Justices May Clarify What IP Competitors In Litigation Can Say

By **Wendy Stein and Samhitha Medatia** (April 3, 2025)

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What is a company enforcing its intellectual property against a competitor permitted to say publicly about that competitor's infringement?

Conversely, what can a named defendant in an IP enforcement action do to stop an IP owner plaintiff from publicly disparaging that party?

In this highly competitive era, courts are wrangling with these questions more than ever.

In general, good faith assertions and factual statements are protected — but the lines can be blurry. Federal preemption and litigation privilege may apply, and savvy companies on both sides should study the law to leverage this complex landscape and protect their reputations and bottom lines.

Parties may have more guidance soon, because in Atturo Tire Corp. v. Toyo Tire Corp., the U.S. Supreme Court recently **has been asked** to weigh in on the contours of litigation privilege in Illinois, with responsive briefing to a pending cert petition due April 23.[1]

Intellectual Property Enforcement and Public Statements

A robust intellectual property strategy should be tailored to a company's business needs and goals. Companies should consider securing various rights to protect innovation, brand identity and competitive advantage. Patents safeguard new inventions, processes or designs, preventing others from making, using or selling them without permission.

Trademarks protect brand names, logos and slogans, ensuring consumers can identify and trust a company's products or services. Copyrights cover original works of authorship, such as software code and creative content, preventing unauthorized reproduction. Trade secrets provide a competitive edge when the proper steps are taken to ensure secrecy.

Once IP protection such as patent rights are secured, and after an IP owner identifies infringement, it can file an action to enforce its IP rights. But what can it now say publicly to warn the market about the infringement?

The IP owner may consider sending notices to other market participants, highlighting the infringement. This can be an effective business strategy to alert potential customers that the goods or services they are thinking about using, or already using, infringe enforceable IP.

But of course, sending such notices carries some risk. For example, if a company is the target of disparaging remarks or bad faith allegations of IP infringement, it may lodge its own action against the IP owner making such statements for tortious interference, or, depending on the state, bad faith patent assertion.

Tortious Interference and Bad Faith Patent Assertion Prevention Statutes

Tortious interference with business or contract is a state law claim with different requirements in each state. Generally, these state laws prohibit a party from negatively affecting a business relationship or inducing a breach of contract by intentionally interfering with the relationship without justification, damaging the plaintiff.

Courts can enjoin the publication of negative statements about an alleged infringer or its products in response to a tortious interference claim.

For example, in Softwave Tissue Regeneration Technologies LLC v. Kostopoulos in 2022, the U.S. District Court for the Northern District of Georgia entered a preliminary injunction enjoining counterclaim-defendants from describing the counterclaim plaintiff as a scammer and with four-letter expletives.[2]

The underlying dispute was between competitors in the medical acoustic shockwave generator industry. The Softwave plaintiffs sued Thomas Kostopoulos and Kostopoulos Investment Holdings LLC for trademark infringement, patent infringement and breach of contract.

Kostopoulos counterclaimed for false advertising, deceptive trade practices, defamation, tortious interference and breach of contract based on, among other things, Softwave's comments about Kostopoulos's competing products and communications to Kostopoulos's customers about Softwave's intellectual property rights.

At the hearing on the preliminary injunction motion, Softwave consented — without admitting liability — to stop calling Kostopoulos a scammer and using other four-letter expletives.

The court, however, declined to enjoin other comments that Softwave made, like calling the competing products inferior and "out of Turkey." The district court reasoned that these comments were either a matter of opinion, true or preempted by federal law because they related to a good faith patent assertion.

In short, by asserting its own counterclaims, Kostopoulos was able to secure a court order to stop some of the damaging statements from continuing to be made about its products, but not all of them.

Many states also have statutes prohibiting bad faith patent assertions.

These laws, often referred to as anti patent-troll laws, allow for private or state-led causes of action to curtail frivolous assertions of patents. In 2013, Vermont became the first state to enact such a law, and its law became the model for a number of follow-on states.[3]

Currently, 32 states have anti-patent troll statutes. South Carolina had also enacted a statute, but it has since sunset. Normally, patent infringement suits are subject to federal jurisdiction, so these laws create a state-law avenue to protect targets in IP litigation against frivolous assertions.

It is important to note that advertising to the market that a competitor has been accused of, for example, patent infringement — without proper analysis beforehand — may expose the company advertising the alleged infringement to tortious interference or bad faith assertion liability.

In the same vein, if a company is the subject of disparagement stemming from a frivolous assertion of patent infringement, it may consider taking action under these state-law schemes.

Note, however, that state-law causes of action may be preempted by federal patent law or state litigation privileges, as explained more fully below.

Federal Patent Law Preemption

Federal patent law generally preempts state-law tort liability for good faith assertions of a patent. In other words, a state-law claim of tortious interference with business or contract, predicated on a communication sent by a patent owner to third parties about a party's alleged infringement, would be preempted by federal law as long as the infringement allegations were not objectively baseless.

