

## In the Wake of *MedImmune*: What We Have Learned

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In *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), the Supreme Court held that “Article III’s limitation of federal courts’ jurisdiction to ‘Cases’ and ‘Controversies,’ reflected in the ‘actual controversy’ requirement of the Declaratory Judgment Act, 28 U.S.C. § 2201(a)” does not require “a patent licensee to terminate or be in breach of its license agreement before it can seek a declaratory judgment that the underlying patent is invalid, unenforceable, or not infringed.” *Id.* at 120-121, 137. Although *MedImmune* was decided in the context of a non-breaching licensee’s action against its licensor-patentee, it altered the patent enforcement/licensing landscape more generally, specifically, by expanding the circumstances under which the district courts have the power to entertain declaratory judgment claims.

The Supreme Court reversed the Federal Circuit’s decision affirming the district court’s dismissal of *MedImmune*’s declaratory judgment action against its licensor, Genentech, for lack of subject matter jurisdiction. *Id.* at 122, 137. The Court held that the Federal Circuit had erred in holding that jurisdiction could not lie under the circumstances because the license agreement insulated *MedImmune* from a “reasonable apprehension of suit”. *See id.* at 122, 132 n.11 (holding the Federal Circuit’s “reasonable-apprehension-of-suit test” to be inconsistent and “in tension with” with applicable Supreme Court precedent). The Court reaffirmed its prior pronouncements regarding the circumstances under which the federal courts are empowered to hear declaratory judgment claims:

Our decisions have required that the dispute be “definite and concrete, touching the legal relations of parties having adverse legal interests”; and that it be “real and substantial” and “admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.” . . . “Basically, the question in each case is whether the facts alleged, under all the 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.”

*Id.* at 127 (citations omitted).

In the three and a half years since *MedImmune* was decided, the Federal Circuit has had the opportunity to apply its teachings in a variety of contexts. The following summary highlights the key lessons from those Federal Circuit decisions.<sup>1</sup>

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## What Has Changed

- “The Supreme Court’s opinion in *MedImmune* represents a rejection of [the Federal Circuit’s] reasonable apprehension of suit test.” *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380 (Fed. Cir. 2007); *see also Teva Pharm. USA, Inc. v. Novartis Pharm. Corp.*, 482 F.3d 1330, 1339 (Fed. Cir. 2007) (“[B]ecause the Supreme Court in *MedImmune* cautioned that [the Federal Circuit’s] declaratory judgment ‘reasonable-apprehension-of-suit’ test ‘contradict[s]’ and ‘conflicts’ with its precedent, these Federal Circuit tests have been ‘overruled by . . . an intervening . . . Supreme Court decision.’”).
- “Following *MedImmune*, proving a reasonable apprehension of suit is only one of many ways a patentee can satisfy the Supreme Court’s more general all-the-circumstances test to establish that an action presents a justiciable Article III controversy.” *Caraco Pharm. Laboratories, Ltd. v. Forest Laboratories, Inc.*, 527 F.3d 1278, 1291 (Fed. Cir. 2008).

## The New Standard

- “Article III jurisdiction may be met where the patentee takes a position that puts the declaratory judgment plaintiff in the position of either pursuing arguably illegal behavior or abandoning that which he claims a right to do.” *SanDisk*, 480 F.3d at 1381.
- “[W]here a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without a license, an Article III case or controversy will arise and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.” *SanDisk*, 480 F.3d at 1381.
  - The law in this regard has changed. The Federal Circuit in *SanDisk* noted that in *Cygnus Therapeutics Sys. v. ALZA Corp.*, 92 F.3d 1153 (Fed. Cir. 1996), it held “that declaratory judgment jurisdiction was not supported where the ‘patentee does nothing more than exercise its lawful commercial prerogatives and, in so doing, puts a competitor in the position of having to choose between abandoning a particular business venture or bringing matters to a head by engaging in arguably infringing activity’”. *SanDisk*, 480 F.3d at 1381.
  - Judge Bryson noted that “the [new] rule . . . will effect a sweeping change in [Federal Circuit] law regarding declaratory judgment jurisdiction.” *SanDisk*, 480 F.3d at 1385 (Bryson, J., concurring in the result). In his view, the practical result is that declaratory judgment jurisdiction is now available “in virtually any case in

