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DECLARATORY JUDGMENT PRACTICES AFTER
SANDISK V. STMICROELECTRONICS

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Abstract

The Declaratory Judgment Act is a procedural device that was enacted in order to define the rights and legal relations of adverse parties. The declaratory judgment procedural device has been used by purported patent infringers as a sword to adjudicate the validity of the patents that they are allegedly infringing. Recent decisions in such cases as SanDisk v. STMicroelectronics, and MedImmune, Inc. v. Genentech, Inc., have given practitioners in patent law further insight into the standards that federal courts will use in granting a declaratory judgment on the validity of a patent in an infringement case. This note provides a brief overview of the declaratory judgment device, its development, and application in hallmark patent cases.

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I. INTRODUCTION

The Declaratory Judgment Act is a procedural device that was enacted in order to define the rights and legal relations of adverse parties. The Act states that "[i]n a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought." The "cases and controversies" referred to in the Act are the cases and controversies justiciable under Article III of the Constitution.

Under the Declaratory Judgment Act, plaintiffs have the burden of showing that an actual controversy exists. In deciding whether this burden has been met, the court must consider whether there exists an actual case or controversy over which a federal court may exercise jurisdiction and whether proceeding without a case or controversy would result in the court rendering a forbidden advisory opinion. However, there is no absolute right to a declaratory judgment: the Act says that a court may grant one, so the courts have discretion to exercise jurisdiction if a case or controversy exists.

Applied to the patent landscape, the Declaratory Judgment Act relieves defendants who are engaging in an allegedly infringing activity of a Hobson's choice: either pursue the allegedly infringing activity and face damages, or cease an activity that may be a substantial source of revenue. Generally speaking, the Declaratory Judgment Act was intended to "fix the problem[s] that arise[] when the other side does not sue."

II. LEGAL BACKGROUND

A. Early Declaratory Judgment Precedent

Courts have interpreted the requirement of a "case or controversy" in several key decisions that set precedents for later
courts interpreting the requirement. In 1937, several years after the Declaratory Judgment Act became law, the Supreme Court in *Aetna Life Insurance Co. v. Haworth* upheld the constitutionality of the Declaratory Judgment Act and held that a case or controversy under the Act (and Article III) is a dispute that is "definite and concrete, touching the legal relations of parties having adverse legal interests," that is "real and substantial," and that is capable of "specific relief… [of a] conclusive character."\(^7\) Specific relief of a conclusive character means that a dispute does not require an opinion based on a "hypothetical state of facts."\(^8\) In *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, the court again addressed the case or controversy requirement, determining that the key question to ask in making such a determination 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."\(^9\) Although these cases outlined key factors to use in determining if a case or controversy exists, they failed to create a bright line rule.

**B. Lear v. Adkins**

Years later, in *Lear, Inc. v. Adkins*,\(^10\) the Supreme Court addressed declaratory judgment actions in the context of patent licenses, specifically with regard to the remedies a patent holder has against a licensee who challenges the validity of a patent while refusing to pay royalties as required under the licensing agreement. Adkins, an inventor, was hired by Lear, a gyroscope manufacturer, to develop a gyroscope for aircraft, and entered into a licensing agreement with Lear in which he promised to grant Lear a license to "all ideas he might develop 'on a mutually satisfactory royalty basis.'"\(^11\) Adkins improved the gyroscope and Lear then implemented the improvement into its production process.\(^12\) Adkins subsequently patented his improvement and sought royalty payments from Lear, which Lear began but later ceased to pay.\(^13\)

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8. *Id.* at 241.
11. *Id.* at 657.
12. *Id.* at 653.
13. *Id.*
The Court concluded that requiring Lear to continue paying royalty payments during the time it was challenging the validity of Adkins's patent would be "inconsistent with the aims of federal policy" and would "give the licensor an additional economic incentive to devise every conceivable dilatory tactic in an effort to postpone the day of final judicial reckoning." The Court held that a licensee is not estopped from challenging the validity of a licensed patent and is entitled to avoid payment of all royalties accruing after the patent issued if the licensee can prove invalidity of the patent.

The decision, in effect, gave a patent licensee the right to terminate a license and challenge the licensed patents. It did not, however, address whether such a challenge could be mounted without terminating the license.

C. The Federal Circuit's Two-Part Declaratory Judgment Jurisdiction Test

In Arrowhead Industrial Water, Inc. v. Ecolochem, Inc., the Federal Circuit clarified the standards that should be used to determine whether a declaratory judgment action is appropriate. Arrowhead sought a declaratory judgment of invalidity, unenforceability, and noninfringement of Ecolochem's patent after Ecolochem, who was a competitor of Arrowhead in providing water treatment services, sent letters to Arrowhead's customers asserting Arrowhead's infringement of an Ecolochem patent on a deoxygenation process.

