

PROTECTING YOUR INTELLECTUAL PROPERTY: THE CEASE AND DESIST LETTER

By Andrew Koo

Introduction

Sending a cease and desist (“C&D”) letter on behalf of a client to protect Intellectual Property rights may produce many possible results. Upon receipt, an accused infringer or misappropriator may comply with the demands of the letter or agree to license the intellectual property. Michael J. McCue, The Letters of the Law: Sending Cease and Desist Letters, 10 NEV. LAW. 23 (2002). Alternatively, the letter may also lead to some sort of response from the recipient, which would give the attorney the “opportunity to evaluate the merits of its case prior to deciding whether to file suit.” Id.

While these may all be beneficial outcomes as a result of sending the letter, an attorney must also consider the risks that may jeopardize the client’s Intellectual Property rights. In certain circumstances, a C&D letter may give the recipient an opportunity to file a declaratory judgment action of non-infringement in an unfavorable forum to the client. Steven B. Pokotilow & Matthew W. Siegal, Cease and Desist Letters: The Legal Pitfalls for Patentees, 4 NO. 3 INTELL. PROP. STRATEGIST 1 (1997). The existence of such a letter and its contents may also prove to have an adverse affect on the client during the course of litigation. Gregory J. Battersby & Charles W. Grimes, LAW OF MERCHANDISE AND CHARACTER LICENSING § 11:12 (2003). Sending a C&D letter to third parties, such as the accused infringer’s Intellectual Property licensees, may give rise to wrongful interference with business relations or related claims. David L. Hoffman & Robert J. Lauson, Cease-and-Desist Letters in Intellectual Property Disputes, 22 L.A. LAW. 19, 56 (1999). Lastly, the attorney over disclosing unnecessary facts in a C&D letter may be harmful to the client in litigation proceedings. Battersby, supra, at 22. Thus, the attorney, before sending the letter on behalf of a client, should give careful consideration to these risks frequently associated with a C&D letter and take careful steps to avoid placing the client in a disadvantaged position.

Risks

Declaratory Judgment Action

After receiving the C&D letter, an accused infringer can file a declaratory judgment action in an unfavorable forum that would most likely rule adversely against the client if jurisdiction requirements are met. The Declaratory Judgment Act states that “[i]n a case of actual controversy within its jurisdiction . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.” 28 U.S.C. § 2201 (a) (2004). In order to satisfy the actual controversy requirement of the Act, the accused infringer, who is a recipient of a C&D letter, must prove that “an objectively reasonable apprehension” of litigation was created by the letter. EMC Corp. v. Norand Corp., 89 F.3d 807, 811 (Fed. Cir. 1996).

Many courts have held that an express charge of infringement or a threat of litigation is sufficient to satisfy this “objectively reasonable apprehension” of litigation requirement. *Pokotilow & Siegal, supra*. In the absence of both, the courts have looked to the “totality of the circumstances” to determine if the reasonable apprehension of litigation exists. *Id.* Thus, a C&D letter “coupled with additional indicia of the potential for litigation” may be enough to allow a declaratory judgment action. *McCue, supra*, at 24. In *Bard, Inc. v. Schwartz*, the court held that demand for future royalty payments and threats of litigation against the accused infringer’s customers were all factors to be considered in finding a reasonable apprehension of litigation. 716 F.2d 874, 881 (Fed. Cir. 1983). However, courts have also held that offers to negotiate or license intellectual property rights alone are not sufficient to meet the requirement. *EMC Corp.*, 89 F.3d at 812. Thus, an attorney, representing a client who may want to avoid litigation, should send a letter without any express charges of infringement, threats of future litigation, or include potential language that may be interpreted as a threat of litigation; but the attorney can include negotiations or offers to license the Intellectual Property.

To avoid a declaratory judgment action in an unfavorable forum while sending a C&D letter that causes a reasonable apprehension of litigation, the attorney representing the client has two main options. The attorney, in some jurisdictions, can file a lawsuit in a favorable form before sending the C&D letter. *Hoffman & Lawson, supra*, at 20. In situations, where after receiving the C&D letter and the accused infringer subsequently files an action in an unfavorable forum, courts will comply with the “first-to-file” rule and allow the first-filed action to proceed. *Id.*

Another approach the attorney can use to avoid an unfavorable forum action is to evoke an exception to the “first-to-file” rule, in which the first-filed suit filed by the recipient of the letter is an “anticipatory action designed to preempt an anticipated infringement action” and thus, will not be considered at that time. *McCue, supra*, at 24. Courts have held that declaratory judgment lawsuits, filed before a deadline after which litigation will begin, stated in the C&D letter, are anticipatory actions and are considered preemptive strikes in which the action is not yet ripe. *Hoffman & Lawson, supra*, at 20. Therefore, stating a specific deadline of an imminent suit in a C&D letter, will provide the client with a period in which the recipient cannot file an action in an unfavorable forum.