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<sup>1</sup> Although this summary focuses on Federal Circuit rulings in patent cases, *MedImmune* also has implications for trademark and copyright owners and their potential licensees. *See, e.g.,* James E. Griffith, *Trademark Owners Must Watch Out Post-MedImmune*, April 22, 2010, <http://www.law360.com/articles/161126>; Jonathan Hudis, W. Todd Baker, David M. Kelly, et al., *Why Trademark and Copyright Counsel Should Heed the Patent Precedent of the Supreme Court*, 2 No. 2 LANDSLIDE 15 (November/December 2009).

which the recipient of an invitation to take a patent license elects to dispute the need for a license and then to sue the patentee.” *Id.* (“Although I have reservations about the wisdom of embarking on such a course, I agree with the court that a fair reading of footnote 11 of the Supreme Court’s opinion in *MedImmune* compels that result . . .”).

- To the extent that an objective signal that the potential infringement defendant/licensee has determined that it has “an adverse legal interest” to the patentee is required, its “filing of the suit seeking declaratory judgment” suffices. *See Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1363 (Fed. Cir. 2009) (“More importantly, [the declaratory judgment plaintiff] is not required to make a formal declaration of having an adverse legal interest.”).

### **Examples of Circumstances Giving Rise to Jurisdiction, Post-*MedImmune***

- “A patentee can cause [the requisite jurisdiction-creating injury] by creating a reasonable apprehension of an infringement suit, demanding the right to royalty payments, or creating a barrier to the regulatory approval of a product that is necessary for marketing.” *Prasco, LLC. Medicis Pharm. Corp.*, 537 F.3d 1329, 1339 (Fed. Cir. 2008) (citations omitted).
- Jurisdiction can be triggered by correspondence from the patentee “assert[ing] a patent as ‘relevant’ to the other party’s specific product line, impos[ing] a short [two-week] deadline for a response, and insist[ing] the other party not file suit”, at least when the correspondence comes from “a non-competitor patent holding company”, which “may invoke a different reaction than would a meet-and-discuss inquiry by a competitor, presumably with intellectual property of its own to place on the bargaining table.” *Hewlett-Packard*, 587 F.3d at 1363-64 (quoting the district court, and “observ[ing] that [the patentee] is solely a licensing entity, and without enforcement it receives no benefits from its patents.”).
  - This case presents a clear example of how the law has changed. *See id.* at 1364 (“Our decision in this case undoubtedly marks a shift from past declaratory judgment cases.”).

### **What Still Won’t Suffice to Create Declaratory Judgment Jurisdiction<sup>2</sup>**

- The mere existence of a patent. *See SanDisk*, 480 F.3d at 1380-81 (“[J]urisdiction generally will not arise merely on the basis that a party learns of the existence of a patent

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<sup>2</sup> “[A] lowered bar does not mean no bar at all.” *Hewlett-Packard*, 587 F.3d at 1362.

owned by another or even perceives such a patent to pose a risk of infringement, without some affirmative act by the patentee.”).

