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# The Patentee and Infringer Battlefield Worsens as Courts Sharpen the Infringer's Sword

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## I. INTRODUCTION

Ms. General Counsel of Pharma Co. arrives at work early Monday morning to find reports from her aides that a rival company, InfringaLot, Inc., has begun selling a very similar drug for which Pharma Co. has a patent. Ms. General Counsel writes to InfringaLot informing them that Pharma believes they are selling a product which falls under the patent owned by Pharma. She ends the letter with an open offer to license the patent to InfringaLot in the hopes of promoting a cordial business relationship and avoiding expensive litigation which would heavily burden Pharma at this time. InfringaLot rejects the letter and files a declaratory judgment action for noninfringement and patent invalidity in federal district court.

Prior to 2007, a federal district court would dismiss this action for failure of subject-matter jurisdiction.<sup>1</sup> However, as of 2007, landmark changes in the jurisprudence of the Supreme Court and the Federal Circuit Court of Appeals would allow the action to go forward, leading to a radical change in the relationship between patentees and alleged infringers.<sup>2</sup>

After years of inactivity, the Supreme Court recently tried its hand at reforming patent law.<sup>3</sup> The Court, since 2004, granted certiorari and overturned six cases involving patent law issues.<sup>4</sup> Like any novel holding by the Supreme Court, the inferior courts must follow suit and

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<sup>1</sup> Sandisk Corp. v. STMicroelectronics, Inc., No. C 04-04379 JF, 2005 WL 5801276 (N.D. Cal. Jan. 20, 2005), *vacated*, 480 F.3d 1372 (Fed. Cir. 2007).

<sup>2</sup> *Id.*

<sup>3</sup> Robert P. Taylor, *The Supreme Court and the Federal Circuit: KSR, eBay, and MedImmune*, 911 PRAC. L. INS. PAT. 71, 75 (2007); see Robert C. Scheinfeld and Parker H. Bagley, *Patent and Trademark Law: Key Decisions from Supreme Court, Federal Circuit*, N.Y.L.J. 3, May 23, 2007, at col. 1 (noting “a sea change in patent law jurisprudence”).

<sup>4</sup> *Id.* at 75 (taking an apparently anti-patent holder stance, the Supreme Court, has ruled against patent holders in five of the six cases).

adjust their jurisprudence accordingly. The Federal Circuit Court of Appeals, being the gatekeeper for patent law controversies,<sup>5</sup> has bore the impact of the rulings. In January 2007, the Supreme Court laid down a ruling that tipped the first domino towards the alteration of the delicate balance between patentees<sup>6</sup> and patent infringers<sup>7</sup> in *MedImmune, Inc. v. Genentech, Inc.*<sup>8</sup> This balance hinges on the extent to which would-be infringers<sup>9</sup> may enjoy certain tactical gains by filing declaratory judgment actions. A balance that is crucially important because pre-emptive initiation of declaratory judgment may place patentees in poor economic and legal positions.<sup>10</sup>

Congress enacted the Declaratory Judgment Act to allow parties to have their rights and relations declared by a court without having to await suit.<sup>11</sup> Specifically regarding patent law disputes, the Declaratory Judgment Act “obviates scare-the-customer-and-run tactics employed by the patentee that infected the competitive environment of the business community with uncertainty and insecurity,<sup>12</sup> characterized as a *danse macabre*, the patent owner brandishing a Damoclean threat with a sheathed sword.”<sup>13</sup> The Act initially served to protect would-be infringers from threats by patentees; infringers could file a declaratory judgment action in district court asking the court to hold the declaratory judgment plaintiff as a non-infringer and invalidate

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<sup>5</sup> 28 U.S.C.A. § 1295(a)(1) (West 2007) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction...of an appeal from a final decision from a district court of the United States...if the jurisdiction was based, in whole or part, on section 1338 [patents, trademarks, copyrights].”).

<sup>6</sup> BLACK’S LAW DICTIONARY (8th ed. 2004) (“One who either has been granted a patent or has succeeded in title to a patent”).

<sup>7</sup> BLACK’S LAW DICTIONARY (8th ed. 2004) (“A person [or company] who interferes with one of the exclusive rights of a patent...owner”).

<sup>8</sup> *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007).

<sup>9</sup> Throughout this Comment, whenever an infringer is mentioned, it is implied that they are “would-be” infringers, as part of the function of the declaratory judgment action is to determine whether they are in fact infringers or not. No intrinsic value judgment is implied by the use of the label infringer, but it serves as a convenience to this Comment.

<sup>10</sup> *See, e.g.*, *EchoStar Satellite LLC v. Finisar Corp.*, 515 F. Supp. 2d 447 (D. Del. 2007).

<sup>11</sup> 28 U.S.C.A. § 2201 (West 2007) (“Declaratory Judgment Act”).

<sup>12</sup> Prior to the Declaratory Judgement Act, large patentee companies would frequently threaten litigation and other adverse consequences to possible infringers, particularly direct competitors. *See*, 4 PAT. L. FUNDAMENTALS § 20:8 (2d ed.).

<sup>13</sup> *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed.Cir.1988).

the patentee's patents.<sup>14</sup> Surely this device was effective against the patentee bullies of the high-tech playground. However, the Declaratory Judgment Act, viewed as a measurement of equilibrium between patentees and would-be infringers, has been profoundly disrupted in favor of the would-be infringer.

In a footnote of *MedImmune*, the Supreme Court candidly chided the Federal Circuit for creating a legal test for declaratory judgment which was in conflict with precedent.<sup>15</sup> Specifically, the Court disapproved of the Federal Circuit's "reasonable apprehension of suit" test that the Federal Circuit had long since used to determine if a district court had declaratory judgment jurisdiction.<sup>16</sup> In response to *MedImmune*, the Federal Circuit in *SanDisk Corp. v. STMicroelectronics, Inc.*<sup>17</sup> eliminated its "reasonable apprehension of suit" test<sup>18</sup> and adopted a new test, which was soon to be named the "all circumstances" test.<sup>19</sup>

The "reasonable apprehension of suit" test focused on whether the would-be infringer had an objective reason to believe that a patentee would sue them for patent infringement.<sup>20</sup> Once this test was met, the declaratory judgment action presented a case or controversy. Under the Federal Circuit's new test for declaratory judgment, the "all circumstances" test, an infringer need not reasonably apprehend suit; the patentee must merely contact and point out to the infringer that their business activities fall "within the scope of the patentee's patent rights."<sup>21</sup> This is a

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<sup>14</sup> 4 PAT. L. FUNDAMENTALS § 20:8 (2d ed.).

<sup>15</sup> *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764, 774 n.11 (2007).

<sup>16</sup> *Id.*

<sup>17</sup> *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007).

<sup>18</sup> *See infra* note 16.

<sup>19</sup> *Teva Pharmaceuticals USA, Inc. v. Novartis Pharmaceuticals Corp.*, 482 F.3d 1330 (Fed. Cir. 2007)

<sup>20</sup> *SanDisk*, 480 F.3d at 1379.

<sup>21</sup> *Id.* at 1384 (Bryson, J., concurring).

substantially easier standard to meet for an infringer, and thus presents a new strategic opportunity in litigation.<sup>22</sup>

The “all circumstances” declaratory judgment test as required by the Supreme Court in *MedImmune* and crafted by the Federal Circuit in *SanDisk*, has made patentees vulnerable and placed them in poor economic positions.<sup>23</sup> Patentees are forced to litigate or ignore their patent rights due to a test that permits would-be infringers to file declaratory judgment actions which could effectively destroy the patentee’s business.<sup>24</sup> The imbalance and negative effects of the new declaratory judgment test should be rebalanced by a combination of legislative action and the exercise of district court discretion to dismiss declaratory judgment actions filed by infringers that improperly take advantage of the new test.

This Comment will explore aspects of declaratory judgment and its application to current patent law issues. Part II of this Comment will delve into a brief background of the issues from the perspectives of patentees and infringers. Furthermore, it will discuss declaratory judgment and its direct application to patent law disputes. Part II will also discuss the policy behind declaratory judgment actions, their legal effect, and a clarified rule of law after *SanDisk*. Part III will discuss the paradigm shift from concern over patentee abuse to would-be infringer abuse. A survey and analysis of cases decided before and after *SanDisk* offers useful insight into the changing dynamic within the patent industry. Part IV will assert novel solutions to the problems that *SanDisk* creates for patentees. This section will propose that district courts should exercise their ability to dismiss declaratory judgment actions in the interest of public policy where

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<sup>22</sup> *Id.*; See *infra* section III. B. 4. for comparison of the easier new standard to the older and more difficult to meet standard.

<sup>23</sup> See *infra* section III. B.

<sup>24</sup> 4 PAT. L. FUNDAMENTALS § 20:8 (2d ed.); See Matthew Herper, *Lilly, Other Drugmakers Rely on Patents*, FORBES, Aug. 16, 2000, <http://www.forbes.com/2000/08/16/mu4.html> (on file with the *McGeorge Law Review*) (discussing how Eli Lilly, as an example of other pharmaceutical companies, lost 28% of its stock value after one patent was invalidated).

overzealous infringers abuse the *SanDisk* test through its easy standard. This section will also discuss the failure of covenants not to sue as solutions. Finally, part IV will propose a legislative remedy which will ensure the re-establishment of equilibrium between patentees and infringers.

