment action







Potential Resolutions

- Similar to resolutions for patent warning letters
- Discontinue infringing use
- Negotiate license and continue use of IP
 - Fee for prior use and future use
 - Negotiate other terms like any other license (territory, term, approvals, ownership, etc.)
- Possible litigation
 - Injunctions
 - Damages
 - Relief from declaratory judgment (defendant)









Avoiding Cease & Desist Letters

- •Preliminary search for proposed trademarks, service marks and domain names in jurisdictions that matter to the business
 - -uspto.gov or third-party site
- When creating materials that feature photos, graphics or images, purchase such works
- Avoid comparative advertising unless you consult with counsel first



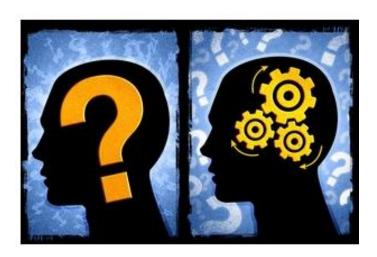




Key Takeaways

Key Takeaways

- Warning letters are valuable tools but come with some risks
 - Must have legal strategy for all scenarios
 - -Warning letters not always prudent
- •Don't ignore or delay response to warning letters, tackle head on
- First contact with alleged infringer is important can set tone for resolution or litigation







Thank you!

Email: pjcuomo@mintz.com