Re-evaluating Declaratory Judgment Jurisdiction in Intellectual Property Disputes

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Abstract

The Declaratory Judgment Act of 1934 was quickly tagged by the U.S. Supreme Court as a simple procedural measure. Whether simple or procedural, the addition of the declaratory judgment option has dramatically increased the rights of would-be defendants. This is of special interest in patent law, where without the ability to initiate legal action, an alleged infringer would typically have no recourse but to either drop a lucrative business and lose a massive investment, or to languish in legal limbo while potentially accruing liability for treble damages. The option of a mirror-image lawsuit removes the patentee’s ability to unilaterally decide when, where -- and, effectively whether -- to file suit. For this reason, patent litigation is exemplary of the normative values that led to the passage of the Declaratory Judgment Act, including the delicate balance of ripeness, standing, and judicial access. Indeed, the Act’s proponents had patent law firmly in mind.

Over the years, however, courts have begun to lose sight of this objective. Following the jurisprudence of the Federal Circuit Court of Appeals, district courts have increasingly applied an overly formalistic standard of justiciability in declaratory actions involving patent disputes, thereby unduly decreasing judicial access, and shifting the balance of power back to the patentee. This is largely due to confusion by the Federal Circuit and the district courts between baseline and discretionary jurisdiction. Interestingly, the courts have -- by analogy from patent law -- articulated the same strict standard in copyright and trademark disputes, yet they have applied the standard more broadly, thereby more closely following the normative values embodied in the Declaratory Judgment Act.

This article examines the normative purpose behind the Declaratory Judgment Act; the standards articulated and applied in intellectual property disputes; and the recent case law on the topic, culminating in the timely, although somewhat misguided, U.S. Supreme Court decision of January 9, 2007. The article proposes a more appropriate standard for evaluating declaratory judgment jurisdiction in intellectual property disputes, and provides a four-part spectrum of factors for district courts to consider in exercising their discretion, in order to best align declaratory jurisprudence with the normative values that led to its creation.

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I. Introduction

The Declaratory Judgment Act was passed in 1934, with the objective of providing increased access to the federal courts for would-be litigants with justiciable disputes. Courts have clearly stated that the Act is procedural only, and does not alter the substantive rights of parties to obtain judicial relief under Article III of the U.S. Constitution. That said, it is equally clear that the Act has expanded possibilities for litigants who previously had no ability to initiate legal action. This dichotomy demonstrates the conflict between the normative values of ripeness, standing, and judicial access. In particular, the U.S. Supreme Court has commented that “the tension between an abstract hypothetical and a controversy ripe for declaratory relief is necessarily one of degree.” This obviates both the need for, and the possibility of, a strict test. Part II of this article provides a normative assessment of the DJ remedy.

The Supreme Court has dictated that the DJ Act be “liberally construed” to effect justice. Declaratory relief is appropriate to resolve “uncertainty, insecurity, and controversy” and is most effective when brought in the early stages of a dispute. Of course, in order to satisfy the requirement of ripeness, the dispute must also be “definite and concrete, touching the legal relations of parties having adverse legal interests.”

Intellectual property disputes are prime candidates for declaratory relief. Accordingly, this article explores how DJ standards have been articulated and applied in copyright (Part III) trademark (Part IV); and patent law (Part V). Indeed, the proponents of the DJ Act specifically mentioned patent litigation as paradigmatic of the need to level the playing field between litigants. The hope and expectation was that the Act would allow

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1 Courts have repeatedly stated that “the ‘actual controversy’ requirement of the DJ Act is ‘the same as the ‘case or controversy’ requirement of Article III of the United States Constitution.” See Aetna Life Ins. Co. of Hartford, Conn. v. Hayworth, 300 U.S. 227, 240 (1937); Societe de Conditionnement en Aluminium v. Hunter Engineering, 655 F.2d 938, 942 (9th Cir. 1980).
2 Even the odds of winning a case may turn on who initiated action. An empirical study by Professor Kimberly A. Moore (now a judge on the Federal Circuit Court of Appeals), found that who files suit is “a statistically significant predictor of who wins patent claims in jury trials.” According to Professor Moore’s study, the advantage extends to findings of validity, enforceability, and infringement. Kimberly A. Moore, Judges, Juries and Patent Cases – An Empirical Peek Inside the Black Box 99 Mich. L. Rev. 365 (2000)).
3 The Supreme Court has recently agreed that the justiciability of DJ actions could be framed in terms of either standing or ripeness: “The justiciability problem that arises, when the party seeking declaratory relief is himself preventing the complained-of injury from occurring, can be described in terms of standing (whether plaintiff is threatened with ‘imminent’ injury in fact ‘fairly . . . trace[able] to the challenged action of the defendant,’ Lujan v. Defenders of Wildlife, 504 U.S. 555, 560 (1992)), or in terms of ripeness (whether there is sufficient ‘hardship to the parties [in] withholding court consideration’ until there is enforcement action, Abbott Laboratories v. Gardner, 387 U.S. 136, 149 (1967)). As respondents acknowledge, standing and ripeness boil down to the same question in this case.” MedImmune, Inc. v. Genentech, Inc., 127 S.Ct. 764 (2007) at fnnt 8.
5 Id.
6 Societe, 655 F.2d at 943.
7 Aetna, 300 U.S. at 240-241.
8 See Part II(d), infra for further discussion of the Congressional hearings regarding the DJ Act.
would-be defendants to initiate legal action in a mirror-image lawsuit, thus taking away the patentee’s ability to unilaterally decide when, where, -- and, effectively whether -- to file suit.

The Federal Circuit Court of Appeals, having had a virtual monopoly over patent cases for the past 25 years, has unduly morphed the test used to determine justiciability of patent DJ disputes. The Federal Circuit has misstated the proper standard such that the test is underinclusive, contrary to the normative values of declaratory jurisprudence, and inconsistent with Supreme Court dictates. This has the unfortunate result of leaving alleged infringers back where they were before the DJ Act, engaged in a danse macabre where the patentee can do all but threaten patent litigation, and the purported infringer has no recourse but to go forward with its business and risk treble damage if found to be infringing, or to abandon operations on a technology whose patent may turn out to be invalid, if only the parties could get a declaratory judgment on that issue. This dichotomy is due in large part to confusion by the courts between the baseline inquiry mandated by the DJ Act, and the discretionary inquiry afforded by it to federal district court judges in each case that invokes the Act’s jurisdiction.

Naturally, this undue formalism in determining DJ jurisdiction also upsets the balance of normative values in patent law that led to enactment of the DJ Act. As the Supreme Court has repeatedly recognized, patent law is a delicate balance between granting incentives to those who innovate and allowing ideas to revert to the public domain. The Supreme Court has also recognized the strong public policy in allowing those with the greatest interest to challenge weak patents, and in rendering patents unenforceable upon a final determination of invalidity by a competent federal court. When patent law is held to a different standard, both technology holders and technology users suffer from the resulting confusion and deviation from proper legal principles. Furthermore, the trouble spills over into general jurisprudence. Indeed, all litigants are prejudiced when differing standards are applied to parties facing similar predicaments.

