

Seven Pitfalls In Sending Cease-And-Desist Letters

The litigation of patents, trademarks, and copyrights is oftentimes started with a cease-and-desist (i.e., infringement warning) letter from the IP owner to the infringer. In essence, the letter demands that the infringer discontinue the infringement and/or license the IP. The letter is frequently intended as an inexpensive way to scare an infringer into stopping the infringing acts. In such instance, the IP owner may have no intention of becoming embroiled in litigation, notwithstanding the contents of the warning letter. But when the monetary investment by both sides into the IP is high, the warning letter often escalates into a costly lawsuit for both sides. This is especially true for patent disputes.

While the cease-and-desist letter may seem simple on its face, and thus frequently prepared without the advice of counsel, there are 7 potential pitfalls that should be considered before sending the cease-and-desist letter.

1. The letter's author or recipient may be a poor witness at trial

The author or sender of the warning letter may likely be called by the infringer as an adverse witness at trial. For instance, the infringer may want to inquire at trial as to the bases of the letter's allegations, such as whether good faith steps were taken to determine the existence of the alleged infringement. Consequently, if the letter's author might make a poor witness at trial, this may motivate the infringer to call the author as a witness.

Accordingly, the author of the warning letter should be selected based, in part, on how he or she will be received by a judge or jury.

Likewise, the IP owner may want to select the recipient of the warning letter based on the fact that the recipient may make a poor witness at trial. This may be someone who has difficulty articulating his/her thoughts or is prone to rambling. It might be someone who is quick to anger.

In the absence of forethought, the IP owner may select a recipient of the warning letter who could make a good witness at trial. Thus, the IP owner might be missing an opportunity to strengthen the owner's position at trial by having the infringer represented on the witness stand by a poor witness.

2. The fact finder forms a negative impression of the IP owner

A judge and/or jury will likely see the warning letter. The tone and content of the letter will create an impression in the judge's and jury's mind about the IP owner. If the tone is threatening or condescending, for example, a judge and jury may likely associate that type of personality not only with the letter's author but also with the IP owner in general. On the other hand, if the letter is clear and respectful, the judge and jury will more likely see the IP owner with the same qualities.

Consequently, have the letter create an impression that reflects the character that the IP owner wants to be remembered by the fact finder.

3. The letter fails to provide actual notice of infringement

A patent infringer may not be liable for damages until the infringer has notice of infringement. And damages may be increased (e.g., trebled), and attorneys fees awarded, if the infringer willfully infringed the patent. To willfully infringe, the infringer must know of the patent but then fail to conduct a reasonable investigation into the possible infringement.

One way in which the patent infringer has notice of infringement is through the warning letter. But to provide notice, the warning letter should identify the patent by number and the specific acts which constitute the infringement.

Without notice of infringement, the patent infringer could be free from liability for certain damages.

4. The contents of the letter are made in bad faith

A warning letter containing allegations or statements that are not made in good faith or are knowingly false could subject the IP owner to liability for unfair competition.

Such misstatements, even if innocent, could still lead to protracted litigation over whether they create liability for the IP owner. Thus, allegations of infringement should be made with care.

5. The letter interferes with third party relationships

An IP owner may want to gain leverage over the infringer beyond a mere warning letter. With this in mind, the IP owner may consider sending the same or a similar warning letter to the infringer's customers and/or vendors. The hope is that if the customers and vendors discontinue business with the IP owner, the infringing activity will cease.

The risk, however, of sending warning letters to the infringer's customers and vendors is that it could expose the IP owner to a lawsuit based on interference with contractual relations and the like.

When sending warning letters to persons other than the direct infringer, consideration should be given to keeping the letter factual and free of threats.

6. The letter causes the infringer to sue the IP owner

The IP owner may believe that unless a lawsuit is threatened in the cease-and-desist letter, the infringing activity will not stop. But threatening litigation may create in the infringer a reasonable apprehension of a lawsuit. In turn, the infringer may then have the legal basis for suing the IP owner for a declaratory judgment that the patent is invalid or not infringed.

Apart from the negative consequences of simply becoming involved in litigation, the infringer may choose to file the lawsuit in a venue that is not convenient for the infringer. This will be particularly burdensome for the IP owner who thought that a simple cease-and-desist letter would be an inexpensive way to avoid litigation.

Therefore, send the letter without explicit threats of litigation, and even without implicit threats such as by mentioning the IP owner's past litigation successes.

7. A time limit starts for the IP owner to sue

An infringer can assert a defense of laches to a lawsuit if the IP owner unreasonably delays in bringing suit after the owner knows of the infringement, and there is material prejudice to the infringer. If the defense is successful, the IP owner may not recover damages for infringement prior to the lawsuit.

With the sending of a warning letter, the IP owner may be said to have knowledge of the infringement. If the owner then allows more than 6 years to pass before suing the infringer, a rebuttable presumption exists that the owner unreasonably delayed in filing suit.

Accordingly, one should determine the timing of when a cease-and-desist letter should be sent, especially if there are reasons to delay the filing of suit (e.g., minimal damages at present).

Conclusion

An IP owner's knee-jerk response to suspected infringement is frequently the sending of a cease-and-desist letter. What is thought as an easy way to stop an infringer, however, is actually a potential minefield that should be carefully navigated. Having counsel's advice as to the contents of a cease-and-desist letter, as well as whether such a letter should even be sent, can save considerable expenses down the road.