

Crafting Patent Demand Letters: Strategic Considerations for How Much to Say

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What Is The Goal?

POTENTIAL OBJECTIVES:

- Achieve Early Resolution of Dispute
 - How much detail needed to be *persuasive*?
- Provide Actual Notice
 - Under what standard? How much detail required?
 - Indirect infringement theories
 - Willful infringement
 - Damages (§ 287)
 - Provisional Rights (§ 154(d))

INDIRECT INFRINGEMENT:

- Knowledge Requirement (inducement)
 - *Commil USA LLC v. Cisco Sys. Inc.*, 135 S. Ct 1920, 1932 (May 26, 2015)
 - *Global-Tech Appliances, Inc. v. SEB SA*, 131 S. Ct. 2060, 2065-2068 (2011)
- Infringer must know (not necessarily through notification)
 - About asserted patent
 - That induced act results in infringement of the patent
- Belief of invalidity does not negate intent element

WILLFUL INFRINGEMENT

- *Halo*:
 - Federal Circuit: Affirms decision finding no enhanced damages despite willfulness verdict – although infringer didn't rely on obviousness defense pre-suit, defense was not baseless
 - Supreme Court: Overturns standard for fee awards, remands
 - District Court on Remand (9/6/17): no enhanced damages (investigated infringement on learning of patent). **Mentions that demand letters didn't assert infringement affirmatively.**

DAMAGES -- § 287

- Context: Triggering pre-lawsuit damages where constructive notice via marking unavailable.
 - As an alternative, file and serve litigation.
- Standard:
 - *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994) “Actual notice requires the affirmative communication of a specific charge of infringement by a specific accused product or device. . . .It is irrelevant . . . whether the defendant knew of the patent or knew of his own infringement.”

§ 287 -- EXAMPLES

- Notice need not say “infringe” – licensing offer can imply allegation of infringement
 - *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1346 (Fed. Cir. 2001)
- Don’t over-do it: citation of too many patents/products may be unclear and negate notice
 - *Toshiba Corp. v. Imation Corp.*, 990 F. Supp. 2d 882, 901 (W.D. Wis. 2013)

PROVISIONAL RIGHTS -- § 154(d)

- Application:
 - Notice before patent issues; published application substantially the same as issued claims; *direct* infringement occurring post-publication, pre-issuance
- Example: *Rosebud LMS, Inc. v. Adobe Systems, Inc.*, 812 F.3d 1070 (Fed. Cir. 2016).
 - Actual knowledge, without notification, suffices (unlike § 287), but insufficient evidence defendant had that knowledge.

What Are We Trying to Avoid?

POTENTIAL CONCERNS/RISKS:

- IPR
- Declaratory Judgment Jurisdiction
- Personal Jurisdiction
- Invalidity Arguments
- § 285 Concerns/Patent Misuse Allegations

IPR – CAN'T REALLY BE AVOIDED

- Letter can't achieve any goals and still avoid risk of IPR
 - Not relevant to letter content
- May counsel against sending a letter (if not serious about litigation)
- If IPR is expected in response to letter, may be best to file lawsuit first (for stay purposes)

DECLARATORY JUDGMENT – DO WE STILL CARE? (*POST-TC HEARTLAND*)

- Downsides of the DJ
 - Infringer controls whether to initiate litigation (sometimes highly relevant)
 - Infringer presents first and last at trial (still relevant)
 - Infringer can pick forum, within limits (matters less, may still matter depending on case)

DECLARATORY JUDGMENT -- STANDARD

- *Medimmune*: “substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality”
- *Allied Mineral Prods. v. OSMI, Inc.*, 870 F.3d 1337 (Fed. Cir. 2017)
 - Focus is on finding an affirmative act by patentee creating controversy.

DECLARATORY JUDGMENT -- APPLICATION

- *Allied Mineral Prods. v. OSMI, Inc.*, 870 F.3d 1337 (Fed. Cir. 2017) (no U.S. DJ jurisdiction where demand letter only threatened to enforce Mexican analog of US patent, in Mexico)
- *Asia Vital Components Co v. Asetek Danmark A/S*, 837 F.3d 1249 (Fed. Cir. 2016) (threatening letter inaccurately directed to *different* products still gave rise to DJ jurisdiction)

POST-TC HEARTLAND VENUE

- Infringement actions
 - Where the infringer is incorporated
 - Where the infringer has a regular and established place of business (and committed infringement)
- DJ Actions
 - Where the defendant (patentee) is subject to personal jurisdiction

PERSONAL JURISDICTION

- Personal jurisdiction in DJ case turns on patent enforcement contacts with the venue.
- Sending a demand letter alone can't support PJ in a DJ counterclaim – but can with other contacts.

PERSONAL JURISDICTION -- APPLICATION

- *New World Int'l v. Fort Global Techs*, 859 F.3d 1032 (Fed. Cir. 2017) (neither demand letters sent into forum nor exclusive licensing arrangement with forum resident gave rise to personal jurisdiction for DJ action)
- *Xilinx, Inc. v. Papst Licensing, GmbH*, 848 F.3d 1346 (2017) (foreign patentee's repeated licensing demand letters and licensing negotiations in California created personal jurisdiction for DJ action)

WHAT HAS TC HEARTLAND CHANGED?

	Favorable Venue Available for Infringement Suit	No Favorable Venue for Infringement Suit
Personal Jurisdiction for DJ Available in Unfavorable Jurisdiction	DJ Risk Most Relevant	DJ Concerns May Matter
DJ Personal Jurisdiction Unlikely in Unfavorable Jurisdiction	DJ Concerns May Matter	DJ Concerns Least Relevant

FUTURE INVALIDITY ARGUMENTS

- Demand letters are discoverable in future litigation.
 - Beware of implicit claim construction positions underlying infringement allegations

EXCEPTIONAL CASE FEES

- Avoid looking troll-ish in case you lose this or any future case.
- Some cases have awarded fees based, in part, on a past history of sending demand letters and quickly settling for nuisance value.
 - Beware of danger in demanding (or accepting) too little.

Upping the Ante: Third-Party Demand Letters

POTENTIAL THIRD PARTIES:

- Upstream: Suppliers
- Downstream: Distributors, Retailers, Customers

POTENTIAL ADVANTAGES:

- Increased Leverage Against Primary Infringer
- Establish Knowledge/Intent for Indirect Infringement Claims Against Third Parties

SERIOUS RISKS:

- Pooling of Defense Resources
- State Tort Counterclaims
 - (*But see Noerr-Pennington*, potential anti-SLAPP motions)
- Business Downsides