Interestingly, the federal courts have taken the stated two-prong standard from patent law and adopted it, by analogy, to copyright and trademark disputes. This demonstrates the belief by both courts and commentators that indeed the same standard should apply to the three branches of intellectual property (if not to general jurisprudence). While articulating the same standard, however, the courts have applied it much more broadly in copyright and trademark disputes. This may well be due to the variability of inputs at the intermediate appellate level in copyright and trademark cases. Whereas copyright and

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9 See Part V infra.
10 The term danse macabre was coined by Judge Markey in Arrowhead Indus. Water, Inc. v. Ecolochem, Inc., 846 F.2d. 731, 734-735 (Fed. Cir. 1988) to describe the plight of the alleged infringer prior to the DJ Act. See footnote 140, infra for the full quote.
11 35 USC § 284 (treble damages); see also 35 USC § 285 (attorneys’ fees).
15 See Part III, infra.
16 See Part IV infra.
trademark cases go to the respective regional circuit courts of appeal, and therefore benefit from various interpretations and competition between courts, the Federal Circuit hears virtually all patent appeals and is typically contradicted only by the Supreme Court.17

The Supreme Court has recently reflected on the overly-formalistic DJ standard used by the Federal Circuit. In a somewhat misguided decision rendered on January 9, 2007, the Supreme Court made some sweeping changes to the rights of intellectual property licensees. In added dictum however, the Court correctly noted disapproval of the Federal Circuit’s patent DJ standard. Nevertheless, the Court was vague on several important elements, and it did not address copyright or trademark law at all. Furthermore, the Court did not address factors that might be considered in the discretionary prong.

The current dilemma courts face in deciding whether to confer DJ jurisdiction in intellectual property disputes is thus represented in Diagram 1.

Accordingly, Part VI of this article proposes a more informed standard for determining baseline DJ justiciability in patent, copyright, and trademark disputes. The article further presents a spectrum of factors that may properly be considered in the discretionary prong of that determination. Utilizing this standard, and taking into account the spectrum of factors in exercising their discretion, courts can best align declaratory jurisprudence with the normative values that led to its creation, as represented in the proposed spectrum of Diagram 2.

17 It has been argued that patent law, too, might benefit from more competition between courts, with the addition of at least one other circuit hearing patent appeals. See Nard, Craig Allen and Duffy, John F., Rethinking Patent Law’s Uniformity Principle, Sept. 5, 2006, Case Legal Studies Research Paper, No. 06-17, Available at SSRN http://ssrn.com/abstract=928498.
II. Normative Analysis of Declaratory Judgment

a. Nature and purpose of the doctrine

In accordance with its authority to confer federal jurisdiction within the Constitutional scope of Article III, Congress enacted the DJ Act in 1934. The DJ Act, which was predated by several state statutes, had been hotly debated in Congress for almost two decades before it was finally passed in the 1934 term, interestingly without hearings in either house. Courts have repeatedly held the DJ Act to be “procedural only,” providing no substantive rights to parties apart from those allowed by Art. III. Overall,

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18 28 USC § 2201(a) provides, in relevant part: “In a case of actual controversy within its jurisdiction, [except for tax and other exceptions], any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.”

19 Donald L. Doernberg and Michael B. Mushlin, *The Trojan Horse: How the Declaratory Judgment Act Created a Cause of Action and Expanded Federal Jurisdiction While the Supreme Court Wasn’t Looking*, 36 UCLA L. Rev. 529 (1989) (hereinafter “Trojan”) at fn 117. There had also been a number of DJ provisions in other jurisdictions dating from ancient Roman law. See “Amending the Law so as to Give Courts of the United States Authority to Render Declaratory Judgments”, CIS-No: 9770 S.rp.1005, DOC-NO: S.rp.1005, 73-2, Session-Date: 1934, Congressional Indexes, 1789-1969, at 4: “The declaratory judgment has existed in Scotland for over 400 years, and in England since 1852.”

20 *Id.* The Senate report notes that “[f]or a number of years, measures providing for declaratory judgments have been before the House and the Senate.”

21 *Aetna*, 300 U.S. at 240; Courts have repeatedly stated that “the ‘actual controversy’ requirement of the [DJ] Act is “the same as the ‘case or controversy’ requirement of Article III of the United States Constitution.” See *Societe* 655 F.2d at 942, citing *Aetna*, 300 US at 239-40. (Doernberg claims that would
the remedy of declaratory relief is designed to allow – and indeed encourage – courts to
determine uncertain legal rights in cases such as patent disputes where uncertainty can
cloud business decisions.22

Courts acknowledge that the DJ remedy is most useful when sought early in the process,
before either party suffers grave or irreparable damage.23 The governing rule itself
specifically denotes that existence of another adequate remedy at law does not preclude
DJ jurisdiction, thereby suggesting the favorability of DJ action.24 For these reasons,
courts have suggested that F.R.C.P., Rule 57 and the DJ Act must be “liberally
construed” to encourage declaratory relief.25

A declaratory judgment has the force and effect of a final judgment or decree.26 It thus
provides a powerful tool for parties that seek final resolution of their rights. At the same
time, the remedy is not appropriate and cannot be invoked unless final resolution is likely
to be achieved.27 In large part, the DJ Act was created with the intent of enabling
“mirror-image” lawsuits, thereby allowing a would-be defendant to decide when, where
-- and, effectively whether -- to initiate legal action.28 “In effect, it brings to the present a
litigable controversy, which otherwise might be tried in the future.”29

b. Standard for baseline declaratory judgment jurisdiction

The first hurdle in a DJ proceeding, and the one examined in this article, is whether the
dispute meets the subject matter jurisdiction requirement of F.R.C.P., Rule 12(b)(1).30

vitiate the “mirror image” DJ case, but that was clearly not intended by Congress or the Supreme Court in
Aetna, which in fact mandated DJ jurisdiction in a mirror-image case.

22 Id.

23 Id. See also “Hearings Before a Subcommittee of the Committee on the Judiciary: United States Senate”
Seventieth Congress, First Session on H.R. 5623, 1928; Testimony of Professor E.R. Sunderland”
[Hereinafter “1928 Sunderland Testimony”] at 32: “[If] you can get a case before the court before damages
have occurred, then you eliminate the finding in regard to damages.”