The Arrowhead court created a two-part test that looked to the defendant's conduct and the plaintiff's conduct separately. Regarding the defendant's conduct, the inquiry was whether it created on the part of the plaintiff a reasonable apprehension that the defendant would initiate suit if the plaintiff continued the allegedly infringing activity. This prong took into account the "totality of circumstances" in making the determination "when the defendant's conduct, including its statements, [fell] short of an express charge." Regarding the plaintiff's conduct, the inquiry was whether the
plaintiff actually produced the allegedly infringing device or prepared to produce the device.  

The court found that both prongs of the test were satisfied. Although there was no express charge of infringement, Ecolochem had nonetheless given Arrowhead a reasonable apprehension of suit when one considered the totality of circumstances. Therefore, declaratory judgment was proper. Ultimately, the Arrowhead court disapproved of situations that were "[g]uerilla-like, [where] the patent owner attempts extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity."  

D. Declaratory Judgments for Licensees and Licensors

In Gen-Probe Inc. v. Vysis, Inc., the Federal Circuit dealt with declaratory judgments in the context of a patent license, addressing whether a licensee who pays royalty payments under a license agreement can file a declaratory judgment challenging the licensed patent. Vysis licensed a patent for blood screening technology to Gen-Probe, with the license agreement providing that Vysis would not sue Gen-Probe for infringement. Gen-Probe fulfilled its obligations as a licensee and continued royalty payments, but simultaneously sought a declaratory judgment of non-infringement and invalidity of the patent.

To determine whether a case or controversy existed, the court used the two-part test outlined in Arrowhead. The court determined that the existence of a license agreement and a patent licensee in good standing eliminated any reasonable apprehension that the licensee would be sued by the patent owner for infringement. Finding in favor of Vysis, the court held that "a licensee must, at a minimum, stop paying royalties (and thereby materially breach the agreement) before bringing suit to challenge the validity or scope of the licensed
The Gen-Probe court clarified the proper declaratory judgment inquiry in the context of a license, noting that a licensee “cannot invoke the protection of the Lear doctrine [of licensee estoppel] until it (i) actually ceases payment of royalties, and (ii) provides notice to the licensor that the reason for ceasing payment of royalties is because it has deemed the relevant claims to be invalid.” Otherwise, the “licensor would bear all the risk, while the licensee would benefit from the license’s effective cap on damages or royalties in the event its challenge to the patent’s scope or validity fails.”

E. Refining the Two-Part Declaratory Judgment Jurisdiction Test

In Teva Pharmaceuticals USA, Inc. v. Pfizer, Inc., the court refined the two-part declaratory judgment jurisdiction test. Teva, a manufacturer of generic pharmaceuticals, brought an action against the drug manufacturer Pfizer, which held a patent for a new crystalline form of sertraline hydrochloride, as well as a method for its preparation. Teva filed a Hatch-Waxman “paragraph IV certification” with the Food and Drug Administration (“FDA”), stating that its generic drug did not infringe Pfizer’s patent or that, alternatively, the patent was invalid. During the 45 days allotted to Pfizer by the Hatch-Waxman Amendments, during which it could sue Teva for infringement and Teva could not file a declaratory judgment, Pfizer failed to take action. When the 45 days were completed, Teva sought a declaratory judgment.

30. Id.
31. Id. (quoting Studiengesellschaft Kohle M.B.H. v. Shell Oil Co., 112 F.3d 1561, 1568 (Fed. Cir. 1997)).
32. Id. at 1382.
33. Teva Pharm. USA, Inc. v. Pfizer, Inc., 395 F.3d 1324 (Fed. Cir. 2005).
34. Id. at 1326-27.
35. A “paragraph IV certification” refers to 21 U.S.C. § 355(j)(2)(A)(vii)(IV), which states that an Abbreviated New Drug Application (“ANDA”) applicant must make one of four certifications with respect to each patent that claims the drug for which it is seeking approval. The fourth certification (“paragraph IV certification”) asserts that the patent is invalid or will not be infringed by the manufacture, use, or sale of the new generic drug for which the ANDA is submitted.
36. Teva, 395 F.3d at 1327.
38. Teva, 395 F.3d at 1327.
39. Id.
In its analysis, the court refined the first prong of the two-part test to require reasonable apprehension of an *imminent* suit. The "requirement of imminence reflect[ed] the Article III mandate that the injury in fact be 'concrete' and 'actual or imminent, not conjectural or hypothetical.'"\textsuperscript{40} With regard to the second prong of the test, the court interpreted the requirement to be "present activity by the declaratory judgment plaintiff which could constitute infringement, or concrete steps taken with the intent to conduct such activity."\textsuperscript{41} The court ultimately found that Teva failed to satisfy the first prong of the test because "Teva virtually concede[d] that Pfizer [would] not bring immediate suit for infringement of the ... patent."\textsuperscript{42} As a result, there was no case or controversy for declaratory judgment jurisdiction.

