In the Wake of Reinvigorated U.S. Supreme Court Activity in Patent Appeals

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I. INTRODUCTION

In an age where intellectual property rights have become key tools for achieving and maintaining commercial competitiveness, prudence demands that strategic business plans anticipate the potential legal consequences of one's intended activity, and then manage this risk accordingly. While the wisdom of ordering legal rights through private contract has not been missing from the patent world, the operation of patent assignments and licenses has come to the fore with a public scrutiny of the U.S. patent system that is unprecedented in modern times. In this regard, much attention is being paid to the interplay between notions of the freedom to contract and the arcane nature of the patent laws.

The U.S. Supreme Court has thankfully been engaged in this latest resurgence of public awareness. Indeed, an almost half-century of dormancy by the Court in patent jurisprudence appears to have ended. Moreover, the substantial deference of the Supreme Court to the U.S. Court of Appeals for the Federal Circuit, since its creation in 1982, had led many to view the Federal Circuit as the court of last

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1. See infra Parts II.-VII.; see also infra notes 5, 7 and accompanying text.


3. See infra Parts II., IV., VI.; see also infra note 5.


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resort for patent matters. Few would argue that the Supreme Court has taken those reins back.

With the renewed activity of the Court in the review of patent appeals, the jurisprudential dynamic of a conventional appellate process has been restored. The interpretation of Supreme Court guidance by the Federal Circuit and the U.S. district courts is once again a robust source of study. Along these lines, this article considers the Federal Circuit jurisprudence that has developed in the wake of three recent Supreme Court decisions handed down in the past two years—namely eBay Inc. v. MercExchange, L.L.C., MedImmune, Inc. v. Genentech, Inc., and Quanta Computer, Inc. v. LG Electronics, Inc.—in an attempt to divine a future course for the private ordering of patent rights.

II. THE SUPREME COURT'S CHANGE OF COURSE IN EBay Inc. v. MercExchange, L.L.C.

On May 15, 2006, the Supreme Court in eBay vacated and remanded the Federal Circuit's judgment reversing the district court's denial of MercExchange's request for a permanent injunction against eBay and Half.com. In eBay, the Court dismissed the notion that injunctive relief in patent law should be considered under a different analysis than applicable in other legal disciplines. In so holding, the Court noted that

[a]ccording to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such

6. See, e.g., Mark D. Janis, Patent Law in the Age of the Invisible Supreme Court, 2001 U. Ill. L. Rev. 387, 387-88 ("The Supreme Court has rendered itself well nigh invisible in modern substantive patent law. The Court of Appeals for the Federal Circuit . . . has become the de facto supreme court of patents. In those rare patent cases when the real Supreme Court has materialized, the Court has left behind a largely uninspiring jurisprudence. When winnowed down to those cases dealing directly with substantive patent issues, the jurisprudence is paltry indeed.") (footnote omitted); Michael Paul Chu, An Antitrust Solution to the New Wave of Predatory Patent Infringement Litigation, 33 WM. & MARY L. REV. 1341, 1351 (1992) ("The Federal Circuit is effectively the court of last resort for patent appeals because very few patent cases reach the Supreme Court.").

7. But cf. Timothy B. Dyk, Does the Supreme Court Still Matter?, 57 AM. U. L. Rev. 763, 765 (2008) ("Numbers alone, however, do not begin to capture the importance of the Supreme Court's present and future role in the development of the patent law . . . . [T]here are several reasons why the role of the Supreme Court in the future is likely to be pivotal.").


9. See, e.g., Dyk, supra note 7; Steinberg & Chavous, supra note 8.


13. See infra Parts III., V., VII.

14. 547 U.S. at 394. The permanent injunction suit involved U.S. Patent No. 5,845,265, which related to electronic markets designed to facilitate the online sales of goods. Id. at 390.

15. Id. at 391-92 (quoting 35 U.S.C. § 283 (2000)).
relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.\(^\text{16}\)

Moreover, the Court reminded that the proper standard of review was for an abuse of discretion by the district court, given the equitable nature of the decision to grant or deny permanent injunctive relief.\(^\text{17}\)

The Court rejected both the district court’s and Federal Circuit’s rulings, finding that neither court had faithfully applied these traditional equitable principles.\(^\text{18}\) Although the district court had properly cited the traditional four-factor test, it went too far in suggesting that injunctive relief should be denied in a wide range of cases for which the Court would have found an injunction to be appropriate.\(^\text{19}\) In particular, the Supreme Court was unwilling to accept the district court’s sweeping conclusion “that a 'plaintiff's willingness to license its patents' and 'its lack of commercial activity in practicing the patents' would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue.”\(^\text{20}\) The Court mentioned that

\textit{some patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves. Such patent holders may be able to satisfy the traditional four-factor test, and [thus there is] no basis for categorically denying them the opportunity to do so.}\(^\text{21}\)

The Court opined that the district court’s categorical rule did not comport either with Congress’s intent to protect the principles of equity as they relate to patent law or with prior Supreme Court precedent concerning injunctive relief.\(^\text{22}\)

In rejecting the ruling, the Court noted that the Federal Circuit had “departed in the opposite direction from the four-factor test.”\(^\text{23}\) Indeed, the Federal Circuit had fashioned a general rule, only in patent cases, that once infringement and validity had been found, an injunction should be denied “only in the unusual case, under

16. Id. at 391.
17. Id.
18. Id. at 393.
19. Id.
21. Id.
22. Id. (citing Cont'l Paper Bag Co. v. E. Paper Bag Co., 210 U.S. 405, 422–30 (1908)).
23. Id.
exceptional circumstances and in rare instances . . . to protect the public interest."24 The Federal Circuit premised this general rule favoring permanent injunction on the statutory right of a patent holder "to exclude others from making, using, offering for sale, or selling the invention."25 The Supreme Court, however, admonished that "the creation of a right is distinct from the provision of remedies for violations of that right."26

Where the district court had gone too far in its categorical denial of injunctive relief, the Federal Circuit had gone too far in the opposite direction in its categorical grant of such relief.27 In vacating the judgment of the Federal Circuit, the Supreme Court emphasized that a patent case should be treated like any other case where the equitable discretion to grant or deny injunctive relief must be undertaken in light of the traditional principles of equity.28

III. CHARTING A NEW COURSE ON MATTERS OF INJUNCTIVE RELIEF SINCE eBay

In the two years since eBay, the Federal Circuit has had several occasions to consider the Supreme Court's guidance and chart a new course in considering the merits of injunctive relief in the circumstances of various cases.29

A. Abbott Laboratories v. Andrx Pharmaceuticals, Inc.

On June 22, 2006, in Abbott Laboratories v. Andrx Pharmaceuticals, Inc.,30 the Federal Circuit vacated the district court's preliminary injunction for patent infringement.31 In this first post-eBay decision, the Federal Circuit made only a scant reference to the Supreme Court's decision a month earlier.32 The Federal Circuit, nonetheless, noted the Supreme Court's admonition in eBay to apply the principles of equity when considering injunctive relief and to give due deference to the equita-
ble discretion of the district court. Ultimately, however, the Federal Circuit held that Abbott would not be able to establish a likelihood of success on the merits and thus vacated the preliminary injunction.

B. Acumed LLC v. Stryker Corp.

On April 12, 2007, in Acumed LLC v. Stryker Corp., the Federal Circuit affirmed the district court’s judgment that Stryker willfully infringed an Acumed patent, but vacated and remanded in light of eBay. The district court had ruled before the eBay Court struck down the Federal Circuit’s rule on injunctive relief in patent cases in favor of the traditional four-factor equity test. Acumed’s argument on appeal was that “the facts found by the district court [could] serve as independent support for the injunction, even without application of the old general rule.” Mindful of its role as an appellate review authority, the Federal Circuit declined to express a position on Acumed’s argument, and instead vacated the injunction and remanded with instructions to the district court to reconsider the four-factor test as to whether or not an injunction should issue.

