Prelitigation Hardball after *Dominant Semiconductors*

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Intellectual property owners who threaten third parties with whom primary infringers deal can accomplish far more than would be possible by filing suit. In Cardtoons, L.C. v. Major League Baseball Players Ass'n, 95 F.3d 959 (10th Cir. 1996), for example, MLBPA got what amounted to a TRO by sending a cease and desist letter to a firm that had agreed to print parody baseball cards designed by Cardtoons. Not surprisingly, the printer then "advised Cardtoons that it would not print [its] parody cards until a court of competent jurisdiction had determined that the cards did not violate MLBPA's rights." *Id.,* at 963-64.

Cardtoons then sought and obtained declaratory judgment that its cards did not violate any rights of MLBPA or its members. It also sought an injunction and damages for tortious interference. The injunction was presumably unnecessary, but damages are another matter.

As observed in Kemart Corp. v. Printing Arts Research Lab., Inc. 269 F.2d 375, 391 (9th Cir. 1959), "It is the general rule in the United States that a qualified privilege is recognized in cases where the publisher and the recipient of the publication have a common interest which might be reasonably believed to be protected or furthered by the publication and the publication is made reasonably and in good faith." Claims of infringement, later proven wrong, would therefore not warrant assessment of damages absent proof of malice.

Several Federal Circuit opinions address similar circumstances. Beginning in 1998 with Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318, 1337-38 (Fed. Cir. 1998), however, various essentially identical local causes of action have been found subject to a federal defense. In that respect, GP Industries, Inc. v. Eran Industries, Inc., 500 F.3d 1369 (Fed. Cir. 2007) is typical. The district court found Eran's "letters to be 'scurrilous' and [to have] irreparably harmed GPI's business opportunities, relationships with customers, good will, and reputation;" *id* at 1373. Noting that "an injunction against communication is strong medicine that must be used with care and only in exceptional circumstances," *id.* at 1374, however, the court set one aside because Eran's claims were "not objectively baseless," *id.* at 1375.

To require threats to be objectively baseless seems appropriate when patentees contact manufacturers believed to infringe. Merely sending copies of patents to third parties before suit can be justified in light of F. R. Civ. Pro. 11 seems problematic, however. This seems particularly compelling when such parties would have little or no incentive to seek or to credit rebutting legal opinions. Ultimately, as in *Kemart,* the alleged primary infringer would face serious risk of irreparable harm for lack of effective remedy following victory on the merits.

Third parties should be able to presume that allegations of infringement are sufficiently well grounded to warrant suit. In addition to state actions, since 1989 Lanham Act § 43(a) has offered injunctive relief against firms' promotional misrepresentations about another's goods or services; Raybestos Products Co. v. Younger, 54 F.3d 1234, 1246 (7th Cir. 1995). Moreover, for at least ten years longer, it has been used to thwart "sophisticated deception" arising from "clever use of innuendo, indirect intimations, and ambiguous suggestions;" American Home Products Corp. v. Johnson & Johnson, 577 F.2d 160, 165 (2d Cir. 1978).

The new opinion, Dominant Semiconductors SDN. BHD. v. Osram GMBH, 2008

WL 1808336, rejects the idea that the standard for objective bad faith should be the same as that applicable under Rule 11. By the time Dominant advanced that argument, however, it had already been found to infringe. Thus, the court notes, at * 7: “Dominant has not identified a single case in which, when a party had not lost the underlying litigation, a court awarded Rule 11 sanctions… for failing to conduct a sufficient infringement analysis prior to filing suit.”

It is nevertheless hoped that the result will be different when patentees’ suits have yet to be filed, much less won.