## II. DECLARATORY JUDGMENT

### A. *A Brief Background: Implications of SanDisk*

In his concurring opinion in *SanDisk*, Circuit Judge Bryson illuminated the broad and far-reaching impact of the Federal Circuit’s “all circumstances” test.<sup>25</sup> This new test permits would-be infringers to bring declaratory judgment actions against patentees merely after the patentee informs them that they believe the infringer’s actions constitute infringement.<sup>26</sup> And due to the common business practice of licensing, any offer of a license to a would-be infringer is at minimum an implied assertion by the patentee that the proposed licensee is infringing.<sup>27</sup>

A brief look at industry practice may offer useful context to the patentee-infringer relationship. A widespread business practice among companies with valuable patent portfolios is to identify possible infringers and offer them licensing agreements to preclude the need for expensive litigation.<sup>28</sup> The patentee offers these would-be infringers or licensees<sup>29</sup> the use of their patents in exchange for money or some other consideration. Unsurprisingly, avoiding litigation and maintaining amicable business relations within one’s industry is extremely important for patentee companies as an overall business strategy.

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<sup>25</sup> *SanDisk*, 480 F.3d at 1384 (Bryson, J., concurring).

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> *See, e.g., id.* at 1374 (describing the process of contacting a would-be infringer company for a licensing agreement); H. Roy Berkenstock, *The Licensing of Intellectual Property Rights*, 54 *FED. LAW.* 16 (2007) (discussing strategies for dealing with licensing infringers and the common use of patent licenses in patent dispute settlements).

<sup>29</sup> *BLACK’S LAW DICTIONARY* (8th ed. 2004) (“One to whom a license is granted”).

Consider the predicament of the patentee. First, even a subsequent assurance that they do not intend to sue is not enough to prevent declaratory judgment jurisdiction.<sup>30</sup> If the patentee affirms that the licensee's conduct is in their view infringement, declaratory judgment jurisdiction is assured.<sup>31</sup> Yet, if the patentee claims that the licensee is not infringement, they have likely irreparably damaged any future patent infringement case.<sup>32</sup>

Having established the basic framework of the current patentee-infringer relationship and the implications of the new test, it is relevant to trace the history and policy of declaratory judgment.

*B. Patent Law and Declaratory Judgment: Why Are Patentees Afraid of It?*

The Declaratory Judgment Act, first enacted in 1934, became the sword with which infringers could parry the intimidation tactics of patentees.<sup>33</sup> Unfortunately no legislative records, such as committee or floor reports, exist regarding the Act during its original enactment in 1934 to derive policy goals from Congress. Thus, much of the policy behind the Act regarding patent disputes has been inferred by the courts and commentators.<sup>34</sup> The Act permits a court, within their discretion, to declare the rights of all parties involved and to act as a final adjudication of the matter.<sup>35</sup>

The Act represents the infringer's symbolic sword or pre-emptive strike solely because the infringer no longer need await the service of the complaint from the patentee, but to discover quickly and immediately their rights in regards to the disputed patents.<sup>36</sup> In such cases, the declaratory judgment brought by the infringer is a suit for noninfringement and/or patent

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<sup>30</sup> *SanDisk*, 480 F.3d at 1384 (Bryson, J., concurring).

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> 28 U.S.C.A. § 2201 (West 2007); note that the current form of the act in section 2201 was created in 1934, the original statute found in 28 U.S.C.A. 400 is no longer available.

<sup>34</sup> See *supra* note 11; *infra* note 32 (discussing the policy behind the Declaratory Judgment Act).

<sup>35</sup> 28 U.S.C.A. § 2201(a) (West 2007).

<sup>36</sup> *Id.*

invalidity.<sup>37</sup> In such a suit, the infringer could be judicially declared a non-infringer and the patentee's patents could be invalidated, thereby allowing the now non-infringer to continue to legally use such technologies and perhaps even attempt a patent themselves.<sup>38</sup>

“After the Act, those competitors [infringers] were no longer restricted to an *in terrorem* choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises; they could clear the air by suing for a judgment that would settle the conflict of interests.”<sup>39</sup> This new device for infringers is potent and effective not only because infringers can quickly and efficiently determine their rights in regards to patents, but because the court may declare the patent invalid.<sup>40</sup> To declare a patent invalid for companies which thrive on novel technologies can be utterly devastating by removing the competitive protection of the patent system.<sup>41</sup>

### *C. Tracing the Roots of Declaratory Judgment: Before MedImmune and SanDisk*

*Aetna Life Ins. Co. of Hartford, Conn. v. Haworth*, one of the earliest and most seminal Supreme Court opinions attempted to explicate and apply the Declaratory Judgment Act.<sup>42</sup> The opinion aided in shaping a constitutional and basic framework for determining when a district court has the authority to hear declaratory judgment actions.<sup>43</sup> Although the case centered around insurance policy coverage disputes, the legal analysis is highly informative to the modern and

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<sup>37</sup> 4 PAT. L. FUNDAMENTALS § 20:8 (2d ed.)

<sup>38</sup> *Id.*

<sup>39</sup> *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed.Cir.1988).

<sup>40</sup> 4 PAT. L. FUNDAMENTALS § 20:8 (2d ed.)

<sup>41</sup> For example: pharmaceutical and biotechnological companies. See Matthew Herper, *Lilly, Other Drugmakers Rely on Patents*, FORBES, Aug. 16, 2000, <http://www.forbes.com/2000/08/16/mu4.html> (on file with the *McGeorge Law Review*) (discussing how Eli Lilly, as an example of other pharmaceutical companies, lost 28% of its stock value after one patent was invalidated).

<sup>42</sup> *Aetna Life Ins. Co. of Hartford, Conn. v. Haworth*, 300 U.S. 227 (1937).

<sup>43</sup> *Id.*

polished tests of the Federal Circuit.<sup>44</sup> Drawing from the “actual controversy” language of the Declaratory Judgment Act and the Constitution, the Court held that the prevailing principle of declaratory judgment is a constitutional one.<sup>45</sup>

Under Article III, section 2 of the Constitution, the power of the judiciary is limited to adjudicating all “cases” and “controversies.”<sup>46</sup> Based upon this Constitutional principle, the Court logically concluded that the Declaratory Judgment Act cannot therefore be used beyond such a limit.<sup>47</sup> The Court declared: “A justiciable controversy is thus distinguished from a difference or dispute of a hypothetical or abstract character; from one that is academic or moot.”<sup>48</sup> Thus, the Court held that declaratory judgment is only appropriate if there is a case or controversy as those terms of art are defined; there must be a real and non-hypothetical situation among parties with opposing concrete legal interests.<sup>49</sup>

Expanding upon the foundation of *Aetna*<sup>50</sup> and a gamut of a half-century of common law, the Federal Circuit began to establish a more focused and refined declaratory judgment test.<sup>51</sup>

*Arrowhead Industrial Water* nicely set out the modern Federal Circuit test and is based on the constitutional framework as established in *Aetna*:<sup>52</sup> For many decades the Federal Circuit required a showing that the patentee’s behavior must have created in the infringer “a reasonable apprehension.”<sup>53</sup> Essentially this standard required an apprehension that the patentee will sue

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<sup>44</sup> *Id.*

<sup>45</sup> *Id.* at 240.

<sup>46</sup> U.S. CONST. art. III, § 2.

<sup>47</sup> *See Aetna*, 300 U.S. at 240 (“The Declaratory Judgment Act must be deemed to fall within this ambit of congressional power, so far as it authorizes relief which is consonant with the exercise of the judicial function in the determination of controversies to which under the Constitution the judicial power extends.”).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* at 241.

<sup>50</sup> *Id.* at 227.

<sup>51</sup> *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953 (Fed. Cir. 1987); *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed. Cir. 1988).

<sup>52</sup> *Arrowhead*, F.2d at 735; *Aetna*, 300 U.S. 227.

<sup>53</sup> *See, e.g., Sandisk Corp. v. STMicroelectronics, Inc.*, No. C 04-04379 JF, 2005 WL 5801276 (N.D. Cal. Jan. 20, 2005), *vacated*, 480 F.3d 1372 (Fed. Cir. 2007).

based on the patent dispute and the infringer actually engaged in acts that might subject it to suit for infringement.<sup>54</sup>

The first prong of the Federal Circuit test focused on the conduct of the patentee and whether their conduct would reasonably indicate an intent to initiate suit.<sup>55</sup> The second prong asked whether the infringer's activity could potentially be viewed as infringement upon the patent in question.<sup>56</sup> The Federal Circuit, by inquiring into the reasonable apprehension and of the infringer and behavior of the patentee, conformed to *Aetna* and the controversy requirement.<sup>57</sup> Thus this "reasonable apprehension" test as it will be designated in this Comment, took into account a reasonable apprehension on the part of the infringer.<sup>58</sup> Reasonable apprehension requires the patentee to behave in a way that is substantial and would indicate to a reasonable person that they are about to be sued.<sup>59</sup>

#### *D. The Aftermath of MedImmune and SanDisk: Clarifying the Current Rule of Law in Patent Disputes*

Until early 2007, the old declaratory judgment test was good law patentees and infringers relied upon it alike. However on January 9, 2007, when *MedImmune, Inc. v. Genentech, Inc.* was decided, the reasonable apprehension was effectively eliminated by the Supreme Court.<sup>60</sup>

The *MedImmune* Court took issue with the Federal Circuit's reasonable apprehension test, indicating in a footnote of the opinion that "reasonable apprehension" is not necessary to satisfy the constitutional and statutory requirement, as explicated in *Aetna*, of a justiciable

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<sup>54</sup> *Arrowhead*, 846 F.2d at 735.