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34. "See Abbott Labs., 452 F.3d at 1347-48. Teva did not challenge the claim that its generic formulation infringed Abbott’s ’718 and ’616 patents, but rather, asserted that those patents were “invalid for obviousness under 35 U.S.C. § 103.” Id. at 1333. Relying on pre-eBay jurisprudence, the Federal Circuit reminded that the accused infringer’s burden of proving invalidity in the context of a preliminary injunction motion differed significantly from that at trial. Id. at 1335 (citing Amazon.com, 239 F.3d at 1358). To defeat the preliminary injunction motion, the accused infringer would need only to raise a substantial question of invalidity. Id. By contrast, at trial, the accused infringer would need to prove invalidity based upon clear and convincing evidence. Id. The Federal Circuit noted that the prior art, especially Abbott’s ’190 patent, contradicted the district court’s conclusion that Teva had not raised a substantial question that a person of ordinary skill in the art would have had a reasonable expectation of success in making the claimed invention. Id. at 1342. Accordingly, the Federal Circuit held that Abbott failed to “establish[ ] a likelihood of success on the merits,” and thus Abbott was “no longer entitled to a presumption of irreparable harm.” Id. at 1347-48 (citing Reebok Int’l Ltd. v. J. Baker, Inc., 32 F.3d 1552, 1556 (Fed. Cir. 1994)). Furthermore, the Federal Circuit did “not doubt that generic competition [would] impact Abbott’s sales of Biaxin XL®,” but in the Federal Circuit’s view, “that alone [did] not establish that Abbott’s harm would be irreparable.” Id. at 1348; see also Ill. Tool Works, Inc. v. Grip-Pak, Inc., 906 F.2d 679, 683 (Fed. Cir. 1990) (stating that if the Federal Circuit were to accept a patentee’s “argu[ments] that, apart from the presumption, its potential lost sales alone demonstrate manifest irreparable harm, . . . acceptance of that position would require a finding of irreparable harm to every manufacturer/patentee, regardless of circumstances”) (internal quotation marks omitted).

35. 483 F.3d 800 (Fed. Cir. 2007).

36. ”Id. at 802. Acumed’s patent, U.S. Patent No. 5,472,444, relates to an orthopedic nail for treating humeral fractures. Id.

37. "Id. at 811 (citing eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 392-93 (2006)). The Federal Circuit’s general rule granted injunctive relief where infringement and validity had been found, absent exceptional circumstances. Id.

38. "Id.

39. "Id. at 811-12.
C. Verizon Services Corp. v. Vonage Holdings Corp.

On September 26, 2007, in Verizon Services Corp. v. Vonage Holdings Corp., the Federal Circuit, inter alia, vacated the district court's injunction for one of Verizon's patents and affirmed its injunction for two other patents.

With respect to the '574 and '711 patents, Vonage had argued that "the district court abused its discretion by issuing an unsupported injunction," notwithstanding the district court's application of the traditional four-factor equity test mandated in eBay. Vonage believed that the district court had "impermissibly based its finding of irreparable harm on lost sales alone," but the Federal Circuit recognized that "the district court [had] found . . . 'several areas of (irreparable) harm,' and [that] the record contain[ed] evidence of price erosion as well as lost opportunities to sell other services to the lost customers." In addition, Vonage argued that the injunction was unnecessary because "the reasonable royalty decided by the jury was sufficient to compensate Verizon's harm." The Federal Circuit concluded that Vonage failed to show "clear error in the district court's determination to award an injunction" and therefore, affirmed the injunction.

D. Paice LLC v. Toyota Motor Corp.

On October 18, 2007, in Paice LLC v. Toyota Motor Corp., the Federal Circuit affirmed the district court's judgment that Toyota infringed U.S. Patent No. 5,343,970, which relates to drive trains for hybrid electric vehicles. The Federal Circuit, however, vacated and remanded the award of "an ongoing royalty of $25 per . . . Prius II, Toyota Highlander, or Lexus RX400h" sold by Toyota during the remaining life of the '970 patent. This case began a trend in the post-eBay era, continued in Innogenetics, N.V. v. Abbott Laboratories and Amado v. Microsoft
to reject permanent injunctions in favor of an ongoing royalty damages award.\textsuperscript{52}

The Federal Circuit sought to distinguish its ongoing royalty remedy from a compulsory license.\textsuperscript{53} The Federal Circuit acknowledged that 35 U.S.C. § 283 "limits the scope of activities that may be enjoined."\textsuperscript{54} But the Federal Circuit also recognized that "[u]nder some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate."\textsuperscript{55} The district court had applied the *eBay* traditional four-factor equity test, declined to issue a permanent injunction, and "imposed an ongoing royalty sua sponte upon the parties."\textsuperscript{56} Because "the district court's order provide[d] no reasoning to support the selection of $25 per infringing vehicle as the royalty rate, [the Federal Circuit was] unable to determine whether the district court abused its discretion in setting the ongoing royalty rate."\textsuperscript{57} Accordingly, the Federal Circuit concluded that it would be "prudent to remand the case for the limited purpose of having the district court reevaluate the ongoing royalty rate."\textsuperscript{58}
E. Innogenetics, N.V. v. Abbott Laboratories

On January 17, 2008, in *Innogenetics, N.V. v. Abbott Laboratories*, the Federal Circuit affirmed-in-part, reversed-in-part, vacated-in-part, and remanded the district court's judgment that Abbott infringed Innogenetics's U.S. Patent No. 5,846,704. Abbott argued "that the district court ... erred in ... finding that Innogenetics had been irreparably harmed and was not adequately remedied by the $7 million award of damages for Abbott's infringement." The Federal Circuit agreed with Abbott that the market entry fee was based upon future sales by Abbott, and therefore, Innogenetics could not complain that it would be irreparably harmed by future sales. Holding that the district court abused its discretion, the Federal Circuit vacated the injunction prohibiting future sales and remanded for a specification of the terms of a compulsory license for a running royalty on future sales.

F. Erico International Corp. v. Vutec Corp.

On February 19, 2008, in *Erico International Corp. v. Vutec Corp.*, the Federal Circuit vacated the district court's preliminary injunction enjoining DMC and other defendants from infringing U.S. Patent No. 5,740,994. Whereas Erico needed to show a likelihood that DMC infringed a valid claim of the '994 patent, DMC needed to show a "substantial question of invalidity to avoid a showing of likelihood of success." DMC, however, was not required to prove actual invalidity, but only needed to show that the claims at issue were vulnerable. The Federal Circuit concluded that the "[DMC] invalidity challenge..."
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based on obviousness cast enough doubt on the validity of [the patent claim] to negate likelihood of success on the merits as to infringement of a valid patent. 68

G. Amado v. Microsoft Corp.

On February 26, 2008, in Amado v. Microsoft Corp., 69 the Federal Circuit, inter alia, affirmed the district court's dissolution of its prior permanent injunction against Microsoft for infringing U.S. Patent No. 5,293,615, but vacated and remanded the "award of $0.12 per infringing unit sold during the stay of the injunction." 70 "Microsoft argue[d] that the district court was entitled to award Amado no more than $0.04 per infringing unit, the amount the jury found to be a reasonable royalty," but the Federal Circuit disagreed, explaining that "the jury's award of $0.04 per unit was based on Microsoft's infringing conduct that took place prior to the verdict." 71 The Federal Circuit ruled that "the district court's escrow award of a $0.12 post-verdict royalty did not expressly consider that Microsoft's infringing sales took place following the grant of an injunction that was stayed," and remanded for reconsideration on that point. 72

68. Id. at 1357. The Federal Circuit concluded that DMC presented sufficient evidence to mount "a serious challenge to the validity of Claim 17" of the '994 patent. Id. at 1356. The Federal Circuit emphasized that "at this point, . . . [DMC] ha[d] only cast doubt on the validity of the '994 patent," and the district court would "have the opportunity to reach a final validity determination at trial." Id.

69. 517 F.3d 1353 (Fed. Cir. 2008).

