January 2022

Newsletter No. 11

Swiss IP News

We provide you with updates on new decisions, the relevant legislative process and other trends in the fields of intellectual property and unfair competition law from a Swiss perspective.

walderwyss attorneys at law

Warning Letters for Alleged Patent Infringement May Constitute Unfair Competition

By Roger Staub
Dr. iur., Attorney at Law
Partner
Phone +41 58 658 52 89
roger.staub@walderwyss.com

and Lucina Herzog
LL.M. (Cambridge), Attorney at Law
(Bar Association Frankfurt am Main)
Associate
Phone: +41 58 658 56 15
lucina.herzog@walderwyss.com

In a recently published decision (4A_265/2021 of 27 October 2021), the Swiss Federal Supreme Court outlined the conditions, under which unjustified warning letters for alleged patent infringement are to be considered as unfair, and thus illegal, under the provisions of the Federal Act against Unfair Competition (Unfair Competition Act; "**UCA**"). The court held that a patent owner acts unfairly if it knows about the lack of infringement or at least must have serious doubts about the accuracy of its allegation of infringement, in particular, if it has, at the time of the delivery of the warning letters, no specific knowledge regarding the allegedly infringing object.

Background

The question arose in proceedings before the Federal Patent Court where the patent owner had filed a patent infringement action against a competitor. During the proceedings, the patent owner restricted its patent to a considerable extent. However, the Federal Patent Court still denied an infringement and ruled in favor of the competitor who had filed a counterclaim on the basis that the patent owner had acted unfairly by sending warning letters/emails to suppliers and other business partners of Defendant.
It was established that the patent owner, at the time of the first warning letter, had based its infringement claims on a patent application of Defendant only, without knowing exactly the products that Defendant in reality was producing and selling. The other warning emails were sent during the infringement proceedings but at a time when the patent owner already knew about the expert judge's preliminary assessment that there was no infringement.

Decision

On appeal, the patent owner argued that the warning letters could not be regarded as acts of unfair competition since warning letters for patent infringement were supposedly widely used among competitors in the relevant technology sector. The addressees would therefore not pay much attention and certainly not break off any business relationships as a consequence of the receipt of such warning letters.

The Federal Supreme Court took a clear stance on the unfair nature of warning letters sent to the alleged infringer's business partners. It wholly agreed with the Federal Patent Court's legal analysis and found the patent owner's behavior to violate art. 3(1) lit. a UCA. This article qualifies a disparaging behavior as unfair if it includes incorrect, misleading or unnecessarily offensive statements about one's competitor or their goods or business relationships. The warning letters in the case at hand were found by both Courts to be statements in the

meaning of the UCA which were objectively capable of affecting competition. It thus remained to be examined whether the contents of the warning letters were incorrect, misleading or unnecessarily offensive.

The Federal Supreme Court reminded that patent owners have a legitimate interest to enforce their rights and that the UCA should not prevent them from doing so in good faith. Accordingly, a breach of good faith shall not already be seen in the mere fact that at the time of the warning there was still uncertainty about the infringement of the invoked patent, even if non-infringement is established later. On the other hand, the patent owner acts unfairly if it knows about the lack of infringement or at least must have serious doubts about the accuracy of the allegation of infringement.

In the case at hand, the Court held that the patent owner, when sending its first warning letters shortly after filing the patent infringement action, did not have much knowledge of the allegedly infringing object. It thus must have had serious doubts about the allegation of patent infringement and did not act in good faith. This was even more the case, when the patent owner, at a later stage, informed Defendant's business partners about the pending proceedings, although it knew that the preliminary assessment of the expert judge did not support its case.

Notably, the Court made a distinction with respect to the addressees of warning letters. In its view, a warning issued to the alleged direct infringer is not to be judged according to the same standards as a warning issued to other market participants, such as suppliers or customers of the alleged direct infringer. A warning issued to the latter represents a far-reaching market intervention and can have serious disadvantages for the alleged direct infringer. Accordingly, the admissibility of warnings to such third parties must follow much stricter requirements.

Comment

The Federal Supreme Court's decision is to be welcomed as it provides a very helpful clarification on the lawfulness of warning letters. The Court takes a balanced view which takes into account the interests of both the patent owner who is not always in a position to get a full picture of the infringement situation and the alleged infringer who can reasonably expect that it will not be warned on the basis of mere suspicions.