



Ten-Year Silence After Initial Cease-and-Desist Letter Is Sufficiently Misleading as to Provide Basis for Equitable Estoppel

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Akeso initiated the lawsuit on October 18, 2016, alleging that DFH's Migranol™ product indirectly infringed claims of U.S. Patent No. 6,500,450 (the "450 patent"). The '450 patent relates to a dietary supplement for the treatment of migraine headaches. In its complaint, Akeso accused DFH of indirectly infringing certain claims of the '450 patent due to various instructions and implications on the label of the Migranol migraine treatment product. The dispute, however, originated more than 10 years earlier, on April 18, 2006, when an attorney for Akeso's founder, Curt Hendrix, sent a cease-and-desist letter to DFH regarding its Migranol product. On April 27, 2006, DFH's attorney responded that DFH would fully analyze the patents and respond no later than May 12, 2006. No further communications were exchanged between the parties until Akeso filed the lawsuit.

In its motion for summary judgment, DFH argued that Akeso was equitably estopped from asserting the '450 patent based on the 10-year delay between the parties' last communication and Akeso filing its lawsuit for infringement. To succeed on its equitable estoppel defense, DFH was required to establish the following: (1) Akeso, through misleading conduct (or silence), led DFH to reasonably infer that it did not intend to enforce its patent against DFH; (2) DFH relied on that conduct; and (3) DFH would be materially prejudiced if Akeso were allowed to proceed with its claim.

Because the parties agreed that Akeso never took steps to mislead DFH, the court framed the first element as "whether the ten-year silence after Hendrix issued his cease-and-desist letter, alone, is sufficiently misleading as to provide a basis for equitable estoppel." In finding that

Akeso's delay was sufficiently misleading, the court reasoned that, for a period of silence to be misleading, the initial contact leading to silence must be "adversarial" in that it can be reasonably viewed "as a threat of an infringement suit" rather than a "license negotiation." Here, the cease-and-desist letter explicitly requested an immediate cessation of manufacturing and distribution, as well as the destruction of all inventory of the accused product. At no point did the letter suggest that licensing was a possibility. Therefore, when Hendrix failed to follow up on his threats in the letter, DFH could have interpreted this as a relinquishment of the infringement claims. The court further noted that this finding was bolstered by 35 U.S.C. § 286's limitation of damages to the six years prior to filing a complaint. That is, the "patentee's failure to preserve over four years' worth of potential lost profits is reasonably interpreted as an abandonment of its claims."

The court further found that DFH adequately demonstrated that it relied on Akeso's silence based on a declaration submitted by DFH's chairman. The declaration explained that, had Hendrix diligently pursued the infringement claims, DFH would have considered modifying the Migranol label or composition. Instead, it chose to increase its investment in Migranol over the 10-year period. Second, in finding that DFH adequately demonstrated prejudice, the court noted that DFH's marketing and investment efforts in Migranol yielded sales that nearly quadrupled revenue. Now, "[a]fter ten years of failing to follow up on its threat of infringement, DFH would be undeniably prejudiced if the Court allowed Akeso to bring forth its claims only after DFH made substantial investments in its product."

Akeso Health Sciences, LLC v. Designs for Health, Inc., No. 2:16-cv-07749 (C.D. Cal. April 26, 2018) (Otero, J.)

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