70. Id. at 1356. Amado's patent relates to software programs with combined spreadsheet and database functionalities. Id.

71. Id. at 1361. There was, according to the Federal Circuit, a fundamental difference, however, between a reasonable royalty for pre-verdict infringement and damages for post-verdict infringement. . . . Prior to judgment, liability for infringement, as well as the validity of the patent, is uncertain, and damages are determined in the context of that uncertainty. Once a judgment of validity and infringement has been entered, however, the calculus is markedly different because different economic factors are involved. . . . Microsoft was enjoined from further infringing activity yet was permitted to continue only by virtue, and with the imprimatur, of the court-ordered stay.

Id. at 1361-62 (emphasis omitted) (citing Paice LLC v. Toyota Motor Corp., 504 F.3d 1293, 1317 (Fed. Cir. 2007) (Rader, J., concurring) ("[P]re-suit and post-judgment acts of infringement are distinct, and may warrant different royalty rates given the change in the parties' legal relationship and other factors.").)

72. Id. at 1362. According to the Federal Circuit, when a district court concludes that an injunction is warranted, but is persuaded to stay the injunction pending an appeal, the assessment of damages for infringements taking place after the injunction should take into account the change in the parties' bargaining positions, and the resulting change in economic circumstances, resulting from the determination of liability—for example, the infringer's likelihood of success on appeal, the infringer's ability to immediately comply with the injunction, the parties' reasonable expectations if the stay was entered by consent or stipulation, etc.—as well as the evidence and arguments found material to the granting of the injunction and the stay.

Id.
H. Voda v. Cordis Corp.

On August 18, 2008, in Voda v. Cordis Corp., the Federal Circuit, inter alia, affirmed-in-part and reversed-in-part the district court's judgment that Cordis infringed Voda's patents, affirmed the denial of a permanent injunction, and vacated and remanded a ruling of willfulness. The Federal Circuit rejected Voda's contention that "the district court erred in adopting a categorical rule that precludes a patent owner from proving its entitlement to an injunction by showing irreparable harm to its exclusive licensee." Concluding that "the district court did not . . . abuse its discretion in finding that monetary damages were adequate to compensate Voda," the Federal Circuit affirmed "the district court's denial of Voda's request for a permanent injunction."

I. Broadcom Corp. v. Qualcomm Inc.

On September 24, 2008, in Broadcom Corp. v. Qualcomm Inc., the Federal Circuit, inter alia, affirmed-in-part and reversed-in-part the district court's judgment that Qualcomm infringed U.S. Patents No. 6,847,686, No. 5,657,317, and No. 6,389,010. The Federal Circuit acknowledged that "[i]t remain[ed] an open question 'whether there remains a rebuttable presumption of irreparable harm following eBay,'" but held that "the district court did not abuse its discretion in finding irreparable injury here" because Broadcom provided evidence of irreparable harm despite not currently practicing the claimed inventions. The Federal Circuit also "agree[d] with Broadcom that the district court did not abuse its discretion . . . finding . . . that the structural nature of a design win market favors a finding that monetary damages [were] inadequate."
J. Post-eBay Elimination of Presumptive Grants of Injunctive Relief

The Federal Circuit jurisprudence since eBay regarding injunctive relief has been faithful to the elimination of any presumptive grant of injunctive relief for a prevailing patent plaintiff. While the effect of eBay on non-practicing patent owners, including patent trolls, will continue to play out in the years to come, the number of contingency fee patent infringement cases appears anecdotally to have suffered a sharp decline post-eBay. In any event, prevailing patent plaintiffs in the post-eBay era have already begun to seek prospective damages under the guise of injunctive relief in the form of post-infringement verdict royalties that arguably amount to a compulsory license.

IV. THE SUPREME COURT'S RENEWED FOCUS ON FORUM AND JURISDICTION IN MEDIMMUNE, INC. V. GENENTECH, INC.

In MedImmune, Inc. v. Genentech, Inc., the Supreme Court reversed and remanded the Federal Circuit's decision upholding the district court's dismissal of MedImmune's declaratory judgment suit. MedImmune asserted that U.S. Patent No. 6,331,415 (Cabilly II), which related to human antibody production, was invalid and unenforceable, notwithstanding MedImmune's continued payment (albeit under protest) of royalties for its product Synagis® under a license to the '415 patent. The Court noted that "[t]he Declaratory Judgment Act provides that, '"[i]n a case of actual controversy within its jurisdiction . . . any court of the United States . . . 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 Court acknowledged that its jurisprudence lacked clear guidance about whether a declaratory-judgment action satisfied the case-or-controversy. Indeed, the Court has

82. See Eric Keller, Time-Varying Compulsory License: Facilitating License Negotiation for Efficient Post-Verdict Patent Infringement, 16 Tex. Intell. Prop. L.J. 427, 432 (2008) ("Since eBay, the Federal Circuit has reviewed four trial court decisions regarding the permanent injunctions in a patent infringement case. All four were remanded because the trial court had granted the injunction without applying the four-factor test required by eBay.").
83. See Michael H. Baniak et al., IP Litigation in the 21st Century, 6 NW. J. TECH. & INTELL. PROP. 293, 305 (2008) ("With Ebay [sic], essentially, if you don't manufacture, you are not going to get an injunction. So that's gone. That's disappeared. So the big hammer that a patent litigant had is disappearing in the contingency world for all intensive [sic] purposes.").
84. See George M. Newcombe et al., Prospective Relief for Patent Infringement in a Post-eBay World, 4 N.Y.U. J.L. & BUS. 549, 569 (2008) ("Some courts have awarded future infringement damages. Some courts have done nothing, requiring the patentee to initiate new litigation to collect damages for future infringement. Finally, some courts have imposed a compulsory license.") (internal citations omitted).
86. Id. at 137.
87. Id. at 121–22.
88. Id. at 126 (quoting 28 U.S.C. § 2201(a) (2000)).
89. Id. at 127.
The Court has attempted to explain the test as whether the evidence showed "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."91

In MedImmune, a substantial controversy clearly would have existed if MedImmune had simply stopped paying royalties based on its assertion that the Cabilly II patent was invalid and not infringed.92 The twist in this case, therefore, was the fact that MedImmune's continued performance under the license in paying royalties essentially eliminated any imminent threat of an infringement suit by Genentech, and thus raised the question whether an Article III case or controversy existed here.93

"[W]here threatened action by government is concerned, [the Court] do[es] not require a plaintiff to expose himself to liability before bringing suit to challenge the basis for the threat—for example, the constitutionality of a law threatened to be enforced."94 The Court opined that "[t]he plaintiff's own action (or inaction) in failing to violate the law eliminate[d] the imminent threat of prosecution, but nonetheless [did] not eliminate Article III jurisdiction."95 In the Court's view, the action or inaction "did not preclude subject-matter jurisdiction because the threat-eliminating behavior was effectively coerced."96 The Court concluded that "[t]he dilemma posed by that coercion—putting the challenger to the choice between abandoning his rights or risking prosecution—[was] 'a dilemma that it was the very purpose of the Declaratory Judgment Act to ameliorate.'97

"Promising to pay royalties on patents that have not been held invalid [did] not amount to a promise not to seek a holding of their invalidity."98 Genentech "appeal[ed] to the common-law rule that a party to a contract cannot at one and the
same time challenge its validity and continue to reap its benefits. But the Court did not see MedImmune as "repudiating or impugning the contract while continuing to reap its benefits. Rather, [MedImmune] assert[ed] that the contract, properly interpreted, [did] not prevent it from challenging the patents, and [did] not require the payment of royalties because the patents [did] not cover its products and [were] invalid."

V. PLACING GREATER EMPHASIS ON FORUM AND JURISDICTION POST-MEDIIMMUNE

In pre-MedImmune patent disputes, the Federal Circuit had articulated a two-part test that first consider[ed] whether conduct by the patentee create[d] a reasonable apprehension on the part of the declaratory judgment plaintiff that it [would] face an infringement suit, and second examine[d] whether conduct by the declaratory judgment plaintiff amount[ed] to infringing activity or demonstrate[d] concrete steps taken with the intent to conduct such activity.

The Federal Circuit acknowledged that the MedImmune decision represented a rejection of the Federal Circuit's reasonable apprehension of suit test. Since MedImmune, the Federal Circuit has issued almost a dozen decisions regarding the propriety of declaratory judgment jurisdiction.