- The Federal Circuit has noted that the law in this regard has not changed. *See, e.g., Prasco*, 537 F.3d at 1338 (“*MedImmune* does not change our longstanding rule that the existence of a patent is not sufficient to establish declaratory judgment jurisdiction.” (quoting *Capo, Inc. v. Dioptics Med. Prods. Inc.*, 387 F.3d 1352, 1355 (Fed. Cir. 2004) (“More is needed than knowledge of . . . an adversely held patent.”))).
- “[A] fear of future harm that is only subjective is not an injury or threat of injury caused by the defendant that can be the basis of an Article III case or controversy.” *Prasco*, 537 F.3d at 1338-39 (A “threat of future injury” cannot create an Article III controversy “without a showing that this threat was real, imminent, and traceable to defendants.”).
  - “*MedImmune* . . . did not change the bedrock rule that a case or controversy must be based on a *real* and *immediate* injury or threat of future injury that is *caused by the defendants* . . .” *Id.* at 1339 (emphasis in original).
- The mere fact that a patentee has refused to give a covenant not to sue. *See id.* at 1341 (“[T]hough a defendant’s failure to sign a covenant not to sue is one circumstance to consider in evaluating the totality of the circumstances, it is not sufficient to create an actual controversy—some affirmative actions by the defendant will also generally be necessary.”).
- “[A] communication from a patent owner to another party, merely identifying its patent and the other party’s product line, without more, cannot establish adverse legal interests between the parties, let alone the existence of a ‘definite and concrete’ dispute.” *Hewlett-Packard*, 587 F.3d at 1362 (quoting *MedImmune*, 549 U.S. at 127).
- The following facts, alone or in combination: (1) the patentee’s marking of products with its patent numbers; (2) a prior suit by the patentee “concerning different products covered by unrelated patents”, even where the declaratory judgment plaintiff was a defendant in the prior suit; and (3) the patentee’s refusal to grant the declaratory judgment plaintiff a covenant not to sue. *See Prasco*, 537 F. 3d at 1340-41 (“Here, where Prasco has suffered no actual present injury traceable to the defendants, and the defendants have not asserted any rights against Prasco related to the patents nor taken any affirmative actions concerning Prasco’s current product, one prior suit concerning unrelated patents and products and the defendants’ failure to sign a covenant not to sue are simply not sufficient to establish that Prasco is at risk of imminent harm from the defendants and that there is an actual controversy between the parties of sufficient immediacy and reality to warrant declaratory judgment jurisdiction.”).
- The following facts, alone or in combination:

- (1) The patentee’s “history of litigation against others, and general propensity to enforce its legal rights”, without more, *see Innovative Therapies, Inc. v. Kinetic Concepts, Inc.*, 599 F.3d 1377, 1382 (Fed. Cir. 2010) (“[W]hile prior litigation is a circumstance to be considered in assessing the totality of circumstances, the fact that KCI had filed infringement suits against other parties for other products does not, in the absence of any act directed toward ITI, meet the minimum standard discussed in *MedImmune.*”);
  - (2) The declaratory judgment plaintiff’s successful solicitation from the patentee’s employees of predictions that the patent owner “will act aggressively” upon the market introduction of potentially infringing products, where those employees lacked authority to decide whether the patentee would or would not sue, *see id.* at 1381; and
  - (3) The patentee’s knowledge of the declaratory judgment plaintiff’s representation to a third party (the Food & Drug Administration, in this case) about the relevant characteristics of its (potentially infringing) product, *see id.* at 1380.
- The declaratory judgment plaintiff’s general plan sometime in next several years to initiate potentially infringing activities. *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1346 (Fed. Cir. 2007) (“[D]eveloping and submitting information to the FDA related to human [RNA-based disease therapy] does not present a case or controversy of sufficient immediacy and reality to warrant declaratory judgment jurisdiction over the enforceability of [a potentially relevant] patent. The fact that [the declaratory judgment claimant] may file an NDA in a few years does not provide the immediacy and reality required for a declaratory judgment.”).
    - Even as to the declaratory judgment claimant’s “potential expansion to animal husbandry and veterinary products”, it “has failed to show that its future plans meet the immediacy and reality requirement of *MedImmune* necessary to support a justiciable controversy” where “[t]here was no evidence before the district court that [it] had made or sold any infringing product” and there is no evidence that “[its] desire to expand into animal markets has yet produced any definite offer which” could be accepted. *Id.* at 1348-49.

### **What Won’t Suffice to Divest the Courts of Declaratory Judgment Jurisdiction**

- A statement by the patentee that it “‘has absolutely no plan whatsoever to sue’” the declaratory judgment plaintiff, where the patentee “approached [the declaratory judgment plaintiff,] made a studied and considered determination of infringement [,] communicated that determination [to the declaratory judgment plaintiff], and then [said] that it does not intend to sue . . .” *SanDisk*, 480 F.3d at 1382-83 (holding that in so doing, the patentee “is engaging in the kinds of ‘extra-judicial patent enforcement with scare-the-customer-and-run tactics’ that the Declaratory Judgment Act was intended to obviate”).