<sup>55</sup> *Id.* at 737.

<sup>56</sup> *Id.* at 738.

<sup>57</sup> *Id.* at 735.

<sup>58</sup> *Sandisk*, No. C 04-04379 JF at 4-5.

<sup>59</sup> *Id.*

<sup>60</sup> *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007).

controversy.<sup>61</sup> In fact, the Court indicated that the “reasonable apprehension” test was in conflict with Supreme Court case law.<sup>62</sup> Subsequent to *MedImmune*, the Federal Circuit heard *SanDisk Corp. v. STMicroelectronics, Inc.*, which created a forum to adjust its long-standing declaratory judgment jurisprudence in accordance with the Supreme Court’s decision.<sup>63</sup>

Some background to the underlying dispute between the companies may provide useful context. SanDisk and STMicroelectronics (“ST”), both in the business of flash memory products, first initiated contact when ST’s vice president of intellectual property wrote to SanDisk requesting a cross-license agreement.<sup>64</sup> This request for a meeting, in reality, was based upon ST’s belief that SanDisk was infringing upon ST flash memory patents.<sup>65</sup> The inference is that ST hoped to gain patent licenses and/or other consideration from SanDisk in exchange for the continued use of ST’s patents.<sup>66</sup>

After several meetings and exchanges, communications broke down, resulting in SanDisk filing a suit against ST for declaratory judgment.<sup>67</sup> The district court subsequently dismissed the action for lack of controversy as required by declaratory judgment actions.<sup>68</sup> This holding relied upon the old reasonable apprehension test, with the lower court opining that SanDisk had no reasonable apprehension that ST would file suit against them for patent infringement.<sup>69</sup>

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<sup>61</sup> *Id.* at 774 n.11.

<sup>62</sup> *Id.*

<sup>63</sup> *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007).

<sup>64</sup> *Id.* at 1374.

<sup>65</sup> *Id.* at 1375.

<sup>66</sup> *See id.* at 1374-1376 (describing how SanDisk and ST had a series of meetings and communications which discussed patent infringement analyses and exchange of patent licenses).

<sup>67</sup> *Id.* at 1376.

<sup>68</sup> *Id.*

<sup>69</sup> *Id.* at 1380.

Drawing upon *MedImmune*, the *SanDisk* court discarded the reasonable apprehension prong (the first prong) of the old declaratory judgment test.<sup>70</sup> The court attempted to create a new test which is oblique at best:

“We hold only that where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party [infringer], and where that party contends that it has the right to engage in the accused activity without license, an Article III cause or controversy will arise . . . .”<sup>71</sup>

Months later, the Federal Circuit referred to the test as the “all circumstances” test.<sup>72</sup>

This current test no longer focuses on any reasonable apprehension by the infringer, but takes into account all activity between the patentee and infringer.<sup>73</sup> Based upon the new test, the court upheld the declaratory judgment action “because ST has engaged in a course of conduct that shows a preparedness and willingness to enforce its patent rights . . . .”<sup>74</sup> At first blush, the new test may seem to be an improvement on the old test; however, Circuit Judge Bryson reveals the hidden implications in his concurring opinion.<sup>75</sup>

To understand Judge Bryson’s concerns, we must first recognize the typical scenario of a patentee offering a license to an infringer to avoid litigation, settle disputes, and promote business relationships.<sup>76</sup> The offer of a license to an infringer by a patentee therefore impliedly suggests that the infringer’s business activities are within the scope of the patentee’s rights.<sup>77</sup> In reality, the only reason to offer an unsolicited patent license is to impliedly suggest that the patentee has engaged in a course of conduct that shows a preparedness to enforce its patent

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<sup>70</sup> *Id.*

<sup>71</sup> *Id.* at 1381.

<sup>72</sup> *Teva Pharmaceuticals USA, Inc. v. Novartis Pharmaceuticals Corp.*, 482 F.3d 1330 (Fed. Cir. 2007)

<sup>73</sup> *SanDisk*, 480 F.3d at 1384. (Bryson, J., concurring).

<sup>74</sup> *Id.* at 1383.

<sup>75</sup> *Id.* at 1384 (Bryson, J., concurring).

<sup>76</sup> See Berkenstock, *supra* note 19 (discussing strategies for dealing with licensing infringers and the common use of patent licenses in patent dispute settlements).

<sup>77</sup> *SanDisk*, 480 F. 3d at 1384 (Bryson, J., concurring).

rights.<sup>78</sup> Thus under the new test, any offer of a patent license to an infringer will permit the infringer to sue for declaratory judgment.<sup>79</sup> The majority nicely avoids any discussion of these broad implications and merely decides the case on its facts.<sup>80</sup>

The *SanDisk* court further held that the express declaration by ST that they did not plan to sue SanDisk did not dispel a controversy.<sup>81</sup> The court emphasized that behavior often more reliably evinces intent than words<sup>82</sup> – but when the behavior of a patentee necessary to establish a declaratory judgment action is so little – what else is a patentee to do than deny that which is true? The patentee is truly between “a rock and a hard place,” unable to offer a patent license without exposing themselves to possible patent invalidation by declaratory judgment.<sup>83</sup>

In the recent case of *Benitec Australia, Ltd. v. Nucleonics, Inc.*, the Federal Circuit further refined the analytical framework of the “all circumstances test.”<sup>84</sup> The *Benitec* court first reaffirmed the holding in *SanDisk*<sup>85</sup> and suggested a “useful question” to utilize in determining whether a controversy exists for declaratory judgment.<sup>86</sup> The court asked, “[W]hat, if any, cause of action the declaratory judgment defendant may have against the declaratory judgment plaintiff[?]”<sup>87</sup>

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<sup>78</sup> See Berkenstock, *supra* note 19 (discussing strategies for dealing with licensing infringers and the common use of patent licenses in patent dispute settlements). Furthermore, see text accompanying *infra* note 88 to note 93, even more evidently establishing the new test met by offering of a license.

<sup>79</sup> *Id.* at 1384.

<sup>80</sup> *Id.* at 1383.

<sup>81</sup> *Id.*

<sup>82</sup> *Id.*

<sup>83</sup> If the patentee is to offer a license, it is most likely demonstrating an intent to enforce its patent rights, as required by the all circumstances test. However, if the patentee wishes to use the license as a means to avoid litigation, it has to bare the possibility of being brought into court under declaratory judgment. See Berkenstock, *supra* note 19 (discussing strategies for dealing with licensing infringers and the common use of patent licenses in patent dispute settlements).

<sup>84</sup> *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340 (Fed. Cir. 2007)

<sup>85</sup> *SanDisk*, 480 F.3d at 1372.

<sup>86</sup> *Benitec*, 495 F.3d at 1343.

<sup>87</sup> *Id.* at 1344.

This analytical framework seems to affirm the slippery slope of the new “all circumstances” test as asserted in *SanDisk*.<sup>88</sup> It is difficult to imagine a scenario in which the answer to the *Benitec* court’s question would be “no cause of action.”<sup>89</sup> The question asks: what cause of action “may” the patentee have against the infringer?<sup>90</sup> Certainly in every possible situation in which a patentee is offering a license to an infringer, they “may” have a cause of action against the infringer for patent infringement. In reality, it is unfathomable that a patentee would offer an unsolicited license to an infringer without the implicit suggestion that they “may” have a cause of action against the infringer.<sup>91</sup> Thus it appears that *Benitec*<sup>92</sup> serves to solidify the mass of the infringer’s declaratory judgment sword by emphasizing that a patentee must essentially abandon pre-litigation and even mid-litigation patent licensing.<sup>93</sup>

### III. PATENTEES AFTER *SANDISK*: THE NEW LEGAL REPERTOIRE AND IMBALANCE

#### A. *The Paradigm Shift: The Patentee Transitions from Scare-and-Run to Run-and-Run*

Congress enacted the Declaratory Judgment Act<sup>94</sup> to shield accused infringers from the characteristically behemoth-like and litigation-threatening patentees.<sup>95</sup> Considering that patents are frequently the life-blood of many corporations, general counsel have little reason to question the motives behind such dirty tactics by the shrewd owners of patentee corporations.<sup>96</sup> The

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<sup>88</sup> *SanDisk*, 480 F.3d at 1372.

<sup>89</sup> *Benitec*, 495 F.3d at 1340.

<sup>90</sup> Certainly one can only hope that the *Benitec* court is not asking a district court judge to pre-determine the merits of the case before even analyzing if the court has jurisdiction under the Declaratory Judgment Act.