A. SanDisk Corp. v. STMicroelectronics, Inc.

On March 26, 2007, in SanDisk Corp. v. STMicroelectronics, Inc., the Federal Circuit vacated and remanded the district court's dismissal of SanDisk's suit seeking a declaration of noninfringement of ST flash memory storage patents. The Federal Circuit reasoned that it "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."
Federal Circuit determined that “SanDisk ha[d] established an Article III case or controversy that [gave] rise to declaratory judgment jurisdiction.”

B. Teva Pharmaceuticals USA, Inc. v. Novartis Pharmaceuticals Corp.

On March 30, 2007, in Teva Pharmaceuticals USA, Inc. v. Novartis Pharmaceuticals Corp., the Federal Circuit reversed the district court’s dismissal of Teva’s suit seeking a declaration that its generic Famvir® did not infringe several of Novartis’s famciclovir patents. The Federal Circuit stated that, “under ‘all the circumstances’ as found in this case, Teva ha[d] an injury-in-fact and therefore ha[d] a justiciable Article III controversy.” While the Federal Circuit acknowledged “that several of Teva’s grounds alleging an ‘actual controversy’ when standing alone might not be sufficient,” it opined that “if taken as a whole[,] these circumstances establish[ed] a justiciable controversy with Novartis that [could] be resolved by allowing Teva to bring a declaratory judgment.”

C. Honeywell International Inc. v. Universal Avionics Systems Corp.

On May 25, 2007, in Honeywell International Inc. v. Universal Avionics Systems Corp., the Federal Circuit, inter alia, reversed and remanded the district court’s summary judgment that Universal and Sandel did not infringe U.S. Patents No. 5,839,080, No. 6,092,009, No. 6,122,570, No. 6,138,060, and No. 6,219,592. "Honeywell argue[d] that the district court erred by exercising jurisdiction over the
defendants’ request for declaratory relief on the withdrawn claims of the '009 and '060 patents.”114 Because “infringement of a dependent claim also entails infringement of its associated independent claim,” the Federal Circuit “affirm[ed] the district court’s decision to retain jurisdiction over the withdrawn claims of the '060 and '009 patents.”115

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

On July 20, 2007, in Benitec Australia, Ltd. v. Nucleonics, Inc.,116 the Federal Circuit affirmed the district court's dismissal of Nucleonics’ declaratory judgment counter-claims in a case where Benitec had sued Nucleonics for infringing U.S. Patent No. 6,573,099, which related to RNA interference (RNAi) gene silencing therapy.117 The Federal Circuit emphasized that “the party claiming declaratory judgment jurisdiction” bears the burden of establishing “that such jurisdiction existed at the time the claim for declaratory relief was filed and that it has continued since.”118 The Federal Circuit held that “Nucleonics ha[d] therefore not met its burden of showing . . . that its discussions regarding expansion into animal husbandry and veterinary products” constituted present activity, which could subject it to a claim of infringement by Benitec that would satisfy the immediacy and reality requirement for declaratory judgment jurisdiction.119 The Federal Circuit also held that Nucleonics

114. Id. at 995. Honeywell had represented to Universal and Sandel that it would not pursue infringement of these previously asserted claims of the '009 and '060 patents. Based on this representation, Honeywell attempted to withdraw all of the originally asserted display claims, except claims 27–33 of the '009 patent and claims 4–5 of the '060 patent. The district court determined that Honeywell’s refusal to withdraw all of the claims in the display patents left the defendants with a reasonable apprehension of suit. As such, the district court maintained jurisdiction over the claims Honeywell sought to withdraw. Ultimately the district court found [these patent claims] invalid . . . .

115. Id. at 996. “When Honeywell withdrew some independent claims from the litigation, it also chose to maintain causes of action based on certain dependent claims related to its display technology.” Id. at 995. Furthermore, “Honeywell ha[d] also charged Sandel with infringement of the display patents in another lawsuit.” Id. at 996.


117. Id. at 1341–42.


119. Id. at 1348 (citing MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 (2007)). The Federal Circuit reported that “Nucleonics [was] currently researching applications of RNAi with an eye to treating human diseases, such as hepatitis B.” Id. at 1346. Both parties [took] the position that Nucleonics's present activities related to the human medical application of RNAi [were], in light of [35 U.S.C.] § 271 and the Supreme Court's decision in Merck, [were] not infringing and [could not] become infringing until after Nucleonics filed a new drug application (“NDA”) with the U.S. Food and Drug Administration (“FDA”).

Id. “The fact that Nucleonics may file an NDA in a few years [did] not provide the immediacy and reality required for a declaratory judgment[,]” the Federal Circuit reasoned. Id.
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had similarly failed to show that its future plans met the immediacy and reality requirement of MedImmune necessary to support a justiciable controversy.\textsuperscript{120}

E. Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.

On August 3, 2007, in Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.,\textsuperscript{121} the Federal Circuit vacated and remanded the district court’s dismissal for lack of subject matter jurisdiction over the plaintiffs’ suit seeking a declaration that U.S. Patents No. 4,930,158 and No. 4,930,160 were not infringed, and were invalid and unenforceable due to laches and equitable estoppel.\textsuperscript{122} The Federal Circuit “reject[ed] Guardian’s suggestion that there can be no jurisdiction in the courts because it was at all times willing to negotiate a ‘business resolution’ to the dispute.”\textsuperscript{123} The Federal Circuit also rejected Guardian’s assertion that even if an actual controversy existed, the district court’s dismissals should be affirmed on discretionary grounds.\textsuperscript{124}

F. Adenta GmbH v. OrthoArm, Inc.

On September 19, 2007, in Adenta GmbH v. OrthoArm, Inc.,\textsuperscript{125} the Federal Circuit, \emph{inter alia}, affirmed the district court’s judgment entering the jury verdict that U.S. Patent No. 6,257,883, which relates to orthodontic brackets, was invalid under 35 U.S.C. § 102(b).\textsuperscript{126} The Federal Circuit “conclude[d] that Adenta established an Article III case or controversy that gave rise to declaratory judgment jurisdiction.”\textsuperscript{127}

\textsuperscript{120} Id. at 1349 (citing MedImmune, 518 U.S. at 127). The Federal Circuit expressed no opinion on whether Nucleonics’s prospective animal RNAi products “could ever be the subject of an infringement suit,” but concluded only that there was currently “no ‘substantial controversy’...[a]nd there may never be.” Id. (citing MedImmune, 518 U.S. at 127).

\textsuperscript{121} 497 F.3d 1271 (Fed. Cir. 2007).

\textsuperscript{122} Id. at 1273.

\textsuperscript{123} Id. at 1286. The Federal Circuit reasoned that “even if the parties’ interactions in this case could be characterized as ‘negotiations,’ Sony was within its rights to terminate them when it determined that further negotiations would be unproductive. Although Guardian may have wanted to negotiate with Sony, Sony was not required to negotiate with Guardian.” Id. (internal citations omitted) (citing SanDisk Corp. v. STMicroelectronics, Inc., 480 F.3d 1372, 1382 (Fed. Cir. 2007)). “[B]ecause Guardian assert[ed] that it [was] owed royalties based on specific past and ongoing activities by Sony, and because Sony contend[ed] that it ha[d] a right to engage in those activities without a license,” the Federal Circuit found “an actual controversy between the parties.” Id. (citing SanDisk, 480 F.3d at 1381).

\textsuperscript{124} Id. at 1287. In the Federal Circuit’s view, there [was] no affirmative evidence to suggest that [Sony] filed this suit [solely] to obtain a more favorable bargaining position in any ongoing license negotiations. In addition, while this litigation may have had the effect of weakening Guardian’s bargaining position relative to third parties, [the Federal Circuit did] not think it appropriate to infer that [Sony], therefore, filed this suit as an intimidation tactic to gain leverage in any future negotiations with Guardian.

\textsuperscript{125} 501 F.3d 1364 (Fed. Cir. 2007).

