

## Patent Infringement Letters: New Considerations and Best Practices for Senders and Recipients

Implications of Recent Court Treatment, Leveraging Letters, Response Strategies for Alleged Infringers

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THURSDAY, MARCH 18, 2021

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

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# **Patent Infringement Letters: New Considerations and Best Practices for Senders and Recipients**

# Patent Owner Considerations and Strategies

Presented by

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March 18, 2021

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**“New Considerations”**

**Implies something “old”**



# PATENT DEMAND LETTERS: THE CONVENTIONAL WISDOM

- Concern with risk of triggering declaratory judgment jurisdiction in an unfavorable venue
- Temptation to send vague, cleverly-worded letter (invitation to explore licensing opportunities)

# **“New Considerations”**

***Is that conventional wisdom still the  
right approach?***

# NEW CONSIDERATIONS:

- *Jack Henry & Associates:*
  - Increased risk of triggering personal jurisdiction in recipient's home forum (???)
- *TC Heartland:*
  - Decreased opportunity to file infringement action in favorable forum

# DEMAND LETTER STRATEGY:

- Understand Goals
- Understand Risks
- Evaluate:
  - Consider ability to achieve goals while avoiding risks, relative to alternative options  
(*e.g.* immediately filing suit)

**What Is The Goal?**

# POTENTIAL OBJECTIVES:

- Achieve early resolution of dispute (cost savings)
  - How much detail needed to be *persuasive*?
    - How much marginal benefit to additional specificity?
- 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

# 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: 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 always say “infringe” – licensing offer can imply allegation of infringement
  - *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1346 (Fed. Cir. 2001)
  - *But see: Finjan v. Juniper Networks* (N.D. Cal. 2019)
- Don’t over-do it: citation of too many patents/products may be unclear and negate notice
  - *Toshiba Corp. v. Imation Corp.* (W.D. Wis. 2013)
  - *Chirmar Sys. Inc. v. Ruckus Wireless* (N.D. Cal 2020)

# PROVISIONAL RIGHTS -- § 154(d)

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

# OVERVIEW:

- Some goals could be served by immediate litigation:
  - Notice in absence of marking
  - Indirect infringement
- Some goals cannot, or arguably cannot, to the same extent:
  - Provisional rights (pre-issuance damages)
  - Willful infringement (maybe)
  - Early settlement (maybe)

**What Are We Trying to Avoid?**

# POTENTIAL CONCERNS/RISKS:

- IPR
- Declaratory Judgment Jurisdiction
- Personal Jurisdiction
- Invalidity Arguments
- § 285 Concerns
- Equitable Estoppel
- State Statutes re Bad Faith Patent Assertion

# IPR – CAN'T REALLY BE AVOIDED

- Significant cost to file limits risk.
- If IPR is expected in response to letter, may be best to file lawsuit immediately for stay purposes.

# DECLARATORY JUDGMENT: TOPICS

- When DJ risk is triggered
- How to evaluate forum strategy
  - Venue
  - Personal jurisdiction



# 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 --

- Disadvantages for patentee:
  - Infringer controls whether to initiate litigation (sometimes highly relevant)
  - Infringer presents first and last at trial (relevant)
  - Infringer can pick forum, within limits

# DECLARATORY JUDGMENT -- APPLICATION

- *Allied Mineral Prods. v. OSMI, Inc.*, 870 F.3d 1337 (Fed. Cir. 2017)
- *Asia Vital Components Co v. Asetek Danmark A/S*, 837 F.3d 1249 (Fed. Cir. 2016)
- *UCP Int'l Co. Ltd. v. Balsam Brands, Inc.*, 787 F. App'x 691 (Fed. Cir. 2019) (non-precedential)

# A MODEL FOR ASSESSING DJ RISK:

	Favorable Venue Available for Infringement Suit	No Particularly Favorable Venue Available for Infringement Suit
Personal Jurisdiction for DJ Available in Unfavorable Jurisdiction	<b>DJ Risk Most Relevant</b>	<b>Carefully Consider DJ Risk (Risk of being subject to unfavorable forum)</b>
Personal Jurisdiction for DJ Unlikely in Unfavorable Jurisdiction	<b>Carefully Consider DJ Risk (Risk of losing favorable forum)</b>	<b>DJ Risk Least Relevant (as to choice of forum)</b>

# VENUE AS A LIMIT ON DJ RISKS

- 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
    - Now potentially broader under *Jack Henry*

# ***PERSONAL JURISDICTION: JACK HENRY***

- Personal jurisdiction/venue over patent owner for declaratory judgment action
- For DJ actions (unlike *T.C. Heartland*), general venue statute (28 U.S.C. § 1391) applies
  - Venue proper where defendant resides (§1391(b)(1))
  - Corporate resides in a district where it would be subject to personal jurisdiction (§ 1391(c)(2)-(d))

# DJ PERSONAL JURISDICTION

- Three-prong test:
  - 1) Purposeful availment of /direction into forum
  - 2) Nexus to claims
  - 3) Fair play and substantial justice
- Before *Jack Henry*:
  - Patent demand letters alone met prongs 1 and 2, but “something more” was needed for prong 3
  - Based on policy concern – patent owner’s need to inform others of patent rights