- A covenant not to enforce the patent-in-suit given by the patentee on the eve of the trial of the unenforceability and invalidity issues “based upon any activities and/or products made, used, or sold on or before the dismissal of [the] action”, because the covenant did “not extend to future sales of products of the same structure” as the defendant was selling before it suspended sales after being sued for infringement. *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1295-1299 (Fed. Cir. 2009) (noting that the defendant “already has in storage a quantity of the product that it sold before and wishes to sell again”, and rejecting the patentee’s “proposition that for a justiciable controversy to exist, [the defendant] must reinstitute manufacture and sale of the accused . . . eyewear before it can test the patent, and risk being held a willful infringer subject to treble damages if the test fails . . .”).
- The patentee’s continuing willingness “to negotiate a ‘business resolution’ to the dispute.” *Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.*, 497 F.3d 1271, 1286 (Fed. Cir. 2007). When the requisite controversy exists, the licensing target has the right “to terminate [negotiations] when it determine[s] that further negotiations would be unproductive.” *Id.* (“Although [the patentee] may have wanted to negotiate with [the target, the target] was not required to negotiate with [the patentee].” (citing *SanDisk*, 480 F.3d at 1382 n.3 (“[A] party to licensing negotiations is of course within its rights to termination negotiations when it appears that they will be unproductive.”))).
  - As noted by the Federal Circuit in *SanDisk*, *MedImmune* changed the law in this regard. See *SanDisk*, 480 F.3d at 1382 (“*SanDisk* need not ‘bet the farm,’ so to speak, and risk a suit for infringement by cutting off licensing discussions and continuing in the identified activity before seeking a declaration of its legal rights. See *MedImmune*, 127 S.Ct. at 774 n.11. *Contra Phillips Plastics Corp. v. Kato Hatsujou Kabushiki Kaisha*, 57 F.3d 1051 (Fed. Cir. 1995) (“When there are proposed or ongoing license negotiations, a litigation controversy normally does not arise until the negotiations have broken down.”))).
- The patentee’s failure in correspondence to the potential licensee to “identify specific claims, present claim charts, and explicitly allege infringement.”<sup>3</sup> *Hewlett-Packard*, 587 F.3d at 1362 (noting that after *MedImmune* “and several post *MedImmune* decisions from [the Federal Circuit]” that “it is implausible . . . to expect that a competent lawyer drafting such correspondence would” do so).
- That before contacting the potential licensee to request an “opportunity to discuss” the patent in question, the patentee had not “conducted an adequate investigation or whether it subjectively believed [the potential licensee] was infringing.” *Id.* at 1363 (“The test . . . is *objective* . . .” (quoting *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988) (emphasis added))).

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<sup>3</sup> The court in *Hewlett-Packard* reversed the district court’s grant of the patentee’s motion to dismiss for lack of declaratory judgment jurisdiction. *Hewlett-Packard*, 587 F.3d at 1360. The Appendix hereto describes the key facts, and includes the text (as quoted by the court) of the parties’ correspondence.

## What Hasn't Changed

- “There is . . . no facile, all-purpose standard to police the line between declaratory judgment actions which satisfy the case or controversy requirement and those that do not.” *Cat Tech LLC v. TubeMaster, Inc.*, 528 F.3d 871, 879 (Fed. Cir. 2008) (citing *Teva*, 482 F.3d at 1338-39; *Arrowhead*, 846 F.2d at 736).
  - “The specific facts of each case must be considered, in deciding whether a declaratory action is warranted.” *Innovative*, 599 F.3d at 1382.
- “[A]cts after the filing of [a] complaint [cannot] establish that an actual controversy existed at that earlier time.” *Id.* at 1383-84 (quoting *Grupo Dataflux v. Atlas Global Group, L.P.*, 541 U.S. 567, 570-71 (2004) (“It has long been the case that the jurisdiction of the court depends upon the state of things at the time the action was brought.”)).
  - *See also Innovative*, 599 F.3d at 1384 (quoting the district court’s observation that “to hold otherwise ‘would invite a declaratory judgment plaintiff in a patent case to file suit at the earliest moment it conceives of any potential benefit to doing so, confident that it will either draw an infringement suit in response (thereby retroactively establishing jurisdiction over their first-filed declaratory judgment suit) or will suffer no adverse consequence other than having its suit dismissed.’”).
- “[W]hether there has been meaningful preparation to conduct potentially infringing activity remains an important element in the totality of circumstances which must be considered in determining whether a declaratory judgment is appropriate.” *Cat Tech*, 528 F.3d at 880.
- The district court’s discretion to decline to exercise jurisdiction “is not without bounds.” *Sony*, 497 F.3d at 1288 (“A district court may be held to have abused its discretion when ‘(1) the court’s decision was clearly unreasonable, arbitrary, or fanciful; (2) the decision was based on an erroneous conclusion of law; (3) the court’s findings were clearly erroneous; or (4) the record contains no evidence upon which the court rationally could have based its decision.’” (quoting *Minn. Mining & Mfg. Co. v. Norton Co.*, 929 F.2d 670, 673 (Fed. Cir. 1991)).
  - For example, the *Sony* panel rejected the district court’s conclusion that the decision of the several potential licensees targeted by the patent owner to file suit “nearly simultaneously” evidenced a “strategic motive ‘to obtain a more favorable bargaining position in [their] ongoing negotiations with the patentee’” justifying the discretionary refusal to exercise jurisdiction. *Sony*, 497 F.3d at 1289 (“Even if these suits have had the effect of placing [the declaratory judgment plaintiffs] in a more favorable negotiating position, that effect is not a sufficient reason to decline to hear the suit.”).