**F. The New Declaratory Judgment Jurisdiction Test:**

MedImmune, Inc. v. Genentech, Inc.

1. Facts

In MedImmune, Inc. v. Genentech, Inc.\textsuperscript{43} the Supreme Court addressed the issue of whether a licensee's own acts of making royalty payments so that there would be no risk the patentee will seek to enjoin a licensee's sales, evidenced a lack of case or controversy under Article III, and thus prevented the patentee from seeking a declaratory judgment.\textsuperscript{44} Genentech, a drug manufacturer, entered into a license agreement with MedImmune, a competitor in the industry, which covered a pending patent application that matured into a patent belonging to Genentech.\textsuperscript{45} When the patent issued, Genentech sent a letter to MedImmune claiming that the drug they manufactured was covered by its patent and that MedImmune owed royalties under the prior licensing agreement.\textsuperscript{46} MedImmune asserted that no royalties were due because the patent was invalid and unenforceable, but considered the letter a threat to pursue infringement litigation and to terminate the license agreement if MedImmune did not pay
royalties. MedImmune paid the royalties under protest and filed a declaratory judgment action.

2. Analysis

The Court ultimately found that an Article III case or controversy requirement does not require a licensee to breach a license agreement prior to seeking a declaratory judgment of patent invalidity. In reaching its conclusion, the Court relied heavily on its precedent in Altvater v. Freeman, declaring:

[T]he requirements of [a] case or controversy are met where payment of a claim is demanded as of right and where payment is made, but where the involuntary or coercive nature of the exaction preserves the right to recover the sums paid or to challenge the legality of the claim.

Prior to Altvater, the coercion principle was applied to governmental actions only. The Court noted that the coercion in Altvater was private, not governmental, and, therefore, the analysis of Altvater could be applied to MedImmune.

As it turns out, the most important part of the MedImmune decision is to be found in the dicta in footnote eleven rather than in the actual holding. Footnote eleven effectively invalidates the reasonable apprehension test used by the Federal Circuit for determining whether a case or controversy exists under the Declaratory Judgment Act. The Court in MedImmune found that the reasonable apprehension test used in Teva, Gen-Probe and others conflicted with Altvater, Maryland Casualty Co., Aetna, and Cardinal

47. Id.
48. Id.
49. Id. at 777.
50. Id. at 773 (citing Altvater v. Freeman, 319 U.S. 359, 365 (1943) (emphasis added). The Court further noted that "the dilemma posed by that coercion—putting the challenger to the choice between abandoning his rights or risking prosecution—is 'a dilemma that it was the very purpose of the Declaratory Judgment Act to ameliorate.'" Id.
51. See, e.g., Terrace v. Thomson, 263 U.S. 197 (1923) (holding that where the State threatened plaintiff with forfeiture of his farm if he entered into a violative lease there was not a requirement to initiate the lease in order to test the validity of the law). The MedImmune court explained that "where threatened action by government is concerned, [it] does not require a plaintiff to challenge the basis for the threat . . . [and] the plaintiff's own action (or inaction) in failing to violate the law eliminates the imminent threat of prosecution, but nonetheless does not eliminate Article III jurisdiction." MedImmune, 127 S. Ct. at 772.
52. MedImmune, 127 S. Ct. at 774.
53. Id. at 774.
The test conflicted with Aetna precedent, in which a case or controversy existed “even though the very reason the insurer sought declaratory relief was that the insured had given no indication that he would file suit.” It also conflicted with the test applied in Maryland Casualty, in which a case or controversy existed even though a collision-victim could not have sued the declaratory judgment plaintiff-insurer without first obtaining a judgment against the insured. Finally, it conflicted with the holding in Cardinal Chemical Co., in which a case or controversy existed even though the court found that there was no infringement and no apprehension of suit, because lack of such apprehension “does not moot a declaratory judgment counterclaim of patent invalidity.”

The significance of footnote eleven lay in its clear signal that the Supreme Court viewed the Federal Circuit’s “reasonable apprehension of suit” test as contrary to law in all contexts, not just in a licensor-licensee dispute as presented in MedImmune.

3. Implications of the Decision

The Court created no bright line test for determining whether a case or controversy exists, but emphasized that in making such a determination a court should consider the totality of circumstances. The Court quoted Aetna and concluded that Article III requires a dispute to 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.’” Importantly, Article III does not require a plaintiff to risk its livelihood in order to qualify as having a justiciable case or controversy: “[t]he rule that a plaintiff must destroy a large building, bet the farm, or (as here) risk treble damages and the loss of 80 percent of its business, before seeking a declaration of its actively contested legal rights finds no

54.  *Id.* n.11.
55.  *MedImmune*, 127 S. Ct. at 774 n.11; *See also* Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 239 (1937).
In summary, the declaratory judgment test presented by the Court in MedImmune eliminated the reasonable apprehension of suit element from the traditional case or controversy test for declaratory judgments, but it presented no bright line replacement test.

