



Featured Article

Frequently Asked Questions for Patent Cease and Desist Letter

When patent owners identify potential patent infringement, they have several options to enforce their patents. Compared to litigation and administrative complaints, a Cease and Desist Letter (the “Letter”) is a much more common, efficient, and cost-effective way to deter infringement. Moreover, the Letter can be strategically combined with other legal actions. For example, the Letter can be used as evidence of willful infringement in litigation, which may result in punitive damages. Therefore, the Letter is often a good starting point for patent owners to enforce their patents. Below, we will list frequently asked question about the Letter and provide corresponding suggestion based on our practical experience.

I. Can I send the Letter to manufacturer's clients?

Answer: If the patentee believes that the clients is exploiting its patent without authorization, the patentee is allowed to assert its patent through the Letter. However, to avoid risks of damaging the manufacturer's goodwill, the patentee needs to exercise a higher duty of care. This means the patentee must disclose sufficient information and grounds in an

objective way to establish the basis for the asserted infringement.

Generally, sending a Letter to the manufacturer of infringing products is a common and straightforward approach because it may cut off the infringement chain and prevent more infringing products from entering the market. However, this approach may have limited effect in certain circumstances, especially when the manufacturer is a direct competitor and reluctant to lose market

share. Alternatively, Patentees may employ indirect tactics. They can exert pressure on the manufacturer by sending the Letter to its clients, such as retail sellers, dealers, or other business clients who purchase the infringing product from the manufacturer, provided that these clients are also exploiting the patent without patent holder's authorization. These clients receiving the Letter may fear being involved in infringement and subsequently cease cooperation with the manufacturer, thereby pressure the manufacturer to address the infringing issue with the patentee. However, this strategy carries risks. If the product is ultimately found not to infringe the patent, or if the patent is invalidated, the manufacturer may sue the patentee for damaging its goodwill under Article 11 of Anti-Unfair Competition Law of the People's Republic of China.

Article 11 A business shall not fabricate or disseminate false or misleading information to damage the goodwill or product reputation of a competitor.

To clarify, sending a Letter in which the claim of infringement is not ultimately established does not necessarily subject the patentee to liability under Article 11. Whether the patentee is liable for damaging the manufacturer's goodwill depends on whether the patentee has fulfilled the required duty of care.

“The recipients of patent holder's cease and desist notice for infringement may also include retailers, importers, or users of

inventions or utility models, and so on. These individuals, as trading partners to the manufacturers, are often the target customer groups that patent holders compete for. Unlike manufacturers, they typically have a weaker ability to judge whether an infringement has occurred and have less knowledge about the specific circumstances of the alleged infringement. Their risk aversion is stronger, making them more susceptible to the impact of cease and desist notices. They may choose to cease the warned behavior such as removing the products from shelves or returning them, and to refuse to trade in the manufacturer's goods. Therefore, when sending cease and desist notices to these entities, the duty of care to ensure that the warned actions constitute infringement is higher than when sending notices to manufacturers. The information contained in the warning should be detailed and sufficient, such as disclosing the scope of the rights being claimed, specific information about the alleged infringement, and other necessary information related to the determination of infringement and the cessation of infringing activities¹” .

According to the court's opinion, patent owners are subjected to a heightened duty of care when sending a Letter to the manufacturer's clients. Specifically, patentees need to be particularly cautious about the information disclosed and the wording used in the Letter.

1. (2014) Min 3 Zhong No.7

II. Can I send the Letter to my competitors when they are preparing for an IPO, financing or bidding?

Answer: If the patent holder believes that its competitors are infringing its patents, they are allowed to assert its patent through the Letter, even if its competitors are at critical stage such as an IPO, financing or bidding. However, as with sending the Letter to manufacturer's clients, the patentee must exercise a higher duty of care in these circumstances. Failure to comply with the duty may lead the court to believe that the patent holder is abusing patent rights to undermine competitors, instead of enforcing its patent in good faith.

III. Can I assert a patent that I acquired from others through the Letter?

Answer: If the patent holder believes that its competitors are infringing its acquired patents, they are allowed to assert its patent through the Letter. However, according to court's opinions, sending a Letter immediately after acquiring the patent may be considered as a failure to perform the required duty of care ². The reasoning is that the business, not being the original patentee, may lack sufficient knowledge of the patented technology and therefore should take additional time to assess the

infringement. As such, if a business acquires patents from others and intends to enforce them, waiting for a period of time before sending the Letter is a safer approach.

