

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

CARNES COMPANY, INC.,

Plaintiff,

v.

OPINION AND
ORDER #2

PENN VENTILATION, INC., a
Pennsylvania corporation, FALCON PV
HOLDING CORP., a Delaware
corporation, f/k/a Penn Ventilation, Inc.,
TOMKINS PLC, a British corporation,
TOMKINS INDUSTRIES, INC., a
Delaware corporation, PENN
VENTILATION, INC., a
Delaware corporation,

99-C-650-C

Defendants.

Before the court is defendant Penn Ventilation, Inc.'s motion to enjoin plaintiff Carnes Company, Inc. from sending a cease-and-desist letter to defendant's independent sales representatives. For the reasons stated below, the motion for an injunction is denied.

On June 1, 2000, plaintiff sent defendant a courtesy copy of the letter it planned to send to defendant's independent sales representatives. See dkt. 42, Exh. A. The letter notified each recipient sales rep that plaintiff believed the recipient was using a software program provided by defendant. Plaintiff stated that use of such software "would constitute infringement of the

'354 patent; thus, use of such software by your company gives rise to a cause of action against you for patent infringement in the federal courts.” Id. Plaintiff advised each sales rep that plaintiff was currently suing defendant for patent infringement. Plaintiff demanded that each sales rep immediately cease and desist from any further use of defendant’s software and that any such use after receipt of the letter “would be deemed willful infringement.” Id.

Defendant reacted strongly to this draft letter, believing at first that plaintiff had violated the protective order in this case by misappropriating defendant’s confidential list of sales reps. Defendant promptly filed a motion for protection and sent out a prophylactic letter to its sales reps advising them of the existence of this lawsuit and alerting them to the possibility that plaintiff would be sending them a notice letter. Defendant asked its sales reps to report receipt of any notice letter from plaintiff, advised that such a letter did not necessarily mean that plaintiff would actually sue, promised to defend if plaintiff did sue a sales rep and urged its reps to continue to use defendant’s software program. See dkt. #48, Exh. 1.

Prior to the hearing on its motion, defendant realized that plaintiff had obtained the identities and addresses of defendant’s sales reps from public sources and therefore could not have violated the protective order in this case. Nonetheless, defendant persisted in its request for relief, citing the inherent authority of this court to govern this litigation. Once the request for relief turned into a request for a preliminary injunction, the magistrate judge had no authority to rule on it. Both sides submitted additional briefs in support of their positions.

To be entitled to the requested injunction, plaintiff must show: 1) a likelihood of success on the merits; 2) irreparable harm if the preliminary injunction is denied; and 3) the inadequacy of any remedy at law. See Cooper v. Salazar, 196 F.3d 809, 813 (7th Cir. 1999). If plaintiff makes this showing, then this court must balance the harm to defendant if the injunction were wrongfully denied against the harm to plaintiff if the injunction were wrongfully granted, as well as the impact on persons not directly concerned in the dispute. Id. Because the requested injunction arises in a patent suit, this court should take into account federal circuit precedent insofar as it reflects considerations specific to patent cases. Mikohn Gaming Corporation vs. Acres Gaming, Inc., 165 F.3d 891, 894 (Fed. Cir. 1998).

In Mikohn, the defendant had sent a notice letter to a casino and had published a press release claiming that the plaintiff's gaming system infringed defendant's patent for a similar system. No federal patent suit was pending at the time defendant acted. Plaintiff promptly filed a suit requesting a declaration that its gaming system did not infringe defendant's patent. Plaintiff also charged defendant with intentional interference with its business relationships and requested a preliminary injunction to prevent defendant from making further statements to plaintiff's customers or potential customers regarding infringement of defendant's patent. Id. at 893-94.

The district court granted the requested preliminary injunction and the court of appeals reversed the ruling promptly, holding that notice letters regarding patent rights were governed

by the patent law of the federal circuit. Id. at 896. The court found no violation of federal law in defendant's dissemination of the letters because "federal patent law bars the imposition of liability for publicizing a patent in the marketplace unless the plaintiff can show that the patent holder acted in bad faith." Id. Bad faith exists when a patentee sends such a letter for the purpose of intimidating an opponent's actual or prospective customers and the patentee has no intent to bring suit on the substance of the claim of patent infringement. Id. at 897.

When a patentee is acting in good faith on its belief as to the nature and scope of its rights, it is fully permitted to press those rights even though it may misconceive its rights. Id. In other words, if a patentee honestly believes that his patent is being infringed, it is entitled to send notice letters to its competitor's customers even if the patentee turns out to be incorrect. A patentee has the right to inform a potential infringer of the existence of the patent so that the recipient of the information may adjust its activities, perhaps seek a license or otherwise act to protect itself. The statute contemplates such notice. See 35 U.S.C. § 287. Uniformly, federal law has upheld a patentee's right to publicize the issuance of patents and to so inform potential infringers. Mikohn Gaming, 165 F.3d at 897. "It has long been recognized that patents would be of little value if infringers of them could not be notified of the consequences of infringement or proceed against in the courts. Such action considered by itself cannot be said to be illegal." Id. (citation omitted). In this case, I find that the plaintiff is not acting in bad faith. Plaintiff has already asserted its rights in this lawsuit and is actively

pursuing legal relief on its claim. Although the notice letter is strongly worded and slanted toward plaintiff's view of this case, it is within the bounds of fair comment. The severe tone of this letter already has been ameliorated by the prophylactic letter defendant sent to its sales reps in June. In response to the magistrate judge's query as to why plaintiff waited until now to send such a letter, plaintiff has responded that it wished to target the correct audience with precision in order to avoid sending the letter to the wrong people. Regardless whether this is the only reason, it is valid on its face and counterbalances any inference of bad faith.

Having considered all the circumstances, I conclude that plaintiff's letter is allowed by law, plaintiff is not acting in bad faith and defendant will not suffer irreparable harm if the letter is sent. Accordingly, I conclude that defendant is not entitled to injunctive relief.

ORDER

IT IS ORDERED that defendant Penn Ventilation, Inc.'s motion for a preliminary injunction is DENIED.

Entered this 27th day of July, 2000.

BY THE COURT:

BARBARA B. CRABB
District Judge