

## HP v. Acceleron: Staring up the Patent Infringement Gun Barrel Without Risking Your Company's Life

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Recently, in *Hewlett-Packard Co. v. Acceleron LLC* (“Acceleron”),<sup>4</sup> the Federal Circuit made it easier for companies facing infringement suits to establish declaratory judgment (“DJ”) jurisdiction against non-practicing entities (“NPEs”). In *Acceleron*, the Federal Circuit found that DJ jurisdiction was triggered when NPE Acceleron wrote to HP to “call...attention” to Acceleron’s patent and to invite HP to discuss “the merits of this patent or its relevance to [HP’s] Blade Server products.” While *Acceleron* is most significant for NPEs and the companies they target, the case also has implications for practicing patent holders and the accused infringers they target.

### Detailed Case Summary

NPE Acceleron wrote to HP to “call [HP’s] attention to the referenced patent...recently acquired by Acceleron...relate[d] to Blade Servers.” Acceleron asked HP to agree that “all information exchanged between the parties...not be used for any litigation purposes whatsoever” including any claim by HP that Acceleron had “created an actual case or controversy regarding the enclosed patent.” If HP agreed, Acceleron would send HP “a package of information relating to the patent.” Acceleron set a two-week response deadline. If HP failed to respond Acceleron would “assume [HP has] no interest in discussing this patent.”

HP responded that it “ha[s] been evaluating the patent...and [is] interested to learn any further information [Acceleron] ha[s] so that [it is] able to conduct a complete and accurate assessment.” HP asked if Acceleron would agree to a 120-day standstill during which neither party would file suit.

In reply, Acceleron refused to agree to a 120-day standstill and gave HP two weeks to agree to the requests in the initial communication. Absent such agreement, Acceleron would “understand that [HP is] not interested in discussing this patent, and [HP does] not have anything to say about the merits of this patent, or its relevance to [HP’s] Blade Server products.”

Before the two-week deadline expired, HP filed a DJ suit in Delaware district court.<sup>5</sup>

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<sup>4</sup> *HP v. Acceleron*, 587 F.3d 1358 (Fed. Cir. 2009).

<sup>5</sup> As noted in HP’s opening appeal brief, approximately a year after HP filed its DJ suit, Acceleron filed suit in the Eastern District of Texas against HP and 10 other defendants for infringement of the same patent. The Federal Circuit does not mention this fact in its opinion, but, as a practical matter, Acceleron’s suit corroborates HP’s position that Acceleron would file suit, and further demonstrated that the court hearing HP’s DJ claims would not be rendering an advisory opinion in a hypothetical case. On January 25, 2010, the Texas case was ordered to be transferred to Delaware under the “first to file” rule. Acceleron’s Motion to Dismiss for Improper Venue or, Alternatively, to Transfer to the Eastern District of Texas is pending in the Delaware district court. Acceleron primarily argues that the Texas action is procedurally more advanced than the Delaware action. Thus, this case could end up in Texas, despite HP’s attempt to have it tried in Delaware by filing its DJ action there.

Acceleron moved to dismiss for lack of DJ jurisdiction. Granting Acceleron's motion, the district court found that litigation was "too speculative a prospect to support declaratory judgment jurisdiction." More specifically, the district court found that the lack of "a statement of infringement, identification of specific claims, claim charts, prior pleading or litigation history, or the identification of other licensees" in Acceleron's letters to HP weighed against DJ jurisdiction. Rather, Acceleron only "wanted to open a line of communication" with HP.

The Federal Circuit reversed. Key to the court's decision were that: (1) Acceleron was a patent holding company; (2) Acceleron stated that a category of HP's products was relevant to Acceleron's patent; (3) Acceleron set two-week response deadline in its letters; (4) Acceleron asked HP not to file suit while refusing to agree not to file suit against HP; and (5) Acceleron wrote to HP shortly after acquiring the patent.

### **The Practical Takeaway**

A patent holder is more likely to be viewed as asserting its patent against a company if:

- the patent holder is an NPE.
- the patent holder identifies a particular company product or category of the company's products as being relevant to the patent.
- the patent holder notifies the company about the patent soon after acquiring it.
- the patent holder sets a response deadline.
- the patent holder asks the company not to file suit, and refuses to agree not to file suit against the company.

If there is *any possible basis* for DJ jurisdiction, a patent holder should consider filing suit before corresponding with an alleged infringer. In the relatively rare instance in which there is not a *possible* basis for DJ jurisdiction, *Acceleron* teaches patent holders to consider filing an infringement action first, and teaches companies receiving such letters from a patententee to consider filing a DJ action, if:

- the patent holder is an NPE; and/or
- the patent holder has sued others on the same patent or related patents or recently acquired the patent.

Unfortunately, the decision may have an adverse effect on judicial economy by creating an unintended incentive for parties to file suit before attempting discussions.

### **Tips for Avoiding DJ Jurisdiction**

Under *Acceleron* and other Federal Circuit and Supreme Court decisions over the last few years, if a patent holder wants to minimize the risk of DJ jurisdiction by a potential infringer (which may not always be possible), the patent holder should not:

- explicitly allege infringement;
- demand that the recipient take a license;
- identify specific patent claims;
- send the recipient claim charts;

- identify a specific product or category of products of recipients that is relevant to the patent, especially if the patent holder is an NPE;
- set a response deadline; and
- ask the recipient not to file suit, but refuse to agree not to file suit against the recipient.

The patent holder should also consider having its letter come from a business unit rather than an attorney (although the patent holder should consult with counsel prior to sending such a letter), and addressing such letters to a business executive rather than recipient's counsel.