## CONCLUSION

“*MedImmune* has altered the way in which the Declaratory Judgment Act applies to patent law cases, requiring that legal interests be evaluated in patent cases under the general criteria of the Act. [The Federal Circuit’s] jurisprudence must consequently also evolve . . .”  
*Hewlett-Packard*, 587 F.3d at 1364.

## APPENDIX

(Jurisdictional facts as presented in  
*Hewlett-Packard Co. v. Acceleron LLC*,  
587 F.3d 1358, 1360-61 (Fed. Cir. 2009))

Acceleron is a patent holding company. It is incorporated in Delaware and headquartered in Tyler, Texas. Acceleron acquired the '021 patent on May 31, 2007. On September 14, 2007, Thomas B. Ramey, III, President of Acceleron, wrote to Michael J. Holston, HP's "Executive Vice-President, General Counsel/Secretary," regarding "U.S. Patent No. 6,948,021 to Derrico et al...." The letter reads:

I am writing to call your attention to the referenced patent.... This patent was recently acquired by Acceleron, and relates to Blade Servers.

We would like an opportunity to discuss this patent with you. In order to provide a productive atmosphere in which we can do so, we ask that you agree that all information exchanged between the parties will not be used for any litigation purposes whatsoever, including but not limited to any claim that Acceleron has asserted any rights against any of your ongoing or planned activities, or otherwise created any actual case or controversy regarding the enclosed patent.

Should you wish to engage in discussions regarding this patent with us, please return an executed copy of this letter to me in the enclosed stamped, self-addressed envelope. When we receive your acknowledgement, we will send you a package of information relating to this patent. I will look for your response by September 28, 2007, and if I do not hear from you by that time, I will assume you have no interest in discussing this patent.

On October 1, 2007, a senior litigation counsel at HP responded, writing:

I have been evaluating the patent you sent and am interested to learn any further information you have so that I am able to conduct a complete and accurate assessment. HP shares your interest in creating a productive atmosphere for us to discuss the '021 patent. Accordingly, in response to your request that HP not file a declaratory judgment action, HP would be willing to agree not to file such an action for a period of 120 days if Acceleron similarly will agree not to file an action against HP during the same 120 day period. If such a mutual standstill agreement is acceptable, please let me know and I will send you an agreement to that effect directly.

Four days later, Mr. Ramey replied:

I do not believe that HP has any basis for filing a declaratory judgment action, and I think that my letter provides both parties appropriate protections to create a

productive atmosphere in which to discuss the '021 patent.

So, if you are interested in discussing this patent with us, please send me a signed copy of my previous letter to you by no later than October 19, 2007. If I do not receive [one] by then, I will understand that you are not interested in discussing this patent, and you do not have anything to say about the merits of this patent, or its relevance to your Blade Server products.

On October 17, 2007, HP filed this declaratory judgment suit in the United States District Court for the District of Delaware. Acceleron moved to dismiss the case for lack of subject matter jurisdiction.