24 Federal Rules of Civil Procedure, Rule 57 (the Rule governing declaratory judgment).

25 Starter Corp. v. Converse, Inc., 84 F.3d 592, 597 (2d Cir. 1996); Bell Atlantic Corp. v. MFS
1204, 1206 (E.D. Mo. 1985); Pratt v. Wilson, 770 F. Supp. 539 (E.D. Cal. 1991); Kunkel v. Continental
Casualty Co., 866 F.2d 1269, 1273-1274 (10th Cir. 1989); National RR Passenger Corp. v. Consolidated

26 Id.

27 Aetna, 300 U.S. at 240.

28 Section V(a), infra, provides more discussion and analysis on patent lawsuits and the danse macabre that
was intended to be laid to rest by the DJ Act.

29 Societe, 655 F.2d at 943.

30 This issue was raised as a question by Justice Ginsburg on oral argument in the Oct. 4 hearings on
MedImmune, as to whether the licensee estoppel issue was really better addressed as a 12(b)(6) motion, or
even an 8(c) defense. A rule 12(b)(1) jurisdictional attack may be either facial or factual. See E&J Gallo
Winery v. Pernod Ricard USA, LLC, 2006 WL 2849830 at 2 (E.D. Cal. Oct. 5, 2006 slip opinion). In a
12(b)(1) defense to declaratory judgment jurisdiction, the issue is factual. Thus, the parties may present
extrinsic evidence to prove the validity of their positions. In this situation, the plaintiff does not benefit
from the presumption of validity, but rather plaintiff maintains the burden of proof that jurisdiction does
exist. See McNutt v. GMAC, 298 U.S. 178, 189 (1936).
The U.S. Supreme Court has set forth a practical test for determining the appropriateness of DJ jurisdiction. Acknowledging of course that the courts are prohibited by Art. III from providing advisory opinions on hypothetical scenarios, the Court required that the controversy must be “definite and concrete, touching the legal relations of parties having adverse legal interests.” The Court further cautioned that the controversy must be “real and substantial” and must be fully resolvable -- by “immediate and definitive determination.”

The Supreme Court has also wisely noted that the tension between an abstract hypothetical and a controversy ripe for declaratory relief is “necessarily one of degree,” thereby obviating both the necessity and the possibility of a strict test. An injury need not have occurred yet, but there must be a “substantial threat of real and immediate harm.” In short, the injury must be “highly likely to happen, absent some intervening event.” These standards set forth by the Supreme Court further the important normative value of stabilizing business relations by providing final judicial resolution to fully formed disputes.

In the early DJ case of *Aetna v. Haworth*, the Supreme Court determined that denial of DJ jurisdiction must be reversed where the insurer sought an adjudication of its potential liability to an insured. The Court found it inapposite that DJ defendant had not threatened any legal action against the DJ plaintiff. More important to the Court was that the circumstances were sufficiently crystallized that the insured could bring suit if it so chose. The Court found it to be determinative that “the character of the controversy and of the issue to be determined is essentially the same whether it is presented by the insured or by the insurer.” In short, the Court clearly validated a standard whereby a suit ripe for one party should be just as much available to the other under baseline DJ jurisdiction.

c. Discretionary jurisdiction under the Declaratory Judgment Act

The standards set forth in these landmark DJ cases are intended to convey baseline DJ jurisdiction only. Even where baseline DJ jurisdiction is satisfied, the DJ Act specifically provides that courts “may” decide not to hear any particular case. A court’s authority to dismiss a case on discretionary grounds can be as powerful as its mandate to dismiss where baseline jurisdiction is not met. Nevertheless, the two grounds are separate and

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31 *Aetna*, 300 U.S. 227 at 240.
32 *Id.* at 240-241, citing pre-DJ Act cases regarding the establishment of an actual case as necessary for judicial adjudication.
33 *Id.* at 241.
34 *Maryland Casualty*, 312 US at 273 (granting declaratory jurisdiction in insurance case).
37 *Aetna*, 300 U.S. at 243.
38 *Id.*
39 *Id.* at 244.
40 28 USC § 2201(a).
should not be confused. First, baseline DJ jurisdiction must be established, using the tests set forth by the U.S. Supreme Court. Only then, a federal district court may decide whether the dispute is best kept off the docket at the present time.

The Supreme Court has dictated that in using its discretion, a district court should employ “considerations of practicality and wise judicial administration.” In each case, the court must be prepared to articulate a “good reason” for declining to authorize its discretion to hear an action for declaratory relief. Certainly, “whim or personal disinclination” is not sufficient. Courts often exercise discretion to dismiss a DJ action when there is a related, pending state court action. However, there is no limiting factor beyond, of course, the appropriate exercise of discretion.

This article asserts that courts are confusing baseline and discretionary DJ jurisdiction in intellectual property disputes. Specifically, the standard that the courts are currently using to determine baseline jurisdiction mistakenly inserts the factors that should be considered only in the discretionary prong. This may not seem to matter in an individual case, where the court would reach the same result by denying DJ jurisdiction on discretionary grounds even where baseline DJ jurisdiction is found. It matters very much, however, when a prudential test is mistakenly applied to the baseline inquiry, thereby setting unfair and sometimes untenable standards for establishing DJ jurisdiction, and severely limiting the DJ remedy that should be available to alleged infringers.

d. Special considerations – and analogies – in intellectual property disputes

Declaratory judgment is particularly useful as a remedy for a party threatened with coercive action. It allows would-be defendants to minimize avoidable losses by selecting the time, place -- and, effectively, the possibility -- of court adjudication. Generally, if the other elements are satisfied, once the dispute crystallizes, it is ripe. Thus, patent, copyright, and trademark actions are prime candidates for DJ relief. Indeed, patents were specifically mentioned at the early Congressional hearings as a prime example of the injustice reaped when a party could sit on its rights and allow the alleged infringer to

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44 See Wilton v. Seven Falls Co., 515 at 288; Brillhart v. Excess Ins. Co. of America, 62 S.Ct. 1173 (1942) (considerations may include, but are not limited to, finality of the state action and ability to join necessary parties).
45 This issue is examined in detail in Part V(b) infra.
46 Even in a specific case, the standard of appellate review is different on the factual (clearly erroneous), legal (de novo), and discretionary (abuse of discretion) aspects of the decision so the test applied to each aspect by the trial court should be properly articulated.
47 The “mirror-image” dispute is typical. See Maryland Casualty, 312 US at 273. There is also the apparent advantage of filing first. See Moore, Judges, Juries, supra note 2.
accrue damages without a reciprocal right to sue. This is particularly true since those accused of “willful” infringement may be subject to treble damages and attorneys’ fees.

In describing the effect of the DJ Act on patent law, Professors Doernberg and Mushlin note: “[P]rior to the Act an alleged infringer had no federal ‘right to judicial relief’ from the patentee’s threats and business interference . . . After the DJ Act, he did.”

“Beyond question,” they conclude, “the Act created a cause of action entitling the alleged infringer to pursue federal judicial relief.”