The impact of the MedImmune decision, particularly the dicta in footnote eleven, has been widely felt. The Court concluded, following its decision in Lear years before, that a patent licensee need not breach an underlying license agreement in order to challenge the validity of a patent. The Court applied this reasoning to MedImmune and found that a licensee can challenge a licensed patent by filing a declaratory judgment action against the licensor, even without breaching the underlying license agreement. The effect of this finding is to enlarge the class of potential plaintiffs who can qualify as having a justiciable case or controversy for the purposes of the Declaratory Judgment Act. However, the presence of a case or controversy is still based on an evaluation of the totality of the circumstances. The decision may be interpreted as a continuation of the Supreme Court's hostility to binding a licensee's hands, which started with the Lear court.

III. APPLICATION OF THE NEW DECLARATORY JUDGMENT TEST: SANDISK CORP. v. STMICROELECTRONICS, INC.

A. Facts

In SanDisk Corp. v. STMicroelectronics, Inc., the court relied on the precedent of MedImmune and applied the revised declaratory judgment jurisdiction test, in which the reasonable apprehension element was effectively eliminated. STMicroelectronics ("ST"), a company in the business of flash memory storage devices, requested a meeting with SanDisk Corporation ("SanDisk"), a competitor in the industry, to discuss a cross-licensing agreement for fourteen patents owned by ST that ST indicated might "be of interest" to SanDisk. At
the meeting, ST presented infringement analyses of the patents, "mapp[ing] the elements of each of the allegedly infringed claims to the aspects of the accused SanDisk products alleged to practice the elements." The experts at the meeting "liberally referred to SanDisk’s (alleged) infringement of [ST’s] products." However, at the meeting ST’s vice president of intellectual property and licensing, Lisa Jorgensen, declared that "ST has absolutely no plan whatsoever to sue SanDisk." After failed attempts to schedule another negotiation meeting with ST, SanDisk filed a lawsuit against ST, alleging infringement of one of its patents and seeking a declaratory judgment of noninfringement and invalidity of the fourteen ST patents that were discussed during the cross-licensing negotiations.

B. Procedural History

ST filed a motion to dismiss for lack of subject matter jurisdiction, maintaining there was no actual controversy as required by Article III. The District Court granted ST’s motion to dismiss, finding that SanDisk did not have an objectively reasonable apprehension of suit, even if it subjectively believed ST might bring an infringement suit. The court found that the infringement analyses lacked the requisite "express charges [of infringement] carrying with them the threat of enforcement" and that there could be no objective basis for an apprehension of suit when ST expressly stated that it did not intend to sue SanDisk. These considerations led the court to conclude that the totality of circumstances did not create an actual controversy. The case was appealed to the Federal Circuit, but before the Federal Circuit issued its decision, MedImmune was decided. As a result, the court relied on MedImmune in reaching its decision.

65. Id. at 1375 (quoting SanDisk I, slip op. at 5).
66. Id. (quoting SanDisk I, slip op. at 5-6).
67. Id. at 1376 (quoting SanDisk I, slip op. at 6).
68. Id.
69. Id.
70. Id. See SanDisk I, slip op. at 14.
71. Id. at 1377 (quoting SanDisk I, slip op. at 14-15).
72. Id.
73. Id.
75. The parties made their arguments prior to the issuing of the decision in MedImmune and therefore relied on pre-MedImmune precedent. SanDisk relied on Arrowhead, arguing that
C. Analysis

On review, the Federal Circuit held:

Where 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 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 a declaration of its legal rights.\(^7\)

The decision solidified the MedImmune rejection, in footnote eleven, of the reasonable apprehension test and expanded its application to the context of parties with no legal relationship.\(^7\) Unfortunately, the SanDisk court left the breadth of its holding undeclared: “We need not define the outer boundaries of declaratory judgment jurisdiction, which will depend on the application of the principles of declaratory judgment jurisdiction to the facts and circumstances of each case.”\(^7\)

The case or controversy test used by the SanDisk court was the revised test mandated by MedImmune, but applied outside the context of a licensor-licensee relationship. The revised test, although it relaxes the requirements a potential plaintiff must meet in order to show a case or controversy, still requires some activity by the patentee. The SanDisk court interpreted the test to require the patentee to assert his or her rights based on some ongoing or planned activity, so that “declaratory judgment jurisdiction generally 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.”\(^7\) The test also requires a response by the potential plaintiff consisting of an asserted right to engage in the accused activity without a license.\(^7\)