In SSI Technologies LLC v. Dongguan Zhengyang Electronic Mechanical Ltd., the U.S. Court of Appeals for the Federal Circuit affirmed the U.S. District Court for the Western District of Texas' grant of summary judgment against the defendant, who had counterclaimed for tortious interference with prospective business relations.[4]

The plaintiff had sent letters to several of defendant's domestic and foreign customers advising them of the patent infringement lawsuit against the defendant.

The defendant then counterclaimed for tortious inference — however, the Federal Circuit held that federal patent law preempted the counterclaim, unless the defendant could establish that the infringement claims made by the letter-writing patent owner were "objectively baseless."[5] Because the defendant failed to do so, the court found the state-law tortious interference claims preempted.

An IP owner should ensure that it can successfully defend against such a challenge before hitting send on any customer letter. On the other hand, if a named defendant believes that it is a target of an objectively baseless patent assertion, state-law tortious interference claims or bad faith patent infringement statutes may provide an appropriate remedy.

State Law Litigation Privileges

Litigation privilege is another state-law concept that immunizes from liability conduct and statements made in the course of litigation that are pertinent to the litigation. The policy underlying this privilege is to encourage open and fulsome participation in litigation proceedings. The contours of the litigation privilege vary state-to-state and by the underlying facts.

The Federal Circuit's recent decision in Toyo Tire, applying Illinois litigation privilege, highlights the formidable shield this doctrine can provide.

In Toyo Tire, litigation privilege provided a basis to vacate a jury award of millions of dollars of damages. Toyo Tire Corp. and Toyo Tire U.S.A. Corp. sued Atturo Tire in 2014 in the U.S. District Court for the Northern District of Illinois for, among other things, trade dress infringement, and Atturo counterclaimed for, among other things, tortious interference with prospective business expectancy, unfair competition and unjust enrichment.

Atturo's tort-based counterclaims were based on statements made by Toyo in settlement agreements in a prior case that Toyo brought in the U.S. International Trade

Commission against more than 20 tire manufacturers and distributors — but not Atturo.

Toyo's settlement agreements required those respondents to stop selling not just the tires at issue in the ITC, but also Atturo tires that were not even accused of infringement in the ITC action. It should be noted that Toyo entered these provisions before Toyo was involved in any litigation against Atturo.[6]

Atturo alleged that by requiring ITC respondents to stop selling Atturo tires, Toyo had wrongfully interfered with Atturo's business. Agreeing, the Illinois jury found in favor of Atturo on its state-law counterclaims arising out of the ITC settlement provisions, leading to an award of $10 million for related claims along with punitive damages.

On appeal, the Federal Circuit addressed whether Illinois litigation privilege barred recovery of any damages in connection with these torts. Recognizing that the Illinois Supreme Court had never addressed whether the litigation privilege could be applied to these claims, the Federal Circuit predicted that the Illinois Supreme Court would extend the privilege to tortious interference, unjust enrichment and unfair competition claims.

It further reasoned that Toyo's actions were protectable as conduct pertinent to litigation.[7] The Federal Circuit thus vacated the entire damages award to Atturo arising out of Toro's statements in the ITC settlement agreements.

Ultimately, the Illinois litigation privilege saga may have an interesting coda. On Feb. 19, Atturo petitioned the U.S. Supreme Court to certify this matter to the Illinois Supreme Court under its Rule 20(a), which provides a means of obtaining from the Illinois Supreme Court answers to questions of state law about which no controlling precedent exists.[8]

Briefing on the cert petition is currently due April 23. If the Supreme Court grants the request, the Illinois Supreme Court may answer whether the Illinois litigation privilege extends to claims of tortious interference with business expectancy, unfair competition and unjust enrichment under Illinois law and, if so, whether it immunizes Toyo's conduct proved at trial.

What role, if any, Atturo's nonparty status in the ITC litigations will play — remains unknown.

Conclusion

Before sending market communications about a competitor's alleged infringement a party must take careful stock of any potential liability it may face by doing so.

A target of baseless or false infringement allegations should carefully consider the best way of stopping the communications and potentially recovering from any damage these allegations have caused.

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[1] Atturo Tire Corp. v. Toyo Tire Corp., Case Nos. 2022-1817, 2022-1892.

[2] Softwave Tissue Regeneration Technologies LLC v. Kostopoulos, Civil Action No. 1:22-CV-03392-SCJ, 2022 WL 19976189 (N.D. Ga. Nov. 21, 2022).

[3] 9 VT Stats § 4197.

[4] 59 F.4th 1328 (Fed. Cir. 2023).

[5] Id. at 1337 — 38.

[6] The timing of these provisions is important because states like New York apply different legal standards to statements made during litigation, versus those made before litigation is filed. See, e.g., Daytree at Cortland Square, Inc. v. Walsh, 332 F. Supp. 3d 610, 629 (E.D.N.Y. 2018).

[7] Id. at *12 (noting "Toyo's inclusion of Atturo's TBMT tire in Toyo's ITC settlement agreements").

[8] Ill. Sup. Ct. R. 20(a).