As to the question of whether patent disputes are so like copyright and trademark disputes that they should be treated alike for purposes of determining the proper standard for DJ jurisdiction, courts and commentators alike have analogized various areas of patent jurisprudence to copyright and trademark law -- and vice-versa. The U.S. Supreme Court has made the case for sharing doctrines several times, including in the landmark 1984 case of *Sony Corp. v. Universal City Studios*, and in the 2006 case of *EBay Inc. v.*

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49 See 1928 Sunderland Testimony at 35, which lays out exactly the dilemma facing the alleged infringer, and the case for the declaratory remedy:

“Patents, trade-marks, and copyrights are cases where this will be very useful. I assert that I have a right to use a certain patent. You claim that you have a patent. What am I going to do about it? There is no way that I can litigate my right, which I claim, to use that device, except by going ahead and using it, and you can sit back as long as you please and let me run up just as high a bill of damages as you wish to have me run up, and then you may sue me for the damages, and I am ruined, having acted all the time in good faith and on my best judgment, but having no way in the world to find out whether I had a right to use that device or not.”

50 35 USC § 284 (treble damages) and 35 USC § 285 (attorneys’ fees).

51 See *Trojan* at 583.

52 Id. Alas, the Trojan article, about federal jurisdiction and the bounds of DJ, does not explore the bounds of who exactly constitutes an “alleged infringer” or when the option might be invoked. Meanwhile, the article does ask a different question – how do we deal with the disparity that an alleged infringer may bring an action in federal court under the DJ Act to pursue claims of invalidity and noninfringement, but must file in state court if she seeks only damages for trade libel. The answer might lie in ancillary jurisdiction, depending on the facts of the case and the intent of the parties to the suit.

53 See Maureen A. O’Rourke, Toward a Doctrine of Fair Use in Patent Law, 100 Colum. L. Rev. 1177 (2000); see also Lorelei Ritchie de Larena, What Copyright Teaches Patent Law About “Fair Use” and Why Universities Are Ignoring the Lesson, 84 Or. L. Rev. 779 (2005); cf, A current article by Professors Menell and Nimmer cautions against blanketly applying patent law principles to copyright law. Peter Menell and David Nimmer; Unwinding Sony, SSRN (Sept. 30, 2006), UC Berkeley Public Law Research Paper No. 930728, available at SSRN http://ssrn.com/abstract=930728. They dispute the wisdom of the Sony court’s famous application of patent law to a copyright case, since they argue that direct copyright principles and law should have been considered more relevant. At 60. The argument is interesting, but applies mainly to liability, and to issues where there is strong precedent within the direct law – as they state was the situation with copyright and vicarious infringement liability. At 57. In fact though, there are various issues where it is entirely appropriate to cross-apply patent and copyright doctrines in order to standardize them appropriately. (Menell and Nimmer refer to one-off situations as “cross-overs” and do not necessarily advocate even those – at 79 – although Professor O’Rourke and other commentators have pointed out that beyond Sony, there is indeed other “historic kinship” between patent and copyright law.

54 *Sony Corp. of Am. V. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984), which extended the doctrine of vicarious infringement from patent to copyright, stating: “The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.”
The *Ebay* court considered the viability of presumptive injunctions in patent law. The Court did not simply stop at an analysis of patent law however, but turned also to copyright law for persuasive analogy. The Court observed that although patent owners are given a presumption of injunctive relief, copyright holders are instead subject to the traditional 4-part inquiry used in general jurisprudence to determine whether an injunction should issue in a particular case. Reasoning that patent law has a similar development and grant of rights to copyright law and that furthermore both use the same terminology on grant of remedies, the Court determined that patent owners should be equally subject to the 4-part inquiry, and should no longer be granted presumptive injunctions. In so stating, the Supreme Court neatly discarded nearly a century of patent precedent in favor of a better standard articulated in copyright law. This shows the Court’s willingness to correct the mistakes of one area of law with the improvements from its analogues.

This same reasoning could be analogized into DJ jurisprudence, and indeed it has been. Would-be defendants in intellectual property disputes -- whether patent, copyright, or trademark -- have equal need for legal certainty. They should therefore have the same articulated and applied DJ standards across the three major branches of intellectual property. According to commentators and courts, that is already the case. As this article shows however, not only is the articulated standard incorrect and out of step with general jurisprudence, but it has been applied quite variably, with more broad-minded application in copyright and trademark than in patent law.

### III. The Standard as Articulated and Applied in Copyright Disputes

It is widely claimed by commentators and courts alike that the standard for determining DJ jurisdiction in patent law has been applied by analogy to trademark and copyright disputes. It is very telling that the courts desire the DJ standard to be consistent among

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55 *Ebay Inc. v. MercExchange*, 126 S.Ct. 1837, 1840 (2006), which considered the then-current presumption of injunctions in patent cases, and ultimately dismissed the presumption in favor of applying the standard 4-factor injunction test as applied in copyright cases. What the Supreme Court may not have realized is that while copyright holders may not enjoy a legal presumption of injunction, in practice, courts routinely grant the injunctions.

56 *Id.* (exclusivity).

57 *Id.* (injunction “may” issue)

58 Since a 1908 Supreme Court decision, injunction had been the presumed remedy in patent law. *Continental Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 430 (1908).

59 Naturally, each case must be determined on its own merits, based on the applicable area of law. This article argues that the standards necessary for bringing a coercive action in copyright, trademark, or patent law should be equally applied in the “mirror-image” action on declaratory judgment.

60 Prominent copyright commentator, Professor David Nimmer, notes that courts have “[a]nalogiz[ed] to precedents in trademark and patent cases.” (Nimmer 12.01(A)(3) *State of Texas v. West Publishing Co.*, 882 F.2d 171 (5th Cir. 1989)(no DJ available where no threat of litigation because of covenant not to sue filed with court); *Prudent Pub. Co. v. Myron Mrg. Corp.*, 772 F.Supp. 17, 21-22 (SDNY 1993)(covenant not to sue via court-filed affidavit moots controversy). See also *Paramount Pictures Corp., et. al. v. Replay TV, et. al.*, 298 F.Supp.2d 921, 923 (C.D. Cal. 2004)(suit for contributory or vicarious infringement based on DJ plaintiff’s alleged direct infringement was sufficient to create “actual case or controversy” but the controversy was mooted by voluntary dismissal of that third party suit).
the three major branches of intellectual property. It is also interesting that the courts believe they have achieved that goal. For the courts to be correct, first they would need to *articulate* the same standard for determining DJ jurisdiction, and second they would need to *apply* it equally to copyright, trademark, and patent cases. The articulated patent DJ jurisdiction standard has indeed been largely followed by courts in copyright and trademark cases -- at least facially. In examining the application of the standard, however, it appears that courts in copyright and trademark disputes have used the same words but applied them more broadly.