<sup>91</sup> *See SanDisk*, 480 F.3d at 1384 (Bryson, J., concurring).

<sup>92</sup> *Benitec*, 495 F.3d at 1340.

<sup>93</sup> *Id.*

<sup>94</sup> 28 U.S.C.A. § 2201 (West 2007) (“Declaratory Judgment Act”).

<sup>95</sup> 4 PAT. L. FUNDAMENTALS § 20:8 (2d ed.); *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed.Cir.1988).

<sup>96</sup> *See supra* note 42 (discussing the great economic importance of patents for many corporations).

Declaratory Judgment Act served to stabilize the relationship between patentees and alleged infringers by giving infringers the device of declaratory judgment.<sup>97</sup>

However, *SanDisk* and the subsequent opinions affirming it turn the important public policy goal to protect alleged infringers and stabilize the patent-centered economic marketplace on its head.<sup>98</sup> In the continued attempt to calm the patentee beast, more than the patentee's scare tactics are gone. The formerly viable and far less expensive<sup>99</sup> option of patent licensing in the infringement context is in actuality sliced cleanly from the patentee's repertoire of legal measures as an alternative to litigation. If a patentee will be subject to patent invalidation by declaratory judgment at the mere suggestion of a license, the natural result is that the patentee must either ignore the patent infringement, commence expensive litigation,<sup>100</sup> or risk declaratory judgment and possible subsequent patent invalidation.<sup>101</sup>

It is the removal of the licensing or negotiation measure which causes an imbalance.<sup>102</sup> The repercussions of the "all circumstances" test has created an imbalance in the patentee-infringer relationship which can be studied through the careful examination of district court cases which have attempted to apply the *SanDisk*<sup>103</sup> rule. Many of these cases, if not directly comparing the old result before *SanDisk*,<sup>104</sup> serve as convenient comparative tools and reveal the negative implications for patentees.

#### *B. Establishing the Paradigm Shift: A Case Study through United States District Courts and the Federal Circuit*

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<sup>97</sup> *Id.*; 28 U.S.C. § 2201.

<sup>98</sup> *SanDisk*, 480 F.3d at 1372.

<sup>99</sup> The costs associated with patent licensing due to the sharing of the patents with the infringer is technically negated by the valuable consideration required by the licensing contract.

<sup>100</sup> *Cost of Litigation Haunts U.S. Corporations More than Winning Cases*, INS. J. Nov. 7, 2005; NAT'L RESEARCH COUNCIL OF THE NAT'L ACADS., *A PATENT SYSTEM FOR THE 21ST CENTURY* 106 (National Academies Press 2004).

<sup>101</sup> 4 PAT. L. FUNDAMENTALS § 20:8 (2d ed.).

<sup>102</sup> See *infra* section III. B. and accompanying cases (surveying and analyzing the imbalance created by the new test).

<sup>103</sup> *SanDisk*, 480 F.3d at 1372.

<sup>104</sup> *Id.*

The standard format of the district court and Federal Circuit cases to be discussed often follows a neat pattern. The suit first begins when an infringer files a complaint against the patentee for declaratory judgment, demanding in its pleading that the court to declare noninfringement and/or invalidation of the patents.<sup>105</sup> The patentee or defendant in this action will typically file a Federal Rules of Civil Procedure 12(b)(1) motion to dismiss for lack of subject-matter jurisdiction.<sup>106</sup> This comment will focus on the point at which the court rules on the motion to dismiss, the crucial phase in demonstrating the paradigm shift.

*I. EchoStar Satellite LLC v. Finisar Corp.*<sup>107</sup>

The relevant facts of *EchoStar*<sup>108</sup> are exceedingly similar to *SanDisk*,<sup>109</sup> something that will be repeated in several cases. The defendant Finisar, the patentee, contacted the plaintiff-infringer EchoStar to discuss a licensing agreement because it was believed that EchoStar had been infringing on a satellite technology patent.<sup>110</sup> In the meantime, Finisar filed a patent infringement suit against DirecTV.<sup>111</sup> To ensure EchoStar and other competitors of their intention to continue negotiations, Finisar issued a press release to that effect.<sup>112</sup> After a mutual failure to determine a meeting time and place, EchoStar filed a declaratory judgment suit against Finisar.<sup>113</sup>

Applying the “all circumstances” test, the court held that there is an actual controversy for declaratory judgment.<sup>114</sup> The court concluded that despite repeated attempts by Finisar to

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<sup>105</sup> See, e.g., *EchoStar Satellite LLC v. Finisar Corp.*, 515 F. Supp. 2d 447 (D. Del. 2007).

<sup>106</sup> F.R.C.P. 12(b)(1) (West 2007).

<sup>107</sup> *EchoStar*, 515 F. Supp. 2d at 447.

<sup>108</sup> *Id.*

<sup>109</sup> *SanDisk*, 480 F.3d at 1372.

<sup>110</sup> *EchoStar*, 515 F. Supp. 2d at 449.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> *Id.* at 451.

continue licensing negotiations with EchoStar, the outside suit against DirecTV in combination with the licensing discussions constituted a controversy between Finisar and EchoStar.<sup>115</sup> In fact, the court implied that not even the suit against DirecTV was needed, but the mere fact that EchoStar was confronted with the licensing negotiations.<sup>116</sup>

This case highlights that a patentee may not even conduct its legal affairs in the way it pleases in one case without it materially affecting a possible declaratory judgment action.<sup>117</sup> The secondary litigation against DirecTV was possibly more cost-effective or more tenable than any such suit against EchoStar. However, by imputing the actions of Finisar against a third party (DirecTV) as pressure on EchoStar, the court demonstrated the new position of patentees under *SanDisk*.<sup>118</sup> The circumstances presented in this case would surely not have satisfied the reasonable apprehension test; EchoStar had no “reasonable apprehension of suit.”<sup>119</sup> Thus, the current test essentially precludes patentees from offering licensing agreements.<sup>120</sup> Otherwise, the patentee is subject to the negative economic effects of increased litigation and possible invalidation of patents.<sup>121</sup>

## 2. Sony Electronics, Inc. v. Guardian Media Tech., Ltd.<sup>122</sup>

In this district court case, which was appealed to the Federal Circuit, a patent dispute arose regarding V-chip technologies.<sup>123</sup> Patentee Guardian contacted Sony detailing their

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<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

<sup>117</sup> *Id.*

<sup>118</sup> *Id.*

<sup>119</sup> *SanDisk Corp. v. STMicroelectronics, Inc.*, No. C 04-04379 JF, 2005 WL 5801276 (N.D. Cal. Jan. 20, 2005), *vacated*, 480 F.3d 1372 (Fed. Cir. 2007). The district court held under the reasonable apprehension of suit test (traditional test) that the facts of *SanDisk* did not present a case or controversy. *Id.* Analogizing to the cases discussed, the facts in each are very similar to *SanDisk*. Thus, it is quite likely that each of these high similar cases would have been decided in the same way as the district court *SanDisk* case.

<sup>120</sup> *Id.*

<sup>121</sup> *See*, 4 PAT. L. FUNDAMENTALS § 20:8 (2d ed.) (discussing the implications of declaratory judgment, including the outcome of patent invalidation).

<sup>122</sup> *Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007).

<sup>123</sup> *Id.* at 1285.

analyses of potential infringement by Sony.<sup>124</sup> Over several years, Guardian attempted to meet with Sony to discuss licensing proposals.<sup>125</sup> Sony eventually responded by filing for declaratory judgment.<sup>126</sup>

Interestingly, the case was argued and decided before the district court under the traditional “reasonable apprehension of suit” standard.<sup>127</sup> Under the traditional test, the district court dismissed Sony’s declaratory judgment action for lack of jurisdiction due to no finding of reasonable apprehension of suit.<sup>128</sup>

The Federal Circuit, in applying the new *SanDisk*<sup>129</sup> test, reversed and found jurisdiction for declaratory judgment.<sup>130</sup> The court held of the acts of Guardian contacting and identifying the possibly infringing patents to discuss a licensing agreement created a justiciable controversy.<sup>131</sup> In fact, the court highlighted a crux of this Comment: “In *SanDisk* we recognized that a patentee’s apparent continued willingness to engage in licensing negotiations does not prevent a plaintiff from maintaining a declaratory judgment suit.”<sup>132</sup> Left unsaid, but accepted is the notion that the court should also have held that a patentee’s mere engagement in such negotiations constitutes jurisdiction for declaratory judgment, considering that all Guardian did was contact Sony and offer patent licenses, thereby expressly indicating that Guardian believed Sony was infringing on their patents.<sup>133</sup>

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<sup>124</sup> *Id.*

<sup>125</sup> *Id.* at 1275.

<sup>126</sup> *Id.* at 1276.

<sup>127</sup> *Id.* at 1282.

<sup>128</sup> *Id.*

<sup>129</sup> *Sandisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007).

<sup>130</sup> *Sony*, 497 F.3d at 1285.

<sup>131</sup> *Id.*

<sup>132</sup> *Id.* at 1286.

<sup>133</sup> *Id.* at 1276.

