

Winning Patent Infringement Prelitigation Letters: Can the Pen be Mightier than the Sword?

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Introduction

This article addresses how to write companies to make them aware of your client's patent rights, particularly in the situation where you want the recipient of the letter to negotiate a license.

The question of writing letters on behalf of patent owners is confounding. Increasingly, the art of patent letter writing is giving way to the filing of a patent suit instead. Why? Simply stated, patent owners are often wary of being sued for "declaratory judgment" of non-infringement by the recipient of the letter in the venue of the recipient's choice.² The explosion of patent litigation in the United States over the last decade has been fueled in part by patent owners' confidence in select venues such as the District of Delaware and the Eastern District of Texas as the place where litigation should be instituted. A patent notice letter could forfeit the patent owner's right to select the forum for litigation if litigation is unavoidable.

A patent owner is by not legally obligated to send a notice letter prior to filing suit. However, unless the patent owner or its licensees uniformly mark conforming products with the patent number in question³, a properly drafted notice letter can serve the valuable purpose of starting the accrual of damages for any patent infringement. Of course, if the patent owner simply files suit without giving notice, the lawsuit also commences accrual of damages for any infringement.

So when is it preferable to send a well-drafted patent notice letter as opposed to filing a lawsuit with no prior notice to the party being accused of patent infringement? Like so many questions in patent litigation, the answer has many dimensions.

Think About Your Audience: Three Reasons to Send a Notice Letter before Taking Legal Action

First, as a practical matter, the patent owner considering the prospect of patent litigation needs to think about the perception that the lack of any advance notice to the accused infringer will cause in judicial proceedings. A patent owner may guarantee itself the forum of choice by opting for a "litigate first, talk

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² In circumstances where the patent owner is intent upon filing suit in a "rocket docket" such as the Eastern District of Virginia or the Western District of Wisconsin, the element of surprise and its significant potential impact on the success or failure of the case can also be a powerful factor militating in favor of filing suit without first notifying an accused infringer of one's patent rights.

³ Marking can be difficult to administer or costly to the patent owner and its licensees. Non-practicing entities often find that parties are more willing to enter into licensing arrangements and/or litigation settlements provided that the prospective licensee is not obligated to mark products with the patent number in question.

second” approach, but if the matter should proceed to trial before a jury, the patent owner should give thought to the line of cross-examination its witnesses will face about having rushed into the court system without first giving peace a chance.

Second, although advance notice by letter is not mandatory, one should consider that the onslaught of patent litigation in the U.S. courts, has caused some certain stereotypes to emerge about plaintiffs in patent litigation. One of these stereotypes is that patent owners file suit in order to “extort” settlements by defendants because the defendants are desperate to avoid the high cost of defense. *See, e.g., Eon-Net LP v. Flagstar Bancorp*, 653 F. 3d 1314 (Fed. Cir. 2011) (upholding award of over \$600,000 in attorney’s fees against patent owner and counsel, where the district court found that Eon-Net’s case against Flagstar had the “indicia of extortion” because it was part of Eon-Net’s history of filing nearly identical patent infringement complaints against a plethora of diverse defendants, where Eon-Net followed each filing with a demand for a quick settlement at a price far lower than the cost to defend the litigation). In this judicial climate, filing of a lawsuit without notice could be construed by the Court as an attempt to use the price of patent litigation to compel the defendant to settle. And if you do file suit without giving advance notice to the defendant, you can expect to hear about it every time you go before the judge!

Third, a well-crafted patent notice letter introduces a patent owner to a potential licensee in a less confrontational manner than a lawsuit from “out of the blue” does. Sometimes, perceptions of the parties about each other – often formed early on -- do matter and do influence the character of the dispute resolution process. Although not universal, the filing of a patent lawsuit without advance warning has ruffled feathers and caused ill-will. Decision-makers are human, after all. They are not automatons with calculators in one hand,⁴ while another hand stretches out to receive the summons and complaint from the process server. Sometimes the passage of time heals the ill-will of a surprise attack and in that environment, a deal can be done (yet almost always with increased delay and expenses of litigation). Given that the patent owner usually wants monetary relief from the alleged patent infringement, one must wonder about a tactic that is seemingly designed to drive a deep initial wedge between the patent owner and the prospective licensee. Going to trial is risky and extremely expensive. In the author’s experience, it is a rare case indeed where the patent owner has consciously made up its mind in advance to pursue the most costly and risky road towards patent peace (i.e., trial and appeal). And yet, the patent owner would rather file suit and preserve its right to select the venue of the case than write a letter to announce his patent rights and invite negotiation as an alternative to litigation.⁵ Upon reflection, a patent owner should wish to be perceived as viewing litigation as a tactic of last – not first – resort.

⁴ The author, like most defense litigators, has on more than one occasion in the heat of battle heard a client utter the oft-retracted statement: “I’d rather pay you than pay [the plaintiff.]”

⁵ Of course, the author is well aware that in many cases, indeed, most cases, litigation may be necessary before a license can be consummated. Thus, in many if not most cases, the purpose of the letter is to keep the patent owner on the high road in the collective mind of the jury, judge and potential licensee.

Therefore, in each case, a patent owner should carefully consider the effect that litigation without a pre-litigation notice letter may have on any jury, judge and potential licensee, and balance those effects against the risk of a declaratory judgment action or the loss of the element of surprise in general.

The Winning Formula for the Patent Owner's Notice Letter

Distilled to its essence, a proper notice letter needs to adhere to four basic rules. First, notice requires "an affirmative communication of a specific charge of infringement by a specific accused product or device." *Amsted Indus. Inc., v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994). Second, actual notice must be provided "by the patent owner." "The knowledge or understanding of the notice recipient" is irrelevant in considering actual notice, but that does not mean that the practical understanding of the notice recipient should be ignored. Thus, the third rule is to educate the recipient of the notice letter. Fourth and finally, always maintain a professional and non-threatening tone.