Acknowledging the DJ Act requirement of “actual case or controversy,” the test in copyright law has been (1) when the declaratory plaintiff has a real and reasonable apprehension of litigation and (2) when the declaratory plaintiff has engaged in a course of conduct that brings it into adversarial conflict with the declaratory defendant.61 This standard was applied by the Fifth Circuit in the case of *State of Texas v. West.*62 The court began by setting forth the standard for determining DJ jurisdiction, stating that an actual controversy is one where “a substantial controversy of sufficient immediacy and reality [exists] between parties having adverse legal interests.”63 This is, indeed, the proper standard for determining DJ jurisdiction on a claim under general jurisprudence. Following other (misguided) precedent, however, the Fifth Circuit went on to state the stricter standard they intended to apply to intellectual property disputes. Thus borrowing the patent DJ standard from the Federal Circuit, the court sought a “reasonable apprehension of litigation,” and did not find one.64 Interestingly, the Fifth Circuit declined to follow its own test in a later DJ action, stating that the requirement of “real and reasonable apprehension of litigation” should be confined to intellectual property disputes.65 This merely shows that courts have been willing to articulate a much more broad-minded standard outside intellectual property, even though the reasons they give for conferring jurisdiction are equally important to alleged intellectual property infringers.

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61 *State of Texas v. West,* 882 F.2d at 175. After the U.S. Supreme Court’s decision in *MedImmune v. Genentech,* courts may be less likely to apply the “reasonable apprehension” standard which the Court disapproved in footnote 11, but that remains to be seen. See Part V(d) infra.

62 *Id.*

63 *Id.* at 175, quoting *Middle South Energy, Inc. v. City of New Orleans,* 800 F.2d. 488, 490 (5th Cir. 1986).

64 *Id.*

65 *First Gibraltar Bank, FSB v. Morales,* 19 F.3d 1032, 1038 (5th Cir. 1994)(vacated on unrelated grounds of updated homestead statute; ruling on DJ stood firm, 42 F.3d 895 (1995)). In a dispute over possible preemption, the 5th Cir. stated that: “the test we applied in *Texas v. West Publishing* was adopted specifically for its intellectual property context, and we decline to extend it to this alleged clash between state law and federal right.” Instead, the court favored a more broad-minded test used by other circuits in preemption cases, whereby DJ jurisdiction should be conferred if “[Petitioner] would risk incurring significant losses should their legal theory prove incorrect. The potential consequences to [Petitioners] are sufficiently concrete to support an action for declaratory judgment. *See Whitney v. Heckler,* 780 F.2d 963, 969 n. 6 (11th Cir.) (“[A]n issue is ripe for judicial review when the challenging party is placed in the dilemma of incurring the disadvantages of complying or risking penalties for noncompliance.”), cert. denied, 479 U.S. 813, 107 S.Ct. 65, 93 L.Ed.2d 23 (1986).” The court apparently overlooked that this very same reasoning applies to alleged intellectual property infringers, and so should the more broad-minded DJ standard.
Listing a party as contributory infringer in a direct infringement action against others has been held to be grounds for DJ jurisdiction in a copyright dispute, although the controversy is mooted by voluntary dismissal of that third party suit. A “cease and desist” letter from defense counsel has been held to satisfy the “reasonable apprehension” prong as well. Courts have held that passively registering a copyright, by itself though, does not itself create a “real and reasonable apprehension of litigation.” While true, this merely indicates that the articulated standard is inapposite.

On the second (infringement) prong, courts have acknowledged that it would be “economically wasteful” to require a DJ plaintiff “to embark on an actual program of manufacture, use or sale which may turn out to be illegal.” Along the same lines, courts have used an “intent and ability” standard, meaning that there need not necessarily be any actual infringement yet, if the DJ plaintiff is ready and willing. “In sum, where the plaintiff has not yet manufactured the product but instead is preparing to do so, the court must consider the particular facts and circumstances of the case to determine whether plaintiff has evinced an intent to actually produce the product and the ability to do so.” Generally, DJ jurisdiction will not be conferred where the infringement is prospective only, however. This is a proper distinction, since some likelihood of liability must exist for there to be a “definite and concrete” dispute as required by the U.S. Supreme Court for establishing even baseline DJ jurisdiction.

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66 Newmark v. Turner Broad. Network, 226 F.Supp.2d 1215 (CD Cal 2002); see also Paramount Pictures Corp., et. al. v. Replay TV, et. al., 298 F.Supp.2d 921, 923 (C.D. Cal. 2004)(suit for contributory or vicarious infringement based on DJ plaintiff’s alleged direct infringement was sufficient to create “actual case or controversy”

67 Id.

68 Bryan Ashley Int’l, Inc. v. Shelby Williams Indus., Inc., 932 F.Supp. 290, 292 (S.D. Fla. 1996)(the opinion does not state whether counsel was inhouse or external, but repeated references to “defense counsel” would seem to imply external counsel, since otherwise the term “inhouse counsel” or “defendant’s counsel” might have been more descriptive); see also Gallo.


71 Id.

72 Sobini Films v. Tri-Star Pictures Inc., 61 U.S.P.Q.2d 1930, 1934 (C.D. Cal. 2001)(producers cannot bring DJ action based solely on film treatment of “Zorro” character, where no steps have yet been taken to create script or hire actors that would create even a potentially infringing product). See also Nimmer 12.01(A)(3). This principle has been applied by the Federal Circuit in patent law as well. GAF Bldg. Materials. Corp. v. ELK Corp. of Dallas, 90 F.3d 479 (Fed. Cir. 1996)(DJ action on unissued design patent was not yet ripe).

73 Aetna, 300 U.S. at 241. This requirement might be slightly altered for certain categories under patent law. See 35 USC § 271(e).
IV. The Standard as Articulated and Applied in Trademark Disputes

Further support for having a uniform standard of DJ jurisdiction across the branches of intellectual property comes from prominent trademark commentator, Professor McCarthy. According to Professor McCarthy, “[t]he purpose of declaratory judgment is to afford an added remedy to one who is uncertain of his rights and who desires an early adjudication thereof without having to wait until his adversary should decide to bring suit, and to act at his peril in the interim.”74 Professor McCarthy further goes on to say that the “purpose of federal declaratory judgment in trademark cases is almost identical to that in patent cases.”75

In general, for DJ jurisdiction to exist, “[t]he disagreement must not be nebulous or contingent but must have taken on a fixed and final shape.”76 In trademark as in patent cases, an “actual controversy” may involve direct charges of infringement, but may also be based on mere indirect threats.77 In the case of Manufacturers Hanover Corp. v. Maine Savings Bank, two years had passed between the questionably threatening letter and the filing of the DJ suit. Even so, the court did not discount the imminence of possible legal action.78 Furthermore, the court held that an administrative opposition filing was “probative evidence” of an intent to sue.79

Delving into the meaning of “reasonable apprehension,” trademark courts have held that the apprehension must have been caused by the DJ defendant’s conduct, and not just plaintiff’s hypothetical or exaggerated fear of being sued.80 In the case of Crown Drug Co. v. Revlon, the DJ plaintiff had been asked to distribute the generic version of a drug whose expired patent had been held by DJ defendant. The main issue was the distributor’s concern that the color and dosage combination of the generic drug might infringe the original patentee’s trademark. To quell its distributor’s concerns, the generic manufacturer offered it indemnification for any legal liability. Furthermore, the distributor contacted the patentee about the issue and was given no indication of any intent to sue or even a belief by patentee that there was any legal liability. Accordingly, with these facts the court understandably found no concrete dispute, and this case should be narrowly interpreted.