# ***JACK HENRY:*** **OUTCOME**

- District court dismissed for lack of venue (personal jurisdiction test), holding demand letters alone insufficient
- Federal Circuit reverses – demand letters here were sufficient.
  - Fact specific inquiry
  - Notes that patent owner expressly accused of infringement multiple banks doing business in the forum (not all based there)



# ***JACK HENRY: NOTICE THE TWIST***

- Patent owner never accused Jack Henry of anything
- Accusation was directed to banks that did business in Northern District of Texas
- *Jack Henry* was a supplier of accused software with indemnity obligations to banks

# ***JACK HENRY: SUBSEQUENT CASES***

- Federal Circuit:
  - *Genetic Veterinary Sciences, v. LABOKLIN*, 933 F.3d 1302 (Fed. Cir. 2019) (finds personal jurisdiction for DJ).

# ***JACK HENRY: SUBSEQUENT CASES***

- Example District Court Cases:
  - *Nordic Water Prods. v. Veolia Water Solutions* (D. Utah 2020) (distinguishing *Jack Henry*).
  - *Slack Technologies v. Phoji* (N.D. Cal. 2020) (distinguishing *Jack Henry*).
  - *Xerox Corp. v. Monument Peak Ventures* (W.D.N.Y. 2020) (distinguishing *Jack Henry*).
  - *GPS Insight LLC v. PerDiemCo LLC* (D. Ariz. 2020) (distinguishing *Jack Henry*).
  - *Etekcitey Corp. v. Devine LEDS Ltd.* (C.D. Cal. 2019) (distinguishing *Jack Henry*).
  
  - *C&C Building Automation v. Dupler* (N.D. Cal. 2019) (applying *Jack Henry*).

# FUTURE INVALIDITY ARGUMENTS

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

# EXCEPTIONAL CASE FEES

- Some cases have awarded fees based, in part, based on a past history of sending large numbers of demand letters and quickly settling for nuisance value.
  - Beware of danger in demanding (or accepting) too little.

# EQUITABLE ESTOPPEL

- Elements:
  - Misleading conduct (or silence)
  - Reliance
  - Prejudice
- Example:
  - *Akeso Health Sciences v. Designs for Health* (C.D. Cal. 2018)

# STATE STATUTES RE BAD FAITH ASSERTION

- Check specific state of recipient to ensure any requirements for inclusion of specific information is met.
- Potential immunity defense to private right of action.

# Best Practices Overview:



# BEST PRACTICES

- Understand goals, risks, and whether specificity of letter can be tailored to both simultaneously
- Evaluate alternatives to a demand letter
- Consider other potential parties when evaluating risks



# Patent Demand Letters: New Considerations & Best Practices

# Responding to Demand Letters

- » Marshall your information
  - Competitor or NPE?
    - Is there a real risk of injunction?
  - Import of accused product / process
  - Relevant revenues
  - Who / what / when / where / why of patent holder
    - Who is the patentholder?
    - What can you learn about their demand / campaign?
    - What is patentholder's demand?
    - Do they sue? Where?

# Responding to Demand Letters

## » Have a plan

- Categorize letters / patentholders
- Do you respond?
  - Think about your Mom.
  - Level of detail
  - Cite prior art?
  - Claim charts or just dispute specific elements?
- Ask for time, if you need it.
  - Give an explanation, if you can.

# Responding to Demand Letters

## » Have a plan

- Do your homework
  - Look for prior art
  - Investigate prior dockets
  - Check maintenance fees & assignment documents
  - Know your court

# Responding to Demand Letters

## » Have a plan

- Type of letter
  - Detailed?
  - Are products / processes identified?
  - Claim charts?

# Responding to Demand Letters

## » Have a plan

- Look for painful, cost-effective threats
  - 101 motions (maybe)
  - *TC Heartland* motions
  - PTAB proceedings
  - Telegraph strength through settlement & dismissal papers
  - Pay attention to indemnity

# Responding to Demand Letters

- » Consider a declaratory judgment suit
  - Is the letter sufficient to create a case or controversy?
    - Generally, yes.
  - This was more important pre-*TC Heartland*
    - *Jack Henry* makes it easier to file in your home district, assuming the letter went there.
  - *Are you purchasing litigation?*
    - *Look at patentholder's litigation history.*
    - *Think about PTAB proceedings*



# R. David Donoghue



R. David Donoghue is an established IP trial attorney with jury trial success and a strong track record across district courts, the Federal Circuit, and at the Patent Trial and Appeal Board. He serves as the leader of Holland & Knight's national Intellectual Property Group and is based in the firm's Chicago office.

Mr. Donoghue advises clients from major corporations to midsize businesses on technology disputes, such as patent, trade secret, trademark, copyright and Computer Fraud and Abuse Act (CFAA). Mr. Donoghue has been recommended in Intellectual Asset Management (IAM) Patent 1000 since 2014.

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## Practice

- Patent Litigation
- PTAB proceedings
- Trademark Litigation
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## Education

- BSE (Aero), University of Michigan
- JD, Georgetown Law

## Bar Admission

- States bars of CA, IL & MI
- Patent Office barred



**Questions?**