

## **Responding to a Patent Cease-and-Desist Letter**

Most business owners do not anticipate receiving a letter claiming patent infringement, so it's almost always disruptive when it happens. Do not allow your emotions to control how you respond to a cease-and-desist letter. Stay poised, and plan a wise and cost effective response.

Keep in mind that the patent owner could have skipped the letter and served you with a patent infringement complaint filed in federal court. While not all patent enforcement and monetization efforts are abusive, it can certainly feel that way when the excessive costs of patent litigation are threatened to extract a payment. Here are some thoughts to consider with your patent attorney in responding to a licensing offer or cease-and-desist letter.

## **What Does the Patent Owner Want?**

It's preferable to find out the patent owner's demand as early as possible. For example, if the owner seeking a one-time payment that does not justify your patent attorney spending a great deal of time investigating the infringement argument, then it's best to know that upfront.

Is the patent owner (aka "patentee") looking to license the patent for a reasonable royalty or to stop you from selling the accused products altogether? If the patent owner is seeking a license, you should seriously consider the financial implications of the deal along with the legal merits of the case.

If the cease-and-desist letter does not allow for any resolutions other than an agreement to stop all sales of accused products, then the costs of litigation and associated probability of success will need to be carefully evaluated. In any event, knowing upfront whether the proposed deal is a royalty versus an injunction will be very useful in planning next steps.

## **What Are Your Defenses?**

The two primary defenses to patent infringement are invalidity (i.e., the patent claims nothing new) and non-infringement (i.e., your product is missing a claimed feature). Each defense carries different implications for the accused infringer.

### **1. Non-Infringement – A Defensive and Product-Specific Approach**

The non-infringement defense consists of comparing the patent claims (found at the end of the written specification) to the accused product. Starting with each independent claim, the analysis focuses on whether at least one claim element is missing from the accused product. This analysis should be conducted by or with your patent attorney since the nuances of the doctrine of equivalence should be considered.

The non-infringement approach is specific to each accused product. Just because your competitor does not infringe a particular patent does not automatically mean that your product is also safe. Your product may raise different non-infringement arguments than those of those of

your competitor's. Accordingly, a patentee may still seek to enforce its patent against your competitors even if your product does not infringe.

If your accused product clearly lacks one or more claim limitations recited in each independent claim, then a response letter detailing the absence of these features may possibly defuse the conflict. A well drafted non-infringement reply letter increases the risk for the patent owner/plaintiff of a Rule 11 attorney violation or payment of your attorney's fees in view of recent U.S. Supreme Court cases on awarding attorney's fees in patent litigation.

## **2. Invalidity – An Offensive and Industry-Wide Approach**

In contrast to non-infringement, an accused infringer can argue that the patent is invalid due to prior art that existed before the patent application was filed. In other words, the patented invention was not new as of the application filing date.

Invalidity requires a comparison of the claims to the prior art, which may include patents, printed publications, public use and prior sales. The accused infringer is on the offense with this approach as a successful outcome results in invalidated claims that can no longer be enforced against the entire industry. All accused and potential infringers as well as any newcomers to the industry will benefit from invalidated claims.

If you have a strong invalidity defense, one option is to reply with a letter. If a patent infringement complaint has already been filed, you can counterclaim for patent invalidity. New options for challenging patents have been made available under recent patent reform laws called the America Invents Act (AIA). Advantages of these post-grant (as opposed to pending applications) proceedings include:

- speed (resolution between 1 to 1.5 years)
- reduced costs compared to federal court litigation
- high rate of success (both in the institution and outcome of proceedings)
- technical caliber of the judges of the Patent Trial and Appeal Board (PTAB)
- staying a co-pending patent infringement lawsuit to curb legal fees while the patent-in-suit is challenged before the PTAB
- estoppel effects of certain positions and outcomes rendered in one proceeding (i.e., PTAB) that limit the same parties in a different proceeding (i.e., district court)

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