75 McCarthy § 32.50
77 Manufacturers Hanover Corp. v. Maine Sav. Bank, 225 USPQ 525, 527 (SDNY 1985)(letter expressing intent to resolve “informally” but coupled with opposition filing sufficient to establish DJ jurisdiction).
78 Id.
79 Id. Although the opposition proceeding has not yet been introduced in U.S. patent law, it is being contemplated by Congress as a move toward international patent harmonization. Furthermore, this can be analogized for this purpose to the currently available proceeding of patent interference.
80 Crown Drug Co. v. Revlon, Inc., 703 F.2d 240, (7th Cir. 1983)(“reasonable apprehension alone, if not inspired by defendant’s actions, does not give rise to an actual controversy). After the U.S. Supreme Court’s decision in MedImmune v. Genentech, courts may be less likely to apply the “reasonable apprehension” standard which the Court disapproved in footnote 11, but that remains to be seen. See Part V(d) infra.
DJ jurisdiction has been found appropriate in trademark cases where DJ defendant requested that DJ plaintiff or its customers not use the mark,\(^\text{81}\) where DJ defendant filed its trademark with the U.S. Customs to prevent importation;\(^\text{82}\) and where DJ defendant filed suits against DJ plaintiff’s competitors\(^\text{83}\) – or customers.\(^\text{84}\) The court in *Oreck Corp. v. National Super Service Co.* held that it was sufficient that the parties were in “adversarial conflict.” It was not necessary that the trademark owner have made “express or indirect threats.” Simply, the parties had to meet the threshold standard of “an imminent threat of impending legal action.”\(^\text{85}\) The result seems right, but there is some inherent contradiction in the court’s reasoning. How can no present intent to sue equate with an imminent threat? This dichotomy demonstrates the tension felt by trademark courts articulating the Federal Circuit’s rigid DJ jurisdiction standard, but wanting to apply it with the “liberality” dictated by the Supreme Court.\(^\text{86}\)

A different conclusion was reached in *Dunn Computer Corp. v. Loudcloud, Inc.*,\(^\text{87}\) where a cease and desist letter that did not explicitly threaten litigation was held insufficient for establishing DJ jurisdiction. The *Dunn* case can be distinguished, however, since the court explicitly noted that its reasoning was based on the fact that there had been only one cease and desist letter, with no further contact or negotiation between the parties. The letter contained no threat or mention of litigation, and it expressed the “hope” that DJ plaintiff would “amicably agree” to a resolution. The court further based its reasoning on the lack of immediacy derived from DJ defendant’s failure to make a *prima facie* case of trademark infringement in the cease and desist letter, since DJ defendant had not yet even registered the mark it allegedly sought to protect.\(^\text{88}\) The court therefore noted -- probably for purposes of the record on appeal -- that even if DJ plaintiff had met baseline DJ jurisdiction, the court would use decline jurisdiction under the discretionary prong, since the case was premature and judgment would not likely provide final resolution of the issues between the parties.\(^\text{89}\)

Often, though, courts do allow trademark DJ jurisdiction to rest on cease and desist letters. This doctrine was reiterated in an October 2006 decision where an alleged infringer sued for declaratory relief on trade dress.\(^\text{90}\) *Pernod*, the maker of Seagram’s coolers engaged the E & J Gallo winery in discussions about their respective cooler

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\(^{82}\) *Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp.*, 257 F.2d 485 (3d Cir. 1958);

\(^{83}\) *G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985 (7th Cir. 1989)

\(^{84}\) *Oreck Corp. v. National Super Service Co.*, 39 USPQ2d 1702, 1705 (ED La 1996)(court held declaratory jurisdiction appropriate where supplier could be subject to trademark infringement although DJ defendant claimed no knowledge of infringement by supplier and no present intent to sue).

\(^{85}\) *Id.* At 1704.

\(^{86}\) See also *Freecycle Sunnyvale v. The Freecycle Network, Inc.*, 2006 WL 870688 (N.D. Calif. 2006 unreported)(aggressively written cease and desist letter constituted grounds for DJ action).


\(^{88}\) At 828.


\(^{90}\) *E&J Gallo*, 2006 WL 2849830 at 2.
products. Pernod sent a letter demanding Gallo cease use of its label design, which Pernod alleged was infringing on its intellectual property rights. The letter noted counsel’s hope that they could “resolve this matter amicably” while also giving Gallo a 30-day deadline to cease distribution of its product. The parties exchanged a couple of follow-up emails in which Pernod’s position did not significantly change, and Gallo sued for declaratory relief. After filing, Gallo offered to dismiss the action if Pernod would agree in writing not to bring an infringement action. Pernod refused.91

While again purporting to apply the current patent DJ standard of “reasonable apprehension” of suit, the court conceded that an “actual threat” of suit is not necessary, and that, effectively the more substantial the infringement prong, the less necessary the showing of apprehension.92 This twist on the test really makes it less of a two-prong conjunctive, and something closer to an “or at least” where a likelihood of infringement is established. The court thus considered the facts of the case sufficient to establish DJ jurisdiction, emphasizing; (i) the aggressive tone and deadlines of the letter;93 (ii) the fact that the letter came from outside litigation counsel rather than inhouse counsel or a business executive;94 (iii) the letter made specific allegations regarding the alleged infringement;95 and, oddly (iv) the parties had a prior history of litigation -- wherein DJ plaintiff had a bad experience with New York lawyers, and DJ defendant took an allegedly aggressive stance in enforcing its intellectual property rights.96 The court distinguished another 2006 case, where the district court had determined that DJ jurisdiction would not lie where the DJ defendant’s letters did not threaten litigation -- or even allege a specific infringement -- but rather simply offered licenses to multiple parties.97