SanDisk had an objectively reasonable apprehension of suit based on the totality of circumstances because of ST’s infringement analysis presentation and the fact that licensing negotiations had ceased at the time SanDisk filed its declaratory judgment action. ST relied on cases interpreting Arrowhead, arguing that the “bare mention of infringement, particularly during license negotiations, is not sufficient to meet the standard set forth in Arrowhead.” ST argued that the totality of circumstances did not show that ST’s conduct created a case or controversy. \(id.\ at 1377.\)

76. SanDisk II, 480 F.3d. at 1381.
77. The court concluded: “[t]he Supreme Court’s opinion in MedImmune represents a rejection of our reasonable apprehension of suit test.” \(id.\ at 1380.\)
78. \(id.\ at 1381.\)
79. \(id.\ at 1380-81.\)
80. \(id.\ at 1381.\)
Interpreting the MedImmune test and applying it to the facts in SanDisk, the Federal Circuit found that the lower court had improperly granted dismissal. The court looked to the defendant ST’s conduct in its totality, rather than focusing on whether the conduct had created a reasonable apprehension of suit. ST’s conduct met the revised test’s threshold because ST had asserted its rights by seeking a royalty for its patents. Furthermore, Jorgenson’s promise not to sue did not “moot the actual controversy created by its acts.” Plaintiff SanDisk’s activity satisfied the requirements of the revised test because it responded by continuing its allegedly infringing activity while asserting its noninfringement. The court found that a case or controversy existed, giving rise to declaratory judgment jurisdiction, and that SanDisk need not “bet the farm,” so to speak, and risk a suit for infringement by continuing the [allegedly infringing] activity before seeking a declaration of its legal rights.

IV. IMPACT OF THE SANDISK DECISION

A. Practical Impact of SanDisk Holding on Declaratory Judgment Analysis

After SanDisk, it became clear that footnote eleven in MedImmune would be followed as precedent and that the reasonable apprehension of suit test was effectively eliminated. Doubt was removed about the breadth of the MedImmune holding: it had a broad application. The holding formally applied the MedImmune case or

81. Id. at 1383.
82. Id. at 1382.
83. Id. at 1383. The court did not go into detail addressing this prong of the case or controversy test, instead focusing on the reasonable apprehension element of the first prong: “In this case, we address only the first prong of this court’s two-part test. There is no dispute that the second prong is met.” Id. at 1380 n.2.
84. The court noted that “SanDisk... [had] maintained that it could proceed in its conduct without the payment of royalties to ST.” Id. at 1382.
85. Id.
86. The amicus brief of Guardian Media Technologies, Ltd. ("Guardian"), in support of STMicroelectronics, argued that MedImmune should be confined to the licensor-licensee scenario. Brief for Guardian Media Technologies, Ltd. as Amici Curiae Supporting Respondents, SanDisk Corp. v. STMicroelectronics, Inc., 480 F.3d 1372 (Fed. Cir. 2007) (No. 05-1300). Guardian argued that the reasonable apprehension test was not invalidated in MedImmune if the holding is construed narrowly:

Apart from the Supreme Court’s specific holding that the payment of license royalties does not eliminate the controversy created by a patentee’s explicit threat to sue for patent infringement, [the Federal Circuit’s] complete two-part
controversy test, for the first time, to a situation where the parties did not have a legal relationship. However, the outer reach of the holding was left undeclared.\textsuperscript{87}

The broad holding has important implications for patentees. After \textit{SanDisk}, an Article III case or controversy exists any time a patentee puts a declaratory judgment plaintiff in a "position of either pursuing arguably illegal behavior or abandoning" activity it asserts it has right to do.\textsuperscript{88} There is no longer a safe haven for a patentee to offer a license and expressly state that there is no intent to sue for infringement.\textsuperscript{89} The patentee may still be subject to a declaratory judgment action. The potential licensee, who has more leverage after \textit{SanDisk}, can respond with "put up or shut up,"\textsuperscript{90} and virtually any response by the patentee to the potential licensee, other than a disavowal of patent coverage, will expose the patentee to a potential declaratory judgment action.\textsuperscript{91} The dissent in \textit{SanDisk} correctly asserted that there is potentially no "stopping point short of allowing declaratory judgment actions in virtually any case in 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."\textsuperscript{92}

\textbf{B. Effects on Declaratory Judgments Thus Far}

An expansion of the class of potential declaratory judgment plaintiffs has not, somewhat surprisingly, coincided with an actual increase in the number of filings. To the contrary, as of July of 2007, seven months after the MedImmune decision and four months after

