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Responding to an Accusation of Patent Infringement

By Kevin R. Casey

What should you do if your business is accused of patent infringement? Here are five steps to take if a cease-and-desist letter arrives.

1. The first step is to calm down. Do not allow your emotions to control how you respond. Although not all patent enforcement and monetization efforts are abusive, they can certainly feel that way when a demand to stop selling a product is made or the excessive costs of patent litigation are threatened in order to extract a payment. Clients often state, emotionally, “They can’t patent that — it’s been around for years! The accusations are baseless.” Maybe. Stay poised, pursue a business approach, and plan a practical and cost-effective response. After you take a deep breath, speak immediately with a patent attorney who can help you assess whether and how to respond to the infringement accusation.
2. To respond or not to respond, that is the (next) question. Do NOT simply ignore the accusation. Although it is possible that the patent owner (the patentee) will not follow up, experience teaches that the patentee is unlikely to just go away. Rather, inaction leaves the patentee with little choice but to escalate the matter. And with actual notice of another’s patent, you now have an affirmative duty of due care to determine whether the patent is infringed. The cease-and-desist letter typically demands a response within two weeks. If it does, an initial response can inform the patentee that you are investigating the matter. Given that some response is almost always a good idea, the question is how to respond.
3. Assess the merits of your position. Is someone else obligated to indemnify you or to litigate the dispute on your behalf, or does insurance cover your defense? Assuming neither is available, consider the scope of the patent and whether it remains in force, the strength of your defenses, the importance of the accused product or process to your business, and your personal tolerance for the risk and uncertainty of litigation. The two primary defenses to patent infringement are invalidity (e.g., the patent claims are not new or would have been obvious) and noninfringement (i.e., your product or process is missing a claimed feature or step). If the letter demands that you stop selling a product and there is little profit attached to that product, it might be best simply to stop selling rather than incur the expense of any sort of dispute. Perhaps infringement can be avoided by making a small change to your product or process. On the other hand, a signal to the market that you are a pushover can trigger more demand letters. Evaluate carefully the costs of litigation and the associated probability of success (a decision tree analysis can help).
4. Armed with the strengths and weaknesses of your position, decide how to respond. You have many options. Negotiations with the patentee can resolve the dispute with reduced costs to and disruption of your business. Hopefully, a satisfactory agreement can be negotiated. If not, you might reach agreement through some form of alternative dispute resolution procedure (e.g., mediation or arbitration). If you have a strong invalidity defense, one option is to challenge the patent before the U.S. Patent and Trademark Office

(USPTO) through proceedings available under a recent patent reform law called the America Invents Act. If you have a strong invalidity defense, a strong noninfringement defense, or preferably both, you might reply with a letter detailing your defense(s). A well-drafted response might conclude the matter when the infringement accusation has no merit. Such a response at least might frame negotiations and will increase the risk that a court might assess attorney's fees against the patentee under Rule 11 of the Federal Rules of Civil Procedure. The "nuclear" response would be to file a preemptive complaint with a district court asking the court to declare the asserted patent invalid, not infringed, or both.

5. Consider having your patent attorney write a freedom-to-operate opinion to memorialize your assessment. Although federal law does not require a legal opinion, obtaining one is a good idea because the opinion will enable you to assert a good-faith belief that the patent was invalid or not infringed. Such an opinion likely will prevent the patentee from recovering enhanced damages if your assessment ultimately proves incorrect.



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Every case differs, and this summary cannot replace the wisdom of a patent attorney. An experienced patent attorney can best guide your response, handle communications and negotiations with the patentee, and ensure that your interests are protected. Finally, remember that you are not alone: cease-and-desist letters are common. The author, Kevin Casey, chair of the Intellectual Property Group at Stradley Ronon Stevens and Young, LLP, has sent and helped clients respond to hundreds of such letters.

The Impact Of Brexit

By Elizabeth M. O'Donoghue, Ph.D.

The United Kingdom (U.K.) left the European Union (EU), an action commonly referred to as Brexit, on Jan. 31, with a transition period until Dec. 31. Brexit's effect on intellectual property rights in the EU applies specifically to trademarks because patents are issued by the European Patent Office, which is governed by the European Patent Convention, an agreement that is separate from the EU. Likewise, copyrights are governed by international treaties that provide reciprocal rights for copyright protection, treaties to which both the U.K. and the EU are signatories. The U.K. has stated, however, that it will not adopt the new changes to EU copyright law that were approved last year. We will continue to monitor changes to U.K. copyright law. In contrast, EU trademark rights and registered designs previously conveyed protection to the member states of the EU, including the U.K. Until the expiration of the transition period on Dec. 31, EU law will continue to apply to the U.K. Accordingly, no changes will be made to EU trademarks and registered designs until Dec. 31.