After determining that the dispute met the jurisdictional requirements sufficient to overcome a 12(b)(1) motion, the Gallo court discussed the discretionary aspects of declaratory judgment and why they purportedly were met. Specifically, the court stated: “Litigation will serve the useful purpose of clarifying and resolving the dispute between Pernod and Gallo, instead of leaving the parties to risk and uncertainty in the continued conduct of their businesses.”98 Once again, this ruling demonstrates how, while purporting to use the same baseline standard as in patent cases, courts apply DJ jurisdiction more broadly in copyright and trademark cases. Indeed, a threat of suit need not even be expressly stated, but may be evident only in defendant’s “attitude” as

91 Id. at 3.
92 Id. at 6.
93 Id. at 8 (although it also noted a request for “amicable” resolution).
94 Id. at 9.
95 Id. at 8.
96 Id. at 11. Although, the former sounds like overt forum shopping disfavored as a DJ factor and the latter marginally appropriate as a consideration.
97 Id. at 8, citing Shoom Inc. v. Electronic Imaging Sys. Of Am., Inc., 2006 U.S. Dist. LEXIS 39594, 9-10 (N.D. Cal.). The letter at issue in Shoom was sent from the company president, and not from counsel, although this is not always considered to be determinative of DJ jurisdiction.
98 Id. at 11.
expressed in the “circumspect language” of a letter.\textsuperscript{99} Jurisdiction may also lie where the “commercial realities” of the situation put plaintiff in a position of “potential liability.”\textsuperscript{100}

Regarding the second (infringement) prong, courts have held in trademark DJ cases that actual production of an infringing product is not necessary.\textsuperscript{101} An “immediate intention and ability” are sufficient. With that, the test set forth by courts for trademark DJ jurisdiction is the same as that adopted by the courts for copyright, and on the same basis: (1) when the declaratory plaintiff has a real and reasonable apprehension of litigation and (2) when the declaratory plaintiff has engaged in a course of conduct that brings it into adversarial conflict with the declaratory defendant.\textsuperscript{102} “Meaningful preparation” is both necessary and sufficient. Any ruling to the contrary would validate hypothetical advisory opinions, and moreover would defy the purpose of the DJ Act putting parties on level ground since the rights holder certainly could not sue one who only vaguely contemplates infringement.\textsuperscript{103}

This principle was applied in \textit{Starter Corp. v. Converse, Inc.}, where the allegedly infringing product was not yet commercially available, but a prototype was available to the court for analysis. In reversing the trial court’s denial on discretionary as well as on baseline jurisdictional grounds, the Second Circuit held firmly that a district court is “required to entertain a declaratory judgment action ‘(1) when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, and (2) when it will terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding.’”\textsuperscript{104}

Thus in trademark disputes, unlike in patent, the courts seem to rely more on a determination of the potential risk to the DJ plaintiff (\textit{i.e.}, the alleged infringer) than on any specific actions of the DJ defendant (\textit{i.e.}, the IP rights holder). This \textit{de facto} application is probably a more appropriate standard than the “reasonable apprehension” articulated by the courts.

\textsuperscript{99} \textit{Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp.}, 257 F.2d 485 (3d Cir. 1958).
\textsuperscript{100} \textit{Muller v. Olin Mathieson Chemical Corp.}, 404 F.2d 501 (2d Cir. 1968)(prior history -- including patent interference -- and ongoing conflict -- including disputes with each other’s licensees -- between parties demonstrates sufficient “actual controversy” for DJ jurisdiction).
\textsuperscript{101} \textit{Windsurfing Int’l, Inc. v. AMF, Inc.}, 828 F.2d 755 (Fed. Cir. 1987)(competitor’s mere interest in using mark not sufficient to invoke DJ jurisdiction).
\textsuperscript{102} \textit{Id.}
\textsuperscript{103} “Definite intent and apparent ability to commence use” of the mark is sufficient to confer baseline DJ jurisdiction. \textit{Starter Corp. v. Converse, Inc.}, 84 F.3d 592, 596 (2d Cir. 1996).
\textsuperscript{104} \textit{Id.} at 597, quoting \textit{Continental Cas. Co. v. Coastal Sav. Bank}, 977 F.2d 734, 737 (2d Cir. 1992). \textit{See also Intel Corp. v. CFW Wireless, Inc.}, 2000 WL 1455830 (W.D. Va 2000)(“liberal” construction appropriate for DJ test on second prong as well as first).
V. The Standard as Articulated and Applied in Patent Disputes

a. Normative Analysis of Patent Law and Declaratory Relief

The normative values of patent law are subject to ongoing debate amongst courts, Congress, and ivy-covered walls. Generally, patent law must balance various incentives. Inventors -- and more frequently their assignees -- must be rewarded with patents for their protectable ideas, as an incentive to create and invest in technology development. The public must then be rewarded with full disclosure of the inventive steps, and of course with the assurance that only truly patentable inventions will receive the exclusionary patent grant. Finally, competing inventors -- and companies -- must be rewarded with their own opportunities to obtain patents on improvements and work-around technology. Of course, that all begs the question of how these countervailing balances should be weighed.

Economic efficiency demands the availability of patent protection as much as it requires that such protection be subject to legal challenge. On the one hand, patents are necessary to encourage investment in various industries that bring products and processes of great value to the consuming public. On the other hand, weak and invalid patents must not be permitted to overshadow the marketplace. To that end, the U.S. Supreme Court has mandated that while patents are given a presumption of validity, once invalidity is proven in court, the patent is rendered unenforceable against even third parties.

As a normative value, predictability is of prime importance both to the patentee and to potential infringers who must make business decisions based on the validity and enforceability of the patent. In recent caselaw, the Supreme Court has tacitly indicated a willingness to weigh the social utility of the parties’ behaviors. In Merck KGaA v. Integra in 2005, the Supreme Court expanded the interpretation of statutory fair use in patent law, in cases where the purported infringement may lead to drug discovery and development. In Ebay v. MercExchange in 2006, the Supreme Court modified the

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105 The U.S. Supreme Court has stated the competing objectives of patent law:
First, patent law seeks to foster and reward invention; second, it promotes
disclosure of inventions, to stimulate further innovation and to permit the public
to practice the invention once the patent expires; third, the stringent
requirements for patent protection seek to assure that ideas in the public domain
remain there for the free use of the public.

106 Economic efficiency demands the availability of patent protection as much as it requires that such protection be subject to legal challenge. On the one hand, patents are necessary to encourage investment in various industries that bring products and processes of great value to the consuming public. On the other hand, weak and invalid patents must not be permitted to overshadow the marketplace.