\textsuperscript{87} SanDisk, 480 F.3d at 1381.
\textsuperscript{88} Id.
\textsuperscript{89} Id. at 1384 (Bryson, J., concurring).
\textsuperscript{90} Id. at 1385 (Bryson, J., concurring).
\textsuperscript{91} Id. Justice Bryson elucidates the effect of the new test with the following illustration: [E]ven a representation by the patentee that it does not propose to file suit against the prospective licensee will not suffice to avoid the risk that the patentee will face a declaratory judgment action. And if there is any uncertainty on that score, all the prospective licensee has to do in order to dispel any doubt is to inquire of the patentee whether the patentee believes its activities are within the scope of the patent. If the patentee says "no," it will have made a damaging admission that will make it very hard ever to litigate the issue, and thus will effectively end its licensing efforts. If it says "yes" or equivocates, it will have satisfied the court's test and will have set itself up for a declaratory judgment lawsuit.
\textsuperscript{92} Id. at 1384-85.
the SanDisk decision, there has been little change in the number of declaratory judgment cases. Nationwide, the number of patent declaratory judgment filings is actually lower post-*MedImmune*, with 144 filings in the seven months pre-*MedImmune* and 124 filings in the seven months post-*MedImmune*.\(^9\) The total number of patent case filings for the same period pre- and post-*MedImmune* (1,599 vs. 1,478) indicate that the relatively steady state of declaratory judgment filings is not the result of an increase in patentees "suing first and settling later."\(^9\)

There are several possible reasons for the apparently limited practical effect of the *MedImmune* and SanDisk decisions. The first is that initiating litigation is a serious decision. The time, cost, and inherent risks of litigation make it a large undertaking with no concrete assurance of achieving the desired outcome. If parties prefer a licensing arrangement, then they are likely to explore that option first and seek resolution rather than pursue litigation. Parties otherwise interested in licensing agreements are likely to sue first only when they view litigation as inevitable. The second possible reason for the limited practical effect is that if there is a dispute with little hope for an agreement between the parties, then the prospective defendant would likely have been able to file a successful declaratory judgment action pre-*MedImmune*. Therefore, the changed legal situation would not spark a change in the number of declaratory judgment actions.

C. Illustrative Cases: Application of the SanDisk Rationale

1. Benitec Australia Ltd. v. Nucleonics, Inc.

   a. Facts

   In *Benitec Australia Ltd. v. Nucleonics, Inc.*,\(^9\) the court used the reasoning of *MedImmune*, particularly footnote eleven, and *SanDisk* in reaching its decision on whether a case or controversy existed for the purposes of a declaratory judgment action. Specifically, the issue focused on whether the court possessed declaratory judgment

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93. These numbers were derived by the authors from the filing information contained in the Federal Courts' nationwide PACER database. The authors performed a manual search through the PACER system, searching first under the criteria of all "Patent/Declaratory Judgment" actions, and then under a "Patent" only criterion from information supplied on case cover sheets.

94. *Id.*

jurisdiction over Nucleonics’ counterclaims seeking declarations of invalidity and unenforceability of Benitec’s U.S. Patent No. 6,573,099 ("the ‘099 patent"), which covers interference RNA (RNAi) gene silencing for use in gene therapy.  

Benitec sued Nucleonics for infringement of Benitec’s ‘099 patent, after which Nucleonics responded with a motion to dismiss Benitec’s complaint for lack of subject matter jurisdiction. Nucleonics argued that Benitec “shot before there [was] even a target” since the allegedly infringing activity would take place years in the future and depended on the outcome of clinical trials. The court denied Nucleonic’s motion for dismissal, but without prejudice. Nucleonics proceeded to file a request with the USPTO for reexamination of the ‘099 patent. Benitec then moved the court to dismiss its complaint without prejudice on the basis of the decision in Merck KGaA v. Integra Lifesciences I, Ltd., in which the court interpreted broadly a pharmaceutical research exemption, arguing that there was "no presently viable infringement claim against Nucleonics." The district court granted Benitec’s motion to dismiss its complaint without prejudice, in which Benetic promised “not to sue Nucleonics for patent infringement arising from activities and/or products occurring on or before the date dismissal was entered in this action,” and dismissed Nucleonics’ counterclaim for lack of subject matter jurisdiction. Nucleonics appealed the dismissal of its declaratory judgment counterclaims against Benitec.

b. Analysis

The appeals court affirmed the District Court’s dismissal for lack of subject matter jurisdiction, relying on the reasoning of MedImmune’s footnote eleven and SanDisk. The court rejected...
imminence of suit as a key factor in determining whether there was declaratory judgment jurisdiction, relying instead on the finding that Nucleonics had failed to show a case or controversy of "sufficient immediacy and reality" to support declaratory judgment jurisdiction.  

The court elucidated the requirement that the party seeking a declaratory judgment has the burden of proof to establish that "such jurisdiction existed at the time the claim for declaratory relief was filed and that it has continued since" and "at all stages of review, not merely at the time the complaint [was] filed." If a party is sued for infringement, then there is necessarily a case or controversy at the time of filing, which continues "absent further information" to the contrary. However, the burden remains on the party seeking the declaratory judgment to show that a controversy still exists. When a controversy is eliminated, the subject matter jurisdiction for a declaratory judgment action is also eliminated.

