

## A Post-*MedImmune* Reference Guide to Declaratory Judgment Jurisdiction

By: *John Jackson and Nicole Metcalf*

Regardless of whether we are advising intellectual property owners or accused infringers, we are frequently required to predict whether or not a cease-and-desist letter will give rise to declaratory judgment jurisdiction. Although determining whether declaratory judgment jurisdiction will likely be found to exist has always been a case-specific inquiry, that has been especially true since the *MedImmune*<sup>1</sup> decision changed the test used to make that determination. In *MedImmune*, the Supreme Court rejected the “reasonable-apprehension-of-suit test” that was previously used to determine whether declaratory judgment jurisdiction existed and replaced it with the following inquiry:

Whether the facts alleged, under all circumstances, show that there is a substantial controversy between parties having adverse legal interests of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

To try to eliminate some of the guesswork surrounding whether declaratory judgment jurisdiction may exist in a particular matter, we reviewed a number of post-*MedImmune* decisions from the Federal Circuit and Texas district courts. We then divided the cases into two categories—those situations in which a declaratory judgment action survived a motion to dismiss and those which did not. We then identified the critical facts upon which each of these decisions rested and highlighted them in the summary below.

For intellectual property owners, these cases continue to suggest that the best way to secure a desired forum is to file suit prior to negotiating with potential defendants. For accused infringers, while there are certain exceptions, these cases continue to expand the circumstances under which a court will find that a justiciable controversy exists. That is especially true in situations where a non-practicing entity has sent a licensing offer to a potential infringer.

### Cases Finding Declaratory Judgment Jurisdiction

A patent owner wrote to its licensee alleging that a product sold by the licensee was subject to a license agreement. The licensee paid the requested royalties under protest and filed a declaratory judgment suit. The Supreme Court rejected the patent owner’s argument that the licensee must breach the agreement to satisfy the case or controversy requirement and also eliminated the requirement that a declaratory plaintiff show a reasonable apprehension of suit. *MedImmune, Inc. v. Genentech, Inc.*, 539 US 118, 122, 132 n. 11, 134-136 (2007).

The parties conducted a meeting during which the patent owner presented an element-by-

<sup>1</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

element analysis detailing the alleged infringement by various accused products. The patent owner also provided reverse engineering reports and infringement diagrams for each patent and explained the need for the accused infringer to obtain a license. The accused infringer maintained that it could proceed without paying royalties. Under these facts, the Federal Circuit determined that a case or controversy existed even though the meetings were subject to Fed. R. Evid. 408 and the patent owner provided oral assurances that it would not sue. *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1382-83 (Fed. Cir. 2007).

The Federal Circuit found that declaratory judgment jurisdiction existed as to a number of accused infringers. In each instance, the patent owner communicated its position that its patents were infringed by certain accused products, that prior art identified by the accused infringer did not invalidate its patents, and that it was entitled to royalties. The accused infringers, in turn, maintained that a license was not required because the patents were invalidated by prior art. Accordingly, the Court found that there was a dispute that was “definite and concrete” and susceptible of judicial resolution. In so holding, the Federal Circuit rejected patentee’s contention that there was not a justiciable controversy because “it was at all times willing to negotiate a ‘business resolution.’” *Sony Elec., Inc. v. Guardian Media Tech., Ltd.*, 497 F.3d 1271, 1285-1287 (Fed. Cir. 2007).

A patent owner in the dynamic random access memory chip (DRAM) business sent four infringement warning letters to an accused infringer between June 6, 2001 and July 19, 2002. The patent owner also began enforcing its patents in court against the top competitors in the DRAM business and achieved settlements with the three other largest DRAM producers by mid-2005. In June of 2005, the accused infringer filed a declaratory action following the aggressive comments concerning litigation strategy by the patent owner in its annual report and in an earnings conference call with analysts. The Federal Circuit rejected the patent owner’s argument that the four-year lapse of time since the infringement letters were sent precluded jurisdiction and found that declaratory judgment jurisdiction existed. *Micron Tech., Inc. v. Mosaid Tech., Inc.*, 518 F.3d 897, 901-902 (Fed. Cir. 2008).

In *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1297-1300 (Fed. Cir. 2009), the Federal Circuit rejected the patent owner’s argument that a covenant not to sue divested the court of declaratory judgment jurisdiction because the covenant not to sue was limited to past actions and did not extend to current or future products.