\textsuperscript{126} Id. at 1366. The Federal Circuit “agree[d] with Adenta that substantial evidence existed in the record to support the jury’s verdict that a Time bracket was publicly used or on sale at the 1994 Florida trade show.” Id. at 1371.

\textsuperscript{127} Id. at 1370. As the Federal Circuit explained,
Specifically, the Federal Circuit held that "the failure of [patentee] American to file an infringement counterclaim in response to the declaratory judgment action did not deprive the court of jurisdiction."\(^\text{128}\)

G. Micron Technology, Inc. v. MOSAID Technologies, Inc.

On February 29, 2008, in Micron Technology, Inc. v. MOSAID Technologies, Inc.,\(^\text{129}\) the Federal Circuit reversed and remanded the decision of the U.S. District Court for the Northern District of California, which had dismissed, on jurisdictional grounds, Micron's suit seeking a declaratory judgment of noninfringement of fourteen U.S. patents that related to dynamic random access memory chips.\(^\text{130}\) Micron had sought to have the declaratory judgment action transferred to the U.S. District Court for the Eastern District of Texas, where related litigation was pending.\(^\text{131}\) The Federal Circuit ruled that the California district court had declaratory judgment jurisdiction and the case should be heard by the California court, rather than by deferring to the Texas forum of the later-filed suit.\(^\text{132}\) The Federal Circuit reasoned that "in cases such as this with competing forum interests, the trial court needs to consider the 'convenience factors' found in a transfer analysis under 28 U.S.C. § 1404(a)."\(^\text{133}\) The Federal Circuit determined that the California "district court's grounds for declining to exercise jurisdiction were not sufficient."\(^\text{134}\) The Federal

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Adenta advised American that it believed the '883 patent was invalid and that it would not pay any further royalties . . . . American responded [by] indicating that if Adenta breached its license . . . by not paying royalties, it would 'pursue its available legal remedies.' Thus, American indicated its intent to assert its rights under the '883 patent in the event that Adenta failed to pay royalties under the terms of the [license], thereby creating a substantial controversy.

\(^{128}\) Id.
\(^{129}\) Id. (citing Capo, Inc. v. Diophtics Med. Prods., Inc., 387 F.3d 1352, 1356 (Fed. Cir. 2004)).
\(^{130}\) Id. at 899-90.
\(^{131}\) Id. at 905.
\(^{132}\) Id.
\(^{133}\) Id. at 902-03. "For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought." 28 U.S.C. §1404(a) (2000). The Federal Circuit reasoned that "[w]hether intended or not, the now more lenient legal standard set forth in *MedImmune* facilitates[d] or enhance[d] the availability of declaratory judgment jurisdiction in patent cases." Micron, 518 F.3d at 902 (citing Elecs., Inc. v. Guardian Media Techs. Ltd., 497 F.3d 1271 (Fed. Cir. 2007)). "The resulting ease of achieving declaratory judgment jurisdiction in patent cases . . . could facilitate a forum-seeking race to the courthouse between accused infringers and patent holders." Id.

\(^{134}\) Id.
\(^{135}\) Id. (citing Genentech, Inc. v. Eli Lilly & Co., 998 F.2d 931, 937 (Fed. Cir. 1993)). "A district court may consider a party's intention to preempt another's infringement suit when ruling on the dismissal of a declaratory action, but that consideration is merely one factor in the analysis." Id. (citing Genentech, 998 F.2d at 937). The Federal Circuit noted that

\[W]hen the discretionary determination is presented after the filing of an infringement action, the jurisdiction question is treated basically the same as a transfer action under § 1404(a),[1] [and] . . . [t]he convenience and availability of witnesses, absence of jurisdiction over all necessary or desirable parties, possibility of consolidation with related litigation, [and] considerations relating to the interest of justice must be evaluated to ensure the case receives attention in the most appropriate forum.

\(^{136}\) Id. at 904-05.
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Circuit concluded that a consideration of the section 1404 convenience factors revealed that the California district court was the more appropriate forum for the dispute between Micron and MOSAID.\(^{135}\)

H. Caraco Pharmaceutical Laboratories, Ltd. v. Forest Laboratories, Inc.

On April 1, 2008, Caraco Pharmaceutical Laboratories, Ltd. v. Forest Laboratories, Inc.,\(^{136}\) the Federal Circuit reversed and remanded the district court’s dismissal for lack of standing in Caraco’s declaratory judgment suit for noninfringement of U.S. Patent No. 6,916,941 by its generic drug to treat depression and general anxiety disorder.\(^{137}\) Caraco had filed an Abbreviated New Drug Application (ANDA) with a Paragraph IV certification regarding the ’941 patent and U.S. Patent No. RE 34,712, both of which related to escitalopram that Forest marketed as Lexapro®.\(^{138}\) The Federal Circuit held that Caraco’s allegation “that it has been ‘restrain[ed from] the free exploitation of non-infringing goods,’” was sufficient to establish Article III standing.\(^{139}\) The Federal Circuit noted that Caraco’s injury was also “fairly traceable” to Forest’s conduct, which also satisfied the causation requirement of Article III standing.\(^{140}\) The Federal Circuit also determined that “Caraco’s injury-in-fact was redressible by a declaratory judgment that the ’941 patent is not infringed.”\(^{141}\)

\(^{135}\) Id. at 905.

Both Micron and MOSAID [did] business both in California and Texas, so this [factor did] not weigh in favor of either forum. Also, the record [did] not show that availability of witnesses or jurisdiction over desirable parties favor[ed] Texas over California. While the well-known patent forum of the Eastern District of Texas [had] heard cases involving some of the same patents, the record [did] not show any ongoing litigation requiring consolidation.

\(^{136}\) Id. at 1278 (Fed. Cir. 2008).

\(^{137}\) Id. at 1282.

\(^{138}\) Id. at 1288.

\(^{139}\) Id. at 1292 (quoting Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc., 148 F.3d 1355, 1360 (Fed. Cir. 1998)). Caraco alleged it was “being excluded from selling a non-infringing product because Forest ha[d] taken actions [to] delay the FDA from approving Caraco’s ANDA.” Id. at 1291 (citing Teva Pharm. USA, Inc. v. Novartis Pharm. Corp., 482 F.3d 1330, 1340 (Fed. Cir. 2007)). The Federal Circuit reasoned that “[i]f Caraco [was] correct that its generic drug [did] not infringe Forest’s ’941 patent, then it [had] a right to enter the generic drug market, and its exclusion from the generic drug market by Forest’s actions [was] a sufficient Article III injury-in-fact.” Id. at 1292.

\(^{140}\) Id. (citing Steel Co. v. Citizens for a Better Envt’, 523 U.S. 83, 102–03 (1998); Duke Power Co. v. Carolina Envtl. Study Group, Inc., 438 U.S. 59, 74–78 (1978)). The Federal Circuit found that “Forest’s listing of the ’712 and ’941 patents in the Orange-Book effectively deny[ed] Caraco an economic opportunity to enter the marketplace unless Caraco [could] obtain a judgment that both those patents [were] invalid or not infringed by its generic drug.” Id. at 1292–93. Forest thus “create[d] an independent barrier to the drug market that deprive[d] Caraco of an economic opportunity to compete.” Id. at 1293. This conduct was sufficient to satisfy the traceability requirement of Article III standing. Id. (citing Ne. Fla. Chapter of Associated Gen. Contractors of Am. v. City of Jacksonville, 508 U.S. 656, 666 (1993)).

\(^{141}\) Id. The Federal Circuit noted that “[i]f Caraco obtain[ed] a favorable judgment that the drug described in its ANDA [did] not infringe Forest’s ’941 patent, then it [would] only need a judgment of invalidity or noninfringement on Forest’s ’712 patent in order to activate Ivax’s exclusivity period and obtain FDA approval” forthwith. Id.
I. Cat Tech LLC v. TubeMaster, Inc.