The Benitec court found that declaratory judgment jurisdiction existed at the time Nucleonics filed its counterclaims because Benitec's patent infringement claims were still pending. The main issue was whether declaratory judgment jurisdiction still existed after Benitec dismissed its complaint against Nucleonics. With regard to Nucleonics's human application of its RNAi technology, the filing of a New Drug Application ("NDA") with the FDA was not expected until 2010 at the earliest, and "[t]he fact that Nucleonics may file an NDA in a few years does not provide the immediacy and reality required for a declaratory judgment." Benitec's promise not to sue over the human RNAi technology was distinguished from the promise

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In view of [the decision in MedImmune], particularly footnote 11 expressing disapproval of our previously used "reasonable apprehension of imminent suit" test for determining declaratory judgment jurisdiction, we requested further briefing. The court has considered that briefing and is now also informed by this court's recent decisions in Teva Pharmaceuticals USA, Inc. v. Novartis Pharmaceuticals Corp., 482 F.3d 1330 (Fed. Cir. 2007), and SanDisk Corp. v. STMicroelectronics NV, 480 F.3d 1372 (Fed. Cir. 2007), both of which involve the application of standards set forth in MedImmune for determining declaratory judgment jurisdiction.

Id. at 1343.

105. Id. at 1349 (quoting MedImmune, Inc. v. Genentech, Inc., 127 S. Ct. 764, 771 (2007)).
106. Id. at 1344 (citing, e.g., Steffel v. Thompson, 415 U.S. 452, 459 n.10 (1974)).
107. Id. at 1345 (quoting Steffel, 415 U.S. at 459 n.10).
108. Id.
109. Id.
110. Id.
111. Id. at 1345-46.
112. Id. at 1346.
made by ST in SanDisk, which did not preclude declaratory judgment jurisdiction, by the fact that ST had made a statement that it intended not to sue, while Benitec made a statement that it would not sue. Benitec’s withdrawal of its complaint, coupled with its promise not to sue, led the court to conclude that declaratory judgment jurisdiction was lacking on the claims relating to the human RNAi technology.113

As for Nucleonics’s animal RNAi technology, which was still in the development stage, the court found that declaratory judgment jurisdiction was lacking because Nucleonics did not qualify at present as one who “without authority makes, uses, offers to sell, or sells” an allegedly infringing product.114 The discussions related to animal RNAi technology failed to meet the immediacy and reality requirements of MedImmune, as did future plans that did not yet constitute any sort of infringing activity.115

c. Impact

The holding of the Benitec court clarifies that future controversy is not enough to create jurisdiction because it is too speculative: “[t]here is currently, however, no ‘substantial controversy, between [Benitec and Nucleonic], of sufficient immediacy and reality to warrant the issuance of a declaratory judgment’ . . . and there may never be.”117 Taken as a whole, the Benitec court followed MedImmune precedent and rejected the historical imminence of suit test in favor of the definite and concrete dispute requirement used in MedImmune. The implication is that declaratory judgment jurisdiction is limited because patentees can eliminate a case or controversy by dismissing an original infringement action and promising not to sue

113. Id. at 1349.
115. Benitec, 495 F.3d at 1348.
116. Id. at 1348-49. The future plans relating to animal RNAi technology failed to meet the requirements for declaratory judgment jurisdiction because of three reasons: (1) “Nucleonics merely ‘expect[ed]’ to begin work ‘shortly’” and its “only steps toward potentially-infringing animal research [were] discussions with an unnamed potential customer and execution of an undescribed confidentiality agreement.” Id. at 1349. (2) Nucleonics “provided insufficient information for a court to assess whether Nucleonic’s possible future animal work would be infringing or not” and “one cannot tell if Nucleonics intends to undertake activity that would fall within [the research] exception or would otherwise be infringing. Id. (3) “Benitec has never challenged use of the technology in testing in animals for animal use” so that “there is no evidence of a justiciable controversy between Benitec and Nucleonics over Nucleonics’s vaguely defined potential expansion to animal husbandry and veterinary products.” Id.
over existing products, without showing that the controversy will not recur in the future.118


a. Facts

In Sony Electronics, Inc. et al. v. Guardian Media Technologies, Ltd.,119 the court again applied MedImmune precedent and SanDisk reasoning in determining whether declaratory judgment jurisdiction existed. Sony et al. ("Sony") sued Guardian, seeking a declaratory judgment that two patents owned by Guardian (U.S. Patent Nos. 4,930,158 ("the '158 patent") and 4,930,160 ("the '160 patent") were invalid, not infringed, and unenforceable due to laches and equitable estoppel.120 The patents at issue "describe[d] a system in which users [could] selectively block the viewing or playing of programs that have particular program classification codes."121 Specifically, the '160 patent described "methods and apparatuses for blocking the viewing of certain television programs"122 and the '158 patent described "methods and apparatuses for blocking the playing of certain programs recorded on a videotape or other medium."123 Sony sold "V-Chip" technology that allegedly infringed these patents and the other appellants sold similar technology.124