A patent owner sued for infringement of its ‘443 patent. The accused infringer responded by seeking a declaration of non-infringement as to a related, but unasserted patent. The patent owner moved to dismiss the counterclaim arguing that there was no justiciable controversy because “it has not and will not assert the [related] patent against [the accused infringer] for past or current products.” The Southern District of Texas denied the motion to dismiss and found that declaratory judgment jurisdiction existed due to the relatedness of the patents in suit. *Tesco Corp. v. Weatherford Int’l, Inc.*, No. H-08-2531, 2009 WL 497134, at \*3-4 (S.D. Tex. Feb. 26, 2009).

During a discovery conference, the patentee argued that it was entitled to discovery concerning two products that were not identified in its infringement contentions. Two days later, the accused infringer filed a lawsuit in a different forum seeking, among other things, a declaration that the products did not infringe. After the declaratory action was transferred back to the forum where the first suit was pending, the patentee moved to dismiss the non-infringement claims arguing that there was no justiciable controversy. The court denied the motion holding that the discovery dispute itself showed that there was a justiciable controversy and further noted that a “history of patent litigation between the parties can provide a jurisdictional basis under certain circumstances.” *Astec America, Inc. v. Power-One, Inc.*, No. 6:07-cv-464, 2008 WL 1734833, at \*4-8 (E.D. Tex. April 11, 2008).

### Cases Lacking a Justiciable Controversy

Although the *SanDisk* court determined that a justiciable controversy existed, the court noted that the patent owner could have avoided the risk of a declaratory judgment action by entering into a “suitable a confidentiality agreement.” *SanDisk*, 480 F.3d at 1375, n. 1.

The Court also observed that “declaratory judgment jurisdiction will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, without some affirmative act by the patentee.” *Id.* at 1381.

In *Benitec Australia, Ltd. v. Nucleonics*, 495 F. 3d 1340 (Fed. Cir. 2007), *cert. denied*, 128 S. Ct. 2055 (2008), the Federal Circuit found that jurisdiction was lacking where there was a covenant not to sue under the patent at issue and there was no evidence that the potential infringer ever made or sold any products that infringed the patent.

A potential infringer filed a declaratory action claiming that there was a justiciable controversy because: 1) the patentee had filed other patent infringement lawsuits involving the same patent; 2) the plaintiff believed the patentee observed its allegedly infringing product at a trade show; and 3) the patentee was a known competitor of the plaintiff. The Federal Circuit affirmed the lower court’s dismissal. *Panavise Products, Inc. v. Nat’l Products, Inc.*, 306 Fed. Appx. 570, 572-73 (Fed. Cir. 2009).

After losing a patent infringement trial to a patent owner, a potential infringer sent the patent owner several designs for new products and requested an advisory infringement opinion. After the patent owner refused to provide the requested opinion, the potential infringer filed a declaratory judgment action and the patent owner moved to dismiss. Judge Davis held that there was no case or controversy because Plaintiff failed to identify when it would manufacture or sell the new products and failed to support its allegations with affidavits or other evidence. *Mega Lift Sys., LLC v. MGM Well Serv., Inc.*, No. 6:08-cv-420, 2009 WL 1851919, at \*3-4 (E.D. Tex. June 29, 2009).

In *National Presort, Inc. v. Bowe Bell + Howell Co.*, 663 F. Supp. 2d 505, 510-12 (N.D. Tex.

2009), following the acquisition of an entity that was involved in a lawsuit with a patent owner, the Plaintiff attempted to add a covenant not to sue into the settlement agreement between the parties that would prevent the patent owner from suing Plaintiff on the subject patents. After the patentee rejected this proposal and instead proposed that the parties enter into a royalty-free cross licensing agreement, Plaintiff filed suit seeking a declaration that the patents were invalid and that Plaintiff's products did not infringe the patents. The court dismissed the lawsuit for lack of subject matter jurisdiction, finding that the patent owner's response was merely a counter-proposal in a settlement negotiation that did not create a justiciable controversy. In addition, the Court noted that a mere refusal to accept a covenant not to sue, standing alone, is insufficient to give rise to declaratory judgment jurisdiction.

After a trademark owner sent a potential infringer a cease and desist letter, the potential infringer filed suit seeking declaratory relief. The trademark owner moved to dismiss claiming that there was no justiciable controversy. The district court agreed and dismissed the lawsuit. In so holding, the court found it significant that the plaintiff failed to demonstrate that it had manufactured, sold or marketed products that allegedly infringed the trademark at issue prior to seeking declaratory relief. In fact, Plaintiff's Complaint merely alleged that it was "planning" to manufacture and sell the product and that it was "in the process of designing" and manufacturing the products. *Vantage Trailer, Inc. v. Beall Corp.*, No. H-06-3008, 2008 WL 304747, at \*4-7 (S.D. Tex. Jan. 31, 2008).