On May 28, 2008, in Cat Tech LLC v. TubeMaster, Inc., the Federal Circuit affirmed the district court's summary judgment that TubeMaster did not infringe U.S. Patent No. 6,905,660, which relates to a method for using loading devices to place catalyst particles into multi-tube chemical reactors. The Federal Circuit held that "although a party need not have engaged in the actual manufacture or sale of a potentially infringing product to obtain a declaratory judgment of non-infringement, there must be a showing of 'meaningful preparation' for making or using that product." The Federal Circuit found that the "[c]onstitutionally mandated immediacy requirements [had] been satisfied." In the Federal Circuit's view, "[t]he dispute between TubeMaster and Cat Tech also [met] constitutionally mandated 'reality' requirements." The Federal Circuit explained that "[e]vidence that no preparations have been made to advertise or sell a potentially infringing device may, under certain circumstances, indicate that a dispute lacks the requisite immediacy." The Federal Circuit thus held that "the district court properly exer-

142. 528 F.3d 871 (Fed. Cir. 2008).
143. Id. at 874.
144. Id. at 881 (citing DuPont Merck Pharm. Co. v. Bristol-Myers Squibb Co., 62 F.3d 1397, 1401 (Fed. Cir. 1995); BP Chem. Ltd. v. Union Carbide Corp., 4 F.3d 975, 978 (Fed. Cir. 1993) (requiring "present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity"); Goodyear Tire & Rubber Co. v. Releasomers, Inc., 824 F.2d 953, 955-56 (Fed. Cir. 1987) (requiring that the plaintiff "actually have either produced the device or have prepared to produce that device"). "In general, the greater the length of time before potentially infringing activity is expected to occur, the more likely the case lacks the requisite immediacy." Id. (quoting Sierra Applied Scis., Inc. v. Advanced Energy Indus., Inc., 363 F.3d 1361, 1379 (Fed. Cir. 2004)).
145. Id. at 882. TubeMaster had "developed two basic loading device designs—one with circular plates and one with circular plates with tabs—and [had] developed four loading device configurations." Id. at 881. The Federal Circuit found that TubeMaster [had] already successfully manufactured and delivered a loading device using configuration 3. ... It [was] prepared to produce loading devices using configurations 1, 2 and 4 as soon as it receive[d] an order with the appropriate dimensions. ... Constitutionally mandated immediacy requirements [had] been satisfied because once the threat of liability to Cat Tech ... lifted, it appear[ed] likely that TubeMaster [could] expeditiously solicit and fill orders for loading devices using configurations 1, 2 and 4.
146. Id. "TubeMaster's four basic loading device designs [were] designed 'to cover virtually all of the reactor configurations that might be encountered at customers' facilities.'" Id. the Federal Circuit concluded that "[t]he dispute with Cat Tech [was] 'real,' not hypothetical, because it appear[ed] likely that, once the cloud of liability for infringement [was] eliminated, the accused products [could] be produced without significant design change." Id. at 882-83 (citing Inderdynamics, Inc. v. Wolf, 698 F.2d 157, 169-74 (3d Cir. 1982)).
147. Id. at 883 (citing Sierra, 363 F.3d at 1379 (considering that there was no "existing or draft advertising literature" for the device in question and determining the dispute non-justiciable); Lang v. Pac. Marine & Supply Co., 895 F.2d 761, 764-65 (Fed Cir. 1990) ("[T]he accused infringers had not distributed sales literature, prepared to solicit orders, or engaged in any activity indicating that the ship would soon be ready for sea."); Interdynamics, 698 F.2d at 172 (finding justiciability although the plaintiff "had not yet advertised or solicited orders for its proposed new product," because there was significant evidence that the plaintiff intended to manufacture it)).
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cised its discretion to issue a declaratory judgment of non-infringement as to configurations 1, 2 and 4.148

J. Prasco, LLC v. Medicis Pharmaceutical Corp.

On August 15, 2008, in Prasco, LLC v. Medicis Pharmaceutical Corp.,149 the Federal Circuit affirmed the district court’s dismissal of Prasco’s suit seeking a declaratory judgment that Prasco’s generic benzoyl peroxide cleansing product OSCIONTM did not infringe U.S. Patents No. 5,648,389, No. 5,254,334, No. 5,409,706, and No. 5,632,996, which relate to a benzoyl peroxide cleansing product marketed by Medicis as TRIAZ®.150 The Federal Circuit found that “Prasco [had] not alleged a controversy of sufficient ‘immediacy and reality’ to create a justiciable controversy.”151

The Federal Circuit recognized that “Prasco [did] not allege that defendants had actually restrained its right to freely market OSCIONTM at the time the supplemental complaint was filed, . . . [but that] it [was] the threat of future injury that form[ed] the basis for Prasco’s complaint.”152 The Federal Circuit disagreed with Prasco’s argument that “Medicis’ past history of enforcing patent rights to protect its ‘core products’ support[ed] a finding of a case or controversy.”153 Lastly, the

148. Id. The Federal Circuit concluded that “[a]bsent a declaratory judgment of non-infringement, TubeMaster [would] be forced to ‘bet the farm’ by making the ‘in terrorem choice,’ between a growing potential liability to Cat Tech and abandoning its catalyst loading activities.” Id. (quoting Arrowhead Indus. Water, Inc. v. Ecolochem, Inc., 846 F.2d 731, 735 (Fed. Cir. 1988)). The Federal Circuit recognized that “this was precisely the type of ‘dilemma that it was the very purpose of the Declaratory Judgment Act to ameliorate.” Id. (quoting MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 129 (2007)) (internal citations and quotation marks omitted).

149. 537 F.3d 1329 (Fed. Cir. 2008).

150. Id. at 1333-34.

151. Id. at 1338. “Rather than a purely subjective fear or the mere existence of a potentially adverse patent alone, the alleged injury at the root of most justiciable declaratory judgment controversies in the patent context is a ‘restraint on the free exploitation of non-infringing goods,’ or an imminent threat of such restraint.” Id. at 1339 (quoting Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc., 527 F.3d 1278, 1291 (Fed. Cir. 2008)). “A patentee can cause such an injury in a variety of ways, for example, 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.” Id. (internal citations omitted).

152. Id. Prasco had pointed to Medicis’ marking of its products with the applicable patent numbers to serve as notice to the public under 35 U.S.C. § 287(a) that the goods are patented. Id. at 1340. The Federal Circuit found that “Medicis’ decision to mark its products with the applicable patents provid[ed] little, if any, evidence that it will ever enforce its patents.” Id. Specifically, in the Federal Circuit’s view, Medicis’ decision to mark its products, prior to any knowledge of Prasco’s OSCIONTM product, was irrelevant to the question of whether Medicis’ belief[d] OSCIONTM infringing the applicable patents or will attempt to interfere with Prasco’s business on the basis of an allegation of infringement. Thus, Medicis’ marking of its competing products pursuant to § 287(a) was not a circumstance which supports finding an imminent threat of harm sufficient to create an actual controversy.

Id. at 1340-41.

153. Id. at 1341. In particular, Prasco alleged that Medicis’ prior “infringement suit against Prasco and another generic company . . . demonstrate[d] a genuine risk that the defendants [would] also attempt to enforce its patents against Prasco.” Id. The Federal Circuit recognized that “[p]rior litigious conduct is one circumstance to be considered in assessing whether the totality of circumstances creates an actual controversy.”
Federal Circuit rejected Prasco's assertions regarding the impact of "Medicis' and Imaginative Research Associates' failure to sign covenants not to sue after Prasco sent them samples of OSCION™ in the wake of their initial motion to dismiss."\^{54}


On September 4, 2008, in Janssen Pharmaceutica, N.V. v. Apotex, Inc.,\^{155} the Federal Circuit affirmed the district court's dismissal of Apotex's suit seeking a declaratory judgment that its ANDA to generic risperidone did not infringe U.S. Patent No. 4,804,663, which relates to Janssen's antipsychotic drug, Risperdal® Oral Solution.\^{156} The Federal Circuit held that "Apotex's inability to promptly launch its generic risperidone product because of Teva's 180-day exclusivity period [was] not a cognizable Article III controversy, but a result envisioned by the Hatch-Waxman Act."\^{57} The Federal Circuit held that "a possible delay in the future of a first Paragraph IV ANDA filer in launching its generic product [did] not give rise to declara-

\^{Id. However, the Federal Circuit concluded that "one prior suit concerning different products covered by unrelated patents [was] not the type of pattern of prior conduct that [made] reasonable an assumption that Medicis [would] also take action against Prasco regarding its new product." Id. (citing Indium Corp. of Am. v. Semi-Alloys, Inc., 781 F.2d 879, 883 (Fed. Cir. 1985)). Accordingly, the Federal Circuit held that "Medicis' prior suit premised on other patents [could not] alone create a real and immediate controversy, and it [was] entitled to only minimal weight in analyzing whether such a controversy [had] been created." Id.

