Declaratory Judgment and Infringement Allegations

Patent Licensing Post-*Medimmune*: Proceed with Caution

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Why Worry About Declaratory Judgment?

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Refresher: The New Standard

"[W]here a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, an Article III case or controversy will arise and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights."

SanDisk, 480 F.3d at 1381.

Potential Attempts by Patentee

- "asserts rights under a patent"
- "certain identified ongoing or planned activity"
- Relinquishment of right to sue

"Asserts Rights Under A Patent"

- Avoid mentioning specific patent?
- Maybe get past initial letter
  - But probably not beyond
- Is asserting rights in unnamed patent(s) "assert[ing] rights under a patent"?
  - If so, this requirement is likely always satisfied

"Certain Identified Ongoing or Planned Activity"

- Avoid identifying any allegedly infringing activity?
- Again, unlikely to be a long-term solution
  - Could do in letter, but not subsequent negotiations
- Description of subject matter of patent
  - Have effect of identifying activity by target?
- What if target reads named patent and infers the accused activity?

"I Promise Not to Sue You"

- Didn't work in *SanDisk*
  - "ST has absolutely no plan whatsoever to sue SanDisk"
  - "ST has engaged in a course of conduct that shows a preparedness and willingness to enforce its patent rights"
  - "Extra-judicial patent enforcement with scare-the-customer-and-run tactics"

Can a Promise Not to Sue Ever Work?

- Maybe, if:
  - Judicially enforceable
  - Temporally complete – past, present and future
  - Covers entire supply chain
- *WS Packaging Group v. Global Commerce Group*, No. 06-C-674, 2007 WL 1394154 (E.D. Wisc. May 11, 2007)

WS Packaging Group v. Global Commerce Group

- DJ defendant Global Commerce filed 4 separate (unsuccessful) motions to dismiss DJ action
- 2nd, 3rd and 4th motions included a "waiver of infringement claims" and/or covenant not to sue
- First two failed even under "apprehension of suit" test
- 4th failed under *SanDisk*

WS Packaging Group v. Global Commerce Group

- First attempts did not cover future infringement or infringement by customers
- Final attempt covered WS and "those customers of WS who WS had contracted to indemnify from suit … as of the time that WS filed the [DJ] complaint…"
- "Because Global's latest waiver is limited to those customers having indemnification contracts … as of the filing date … it does not remove the imminent injury."

The Surest Bet?

- Avoid mentioning any specific patents
- Avoid giving even a general description of subject matter
- Avoid identifying any accused activity
- Completely and irrevocably waive any opportunity to sue target, target's customers, distributors, resellers, family, friends, or anyone else for all time

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- Avoid flat tire by removing wheels from car

"There is no try"

- Bottom line: Almost any serious discussion of the patent by the patentee will risk suit for declaratory judgment; no safe haven to offer licenses without risking litigation
- Patent holder: Sue or sue not; there is no try
- Defendant: Do you feel lucky?

A Sense of Liberation?

- Theory: If all letters trigger declaratory judgment, you might as well say what you mean
  - Unambiguously put target on notice of infringement contentions
  - Provide notice for willfulness, damages under 271(f), etc.
- But consider psychological impact of plain speaking – just because targets **can** file DJ actions doesn't mean they always **will**

Other Possibilities

- Decision to accept declaratory judgment action is discretionary
- First-to-file rule is not absolute
  - Anticipatory filings disfavored
  - Especially if DJ and underlying action are filed close together
- Maybe neither party wants to file suit
- File first, talk later?

Something a Bit More Practical

- Extremely vaguely-worded letter with NDA/covenant not to sue
  - No mention of patent numbers or accused activities
  - "We have some patents we would like to discuss with you"
  - Covenant not to sue for limited time
- Merely delay race to courthouse?
- Less incentive for target to negotiate without more information?

To File or Not To File – Patentee

- How inclined is accused infringer to file DJ action?
- How inclined are you to take dispute to court?
- How important is venue to you?

To File or Not To File – Accused Infringer

- Personal jurisdiction over patentee in preferred jurisdiction
  - Patent "troll" may only be found in jurisdiction where it resides
  - Sending demand letter is insufficient contact with forum
- Balance desire to avoid litigation entirely with likelihood of ending up in unfavorable forum

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Emphasis:

Patent Litigation

Intellectual Property Litigation

Michael J. Sacksteder is a partner in the Litigation Group of Fenwick & West LLP, a law firm specializing in high technology matters. Mr. Sacksteder practices out of the firm's San Francisco office. Mr. Sacksteder's practice focuses primarily on patent litigation and litigation in other substantive areas of intellectual property law, including copyright, trade secret, trademark, and unfair competition.

Mr. Sacksteder has participated in a number of trials in United States District Court and has engaged in successful appellate practice before the United States Court of Appeals for the Federal Circuit. He has substantial experience in virtually all aspects of pretrial litigation, including claim construction in patent cases. He has also participated in various forms of alternative dispute resolution, including an innovative proceeding that permitted a client to resolve a complex patent dispute without litigation.

Mr. Sacksteder's experience encompasses a variety of technological fields, including computer graphics, mainframe software tools, wireless messaging systems, semiconductors, and optical networks. Representative clients include:

- Apple Inc.
- Asyst Technologies, Inc.
- Cisco Systems, Inc.
- Compuware Corporation
- Good Technology, Inc.
- Google Inc.
- Information Storage Devices, Inc.
- KANA Software, Inc
- Lexar Media, Inc.
- Macromedia, Inc.
- O2Micro International Ltd.
- Omniture, Inc.
- ONI Systems, Inc.
- Plaxo, Inc.
- Progress Software Corp.

Most recently, Mr. Sacksteder served as trial counsel for Asyst Technologies in the patent lawsuit *Asyst Tecchnologies v. Empak, et al*. The jury found Asyst's asserted patent valid and infringed, and awarded Asyst $74.7 million in lost profits damages for lost sales and price erosion. Also recently, Mr. Sacksteder served as trial counsel for O2Micro in the trade secret and patent case *O2Micro v. Monolithic Power Systems*. The jury awarded O2Micro $12 million for the willful misappropriation of O2Micro's trade secrets and found that all asserted claims of Monolithic Power Systems' patents-in-suit were invalid and not infringed. Shortly before the O2Micro trial, Mr. Sacksteder served as trial counsel for plaintiff Compuware Corporation in the trade secret, copyright and antitrust case *Compuware v. IBM*. That case was settled in Compuware's favor for $400 million after being tried to a jury for five weeks.