

Intellectual Property: Beyond Good Ideas™

Ungaretti & Harris LLP
2009-02

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The 5 Steps To Take If You Receive A Cease And Desist Letter

You just received a cease and desist letter – now what? A cease and desist letter typically accuses a company of infringing trademark, copyright, patent or other intellectual property rights. It demands that the recipient stop the alleged infringing activity and often demands payment for violations. Don't ignore this letter. Take the following steps instead.

1. Investigate the allegations.

Look into the rights being asserted and find out as much as you can about the products/services at issue and the parties involved. For example: Is the intellectual property properly maintained? Is it, in fact, owned by the asserting party? What products or services offered by the receiving party, if any, does it apply to? Are such products commercially important to the business? How does the receiving party obtain, make or package the product at issue? Has a lawsuit already been filed, but not yet been served? Has the asserting party sued other similar businesses? Does the asserting party have the resources to back its demands?

2. Determine the strength of the asserted rights.

Obtain the advice of counsel as to infringement and/or the validity of the alleged intellectual property. Often there is no infringement and the intellectual property rights of the accusing party can be challenged. A cease and desist letter, even when sent by the accusing party's attorney, does not necessarily require a reasonable investigation by the asserting party

that otherwise would be mandatory before filing a lawsuit. Many times the asserting party overstates the scope of its rights or ignores potential problems with its intellectual property in the hopes of scaring a business into an easy settlement. Additionally, in some cases, counsel can look into other possible defenses (e.g., laches, estoppel), and provide written opinions that can lessen the possibility of a court finding any infringement willful.

3. Look into possible alternatives.

In many instances an inconsequential change in a product or its packaging can avoid or lessen the possibility of falling within the scope of the asserted intellectual property. Moreover, making the change, or having the ability to do so, can positively affect any negotiations with the accusing party. The IP Group can often make suggestions or provide guidelines for such changes.

4. Find help.

If the asserted intellectual property only covers components or products provided to the receiving party by a vendor or other third party, there may be indemnification agreements shifting the cost of defending against infringement allegations to such party. Even in the absence of a specific agreement, the component or product may fall within the state's Uniform Commercial Code's warranty against infringement. Illinois, 810 ILCS 5/2-312 provides "goods shall be delivered free of the rightful claim of any third person by way of infringement." In addition, a company should always

check its general liability insurance upon receipt of the cease and desist letter. Often such insurance covers advertising injuries or other similar torts, and may be used to settle or defend against charges made in the cease and desist letter.

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5. Respond.

Armed with the information and any potential defenses gathered, choose a response appropriate to the situation. This may range from sending a responding letter setting forth reasons the asserting party's IP does not apply

or is invalid, to filing a Declaratory Judgment action seeking a court's intervention. Silence is another option. However, this should be a strategic decision and not just the result of ignoring the cease and desist letter.



Litigator's Ledge

The Court of Appeals for the Federal Circuit recently emphasized the heightened pleading requirements for pleading the defense of inequitable conduct in a patent infringement suit under Rule 9 of the Federal Rules of Civil Procedure. In *Exergen Corp. v. Walmart Stores et al.*, ___ F.3d ___, U.S. App. LEXIS 17311 (Fed. Cir. 2009), the court noted "rule 9(b) requires identification of the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO." This includes alleging sufficient facts to support a reasonable inference of "scienter," including both (1) knowledge of the withheld material information or falsity of the material misrepresentation, and (2) specific intent to deceive the Patent Office.

Legal Branding Basics: The Importance of Clearing Trademarks

Nike. McDonald's. Coca Cola. A strong brand makes an immediate commercial impression in the marketplace. It has sufficient legal strength to enable a company to prevent others from using it, and it obviously does not infringe on others' rights. It is a valuable asset to any business.

Before selecting a trademark or service mark for your new product or service, you should work with your trademark attorney to clear the mark. This means conducting a trademark clearance search of existing applications and registrations at the United States Patent and Trademark Office (USPTO). It includes searches of marks registered at the state level, and uncovers marks protected by common law. It also searches online uses of the proposed mark. The results will indicate whether the mark is available to adopt, if there are others using the mark or variations on the mark, and whether there are any obvious barriers to getting the mark registered at the USPTO. In

addition to being an affirmative obligation prior to adopting a mark, this necessary process ultimately saves you money. You will learn the status of the mark before you invest in materials, signage, and registration. If the mark is unavailable, you will have avoided the risk of infringing the rights of others and having to change the mark later. There is an associated loss of goodwill that goes with having to change a mark. Courts have found that the failure to conduct a screening search may constitute willful infringement and may subject the infringer to greater damages.

Therefore, conducting a trademark search prior to adopting a mark is simply good business. Having an experienced trademark attorney analyze the results of a search will give you valuable insight into your proposed marketplace and allow you to assess and manage your risks related to your proposed mark. It helps you make smarter business decisions.

Which sub shop forgot to call their lawyer?

When opening a new business, or moving into a new space, it is crucial to consider what your competition is doing. Investigate the neighborhood before committing to a new location. Landlords may grant exclusive rights to a category of business if the circumstances are right. If a business is associated with a franchise company, there may be additional resources available to assist with negotiations. In all events, review your lease carefully to look for non-obvious provisions and fees.



Quiznos

Subway

Jimmy John's

Beat this caption: Potbelly's is just waiting for the cleaner's lease to run out.

Think you have a better caption? E-mail it to marketing@uhl.com.

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Fun Facts

In 1879 Auguste Bartholdi received a design patent for the Statue of Liberty.

The trademarked name “Baby Ruth” was inspired by President Grover Cleveland’s daughter, Ruth, and not by Babe Ruth.

Thomas Edison’s patent application on his phonograph was approved by the Patent Office in just seven weeks. In contrast, it took Gordon Gould, the inventor of the laser, 30 years to obtain his patent - finally awarded in 1988!

A leading software company held a contest for the best film on “intellectual property theft;” finalists had to sign away “all intellectual property rights” on “terms acceptable to [the software company].”

By passing the memorial Sonny Bono Copyright Extension Act, Congress added 20 years to copyrights. “I Got You Babe” now won’t enter the public domain until 2061.

After a computer software company was sued for libel for calling someone a “patent extortionist,” one of its lawyers coined the term “patent troll.”

http://www.inventorsdigest.com/?page_id=176

<http://www.motherjones.com/politics/2006/03/intellectual-property-run-amok>

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Roger’s Rants - Roger H. Stein, Chair

Fluctuating currency rates and periodic changes to National Patent and Trademark Office fees can make providing estimates for filing patent and trademark applications in foreign countries challenging. The IP Group utilizes software that tracks such changes and can quickly give clients accurate estimates for such filings around the world.