154. Id. The Federal Circuit explained that

"although a patentee's refusal to give assurances that it will not enforce its patent is relevant to the determination, it is not dispositive." A patentee has no obligation to spend the time and money to test a competitors' product nor to make a definitive determination, at the time and place of the competitors' choosing, that it will never bring an infringement suit. And the patentee's silence does not alone make an infringement action or other interference with the plaintiff's business imminent. Thus, though 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 action[ ] by the defendant will also generally be necessary.

Id. (quoting BP Chems. v. Union Carbide Corp., 4 F.3d 975, 980 (Fed. Cir. 1993)).

155. 540 F.3d 1353 (Fed. Cir. 2008).

156. Id. at 1355, 1357.

157. Id. at 1361. The Federal Circuit understood that "[w]ithout a declaratory judgment, Teva's 180-day exclusivity period" (as the first Paragraph IV ANDA filer) would "commence when it commercially launches[ ] its generic risperidone product after the expiration of the '663 patent." Id. at 1359–60.

However, if Apotex [was] successful on its declaratory judgment action, Teva's 180-day exclusivity period [would] be triggered at a time [before] Teva [would] be [able to launch its generic product, . . . [and i]f Teva's 180-day exclusivity period [was] exhausted prior to the expiration of the '663 patent, Apotex [would] be able to enter the market immediately upon the expiration of the '663 patent. Id. at 1360. The Federal Circuit stressed that

Apotex stipulated to the validity, infringement, and enforceability of the '663 patent, . . . [and] even if Apotex successfully invalidated the '425 and '527 patents, it [could not] obtain FDA approval until the expiration of the '663 patent because of its stipulations with respect to that patent, . . . Instead, . . . Apotex [was merely] being excluded from the market by Teva's 180-day exclusivity period—a period which Teva was entitled to under the Hatch-Waxman Act.

Id. at 1361.
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tory judgment jurisdiction. Lastly, the Federal Circuit rejected Apotex’s argument “that Janssen’s covenant-not-to-sue [was] deficient as it [did] not protect Apotex’s affiliates, suppliers, and downstream customers.”

L. Prudent Business Practices for Licensors Post-MedImmune

Among the possible prudent business practices for licensors in the post-MedImmune era would be changes to pre-existing license terms. This could include the automatic termination of the patent license upon the initiation of any invalidity challenge by the licensee. A dispute situs provision in favor of arbitration or adjudication in a particular district court should also be considered. To offset a forum selection race, the license could require the licensee to provide advanced notice prior to the initiation of any invalidity challenge. Of course, enhanced royalty triggers, front loaded royalty payments, and licensee responsibility for licensor litigation insurance premiums are all possible actions that licensors might implement.

VI. THE SUPREME COURT ADDRESSES PATENT EXHAUSTION IN QUANTA COMPUTER, INC. V. LG ELECTRONICS, INC.

On June 9, 2008, in Quanta Computer, Inc. v. LG Electronics, Inc., the U.S. Supreme Court reversed the Federal Circuit judgment that affirmed-in-part and reversed-in-part the district court’s summary judgment that the defendants did not infringe U.S. Patents No. 4,918,645, No. 5,077,733, and No. 4,939,641, which relate to personal computers, based on the doctrine of patent exhaustion. The Court

158. Id. at 1363. "Apotex argue[d] that absent a declaratory judgment action, its approval of its noninfringing generic risperidone product [would] be indefinitely delayed until Teva’s 180-day exclusivity period [was] triggered." Id. at 1362. But the Federal Circuit found no “basis to conclude that Teva [would], or [was] likely to, delay in bringing its generic product to market in the future.” Id. at 1363.

159. Id. The Federal Circuit found that the covenant “expressly cover[ed] all suppliers and affiliates involved in the manufacturing process, ... [and] protect[ed] all of Apotex’s customers without any distinction between direct and downstream customers.” Id. (internal citations omitted).

160. See Lisa A. Dolak, Power or Prudence: Toward a Better Standard for Evaluating Patent Litigants’ Access to the Declaratory Judgment Remedy, 41 U.S.F. L. Rev. 407, 442 (2007) ("What seems apparent is that the number of patent declaratory judgment challenges will increase in the wake of the MedImmune decision. First, some licensees will likely seek to undo, or at least renegotiate, existing licenses which lack provisions that proscribe or discourage validity challenges.").

161. See id.

162. See id.

163. See, e.g., id.


166. Id. at 2113.
reminded that "patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item."\textsuperscript{167}

The Court stated that "the right to vend is exhausted by a single, unconditional sale, the article sold being thereby carried outside the monopoly of the patent law and rendered free of every restriction which the vendor may attempt to put upon it."\textsuperscript{168} According to the Court,

where one has sold an uncompleted article which, because it embodies essential features of his patented invention, is within the protection of his patent, and has destined the article to be finished by the purchaser in conformity to the patent, he has sold his invention so far as it is or may be embodied in that particular article.\textsuperscript{169}

The Court further noted that "the traditional bar on patent restrictions following the sale of an item applies when the item sufficiently embodies the patent—even if it does not completely practice the patent—such that its only and intended use is to be finished under the terms of the patent."\textsuperscript{170}

While LG Electronics (LGE) argued that exhaustion principles did not apply to method claims, such as the ones here, Quanta responded that no authority supported the exclusion of method claims from the doctrine's purview.\textsuperscript{171} The Court concurred with Quanta that if LGE's position were adopted, a clever patent drafter "could shield practically any patented item from exhaustion."\textsuperscript{172} In the Court's view, "[t]his case illustrate[d] the danger of allowing such an end run around exhaustion. On LGE's theory, although Intel [was] authorized to sell a completed computer system that practice[d] the LGE Patents, any downstream purchasers of the system could nonetheless be liable for patent infringement."\textsuperscript{173} The Court recognized that "[s]uch a result would violate the longstanding principle that, when a patented item is 'once lawfully made and sold, there is no restriction on [its] use to be implied for the benefit of the patentee.'"\textsuperscript{174} The Court therefore rejected "LGE's argument that method claims, as a category, are never exhaustible."\textsuperscript{175}

The Court "next consider[ed] the extent to which a product must embody a patent in order to trigger exhaustion."\textsuperscript{176} "Here, LGE . . . suggested no reasonable

\begin{footnotesize}
\begin{enumerate}
\item Id. at 2115.
\item Id. at 2116 (quoting Motion Pictures Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 516 (1917)) (internal quotation marks omitted).
\item Id. at 2116–17 (quoting United States v. Univis Lens Co., 316 U.S. 241, 250–51 (1942)) (internal quotation marks omitted).
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\item Id.
\item Id. at 2118.
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\end{enumerate}
\end{footnotesize}
use for the Intel Products other than incorporating them into computer systems that practice the LGE Patents.”\textsuperscript{177} The Court also could not “discern one: A microprocessor or chipset cannot function until it is connected to buses and memory.”\textsuperscript{178} The Court indicated that “the only apparent object of Intel’s sales to Quanta was to permit Quanta to incorporate the Intel Products into computers that would practice the patents.”\textsuperscript{179} In the Court’s view, “the Intel Products constitute[d] a material part of the patented invention and all but completely practice[d] the patent, . . . the incomplete article substantially embodie[d] the patent because the only step necessary to practice the patent [was] the application of common processes or the addition of standard parts.”\textsuperscript{180}

