

FOCUS: INTELLECTUAL PROPERTY LAW

Cease-and-Desist Letters: Fraught With Peril

by John M. Jackson and Nicole Ruble Metcalf

Intellectual property owners beware. Cease-and-desist letters and other efforts to informally resolve disputes with accused infringers may actually trigger the very litigation you are seeking to avoid.

Prior to *MedImmune v. Genentech, Inc.*, the Federal Circuit used the “reasonable apprehension of suit” test to determine if declaratory judgment jurisdiction was present. Under this standard, a carefully worded cease-and-desist letter could generally avoid triggering a declaratory judgment action. In *MedImmune*, however, the Supreme Court rejected the Federal Circuit’s approach and explained that the relevant inquiry is “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”

Cases applying the *MedImmune* standard have continued to expand the scope of declaratory judgment jurisdiction in patent litigation.

In *SanDisk v. STMicroelectronics, Inc.*, for example, the Federal Circuit found that declaratory judgment jurisdiction existed where the patent owner sent two letters to an accused infringer requesting an opportunity to discuss a cross-license agreement and participated in face-to-face discussions with the accused infringer, during which the patent owner presented its infringement analysis. Despite the fact that the patent owner represented that it had

“absolutely no plan whatsoever to sue” the accused infringer, it still found itself in litigation.

Similarly, in *Micron Technology, Inc. v. MOSAID Technologies, Inc.*, MOSAID argued that there was no case or controversy at the time that Micron filed suit because more than four years had elapsed since MOSAID sent patent infringement warning letters to Micron. But the Federal Circuit went beyond the letters MOSAID sent to Micron, and instead considered all the circumstances, including MOSAID’s enforcement efforts against other manufacturers and public comments that MOSAID made concerning its licensing strategy in conference calls with analysts, in press releases, and in its annual report. Considering all these factors, the Federal Circuit concluded that declaratory judgment jurisdiction existed because “[t]he record evidence at the time of the filing in the California district court strongly suggested that MOSAID would sue Micron soon.”

While the Federal Circuit has focused on patent litigation, there is also reason to believe that *MedImmune*’s reach will extend into trademark and copyright litigation. See *Vantage Trailers, Inc. v. Beall Corp.* and *Segone, Inc. v. Fox Broadcasting Co.* (both applying new standard but dismissing declaratory judgment action).

The expanding scope of declaratory judgment jurisdiction presents many opportunities for accused infringers.

Accused infringers who receive cease-and-desist letters will generally be able to use those letters to file preemptive litigation and deprive the IP owner

of their choice of forum. Potential defendants may also be able to predicate declaratory judgment jurisdiction on public statements made by IP owners in press releases, conference calls with analysts and SEC filings.

Additionally, in situations where IP owners file suit against several competitors in one industry, potential future targets in that industry may be able to file a declaratory judgment action arguing that a case or controversy exists because it is inevitable that they will be sued in the future.

While potentially beneficial for accused infringers, the expanding scope of declaratory judgment jurisdiction presents many challenges for owners of intellectual property. Before taking any informal enforcement action, IP owners must first consider all circumstances surrounding their enforcement efforts and exercise extreme care to avoid creating an “actual controversy” within the meaning of the Declaratory Judgment Act.

IP owners who choose to send cease-and-desist letters run a risk of defending a declaratory judgment lawsuit in a remote forum.

In the post-*MedImmune* environment, the best way for IP owners to secure their choice of forum is to file suit prior to negotiating with potential defendants. However, if an IP owner wants to pursue licensing activities without filing suit, it may be possible to reduce the risk of triggering a declaratory judgment action by requesting that the accused infringer sign a confidentiality agreement prior to engaging in any discussions concerning alleged infringement or a potential licensing agreement. See e.g., *SanDisk*, 480 F.3d at 1375 n.1. **HN**

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