A. Registered EU Trademarks

At the expiration of the transition period on Dec. 31, and as anticipated, the U.K. will provide for a form of "grandfathering" registered EU trademarks and registered designs. Specifically, owners of registered EU trademarks and registered designs will receive a duplicate right in the U.K. as if the EU rights were registered or granted before the end of the transition



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period. The grandfathered U.K. trademark registrations will be numbered with a prefix of UK009 and the last eight digits of the corresponding EU registration. The new U.K. registrations will continue to retain the filing date of the corresponding EU registrations and inherit any priority and/or seniority dates. Accordingly, to receive duplicate rights in the U.K., the EU trademarks and designs must be registered by Dec. 31. Registrants also may opt-out of the corresponding protection in the U.K.

B. Pending EU Trademark Applications

EU trademark applications that are pending at the end of the transition period will not be automatically granted corresponding trademark rights in the U.K. Rather, applicants may apply to register corresponding U.K. trademarks within nine months of the transition period, retain the earlier filing date of the corresponding EU application, and retain any priority and/or seniority dates.

New USPTO Trademark Rules Effective Feb. 15

By Allison Gifford, Esq.

Three changes to the USPTO Rules of Practice are effective as of Feb. 15. The USPTO continues its initiatives to improve administrative efficiency, optimize workflow processes, and reduce processing errors while also continuing to maintain the integrity of the trademark register. The new rules cover electronic filings, email address requirements, and specimen-of-use requirements.

1. Requirement to File Electronically

All formal correspondence concerning a trademark application or registration must be filed electronically through the USPTO's Trademark Electronic Application System (TEAS). This includes the initial trademark application filing, responses to office actions, and registration maintenance and renewal filings. Unless an exception for a paper filing applies, any paper submissions filed after Feb. 15 will receive a USPTO notice indicating that the submission will not be processed and will be destroyed, and any filing fees will be returned.

2. Requirement for Email Addresses

All new applications filed after Feb. 15 must include an email address for the applicant and, if the applicant is represented by an attorney, the email address of the attorney. In addition, any other formal correspondence filed with the USPTO after Feb. 15 will require the addition of the applicant's or registrant's email address. This requirement will allow the USPTO to contact the owner electronically if the attorney-of-record's email cannot be used, such as when representation ends.

Based on the new rules, Stradley Ronon will provide its clients with an option to use a Stradley Ronon-based email in lieu of providing a client's email for the USPTO records. The USPTO recognizes the issues raised concerning a client's email being made public,



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including the possibility of an avalanche of spam and solicitations to the client and its contact email.

3. Specimen-of-Use Requirements

The USPTO rules for specimens of use were amended in accordance with statutory requirements, precedential case law, electronic filing requirements, and a requirement for a clearer statement for actual use in commerce. Trademark specimens must show actual use of the mark on the goods, on containers or packaging for the goods, on labels or tags affixed to the goods, or on displays associated with the goods. For example, a label or tag should be attached to the goods, and if the label or tag is not shown physically attached to the goods, it also should include informational matter on the label, such as, if applicable for the particular goods, net weight, volume, or lists of contents or ingredients. For services, the specimens must show a direct association between the mark and the services through use in the sale, performance, rendering, or advertising of the services.

The rules also clarify that specimens of use for webpage specimens are required to show or provide the URL as well as the access or print date. In addition, digitally created or altered specimens, such as a computer illustration or an artist's rendering, will continue to be unacceptable as specimens of use.

IP Client Spotlight



When **Quadratec, Inc.**, the world's largest independent retailer of Jeep®* parts and accessories, requires assistance with intellectual property matters, it turns to Stradley Ronon. Stradley Ronon's IP attorneys work closely with Quadratec and often visit the company's West Chester, Pennsylvania, headquarters to provide integral advice on key issues involving patents, trademarks, copyrights, trade secrets, and other related areas. Quadratec and Stradley Ronon continually collaborate to anticipate and resolve many interesting and unique IP concerns, including patent infringement investigations and trademark clearance searches and opinions, as the team manages Quadratec's expanding worldwide patent and trademark portfolios. In addition, Stradley Ronon's ever-growing knowledge of

the automotive parts and supply industry and how it affects Quadratec's needs and goals has served both Stradley Ronon and Quadratec well. Stradley Ronon is proud to assist Quadratec in its efforts to successfully navigate complex IP issues born of an ever-changing automotive landscape.

Built on 30 years of excellence, Quadratec is more than just an industry leader in the aftermarket Jeep world. It is a dream-builder, problem-solver, and passionate advocate for all enthusiasts of the legendary Jeep CJ and Wrangler, Cherokee, and Grand Cherokee vehicles. Quadratec delivers the very best parts and accessories, which continue to provide Jeep owners with a sense of security to handle any journey with confidence.

*Jeep is a registered trademark of Fiat Chrysler Automobiles, and Quadratec has no affiliation with FCA. The terms Jeep, Wrangler, Cherokee, and Grand Cherokee are used for identification purposes only.

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