Guardian sent letters to each of the plaintiffs asserting infringement of the '160 and '158 patents and proposing a licensing agreement.125 The plaintiffs refused the offer of negotiations and each sought a declaratory judgment.126 Guardian filed a motion to dismiss for lack of subject matter jurisdiction and the plaintiffs filed a joint motion to stay the district court cases pending reexamination of the '158 and '160 patents.127 The district court granted Guardian's motion to dismiss for lack of subject matter jurisdiction, holding that there

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118. Id. at 1355 (Dyk, J., dissenting).
120. Id. at *1273.
121. Id.
122. Id.
123. Id.
124. Id. at *1274.
125. Id. at *1275, *1276, *1279
126. Id. at *1276, *1279, *1281.
127. Id. at *1281.
was no actual controversy as required under Article III because there was no explicit threat and none of Guardian’s actions amounted to an "implicit threat of immediate litigation."[128] The plaintiffs appealed the district court’s dismissal.[129]

b. Analysis

The Federal Circuit found that the district court had erred in dismissing the complaints for lack of subject matter jurisdiction.[130] The court analyzed the facts relating to each plaintiff, but the analysis was similar for each, and Sony is particularly illustrative. With regard to Sony, the court looked to the totality of circumstances, finding that Sony and Guardian had taken “adverse positions regarding whether Sony’s sale of products . . . infringed any valid claims of the ‘158 and ‘160 patents”[131] and that the dispute was not based on a hypothetical set of facts.[132] Guardian’s willingness to negotiate a “business resolution” and the potential characterization of the parties’ interactions as negotiations did not negate declaratory judgment jurisdiction.[133] Importantly, the lower court was guided to “take into account that the ‘158 and ‘160 patents [were] currently undergoing reexamination at the request of appellants, and that appellants ha[d] requested a stay pending the outcome of the reexamination proceedings.”[134]

c. Impact

There are several implications of the Sony decision. The decision makes it clear that a party cannot avoid declaratory judgment jurisdiction by denying hostile intent and expressing a desire to achieve a “business resolution.” The import of the decision also lies with the court’s thinly veiled hint to the lower courts to take into

128. Id. (quoting Sony Elecs., Inc. v. Guardian Media Techs., Ltd., No. 05-CV-1777-B, slip op. at 16 (S.D. Cal. Mar. 16, 2006)).
129. Id.
130. Id. at *1286.
131. Id. at *1285.
132. Id. The Court explained that “Guardian has explicitly identified the patents it believes that Sony infringes, the relevant claims of those patents, and the relevant Sony products that it alleges infringe those patents. Sony has identified the specific prior art references that it believes render the asserted claims invalid.” Id.
133. Id. at *1286. The Court references SanDisk., where “a patentee’s apparent continued willingness to engage in licensing negotiations [did] not prevent a plaintiff from maintaining a declaratory judgment suit.” Id. (citing SanDisk Corp. v. STMicroelectronics, Inc., 480 F.3d 1372, 1382 (Fed. Cir. 2007)).
134. Id. at *1289.
account the fact that the patents were under reexamination by the USPTO. After the Sony decision, a pending re-examination by the USPTO may be a reason for courts to decline declaratory judgment jurisdiction and a new strategic maneuver for parties who wish to avoid a declaratory judgment.

V. CONCLUSION

SanDisk removes any doubt that the removal of the reasonable apprehension of suit test applies to all cases, including patent cases. However, the expansion of the class of cases to which declaratory judgment jurisdiction now applies has not changed the seriousness of the decision to bring one, nor has it impacted the risks and rewards. Thus MedImmune and SanDisk have had a limited effect: the frequency of declaratory judgments up to this point has not changed, only the rationale for accepting or denying them. After MedImmune and SanDisk, courts will look to the totality of circumstances in determining whether a case or controversy exists for the purpose of a declaratory judgment action. Courts will especially consider the metes and bounds of the dispute and the activities of the parties. In addition, they will consider judicial economy, as evidenced by the Sony decision, and the immediacy of the controversy, as evidenced by Benitec. Withdrawing a complaint or submitting a request to the USPTO for patent reexamination may be a means to avoid declaratory judgment jurisdiction after SanDisk. However, courts will not consider whether defendant's conduct created on the part of plaintiff a reasonable apprehension that the defendant would initiate suit if the plaintiff continued the allegedly infringing activity.