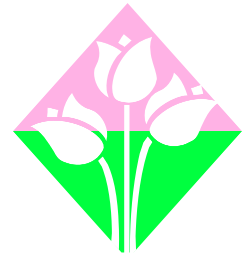

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"Tip of the Month"

Offering a License to a Potential Patent Infringer? Watch Out!

Say you are the owner of a US patent. You have discovered someone is infringing your patent rights. One way to bring a potential infringer in line is to offer that person a license to use your patent for a reasonable royalty payment. Watch out, though, this could raise some troublesome issues. In particular, this could trigger your competitor to initiate declaratory judgment litigation against you challenging the validity of your patent. Caution is especially important for patent holders with limited financial resources because these holders may not be prepared to handle expensive patent litigation.

Before 2007 – It used to be that in order to initiate a declaratory judgment lawsuit, your infringer would have to establish both: (i) a reasonable apprehension that the infringer would have to defend against your patent infringement suit if the infringer begins or continues infringing, and (ii) actual activity by the infringer that could constitute infringement, or the infringer intends to conduct such activity. This requirement for reasonable apprehension of suit meant that if you the patent holder did not actually threaten a lawsuit (for example, in your cease and desist letter or in your offer that the competitor take license of your patent) your competitor would not have grounds to file a declaratory judgment lawsuit against you in some faraway and inconvenient court. In other words, patent holders used to able to assert their patent rights to some extent without fear of being dragged into expensive litigation that they would be unable to afford.

After 2007 – In the case *SanDisk Corp. v. STMicroelectronics, Inc.*, The Federal Circuit eliminated the requirement that a plaintiff must establish a reasonable apprehension of patent infringement lawsuit in order to file a declaratory judgment lawsuit. In effect, this means that any action on the part of a patent holder that communicates to a potential infringer that the patent holder believes that the potential infringer's activities or intentions are covered by the patent holder's patent is sufficient to allow the potential infringer to initiate a declaratory judgment lawsuit. This includes an offer to take a license.

Patent Holder's Options – In light of this new rule eliminating the reasonable apprehension of suit, patent holders should not offer potential infringers with deep pockets the option of taking a license unless they are prepared to spend the money and time necessary to see a declaratory judgment lawsuit through to completion. If a potential infringer has limited financial resources, the risk of that particular potential infringer initiating a declaratory judgment lawsuit is reduced, however, it is not eliminated. If the patent holder is aware of multiple potential infringers, the holder may wish to focus his attention on his smallest competitors first. By convincing a smaller competitor to take a license, a patent holder may begin to build up a war chest of funds that could potentially be used to address larger competitors in the future.

If you would like to discuss the requirements for patent specifications, or how to properly celebrate World Intellectual Property Day on April 26, please contact the attorneys at Mesmer & Deleault, PLLC at 668-1971, or contact us by email at mailbox@biz-patlaw.com.

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