In dealing with a client’s Intellectual Property rights, the attorney must keep in mind what to include in the C&D letter to constitute an actual notice of infringement. 35 U.S.C. §287(a) requires that notice be given to an accused infringer with sufficient specificity that “inform[s] of the identity of the patent and the activity that is believed to be an infringement, accompanied by a proposal to abate the infringement, whether by license,” in order for damages to begin to accrue. *SRI Int’l v. Advanced Tech. Labs.*, 127 F.3d 1462, 1470 (C.A. Fed. 1997). Similarly, the owner cannot recover damages for trademark infringement unless actual notice of the trademark registration is given to the accused infringer. Thomas J. McCarthy, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 19:144 (4th ed. 2003). Thus, an attorney including this kind of information in the C&D letter may be forced to file a lawsuit beforehand or declare a specific deadline in order to avoid an action in an unfavorable forum since the C&D letter will most likely create a reasonable apprehension of litigation.

Cease and Desist Letter Used in Litigation

Another factor to consider is the impact the C&D letter will have in court if litigation arises from the dispute. Battersby & Grimes, supra. For example, if a C&D letter states that a likelihood of confusion exists between the mark of an accused infringer and the client's mark and the accused infringer establishes a "clear priority of use" in the mark, then the court may view that letter as a "persuasive factor" in passing judgment against the client. McCarthy, supra, § 32:109. Some courts have even gone as far as to consider statements made in the C&D letter as admissions. See Lasek & Miller Associates v. Rubin, 201 U.S.P.Q. 831 (T.T.A.B. 1979). In Lasek, the owner of the federally registered mark, "KWIK-SITE" sent a C&D letter to Lasek & Miller, owner of federally registered mark, "QUIK-SITE" alleging trademark infringement by a likelihood of confusion. 201 U.S.P.Q. 831 (T.T.A.B. 1979). Lasek & Miller filed a petition to the USPTO to cancel the "KWIK-SITE" registration claiming that "QUIK-SITE" was used first in commerce; the court found that "QUIK-SITE" had priority and that there was a likelihood of confusion based on the admissions made in the form of statements in the C&D letter. Id.

Third Party Recipients and Over-Disclosure

Deciding whom to send the C&D letter to also requires careful consideration. If an accused infringer or his clients/customers receives a C&D letter containing false statements, then the accused infringer may bring against the client, claims of unfair competition, defamation, and tortious or negligent interference with contractual relations. Jill N. Johnston, Lethal Weapon: The Cease and Desist Letter in Trademark Enforcement, 14 NO. 6 ACCADKT 46, 56 (1996). To avoid these and similar claims, the attorney should fully investigate the matter, and make sure these assertions are made in good faith. Battersby, supra.

Another concern the attorney should have is what should be disclosed in the C&D letter when litigation is imminent. For example, in trademark infringement cases, disclosing the client's first date of use of the mark may give the accused infringer an opportunity to formulate a litigation strategy to overcome the client's claims. Hoffman, supra, at 24. Similarly in copyright infringement cases, where proof of access to the copyrighted work is essential to a claim, disclosure of such facts may allow the accused infringer to develop a successful defense. Id. This risk requires the attorney to put careful thought into the letter as to limiting what should be disclosed while at the same time still try to seem convincing and show that the claims have merit. Id. at 22.

Conclusion

Ultimately, the attorney must consider any possible resulting ramifications of sending the C&D letter. Even without an explicitly stated threat of litigation, a court may still find that there was an implied threat and a reasonable apprehension was created, which would enable an accused infringer to declare a declaratory action. Certain information should be disclosed within the C&D letter in order to fulfill the actual notice requirement of certain Intellectual Property and yet other information should be withheld to secure possible litigation strategies and approaches. Consequently, in order to protect the client's interest with or without litigation, the attorney must investigate the matter fully, advise the client of the possibility of a declaratory judgment action in an unfavorable forum and how the letter may be adversely used against the client in litigation, and carefully draft and send the C&D letter.

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