The Intel Products embod[ied] the essential features of the LGE Patents because they carr[ied] out all the inventive processes when combined, according to their design, with standard components. With regard to LGE’s argument that exhaustion does not apply across patents, [the Court] agree[d] on the general principle: the sale of a device that practices patent A does not, by virtue of practicing patent A, exhaust patent B. But if the device practices patent A while substantially embodying patent B, its relationship to patent A does not prevent exhaustion of patent B.\textsuperscript{181}

The Court determined that “[w]hile each Intel microprocessor and chipset practice[d] thousands of individual patents, including some LGE patents not at issue in this case, the exhaustion analysis [was] not altered by the fact that more than one patent [was] practiced by the same product.”\textsuperscript{182} According to the Court, “[t]he relevant consideration [was] whether the Intel Products that partially practice[d] a patent—by, for example, embodying its essential features—exhausted that patent.”\textsuperscript{183}

“Having concluded that the Intel Products embodied the patents, [the Court] next considere[d] whether their sale to Quanta exhausted LGE’s patent rights. Exhaustion is triggered only by a sale authorized by the patent holder,” the Court reminded.\textsuperscript{184} “LGE argue[d] that there was no authorized sale here because the License Agreement [did] not permit Intel to sell its products for use in combination with non-Intel products to practice the LGE Patents.”\textsuperscript{185} The Court reasoned that

\begin{itemize}
  \item \textsuperscript{177} Id. at 2119.
  \item \textsuperscript{178} Id.
  \item \textsuperscript{179} Id.
  \item \textsuperscript{180} Id. at 2120.
  \item \textsuperscript{181} Id.
  \item \textsuperscript{182} Id. at 2121.
  \item \textsuperscript{183} Id.
  \item \textsuperscript{184} Id. (citing United States v. Univis Lens Co., 316 U.S. 241, 249 (1942)).
  \item \textsuperscript{185} Id.
\end{itemize}
LGE overlook[ed] important aspects of the structure of the Intel-LGE transaction. [Indeed, n]othing in the License Agreement restrict[ed] Intel's right to sell its microprocessors and chipsets to purchasers who intend[ed] to combine them with non-Intel parts. . . . The License Agreement authorized Intel to sell products that practiced the LGE Patents. No conditions limited Intel's authority to sell products substantially embodying the patents. Because Intel was authorized to sell its products to Quanta, the doctrine of patent exhaustion prevent[ed] LGE from further asserting its patent rights with respect to the patents substan-
tially embodied by those products.\(^{186}\)

VII. POST-QUANTA RESULTS REGARDING PATENT EXHAUSTION

Since Quanta, the Federal Circuit has not issued any precedential decisions addressing patent exhaustion per se. However, the Federal Circuit has considered an appeal on jurisdictional issues involving the impropriety of the assertion of patent exhaustion as a bona fide cause of action.\(^{187}\)


On September 16, 2008, in ExcelStor Technology, Inc. v. Papst Licensing GMBH & Co.,\(^{188}\) the Federal Circuit affirmed the district court's dismissal for lack of subject matter jurisdiction over ExcelStor's fraud and breach of contract suit against Papst, which included a count seeking a declaratory judgment that Papst had violated the patent exhaustion or first sale doctrine by collecting two royalties from the sale of the same patented hard disk drives.\(^{189}\) The Federal Circuit rejected ExcelStor's contention that its claims arose under the patent exhaustion doctrine of patent law, and thus, were subject to federal court jurisdiction.\(^{190}\) But the Federal Circuit deter-

\(^{186}\) Id. at 2121–22.
\(^{188}\) Id.
\(^{189}\) Id. at 1374.
\(^{190}\) Id. at 1376. A two-part test exists for determining whether federal courts have exclusive jurisdiction over a case pursuant to 28 U.S.C. § 1338(a). . . . [Section] 1338 jurisdiction extends to any case "in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." Id. (quoting Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 809 (2005)). "In analyzing whether patent law is a necessary element of ExcelStor's claims," the Federal Circuit confined its analysis to "ExcelStor's well-pleaded complaint." Id. (citing Caterpillar, Inc. v. Williams, 482 U.S. 386, 392 (1987)). "Under the well-pleaded complaint rule, arising under jurisdiction must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration, unaided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose." Id. (internal quotation marks omitted) (citing Christianson, 486 U.S. at 809). "A claim does not arise under the patent laws if a patent issue appears only in a defense to that claim." Id. (citing Thompson v. Microsoft Corp., 471 F.3d 1288, 1292 (Fed. Cir. 2006)).
mined that ExcelStor’s claims did “not ‘arise under’ the patent laws” because they “merely invoke[d] defenses to hypothetical claims of patent infringement.” The Federal Circuit thus held that “ExcelStor’s claims [did] not establish federal subject matter jurisdiction because they [did] not require resolution of a substantial question of federal patent law.”

B. Other Post-Quanta Consequences

Among the possible prudent business practices for patent owners in the post-Quanta era would be the imposition of express post-sale restrictions on downstream product use. In addition, in view of the Supreme Court’s willingness to find exhaustion of a patent based on the sale of a patented product so long as that product embodies the essential features of a patent, the assessment of the exhaustion implications on each member of a related patent family is warranted. This is especially true where the product being sold represents the integration of components, any of which might be characterized as a material part of the patented invention. Lastly, the adoption of a patent prosecution strategy to craft distinct method claims to encompass end user finishing steps might help alleviate exhaustion concerns.

VIII. CONCLUSION

The Federal Circuit jurisprudence in the wake of reinvigorated Supreme Court activity in patent appeals has revealed several direct consequences. The Federal Circuit decisions that have issued in response to eBay Inc. v. MercExchange, L.L.C. have included the approval of injunctive relief in the form of post-infringement verdict royalties amounting to a compulsory license. The Federal Circuit deci-

191. Id. (quoting Christianson, 486 U.S. at 809). The Federal Circuit characterized ExcelStor’s argument that patent law created the cause of action in this case as a “fundamental[ly] misunderstood[ing of the nature of the patent exhaustion doctrine.” Id. The Federal Circuit agreed with the district court’s ruling that “patent exhaustion [was] a defense to patent infringement, not a cause of action.” Id.

192. Id. “The exhaustion doctrine prohibits patent holders from selling a patented article and then ‘invoking patent law to control post-sale use of the article.” Id. (quoting Quanta Computer, Inc. v. LG Elecs., Inc. 128 S. Ct. 2109, 2122 (2008)). The Federal Circuit determined that “ExcelStor’s amended complaint [did] not allege that Papst invoked the patent laws to control the post-sale use of the hard disk drives.” Id. Instead, “ExcelStor . . . allege[d] that Papst violated the patent exhaustion doctrine by collecting two different royalties from the same patented product.” Id. (internal citations and quotation marks omitted). But the Federal Circuit emphasized that “there is no federal cause of action for collecting royalties twice on the same goods.” Id. at 1376–77. The Federal Circuit reminded that “[p]atent exhaustion prohibits patentees from enforcing patent rights in certain circumstances, but it does not forbid multiple licenses on a single product or even multiple royalties.” Id. at 1377.


194. See id. at 691.

195. See id.

196. See supra Part II.

197. See supra Part III.
sions that have issued in response to *MedImmune, Inc. v. Genentech, Inc.* have included the caution to more rigorously consider 28 U.S.C. § 1404 to facilitate the transfer of cases to the most appropriate forum despite the first-filed rule. In addition, an enhanced attention to the scope of covenants not to sue to remove Article III controversy jurisdiction should arise. Lastly, the Federal Circuit decisions that have issued since *Quanta Computer, Inc. v. LG Electronics, Inc.* have yet to address the heart of the Supreme Court’s holding on patent exhaustion. One can expect nonetheless that the Federal Circuit will soon entertain appeals from district court cases involving attempts to privately order patent rights through assignment and licenses that will have implications for third parties as well as those in contract privity. At bottom, there is a multiplicity of issues that the Supreme Court has generated with its reinvigorated activity in patent appeals that should readily allow us to continue to live in interesting times.

198. See supra Part IV.
199. See supra Part V.
200. See id.
201. See supra Part VI.
202. See supra Part VII.