Columns

Five Response Options to a Patent Infringement Demand Letter

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In recent years, there has been an influx of patent litigation. Although not a requirement of litigation, these disputes often begin with a demand letter from the patent holder. These letters can take a variety of forms, but generally, they state or imply the recipient is infringing a patent, and they conclude by offering a license and/or demanding the recipient cease the activity (such as the sale of a medical device) that is allegedly infringing. Some letters may threaten a lawsuit if the activity does not cease.

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While receiving such letters can be upsetting or confusing, the recipient has recourse to minimize or eliminate the risk and disruption to its business. Responding to demand letters involves strategic decisions based on a number of factors, including:

The patent owner's litigation history, the propensity for litigation, and sophistication.
The commercial relationship, if any, between the patent owner and the recipient of the demand letter.
- The established profitability of the product alleged to be infringing, its commercial success, and its current popularity.

The strength of the infringement allegations. Often, a patent attorney will be able to assess the strength of the patent infringement claims, at least to a certain extent, prior to the com a lawsuit.
- The demand of the patent owner. Is the patent owner demanding the recipient cease the allegedly infringing activity or that the recipients take a license?

With these factors in mind, there are some common courses of action to consider upon receipt of a demand letter, each with different pros and cons.

Option 1: Request More Information

Pro: Allows more time to gather information, investigate the seriousness of the demand, and assess any potential exposure. Of course, if the demand letter provides sufficient information, may choose to simply deny infringement of any valid patent claim provided there is a good faith basis to do so.

Con: Requesting additional information, as opposed to a denial of infringement (assuming there is a basis to do so), may lead the patent owner to assume (perhaps incorrectly) that the rec unsure whether it is infringing. Moreover, the patent owner is not legally obligated to respond, or respond adequately, to such a request.

Option 2: Do Nothing

Pro: Some patent owners who are not committed to actually filing a patent infringement lawsuit may nonetheless cast a wide net when sending demand letters in the hope that some recipi nominal amount to avoid a disruption to their business. If this is the case, there is a chance that by ignoring the demand letter, there will be no serious follow up by the patent owner.

Con: Ignoring a demand letter may cause the patent owner to file a patent infringement lawsuit.

Option 3: File a Lawsuit for Declaratory Judgment

In certain instances, a party accused of infringement may file a lawsuit against the patent owner for a declaration that it does not infringe the patent claims, or that the patent claims are inva the patent owner's litigation history is informative when considering this option.

Pro: If a party believes that the patent owner is likely to file a lawsuit, filing a declaratory judgment lawsuit may allow the recipient of the demand letter to file in its home court.

Con: May prove to be a more costly approach if the patent owner had no intention of actually commencing litigation.

Option 4: Seek to Invalidate the Patent

In certain circumstances, a party may seek to invalidate the asserted patent(s) by petitioning the United States Patent & Trademark Office to review the patent, such as by filing a petition fo Review, Covered Business Method, or Post Grant Review.

Pro: In certain circumstances, this option is a possible cost-effective alternative to litigation.

Con: If the patent survives the challenge, the patent owner may aggressively pursue its claims in litigation. Additionally, not all of these procedures are available for all patents. A patent att able to assess the available and appropriate procedures.

Option 5: License the Patent

Negotiate with the patent owner for a license to use the patent.

Pro: This option is a possible cost-effective resolution to litigation.

Con: In some circumstances, the license cost outweighs the cost of litigating the claim, especially if the claim can be disposed of early in litigation.

Conclusion

Damage awards in the medical device space can be quite large in certain instances. Therefore, it is important to take demand letters seriously. The correct approach to follow will depend o facts and circumstances of the case.

Company employees should be instructed to bring demand letters to the attention of the legal department as soon as they are received. A patent attorney will be able to assess the merits o and recommend a strategic approach to maximize the chances of a successful and cost-effective resolution.

Author Note: Fabio Tarud and Daniel Werb, associates at the firm, assisted in the preparation of this article.

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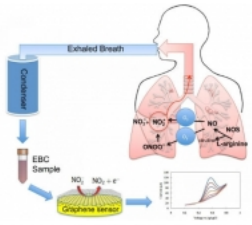

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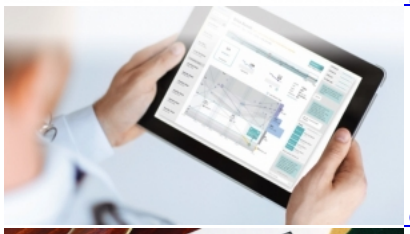

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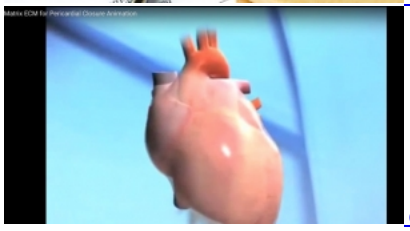

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