The Assertion of Infringement

In the spirit of maintaining professional tone, and diminishing the risk of a declaratory judgment action ensuing once the recipient reads the notice letter, it is preferable to meet the "assertion of infringement" requirement with a specific offer to license. "Infringement" is not a magic word, but it is a highly charged one. And yet, as construed in various courts, reasonably specific offer to license a specific patent can be viewed as a demand to cease infringement.

For example, a winning notice letter, in terms of asserting infringement and maintaining a professional tone, is presented in *Gart v. Logitech, Inc.*, 254 F.3d 1334 (Fed. Cir. 2001).⁶ There, the patentee's counsel sent Logitech a notice letter stating that (1) Gart was "the holder of U.S. Patent No. 4,862,165"; (2) Logitech was "selling a trackball product under the trademark TRACKMAN VISTA"; and (3) Logitech may "wish to have [its] patent counsel examine the enclosed [165] patent (particularly claims 7 and 8) to determine whether a non-exclusive license is needed under that patent." *Id.* at 1337 (alterations in original). The court found that this letter provided notice of infringement. At the same time, the court distinguished this form of letter from threats giving rise to a declaratory judgment action.

The Patent Owner Must Send the Letter

The notice letter in *Gart* identified Mr. Gart as the patent owner. But in *Lans v. Digital Equipment Corp.*, 252 F.3d 1320 (Fed. Cir. 2001), a notice letter was sent by the inventor after he previously assigned his interest in the patent to a company that he owned and controlled. The purported notice in that case was not by the patentee. It was ineffective. In this era of patent consultants and patent marketing firms, the patent owner or his lawyer needs to send the notice letter out of an abundance of caution. In compliance with *Lans*, the notice letter must identify the true patent owner. If ownership is shared or otherwise unclear, ownership (and, thereby, legal standing) can be clarified up front by assigning all rights in the asserted patents (including the right to sue for past damages) to one person or company before any notice letter is sent.

⁶ The fact that this case wound up on appeal is a testament that by itself, no matter how skillful the draftsmanship, a winning patent notice letter is no guarantee of a successful pre-litigation license.

Educating the Recipient

There are two components to the education of the recipient of a patent notice letter. First, to leverage your legal position as patent owner, you should investigate the target's competitive product lines to identify with specificity (by make and model number) the maximum number of products for which a license to the noticed patent(s) is needed. This will not only show that you have done your homework (presumably any worthy adversary would), it will increase the pressure that the letter will exert upon the notice recipient. Second, the patent owner should ideally give an explanation (whether in claim chart form or not) as to why the patent owner believes that a given product or method infringes particular claims. The alternative approach of "you go figure it out" is akin to throwing someone a shovel and telling them it is acceptable to start digging. It might be acceptable, but that does not mean the reader feel compelled to investigate. To the contrary, a letter which opts not to explain the basis for infringement runs the risk of having the reader conclude that the patent owner is incapable of articulating the infringement theory – and this, in turn, seriously diminishes the prospects that the notice letter will leave the intended impression on the reader.

Professional and Non-Threatening Tone

An approach that identifies the patent owner, the accused product, particular claims of one or more patents, and provides an explanation for why a patent license is believed to be appropriate will go a long way towards establishing a professional, if not cordial relationship with the recipient. I recommend that you draft notice letters which conform to *Gart*, creating an actual demand of infringement to commence the damages period, while exercising restraint in the choice of language and tone to avoid a declaratory judgment action.

The patent owner should always consider ending the letter with a request for specific, non-public information on the accused product in the event that the recipient is unwilling to license on the basis that no license is warranted. As part of this request, the patent owner should express a willingness to enter into a non-disclosure agreement if necessary in order to ensure that the information requested will only be used to evaluate the propriety of a patent license.

Such a request serves two purposes. First, it shows the reader that you are willing to consider additional information. This makes the reader feel included in the process and may increase the amount of effort that the reader will put into processing the notice letter. Second, the request increases the apparently reasonableness of the patent owner, in case litigation later ensues. For example, in *Hoffman-LaRoche Inc. v. Invamed, Inc.*, 213 F.3d 1359, 1362-64 (Fed. Cir. 2000), the district court denied a motion for Rule 11 sanctions after the defendant prevailed in a patent infringement suit, reasoning that Roche tried to investigate the claim and that a pre-filing inquiry need not be successful to be reasonable. After contacting Torpharm to request manufacturing information on the accused product that was non-public, the only choices left to Roche were to assume non-infringement or file suit. The Federal Circuit found that Roche conducted a more extensive inquiry than was required by contacting Torpharm and seeking disclosure of its method. "It is difficult to imagine what else [Roche] could have done to obtain

facts relating to Torpharm's alleged infringement of their process patents. Torpharm has pointed to nothing else that it believes they could or should have done." *Id.* at 1364.

Conclusion

The thinking that a patent notice letter is not worth the risk or the trouble should be challenged in each case. The advantages of pre-filing notice to the jury, the judge and the recipient should be measured, and the disadvantages of filing a lawsuit without a notice letter need to be taken considered in each case. Often, the factors will compel such a letter. The patent owner should take care to apprise the recipient of its patent rights, identifying specific claims and specific products to be licensed.

Inflammatory terms, including "infringement" need not be included in the letter, and can do more harm to the process than good. Best practices further include such things as an explanation of the theory of infringement and a request for additional product information applicable in the case where the recipient denies that a license to the patent(s) is in order.