Consequently, the new test forces the patentee, Guardian, out of a frequently used<sup>134</sup> business strategy (patent licensing) and subjects them to patent invalidation by declaratory judgment. *Sony*<sup>135</sup> demonstrates and reinforces that patent licensing is no longer a viable option for patentees like Guardian and that in the future they will be forced into litigation and its high costs, resulting in a more troublesome economic position.<sup>136</sup> A counter-argument to this premise is that litigation is the best forum for these companies to resolve their differences. Why not permit these companies which wield great power in our society to demonstrate their mettle in a public forum? Perhaps even a neutral arbiter will better fashion a remedy than any private license. Unfortunately, this argument may be heavily discounted by the staggering cost of litigation in the United States.<sup>137</sup> There is little legal or business-sense in requiring patentees and infringers to resolve their disputes before the courts when the cost is so high and the freedom of contract reigns supreme.<sup>138</sup> This counter-argument could be likened to arbitration. Surely if we allow parties the ability to go before an arguably less expensive and efficient arbiter, we should at least permit patentees to offer licenses without the accompanying dire consequences.<sup>139</sup>

Furthermore, *Sony*<sup>140</sup> supports the implication that the new rule is subject to infringer abuse and overuse to gain a stronger foothold in the patent-driven economic sector, particularly with the aid of a low-threshold judicial standard of declaratory judgment. That is to say, what is to stop an infringer from abusing the new test to invalidate competitor's patents based on the

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<sup>134</sup> See Berkenstock, *supra* note 19 (discussing strategies for dealing with licensing infringers and the common use of patent licenses in patent dispute settlements).

<sup>135</sup> *Sony*, 497 F.3d at 1271.

<sup>136</sup> See, *Cost of Litigation Haunts U.S. Corporations More than Winning Cases*, INS. J. Nov. 7, 2005; NAT'L RESEARCH COUNCIL OF THE NAT'L ACADS., *A PATENT SYSTEM FOR THE 21ST CENTURY* 106 (National Academies Press 2004) (discussing the extremely high cost of litigation for U.S. corporations).

<sup>137</sup> *Id.*

<sup>138</sup> See, *Board of Regents of State Colleges v. Roth*, 408 U.S. 564 (1972) (explicating the public policy and constitutional requirement of freedom of contract).

<sup>139</sup> See, Theodore Eisenberg, et al., *Arbitration's Summer Soliders: An Empirical Study of Arbitration Clauses in Consumer and Nonconsumer Contracts*, 41 UNIV. MICH. J. L. REFORM 871 (SUMMER 2008) (discussing the ready availability of arbitration and arguments as to its efficiency and cost-effectiveness).

<sup>140</sup> *Sony*, 497 F.3d.

tremendously low threshold required for declaratory judgment jurisdiction? The answer appears to be that there is nothing to stop an infringer.

3. *Crutchfield New Media, LLC v. Charles E. Hill & Associates, Inc.*<sup>141</sup>

In *Crutchfield*, yet another scenario substantially similar to *SanDisk*<sup>142</sup> plays out. Patentee Hill contacted Crutchfield with various materials regarding their belief that Crutchfield was infringing on Hill patents and Hill's desire to enforce those patent rights.<sup>143</sup> The materials sent to Crutchfield included an offer of a license to Crutchfield for the patents.<sup>144</sup> Crutchfield refused the licensing agreement and filed suit for declaratory judgment, shortly thereafter Hill filed a patent infringement suit in response.<sup>145</sup> Hill subsequently moved to dismiss Crutchfield's suit due to lack of subject-matter jurisdiction.<sup>146</sup>

The *Crutchfield* court held that the case was indistinguishable from *SanDisk*,<sup>147</sup> pointing to the offer of license, showing that Hill "put Crutchfield in the same category as other Internet retailers against whom Hill had filed a patent infringement suit."<sup>148</sup> Similar to *SanDisk*,<sup>149</sup> *EchoStar*,<sup>150</sup> and *Sony*,<sup>151</sup> the recourse of a licensing agreement became grounds for a damaging declaratory judgment action by the infringer. Despite Hill's willingness or past history in filing suit against other companies, Hill wished to work out the patent dispute through contractual

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<sup>141</sup> *Crutchfield New Media, LLC v. Charles E. Hill & Associates, Inc.*, No. 1:06-cv-0837-LJM-JMS, 2007 WL 1320750 (S.D. Ind. May 4, 2007).

<sup>142</sup> *Id.* at \*1.

<sup>143</sup> *Id.*

<sup>144</sup> *Id.*

<sup>145</sup> *Id.*

<sup>146</sup> *Id.*

<sup>147</sup> *SanDisk*, 480 F.3d at 1372.

<sup>148</sup> *Crutchfield New Media*, 2007 WL 1320750, at \*2.

<sup>149</sup> *SanDisk*, 480 F.3d at 1372.

<sup>150</sup> *EchoStar Satellite LLC v. Finisar Corp.*, 515 F. Supp. 2d 447 (D. Del. 2007).

<sup>151</sup> *Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007).

means based upon the communication.<sup>152</sup> Under the old test, it is quite likely that Crutchfield would lack a reasonable apprehension of suit based on the materials sent by Hill.<sup>153</sup>

In fact, the materials indicated that Hill believed Crutchfield was infringing, that Hill would enforce their patents, and in the present case wished to settle the matter out of court with a licensing agreement.<sup>154</sup> Under the reasonable apprehension test, it would be exceedingly unreasonable for Crutchfield to believe Hill's desire to negotiate with them would cause them to apprehend suit.<sup>155</sup> Time and time again the new "all circumstances" test encourages increased patent litigation, increased business costs, and promotes the destabilization of the patent-economic marketplace, as exemplified in *Crutchfield*.<sup>156</sup>

#### 4. Sabert Corp. v. Waddington North America, Inc.<sup>157</sup>

The paradigm *SanDisk*<sup>158</sup> scenario is again closely replicated in *Sabert*.<sup>159</sup> Defendant-patentee Waddington is the assignee of a patent relating to the production of food-service furniture and other articles.<sup>160</sup> However, unlike *SanDisk*<sup>161</sup> and the majority of other declaratory judgment cases,<sup>162</sup> the alleged infringer and plaintiff, Sabert, first initiated contact with Waddington.<sup>163</sup> Sabert claimed that Waddington's patent was invalid and that they would seek a

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<sup>152</sup> *Crutchfield New Media*, 2007 WL 1320750, at \*1.

<sup>153</sup> *Sandisk Corp. v. STMicroelectronics, Inc.*, No. C 04-04379 JF, 2005 WL 5801276 (N.D. Cal. Jan. 20, 2005), *vacated*, 480 F.3d 1372 (Fed. Cir. 2007) The district court held under the reasonable apprehension of suit test (traditional test) that the facts of *SanDisk* did not present a case or controversy. Analogizing to the cases discussed, the facts in each are very similar to *SanDisk*. Thus, it is quite likely that each of these highly similar cases would have been decided in the same way as the district court *SanDisk* case.

<sup>154</sup> *Crutchfield New Media*, 2007 WL 1320750, at \*1.

<sup>155</sup> See, *Sandisk*, No. C 04-04379 JF (discussing the reasonable apprehension test and clearly delineating that discussion of a license does not constitute such reasonable apprehension).

<sup>156</sup> *Id.*

<sup>157</sup> *Sabert Corp. v. Waddington North America, Inc.*, 2007 WL 2705157 (D.N.J. Sep. 14, 2007).

<sup>158</sup> *SanDisk*, 480 F.3d at 1372.

<sup>159</sup> *Sabert*, 2007 WL 2705157, at \*1.

<sup>160</sup> *Sabert*, 2007 WL 2705157, at \*1.

<sup>161</sup> *SanDisk*, 480 F.3d at 1372.

<sup>162</sup> *EchoStar Satellite LLC v. Finisar Corp.*, 515 F. Supp. 2d 447 (D. Del. 2007); *Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007); *Crutchfield New Media*, 2007 WL 1320750.

<sup>163</sup> *Sabert*, 2007 WL 2705157, at \*1.

hearing before the U.S. Patent and Trademark Office.<sup>164</sup> Of course, Sabert had been using a related or similar technology for which they desired a patent.<sup>165</sup>

Waddington responded to Sabert's letter by indicating their disagreement regarding the invalidity of the patent.<sup>166</sup> Furthermore, Waddington ended the letter with an offer to license the patent to Sabert.<sup>167</sup> Sabert replied with information regarding their fabrication process and a sample of their product.<sup>168</sup> Waddington's last letter expressed a continued interest in resolving the matter amicably.<sup>169</sup> Finally, Sabert responded with a termination of communications and the filing of a declaratory judgment action.<sup>170</sup>

Waddington moved to dismiss the action for lack of subject-matter jurisdiction, which the district court denied.<sup>171</sup> The district court pointed to the communications sent to Sabert which placed them in a position which would supposedly force them to litigate or illegally use a patent.<sup>172</sup> The court believed that the facts closely mirrored facts of *SanDisk*,<sup>173</sup> because based on their communications, "...it is clear that Waddington will assert its rights under the '542 patent."<sup>174</sup>

*Sabert*<sup>175</sup> clearly delineates the lack of equilibrium between patentees and alleged infringers. Patentee Waddington did little more than respond to the accusations of Sabert regarding the validity of their patent.<sup>176</sup> That Waddington disagreed with Sabert's assessment and the offer of a license unsurprisingly worked against Waddington to create declaratory

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<sup>164</sup> *Id.*

<sup>165</sup> *Id.*

<sup>166</sup> *Id.*

<sup>167</sup> *Id.*

<sup>168</sup> *Id.* at 2.