IV. What information do I need to disclose in the Letter?

Answer: The patentee needs to disclose sufficient and detailed information to enable the recipient to determine whether the claimed action may infringe asserted patents. Since different entities have varying ability to assess the claimed infringement, the level of detail required depends on the type of recipients. For instance, a small business typically has less capability to assess the infringement than an established business, so the information provided to a small business should be more thorough and detailed. Similarly, the manufacturer's clients generally have less ability to evaluate the claimed infringement compared to the manufacturer itself, and therefore require more information to assess the claimed infringement.

Based on our experience, we recommend that the letter include the following information:

1. Asserted patents
Patentees should provide basic information about the patent, allowing the recipient to identify which patent is being

2. (2021) Su Min Zhong No.919

asserted and whether it is valid.

A related issue here is whether the patentee is required to disclose the patent is being challenged? In general, we believe there is no obligation for the patentee to disclose this information. But if the patent holder is asserting its patent to the manufacturer's clients, failing to disclose that the patent is being challenged may be viewed as a failure to meet the duty of care³.

Another issue worth noting is if the asserted patent has obvious flaws in its patentability, the court may consider the patent holder to be at fault.

2. Claimed infringement

The Letter should clearly disclose claimed infringement, including infringing products and actions. The claimed infringement should be established by preliminary evidence attached with the Letter. There are three important considerations regarding the preliminary evidence:

Firstly, the evidence should correspond to the claimed infringement. This is especially important when the alleged infringer markets their products which may vary from place to place. In (2005) Yue Gao Fa Min 3 Zhong Zi No.387, the patentee warned the manufacturer's resellers in a specific area that the housing decoration products they purchased from the manufacturer for reselling were infringing its patent. Instead of conducting a test purchase of the claimed product and comparing it with the asserted patent, the

patentee relied solely on the infringement history of the manufacturer in another area to support its claim. Ultimately, the court concluded that the claimed products in the resellers' area did not infringe the patent and that the patentee's alert damaged the manufacturer's goodwill.

Secondly, the patentee should collect evidence through normal business processes. Collecting evidence by inducing the manufacturer to infringe the patent and then sending a Letter to the manufacturer's clients may be found to harm the manufacturer's goodwill⁴.

Finally, if the patentee intends to send the Letter to the manufacturer's client, attaching a claim chart with the Letter is highly recommended. A detailed and well-reasoned claim chart can establish the patentee's good faith in believing the claimed infringement and enforcing its patent. Thus, if the court ultimately finds that the claimed products do not infringe the patent, the patentee may not be subjected to liabilities of damaging the goodwill due to its good faith. Additionally, a claim chart serves as a reference for the client to assess the claimed infringement, thereby demonstrating that the patentee has complied with the required duty of care.

V. What aspects should I pay attention to in the wording and phrasing of the Letter?

3. (2014) Min 3 Zhong No.7

4. (2011) Zhong Zhong Fa Zhi Min Zhong Zi No. 24

Answer: The patent holder should draft the Letter in an objective manner. The wording and phrasing should be relatively neutral, and the information presented must not be misleading or exaggerated. Otherwise, the patentee may be deemed to have failed in performing the duty of care.

1. Be objective

The wording and phrasing should be objective, especially concerning the certainty of the claimed infringement. Given that the determination for patent infringement is intricate, the patentee's own conclusion of infringement may not be entirely accurate. Therefore, the patentee should leave margin for its infringement conclusion. For example, using phrases like "may infringe" demonstrates compliance with the duty of

care.

2. Avoid misleading and exaggerated information

Failing to directly describe the facts of infringement and instead emphasizing unrelated facts to induce a conclusion of infringement may be seen as providing misleading information. In (2023) Hu 0104 Min Chu No.5559, a chipset company sent a Letter to its competitor's clients without providing a claim chart or appraisal report for reference. Instead, the company emphasized that the competitor had substantially acquired the company that hired the R&D staff related to the patented technology. The court ruled that the chipset company damaged its competitor's goodwill by including the misleading information in the Letter.

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Mr. Wang is adept at handling legal matters related to intellectual property, with experience in patent invalidation, patent infringement, licensing negotiations, and antitrust issues. Mr. Wang specializes in providing legal services for patents in the fields of telecommunications, electronics, and standard-essential patents.

Mr. Wang has provided legal services to renowned companies such as Qualcomm, HMD Global, BOE, Tencent, LG, GAC Group, and A.O. Smith. Mr. Wang has been deeply involved in providing legal services in patent infringement litigation between Qualcomm and a famous communication company, as well as in SEP litigation involving infringement, invalidation, and FRAND rate between HMD and a NPE, and patent invalidation disputes between BOE and a well-known patent holder.