

Litigation Alert: Ninth Circuit Adopts Good Faith Defense for Lanham Act Claims Premised on Allegedly False Patent Infringement Allegations Made to Third Parties

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BY RODGER R. COLE AND MARYBETH MILIONIS

Fenwick
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In *Fisher Tool Co., Inc. v. Gillet Outillage*, ___ F.3d ___, 2008 U.S. App. LEXIS 13727 (June 30, 2008), the Ninth Circuit adopted the Federal Circuit's standard requiring a showing of bad faith in order to maintain Lanham Act and state law claims premised on allegedly false representations of patent infringement made by a patentee, its distributors, agents and/or attorneys to third parties. In so doing, it affirmed summary judgment for Gillet due to Fisher Tool's lack of evidence that Gillet, and those working in concert with it, made the representations in bad faith. Summary judgment on Fisher Tool's malicious prosecution claims was similarly affirmed in the absence of evidence that the underlying patent infringement suit was filed in bad faith.

Practical Impact

This decision provides a safe harbor for patentees, and those working in concert with them, for statements made to third parties regarding alleged patent infringement so long as they are made in good faith. For those accused but exonerated patent infringers seeking to file a collateral lawsuit for Lanham Act violations, malicious prosecution, or other state claims premised on a patentee's failed infringement suit or representations of infringement to others, they will be required to submit probative evidence of the patentee's bad faith to withstand summary judgment.

Factual Background & Claims

Gillet is a French company that manufactures hose clamp pliers and owns a number of U.S., French and other patents on those pliers. Upon learning that Fisher Tool, a U.S. company, was making similar

pliers, Gillet consulted with its attorneys as to whether or not Fisher Tool infringed its patents. Three different infringement analyses were performed: two by Gillet's outside counsel and a third by another outside attorney. All three opined that Fisher Tool pliers infringed Gillet's patents. Gillet's attorneys then drafted letters expressing its "strong opinion" that Fisher Tool's pliers infringed. Those letters were subsequently sent to Gillet's customers via its U.S. distributor.

Gillet then filed an infringement action in the Northern District of California. Gillet then dismissed the suit after the district court judge issued its *Markman* hearing order narrowly construing Gillet's claims. After Gillet dismissed the infringement suit, Fisher Tool filed this lawsuit against Gillet, its U.S. distributor, and its attorneys for malicious prosecution, violations of Section 43(a) of the Lanham Act, and various California tort laws. Gillet successfully moved for summary judgment on all claims. Fisher Tool appealed the district court's order.

No Lanham Act Liability for Infringement Representations Made in Good Faith

Lacking any evidence of bad faith on the part of Gillet, its U.S. distributor, and its attorneys, the Ninth Circuit affirmed summary judgment on Fisher Tool's claim that the letter accusing it of infringing Gillet's pliers patents constituted false advertising under Section 43(a) of the Lanham and otherwise violated California tort law. In deciding this issue, the Court adopted the Federal Circuit's requirement that when Lanham Act and state tort claims rest on a defendant's representation of patent infringement by

the plaintiff, the plaintiff must demonstrate that the representations were made in bad faith. As noted in the discussion of malicious prosecution, Fisher Tool failed to offer any evidence that Gillet lacked a good faith belief that its pliers patent had been infringed. Accordingly, it had no liability for communicating that belief to its customers.

In adopting this standard, the Ninth Circuit also expanded its reach to cover entities, such as distributors and attorneys, who act in concert with a defendant to enforce its patent rights. In the absence of any evidence that Gillet's agents drafted or distributed the letter in bad faith, they faced no liability under Section 43(a) or California law. Even the inference that they did not intend to carry out the letter's threat to sue all those distributing Fisher Tool's pliers was not sufficiently probative evidence of bad faith to reverse summary judgment.

Malicious Prosecution & the Good Faith Standard

On appeal Fisher Tool sought reversal of summary judgment on its malicious prosecution claims arguing that Gillet acted in bad faith by withholding information from its attorneys it "knew or should have known would defeat" the underlying patent infringement suit. At issue was whether or not Gillet knew of a purported "mistranslation" in its patent. The Ninth Circuit rejected this claim on the basis that (a) the mistranslation was not clear on the face of the patent as French-to-English dictionaries appeared to support the translations advanced by Gillet and (b) that in any event Fisher Tool had no evidence that either Gillet or its attorneys knew or should have known about the mistranslation. More generalized allegations by Fisher Tool that Gillet otherwise knew of facts rendering its patent invalid or unenforceable were similarly rejected as, presuming Gillet knew of them, "the company could reasonably have concluded that they were neither 'pertinent' nor 'material' and therefore didn't have to be disclosed to its lawyers."

Summary judgment on the malicious prosecution claims brought against Gillet's law firm was also affirmed for lack of evidence showing an absence of probable cause to bring the suit. California law requires malicious prosecution plaintiffs demonstrate that the lawsuit at issue was so completely lacking in apparent merit that "no reasonable attorney would have thought the claim tenable." Here the Court pointed to the three infringement analyses as evidence of probable cause. As Fisher Tool failed to proffer evidence that the analyses did not meet professional standards or were otherwise performed in bad faith, summary judgment was proper. That the district court eventually construed the claims more narrowly than expected was irrelevant as to whether or not the lawsuit was filed in good faith on the basis of the infringement analyses. The Court further found that even if the pre-filing investigation as to the validity of the patent was negligent, that too was irrelevant as the infringement claims were at least "tenable."

For further information, please contact:

Rodger R. Cole, Litigation Partner
rcole@fenwick.com, 650.335.7603

Marybeth Milionis, Litigation Associate
mmilionis@fenwick.com, 415.875.2313

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