<sup>169</sup> *Id.*

<sup>170</sup> *Id.* at 2.

<sup>171</sup> *Id.* at 1.

<sup>172</sup> *Id.* at 4.

<sup>173</sup> *Sandisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007).

<sup>174</sup> *Sabert*, 2007 WL 2705157, at \*4.

<sup>175</sup> *Id.* at 4.

<sup>176</sup> *Id.* at 1.

judgment jurisdiction.<sup>177</sup> Also, though the court fails to discuss how different the holding would have been prior to *SanDisk*,<sup>178</sup> it is highly likely that the action would have been dismissed. The district court which heard *SanDisk*, while still using the reasonable apprehension test, found a lack of declaratory judgment jurisdiction.<sup>179</sup> The *Sabert* court further explicated that *Sabert* very closely matches the scenario of *SanDisk*.<sup>180</sup>

The *Sabert* court also interestingly failed to underscore the fact that the alleged infringer Sabert first initiated contact with Waddington.<sup>181</sup> At first glance, this fact seems legally inoperative. However, upon further thought, the entire reason the dispute between Waddington and Sabert came about is because of Sabert's initial accusatory letter. It seems exceedingly unjust and improper for the court to ignore this fact in considering whether the circumstances presented a case or controversy for declaratory judgment jurisdiction.

If an infringer must no longer even await contact by a patentee with a license, the result is disturbing to say the least.<sup>182</sup> If such reasoning is followed to its logical result, infringers may initiate declaratory judgment actions quite easily by contacting patentees and accusing them of patent invalidity.<sup>183</sup> The patentee will then disagree with the assessment and perhaps offer a license.<sup>184</sup> This scenario and case highlight the extreme dysfunction of the "all circumstances" test to create any sort of genuine equilibrium between patentees and infringer.<sup>185</sup>

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<sup>177</sup> *Id.*

<sup>178</sup> *SanDisk*, 480 F.3d at 1372.

<sup>179</sup> *Sandisk Corp. v. STMicroelectronics, Inc.*, No. C 04-04379 JF, WL 2005 5801276 (N.D. Cal. Jan. 20, 2005), *vacated*, 480 F.3d 1372 (Fed. Cir. 2007). *See supra* note 125 for explanation of the holding of the lower *SanDisk* court and its implications.

<sup>180</sup> *Sabert*, 2007 WL 2705157, at \*4; *SanDisk*, 480 F.3d at 1372.

<sup>181</sup> *Sabert*, 2007 WL 2705157, at \*1.

<sup>182</sup> If the infringer need not await an offer of license by the patentee, but merely contact the patentee, it would appear that the infringer is practically unilaterally establishing the new test. That is to say that under *Sabert*, the infringer essentially forces the patentee to immediately choose to sue or offer a license. If a license is offered, declaratory jurisdiction is assured. *SanDisk*, 480 F.3d at 1384. (Bryson, J., concurring).

<sup>183</sup> *Id.*

<sup>184</sup> *Id.*

<sup>185</sup> *Id.*

The *Sabert* court might argue that consideration of who contacted whom first is irrelevant to assessing the “all circumstances” test. It could be argued that all that matters is what the patentee does in establishing whether they intend to enforce their patent rights. But how can the court ignore the fact that the infringing company initiated contact with an accusatory letter?<sup>186</sup> Such contact puts the patentee on the defensive and thereby corners them into a position to assert and defend their patent rights.<sup>187</sup> To not consider such a circumstance clearly ignores the very policy and purpose behind the Declaratory Judgment Act.<sup>188</sup> As previously discussed, the Act was enacted to prevent the danse macabre created by overbearing and threatening patentees.<sup>189</sup> Yet, in contacting a patentee with an accusatory letter, the infringer uses the declaratory judgment tool as an imbalancing force to re-create the *in terrorem* choice in patentees, when the Act was initially created, at least in the context of patent disputes, to balance the relationship between infringers and patentees and preclude *in terrorem* choices.<sup>190</sup>

### C. A Disturbing Trend

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<sup>186</sup> *Id.*

<sup>187</sup> *Id.*

<sup>188</sup> See *supra* section IV. A. 2. (discussing and analyzing the policy behind the Declaratory Judgment Act to preclude *in terrorem* choices.)

<sup>189</sup> See *supra* section IV. A. 2. (discussing and analyzing the policy behind the Declaratory Judgment Act to preclude *in terrorem* choices.)

<sup>190</sup> See *supra* section IV. A. 2. (discussing and analyzing the policy behind the Declaratory Judgment Act to preclude *in terrorem* choices.)

The case studies discussed in this section quite plainly evince a substantial pattern of disequilibrium between patentees and the infringers.<sup>191</sup> In each scenario, a patentee initiated contact with an alleged infringer and eventually offers a license of their patent portfolio.<sup>192</sup> Based upon such slim communications, the court in each case found that the district court has declaratory judgment jurisdiction.<sup>193</sup>

In *Sabert*, the court went even further beyond the usual framework by glossing over the fact that the alleged infringer first initiated contact with the patentee.<sup>194</sup> Furthermore, it is quite likely that each of these cases would have resulted in a dismissal due to lack of subject-matter jurisdiction under the traditional test.<sup>195</sup> Now that the extensive problems with the new test have been analyzed and brought to the surface, proposed solutions must be discussed.

#### IV. RESTORING BALANCE: SEARCHING FOR AN EQUILIBRIUM

##### A. District Court Discretion: The Choice to Hear Declaratory Judgment Suits

###### 1. Questioning the Solution

One possible resolution to the imbalance created by the “all circumstances” test in *SanDisk*<sup>196</sup> is rooted in the text of the Declaratory Judgment Act.<sup>197</sup> In relevant part, the Act states that “...any court of the United States . . . *may* declare the rights . . . .”<sup>198</sup> of a party. Based upon the word “may,” courts have interpreted this section of the statute to mean that district

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<sup>191</sup> See *supra* section B (presenting and analyzing cases which typify the disequilibrium between patentees and infringers).

<sup>192</sup> *SanDisk*, 480 F.3d at 1372; *EchoStar Satellite LLC v. Finisar Corp.*, 515 F. Supp. 2d 447 (D. Del. 2007); *Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007); *Crutchfield New Media, LLC v. Charles E. Hill & Associates, Inc.*, No. 1:06-cv-0837-LJM-JMS, 2007 WL 1320750 (S.D. Ind. May 4, 2007); *Sabert*, WL 2705157.

<sup>193</sup> *Id.*

<sup>194</sup> *Sabert*, 2007 WL 2705157 at \*1.

<sup>195</sup> *SanDisk Corp. v. STMicroelectronics, Inc.*, No. C 04-04379 JF, 2005 WL 5801276 (N.D. Cal. Jan. 20, 2005), *vacated*, 480 F.3d 1372 (Fed. Cir. 2007) See *supra* note 125 for explanation of the holding of the lower *SanDisk* court and its implications.

<sup>196</sup> *SanDisk*, 480 F.3d at 1372.

<sup>197</sup> 28 U.S.C.A. § 2201 (West 2007).

<sup>198</sup> *Id.*

courts may refuse to hear a declaratory judgment action.<sup>199</sup> This interpretation of the Declaratory Judgment Act<sup>200</sup> thus invokes the question: does a district court judge have the capacity to dismiss a declaratory judgment act to remedy the imbalance created by the “all circumstances” test?

Before proceeding to analyze the scope of district court discretion, one should pause to think about how such a remedy could possibly solve the disparity between patentees and infringers. It must be stated at the outset, that the exercise of district court discretion is likely only a partial solution. For a moment, one should presuppose that a district court may dismiss declaratory judgment suits initiated by infringers whom appear to be abusing the new test.<sup>201</sup> However, removing the element of abuse, the district court is likely bound by the mandatory authority of *SanDisk*.<sup>202</sup>

Whereas in the situation of clear evidence of abuse, the court should be able to use public policy goals of preventing the fraudulent utilization of the judicial system to circumvent the *SanDisk*<sup>203</sup> test. Therefore, if an infringer meets all of the requirements of the new test, there appears to be little a district court may do to dismiss the suit without committing reversible error.<sup>204</sup> The district court must cite strong public policy reasons to void jurisdiction.<sup>205</sup> If it is assumed that judges can dismiss declaratory judgment actions in situations involving at least

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<sup>199</sup> *Genentech, Inc. v. Eli Lilly and Co.*, 998 F.2d 931, 936 (Fed. Cir. 1993); *Brillhart v. Excess Ins. Co. of America* 316 U.S. 491, 494 (1942).

<sup>200</sup> 28 U.S.C.A. § 2201.

<sup>201</sup> *See infra* subsection 2 below for analysis of this presupposition (explicating the dismissal by discretion authority of district courts).

<sup>202</sup> *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007).

