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WALKING THE TIGHTROPE PROVIDING ACTUAL NOTICE WHILE AVOIDING DECLARATORY JUDGMENT

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Prior to instigating patent litigation, it historically has been viewed as beneficial to notify a potential infringer of infringement as early as possible. In addition to the business reasons associated with the offering of a license – *i.e.*, the likelihood of a more efficient compromise, the mitigation of litigation costs, etc., the failure to provide actual notice to a potential infringer could serve to limit the time period involving, and hence the amount of, damages recovered in litigation. Specifically, 35 U.S.C. § 287(a) limits damages in the absence of marking “except on proof that the infringer was notified of the infringement.” Thus, even in the event that litigation is likely at some time in the future, in order to maximize the potential recovery, it may be in the best interest of the patent holder to put the accused infringer on notice of infringement.

The benefits of providing a potential infringer with notice of infringement must be balanced against the potential liability associated with an accused infringer’s filing of a declaratory judgment action. This balancing act has become all the more difficult in light of the uncertainty injected into the declaratory judgment standard by the recent decision of the U.S. Court of Appeals for the Federal Circuit in *Sandisk v. STMicroelectronics, Inc.*, 2007 U.S. App. LEXIS 7029 (Fed. Cir., March 26, 2007). In order to mitigate the risk of a potential declaratory judgment action, communications to potential infringers should be limited to that which is necessary to effectuate actual notice under 35 U.S.C. § 287(a) while at the same time denying the potential infringer a basis for bringing a declaratory judgment action. Under the current state of the law, there is a question as to whether this is even possible.

Starting the Damages Clock – Actual Notice Under 35 U.S.C. § 287(a)

By its terms, 35 U.S.C. § 287(a) operates to define, as a matter of law, the conditions precedent necessary to give rise to a compensable claim for patent infringement. If the patentee makes, uses, sells or imports patented products, that patentee’s claim for damages exists only after the patentee began marking the patented articles. Second, if the patentee did not mark the patented articles, that patentee’s claim for damages will only exist after the patentee provides the accused infringer with actual notice of infringement. In this manner, in the absence of marking, 35 U.S.C. § 287(a) bars the recovery of damages for infringement until the patentee gives actual notice of infringement to the infringer or the patentee marks articles sold under the patent with the patent and number.

In applying the actual notice provision of 35 U.S.C. § 287(a), the patent owner must give *specific* and actual notice to the accused infringer of the potential infringement of the patent in question. As interpreted by the Federal Circuit in *Amsted Industries Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1993), “[a]ctual notice requires

the affirmative communication of a *specific charge of infringement by a specific accused product or device*” (emphasis added). The subjective knowledge of the accused or potential infringer of the patent in question is irrelevant to the determination of whether actual notice has been provided. *Lans v. Digital Equipment Corp.*, 252 F.3d 1520, 1523 (Fed. Cir. 2001) (“Any knowledge the defendants might have had of the infringements before [the patentee] gave them actual notice is irrelevant.”). Thus, even if an accused infringer is actually aware of the patent, actual notice must still be provided in order for damages to begin accruing. If actual notice is not provided, damages do not begin to accumulate until after an action for infringement has been filed.

In *Gart v. Logitech Inc.*, 254 F.3d 1334 (Fed. Cir. 2001), the Federal Circuit reversed a district court’s granting of summary judgment limiting damages for failing to provide actual notice. The court held that a letter sent to the potential infringer which included a specific reference to the patent at issue and a specific reference to the product in question, and noted that the potential infringer “may wish to have [its] patent counsel examine the ... patent ... to determine whether a non-exclusive license under the patent is needed” satisfied the actual notice requirement of 35 U.S.C. § 287(a) as a matter of law. *Id.* at 1346. Thus, actual notice is satisfied under 35 U.S.C. § 287(a), as a matter of law, when the patent owner provides the number of the patent at issue, a reference to the claims at issue with respect to a specific product and an indication that the potential infringer may wish to have its patent counsel examine the patent to determine whether a license is required as matter of law.

Be Careful What You Say

The recent decisions of the U.S. Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007) and the Federal Circuit in *Sandisk v. STMicroelectronics, Inc.*, 2007 U.S. App. LEXIS 7029 (Fed. Cir., March 26, 2007) have injected uncertainty into the process of communicating with potential infringers because of the potential for declaratory judgment actions. Following the *MedImmune* decision, the Federal Circuit in *Sandisk* overturned its long-standing precedent and held that the apprehension of “imminent litigation” is no longer required for a prospective licensee to initiate a declaratory judgment action. Instead, “all of the circumstances” must be examined to determine whether a case and controversy exists under Article III of the Constitution. And “where a patentee asserts rights under a patent based on a certain identified or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license,” the accused party may bring a declaratory judgment action.

In light of *Sandisk*, a patent holder can no longer contact a potential licensee, detail an infringement case and, provided the patent holder did not overtly threaten litigation, still avoid the risk of a declaratory judgment jurisdiction. This pre-*Sandisk* standard allowed a patent holder significant flexibility in communicating with a potential infringer without fear of the potential for a declaratory judgment action.

A patent holder wanting to provide actual notice under 35 U.S.C. § 287(a) and avoid a potential declaratory judgment action must now walk a fine line. Specifically, a patent holder must provide an affirmative communication of a specific charge of infringement, under *Amsted*, to effectuate actual notice yet, at the same time, based upon all the circumstances, somehow avoid “assert[ing] a right” concerning a patent, under *Sandisk*.

A Potential Solution

The change in the standard for declaratory judgment has clearly made providing actual notice to an accused infringer a tricky proposition. It remains to be determined, in light of *Sandisk*, whether it is even possible that notice can be provided without subjecting the patent holder to a declaratory judgment action. However, the Federal Circuit's decision in *Gart* provides some guidance for a patent holder wishing to communicate actual notice under 35 U.S.C. § 287(a) to a potential infringer. In this manner, a patent holder should provide the number of the patent at issue, refer to the claims at issue with respect to a specific product and indicate that the potential infringer "may wish to have [its] patent counsel examine the ... patent ... to determine whether a non-exclusive license under the patent is needed." A letter written according to the language approved by the Federal Circuit in *Gart* does not appear overly threatening and does not demand that the recipient cease and desist any activities, nor does it even express a belief that a license is necessary. In light of these factors, when "all of the circumstances" are weighed under *Sandisk*, it appears at least likely that declaratory judgment jurisdiction would not be found. Of course, regardless of the nature or manner of the initial correspondence to a potential infringer concerning actual notice, all subsequent correspondence regarding the potential for a license would also have to be carefully crafted to avoid subjecting the patent holder to declaratory judgment jurisdiction based upon these additional communications.

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