<sup>203</sup> *Id.*

<sup>204</sup> [28 U.S.C. § 1350](#) (“The Judiciary Act of 1789”) (establishes the inferior federal courts and thereby makes them subordinate to each higher level of court).

<sup>205</sup> *See infra* section 2 and accompanying citations (analyzing the ability of district courts to dismiss declaratory judgment actions on the basis of public policy).

some demonstrable abuse, it is likely that some of the imbalance between patentees and infringers can be remedied at the extremes of the spectrum.<sup>206</sup>

## 2. *The Dismissal by Discretion Standard*

The case law surrounding district court discretion must be examined in order to analyze the possibility of dismissal articulated by public policy goals. The Supreme Court has said that a court has “unique and substantial discretion” to dismiss a declaratory judgment suit for lack of jurisdiction.<sup>207</sup> However, courts have also indicated that the discretion power is not plenary.<sup>208</sup> “[T]here must be well-founded reasons for declining to entertain a declaratory judgment action.”<sup>209</sup> Appellate courts utilize the abuse of discretion standard to review the denial to hear a declaratory judgment suit by a district court.<sup>210</sup> A district court abuses its discretion when “(1) the court's decision was clearly unreasonable, arbitrary, or fanciful; (2) the decision was based on an erroneous conclusion of law; (3) the court's findings were clearly erroneous; or (4) the record contains no evidence upon which the court rationally could have based its decision.”<sup>211</sup>

In *Electronics for Imaging, Inc. v. Coyle*, the Federal Circuit recognized that discretion may be asserted by district courts for reasons that the suit does not meet the public policy goals of the Declaratory Judgment Act:<sup>212</sup> such as avoiding uncertainty and obviating scare-and-run tactics.<sup>213</sup> Such public policy goals would most likely not be met and, in fact, would be negated by an infringer abusing the Act. The *Electronics for Imaging* court also indicated that a controlling factor that can permit discretion by a lower court is injustice.<sup>214</sup> As previously held

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<sup>206</sup> *Id.*

<sup>207</sup> *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995).

<sup>208</sup> *Elecs. for Imaging, Inc. v. Coyle*, 394 F.3d 1341 (Fed. Cir. 2005).

<sup>209</sup> *Capo, Inc. v. Dioptics Med. Prods.*, 387 F.3d 1352, 1355 (Fed. Cir. 2004); *Elecs. For Imaging*, 394 F.3d at 1341.

<sup>210</sup> *Elecs. for Imaging*, 394 F.3d at 1344.

<sup>211</sup> *Minn. Mining & Mfg. Co. v. Norton Co.*, 929 F.2d 670, 673 (Fed. Cir. 1991).

<sup>212</sup> 28 U.S.C.A. § 2201 (West 2007).

<sup>213</sup> *Elecs. for Imaging*, 394 F.3d at 1346.

<sup>214</sup> *Id.* at 1348.

by courts, district courts should continue to consider issues of equity, fairness, and the purpose behind the declaratory judgment suit as held in *Green v. Mansour*, *Principal Life Insurance Co. v. Robinson*, *American States Insurance Co. v. Kearns*, and *American Economy Insurance Co. v. Williams*.<sup>215</sup>

### 3. A Partial Solution

It is evident that a district court may dismiss a declaratory judgment action in this Comment's scenario of an infringer abusing the "all circumstances" test if certain factors are present.<sup>216</sup> To alleviate some of the top-level imbalance created by infringers abusing the *SanDisk*<sup>217</sup> test to get a foothold in the patent market, a district court judge can utilize public policy goals as articulated by the federal courts to dismiss such suits.<sup>218</sup> In considering the factors of justice, equity, and the policy goals of the Declaratory Judgment Act,<sup>219</sup> an infringer that is abusing the "all circumstances" test should have little difficulty in being ejected from a district court for lack of subject-matter jurisdiction.

A hypothetical scenario may best illustrate this solution at work. Imagine that Company Pharma Z is a patentee that believes that Company Biotech X is infringing on several of their patents for cell lines.<sup>220</sup> Pharma Z has contacted Biotech X with a desire to begin negotiations for a licensing agreement. Biotech X, luckily having attorneys well versed in recent patent case law, decides to take advantage of the *SanDisk*<sup>221</sup> test. Pharma Z has never sued for patent infringement and has settled such disputes in the past by licensing. Biotech X is aware that they

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<sup>215</sup> *Green v. Mansour*, 474 U.S. 64, 106 (1985); *Principal Life Ins. Co. v. Robinson*, 394 F.3d 665 (9th Cir. 2004); *American States Ins. Co. v. Kearns*, 15 F.3d 142 (9th Cir. 1994); *American Economy Ins. Co. v. Williams*, 805 F. Supp. 859 (D. Idaho 1992).

<sup>216</sup> See *infra* section 2 (explaining the dismissal by discretion standard).

<sup>217</sup> *SanDisk*, 480 F.3d at 1372.

<sup>218</sup> See, *Wilton*, 515 U.S. at 286 (holding that district courts have substantial discretion to dismiss declaratory judgment suits).

<sup>219</sup> 28 U.S.C.A. § 2201.

<sup>220</sup> This hypothetical situation is the complete creation of the author and is not based on any known case.

<sup>221</sup> *SanDisk*, 480 F.3d at 1372.

are infringing, yet believe that they have a good chance to defeat Pharma Z in court. Biotech X also believes that if they file suit now, they will be able to forum shop, conferring further advantages. Biotech X sues Pharma Z in a declaratory judgment action, demanding relief in the form of patent invalidity and/or noninfringement.

This example, although at the extreme of the spectrum, serves to illustrate an abuse scenario. In such a case, even one with facts that are less polarized, a district court should be able to dismiss the action for reasons of justice, fairness, and an obviation declaratory judgment policy goals.<sup>222</sup> The district court must be careful, though, to avoid reversible error by adhering to the standard as expressed in *Minn. Mining & Mfg. Co.*, essentially requiring that the district court have actual and convincing evidence of abuse.<sup>223</sup> The solution, as mentioned, is only partial primarily because it can only remedy the extreme cases, as otherwise it is unlikely that a district court would have sufficient evidence to dismiss, as required by *Minn. Mining & Mfg. Co.*<sup>224</sup>

Dismissal by discretion is a viable option to aid patentees in severe situations of infringer abuse but will fail to act catch-all solution. In this way, the solution is merely a small bandage for the gaping wound created by the new test in *SanDisk*.<sup>225</sup>

#### *B. Covenants Not to Sue Are Insufficient*

In his concurring opinion in *SanDisk*, Circuit Judge Bryson emphasized the fact that under the new test, a promise not to sue does not void declaratory judgment jurisdiction.<sup>226</sup> However, the *SanDisk*<sup>227</sup> court did not discuss the implications of a covenant not to sue. The difference between the promise not to sue and the covenant is the lack of enforceability of the

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<sup>222</sup> See, *Elecs. for Imaging*, 394 F.3d at 1344 (permitting dismissal by discretion based upon public policy goals including justice, fairness, and other public policy goals).

<sup>223</sup> *Minn. Mining*, 929 F.2d at 673.

<sup>224</sup> *Id.*

<sup>225</sup> *SanDisk*, 480 F.3d at 1372.

<sup>226</sup> *Id.* at 1384 (Bryson, J., concurring).

<sup>227</sup> *Id.* at 1372.

former.<sup>228</sup> A covenant not to sue would likely take up residence in a patent licensing agreement or some other business contract in which both patentee and alleged infringer have bargained and offered consideration.<sup>229</sup> There is nothing to indicate that such a covenant would be held invalid based on contract law, as it is soundly based in the common law that the giving up of one's right to sue is valid consideration.<sup>230</sup>

Thus, why is a covenant not to sue the magic bullet for the imbalance? The reason lies in the mere position in time in which the parties would enter into such a covenant. A covenant not to sue would appear, if at all, in a licensing agreement between the patentee and licensee.<sup>231</sup> The crucial period of imbalance discussed in this Comment falls before such an agreement is finalized.<sup>232</sup> In fact, in every case discussed, no licensing agreement was ever reached.<sup>233</sup> Because under the new test, infringers can bring suit apparently immediately after a patentee offers a license, the covenant device is useless to protect patentees.<sup>234</sup>

One possible suggestion to patentees is that they should obtain an agreement to agree, that is, an enforceable contract to contract further in the future.<sup>235</sup> The first agreement could then contain the covenant. Unfortunately, this solution would also likely fail because an infringer has

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<sup>228</sup> A promise not to sue presumably lacks consideration and is therefore unenforceable. *Baehr v. Penn-O-Tex Oil Corp.*, 104 N.W.2d 661 (Minn. 1960)

<sup>229</sup> [Mathis v. St. Alexis Hosp. Assoc.](#), 99 Ohio App. 3d 159 (1994) (holding that a covenant not to sue is necessarily a contract).

<sup>230</sup> See, e.g., *Baehr v. Penn-O-Tex Oil Corp.*, 104 N.W.2d 661 (Minn. 1960) (upholding the validity of a forbearance to sue as consideration).

<sup>231</sup> The only contract which would be at issue between patentee and infringer is a patent license.

<sup>232</sup> See *infra* section III. B. (discussing and analyzing cases in which the infringer filed for declaratory judgment before any license agreement was agreed upon).

<sup>233</sup> *SanDisk*, 480 F.3d at 1372; *EchoStar Satellite LLC v. Finisar Corp.*, 515 F. Supp. 2d 447 (D. Del. 2007); *Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007); *Crutchfield New Media, LLC v. Charles E. Hill & Associates, Inc.*, No. 1:06-cv-0837-LJM-JMS, 2007 WL 1320750 (S.D. Ind. May 4, 2007); *Sabert Corp. v. Waddington North America, Inc.*, 2007 WL 2705157 (D.N.J. Sep. 14, 2007).

<sup>234</sup> See *infra* section III. (analyzing cases which demonstrate that upon the offer of a license, the patentee is subject to declaratory judgment).

<sup>235</sup> See, e.g., *Quake Construction, Inc. v. American Airlines, Inc.* 565 N.E.2d 990 (Ill. 1990) (discussing the availability of a "formal contract contemplated" as a form of an agreement to agree).

little reason to burden their litigation rights in a pre-agreement.<sup>236</sup> In fact, the patentees that go on to take full advantage of the new test would likely never agree to any such covenant at any point. Patentees will have to look elsewhere for a remedy to their disadvantaged status.

### C. A Legislative Solution

A legislative solution to the lack of equilibrium between patentees and infringers is the most parsimonious, yet seemingly most difficult to achieve solution.<sup>237</sup> As has been discussed, district and appellate courts can only go so far with dismissal by discretion.<sup>238</sup> Furthermore, it is unlikely that at this time the Supreme Court will supply any adjustments to its decisions considering its recent *MedImmune* decision and trend towards limiting the rights of patentees generally.<sup>239</sup>

The Declaratory Judgment Act,<sup>240</sup> the central device at issue must be amended by Congress.<sup>241</sup> State legislatures are powerless to enact their own legislation in regards to patent declaratory judgment because it is an Act created by Congress and thus any statutes which could solve the imbalance would thereby burden and conflict with the Act.<sup>242</sup> Thus, any state laws would be preempted by the federal law.<sup>243</sup> Therefore, the solution must originate from Congress.

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<sup>236</sup> The infringer has no incentive to make an agreement to agree. If they contract thusly, they are only preventing themselves from litigating and essentially bending themselves to the will of the patentee.

<sup>237</sup> Congressional action is arguably a very slow and protracted process which is often seen as out of touch from the desires and hopes of the individual. Thus, such a proposed solution is likely to require extensive lobbying by patentees and their supporters, whom undoubtedly have the resources to tap into the modern legislative process. See Scott M. Sullivan, *Rethinking Treaty Interpretation*, 86 TEX. L. REV. 777, 795 (2008) (“The Legislature is multitudinous, slow, and comprised of various interests and backgrounds.”).

<sup>238</sup> See *supra* section A (discussing dismissal by discretion as a partial solution to the imbalance).

<sup>239</sup> *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007); see P. Jean Baker, *Patent Litigation: A Radically Changed Environment for Licensors and Licensees*, 2 INTELL. PROP. & TECH. L.J. 12 (2008) (highlighting the recent Supreme Court decisions on patent law issues and concluding that patent litigation is now filled with uncertainty and it is more difficult to obtain patents).

<sup>240</sup> 28 U.S.C.A. § 2201 (West 2007).

<sup>241</sup> Being originally enacted by Congress, it must be amended by Congress. 28 U.S.C.A. § 2201 (West 2007).

<sup>242</sup> Although some states have enacted their own declaratory judgment provisions, patent law is within the sole domain of the federal government and courts as delineated by the Constitution. U.S. CONST. art. I, § 8 cl. 8; *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

<sup>243</sup> U.S. CONST. art. VI, § 2 (“The Supremacy Clause”);

The Declaratory Judgment Act has been amended multiple times since its first enactment, with the latest amendment in 1993.<sup>244</sup> All other prior changes to the Act have been superficial, including changing dates and adding references to other sections of the U.S. Code.<sup>245</sup> Thus it seems that little attention has been paid to the Act in reference to any adjustments in regards to patent law disputes.

### *1. The Proposed Amendment*

The Declaratory Judgment Act, being relatively short, and containing only two sections,<sup>246</sup> would not burden persons in understanding the Act. In fact, the proposed amendment should clarify the law. Congress should add section (c) to the Act which would state in relevant part: “(1) A district court has full discretion to dismiss a declaratory judgment action brought before it. The court will consider issues of fairness, equity, and justice in determining if the action should be dismissed. (2) For the purposes of this Act, the mere offer of a license by a patentee to an alleged infringer or any other party will not confer declaratory judgment jurisdiction. (3) In declaratory judgment actions for patent invalidity and/or noninfringement, a district court will have subject-matter jurisdiction *only* if the declaratory judgment plaintiff reasonably apprehends suit.”

### *2. Analysis of the Amendment*

Subsection 1 of the proposed amendment will clarify and assure the power of a district court to dismiss declaratory judgment suits as held in *Electronics for Imaging, Inc. v. Coyle*.<sup>247</sup> Subsection 2, referring only to patent law disputes, will substantially erode the new “all

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<sup>244</sup> *Id.* (last amended in 1993 with an incorporated reference to the North American Free Trade Agreement).

<sup>245</sup> *See, e.g.*, 28 U.S.C.A. § 2201 (West 2007), *amended by* Pub. L. 95-598 (adding references to 11 U.S.C.A. § 505 and 11 U.S.C.A. § 1146) (1978).

<sup>246</sup> 28 U.S.C.A. § 2201.

<sup>247</sup> *Elects. for Imaging, Inc. v. Coyle*, 394 F.3d 1341 (Fed. Cir. 2005).

circumstances” test and will permit patentees to once again offer licenses without the fear of a declaratory judgment suit. This will greatly aid in recreating equilibrium between the patentee and the infringer and promote the policy goals of amicable business relations and a stable patent-centered economy. By restoring the “reasonable apprehension” test, infringers will no longer be able to improperly take advantage of declaratory judgment.<sup>248</sup> Further, patentees will again be able to offer licenses to infringers and avoid expensive litigation.<sup>249</sup> In accomplishing these tasks, the equilibrium will be substantially re-established. The third subsection essentially overrules *MedImmune* and *SanDisk* and reinstates the traditional test.<sup>250</sup>

The scales will be once again balanced, putting the patentee more on an equal footing with infringers. It should also be noted that the final subsection refers only to patent law disputes. The law should be so narrowly tailored as to avoid touching upon the other applications of the declaratory judgment in non-patent law cases.<sup>251</sup> These proposed amendments, if anything, will always present a case or controversy as the reasonable apprehension of suit test is more difficult to meet than the *SanDisk* test.<sup>252</sup>

## V. CONCLUSION

The imbalance in the equilibrium between patentees and infringers after *MedImmune* and *SanDisk* is likely very dangerous for the modern marketplace, particularly among biotechnological, pharmaceutical, and electronics businesses.<sup>253</sup> The destruction of a single

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<sup>248</sup> See, *Sandisk Corp. v. STMicroelectronics, Inc.*, No. C 04-04379 JF, 2005 WL 5801276 (N.D. Cal. Jan. 20, 2005), *vacated*, 480 F.3d 1372 (Fed. Cir. 2007) (in applying the “reasonable apprehension” standard, the district court dismissed the declaratory judgment action).

<sup>249</sup> See *id.* (the court permitted the offer of a license and dismissed the suit for declaratory judgment).

<sup>250</sup> *MedImmune*, 127 S.Ct. at 764; *Sandisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007).

<sup>251</sup> Perhaps the rule would serve equally well across any declaratory judgment action, however such an analysis is outside the scope of this Comment.

<sup>252</sup> *SanDisk*, 480 F.3d at 1372.

<sup>253</sup> *MedImmune*, 127 S.Ct. at 764; *Sandisk*, 480 F.3d at 1372 (Fed. Cir. 2007).

patent through declaratory judgment can result in dramatic changes to the stock value of a company and its profitability.<sup>254</sup>

Infringers will be able to take advantage of the poor position of patentees to attempt to wedge themselves into the market. One might forward the counter argument that merely because one company (patentee) loses at the hands of another (an infringer) that economic conditions will still be balanced. Although this Comment does not go so far as to discuss the detailed economic implications of the *SanDisk* opinion, the aforementioned argument is misguided. The invalidation of a patent does not automatically transfer the economic success or value from the patentee corporation to the infringer. The economic toll of reduced amicability among businesses, increased litigation costs and frequency, and elimination of friendly licensing proposals will cause patentees to suffer greatly.

Economics aside, the rule of law created in *SanDisk* establishes a disequilibrium in the legal positions of patentees and infringers. It should be the goal of the legal system to establish rules which further equity and justice, a goal which is damaged by the current state of the law. If the measures of dismissal by discretion and legislative amendment are examined and put into effect, it is likely that a positive re-equilibration will occur, re-establishing equity and encouraging the exchange of technology.

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<sup>254</sup> *See supra* note 33 (discussing the dramatic drop in the stock value of a pharmaceutical company after patent invalidation).