107 Blonder Tongue, 402 US at 350.

108 Id.

109 Merck KGaA v. Integra Lifesciences, Ltd., 125 S.Ct. 2372, 2380 (2005). 35 USC §271(e) reads, in relevant part: “It shall not be an act of infringement to make, use, offer to sell, or sell . . . solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs.”
nearly century-old presumption of injunction in patent cases, thereby tipping the scales toward compulsory licensing.\textsuperscript{110} Congress, meanwhile, has been up in arms over the past couple of years, with different congressmen endorsing as many as five different patent reform bills, any of which might significantly affect the practice of patent law in the United States. Everyone, from business owners to scholars, agrees that the current patent system has significant problems, but even within the typical dividing lines, there is no clear agreement on solutions. In the January 2007 Supreme Court decision involving licensee estoppel, various law professors and industry experts filed briefs in support of petitioner (licensee)\textsuperscript{111} and others filed in support of respondents (licensors),\textsuperscript{112} demonstrating the differing interests in this debate. Following recent precedent, the Supreme Court again favored user rights by lowering the bar for validity challenges by active licensees.\textsuperscript{113}

In order to determine the proper standard for DJ jurisdiction in patent law, it is essential to balance the normative values of patent law with those of declaratory judgment. Patent law was firmly in mind as a primary example of the injustice that needed correction via the DJ Act. The Supreme Court has further expressed its agreement with declaratory judgment as a remedy to balance the weight of the exclusionary right of the patent grant.\textsuperscript{114} After all, without access to declaratory relief, businesses threatened with patent infringement would have no recourse but to either close shop or risk paying treble damages and attorneys’ fees if found liable for willful infringement.\textsuperscript{115} This has become an increasingly important issue over recent decades as many biotech, Internet, and other businesses are built around one or two core technologies, which may turn out to be clouded or entirely blocked by dominating patents that were either previously unknown or were considered inapplicable.\textsuperscript{116} Access to declaratory relief is one of the few mechanisms available for restoring the normative balance between patentees and technology users.

Truly, any one of these important normative values, taken to its logical conclusion in a vacuum, would lead to an absurdly illogical result, since the overriding public policies protect competing interests. It would be illogical to apply only the principle of enforcing the patentee’s business incentive -- and thereby deny DJ jurisdiction -- where a patentee is waving its exclusionary right like a flag around town with vicious threats to all who

\textsuperscript{110} \textit{EBay Inc. v. MercExchange}, 126 S.Ct. at 1840.
\textsuperscript{113} \textit{MedImmune v. Genentech}, 127 S.Ct. 764 (2007). The ruling in this particular case was misguided, and based on the Supreme Court’s misunderstanding of patent law and licensing practice. Nevertheless, it evidences the trend toward user rights.
\textsuperscript{115} 35 USC § 284 (treble damages) and 35 USC § 285 (attorney’s fees)
\textsuperscript{116} The more recent conundrum of patent “trolls” has further fueled this problem, since it has become common practice for the patent holder to be completed alienated from the invention process.
practice anywhere near the area. It would be equally illogical to extend only the principle of encouraging patent validity challenges -- and thereby allow DJ jurisdiction -- where the patentee sits quietly on its rights as a defensive strategy and a third party merely wants to know if it can easily enter the industry. This is why a more appropriate test is necessary, and it must continue to be applied by courts carefully as fits the facts of a particular case. That is the very basis of our Article III judicial system.

b. Treatment of declaratory judgment in patent law – and resulting problems

It has been established by the U.S. Supreme Court that patent law provides fertile ground for declaratory relief. Indeed “facing or being threatened with an infringement claim” should satisfy the jurisdictional standard for seeking declaratory judgment in a patent infringement case. Alas, this optimism has been met with creeping formalism by lower courts in articulating, and in applying, DJ standards in patent law. In particular, as with copyright and trademark cases, the federal district courts hearing patent cases have confused the tests for establishing baseline jurisdiction with the discretionary prong authorized by the DJ Act. This confusion, which has been fueled by the Federal Circuit Court of Appeals, has created some incongruous results.

The Federal Circuit has been fairly consistent in articulating what it believes to be the basic test for DJ jurisdiction in patent cases: “there must be both (1) a reasonable apprehension on the part of the DJ plaintiff that it will face an infringement suit, and (2) present activity by the DJ plaintiff which could constitute infringement.” The “reasonable apprehension” prong of this test, which the Federal Circuit has gone so far as to claim is Constitutionally mandated, has not been consistently articulated or applied

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118 See Crown Drug, 703 F.2d at 245, (quoting, “reasonable apprehension alone, if not inspired by defendant’s actions, does not give rise to an actual controversy).
121 Id.
122 Formed in 1982, the Federal Circuit Court of Appeals has exclusive jurisdiction over most patent appeals (with some exceptions such as patent claims brought only on counterclaim – see Holmes Group, Inc. v. Vornado Air Circulations Systems, Inc., 535 U.S. 826 (2002)). For an informative discussion about declaratory judgment application in patent law, see Lisa A. Dolak, Declaratory Judgment Jurisdiction in Patent Cases: Restoring the Balance Between the Patentee and the Accused Infringer, 38 B.C. L. Rev. 903 (1997). See also Lisa A. Dolak, Power or Prudence: Which is it? (September 6, 2006), available at http://ssrn.com/abstract=929228.
124 Id. The Federal Circuit panel stated: “This requirement of imminence reflects the Article III mandate that the injury in fact be “concrete,” “actual or imminent, not conjectural or hypothetical.” The court cited Steel Co. v. Citizens for a Better Env’t., 523 U.S. 83 (1998). Naturally, the cited case did not make any such claim about imminence being part of the “reasonable apprehension” test but rather put it in
however. The Federal Circuit itself acknowledges that the “reasonable apprehension” test has been “variously stated” over time.\(^{125}\)

The Federal Circuit notes that the first (“reasonable apprehension”) prong is essentially within the control of the patentee, while the second (infringement) prong is determined by the actions of the purported infringer.\(^{126}\) Of course, in saying so, the Federal Circuit effectively gives the patentee the power and authority to determine whether and when DJ jurisdiction lies -- a complete throwback to the time before the DJ Act and the problems that led to its enactment. Again, this is largely caused by confusion on the part of the Federal Circuit, and thereby the district courts, between baseline DJ jurisdiction and the discretionary prong.

Perhaps as an attempt to throw a bone to aspiring DJ plaintiffs, the Federal Circuit has also developed a secondary test for establishing its increasingly rigid “reasonable apprehension” prong. The court has commented that it is appropriate to look at the “totality of the circumstances” to establish “reasonable apprehension” when there have been no direct threats – or, as the court emphasized, in some cases where there has not even been direct contact between the parties.\(^{127}\) Although articulating “totality of the circumstances” as a way to establish “reasonable apprehension,” the Federal Circuit has also used “totality of the circumstances” as a stand-alone supplement.\(^{128}\) With these varying interpretations and even varying statements of the standard, it is not at all clear that the Federal Circuit judges have really thought through the appropriate test for determining DJ jurisdiction in patent cases. They at once apply the standard(s) formally while at the same time mixing in other tests and versions without clearly articulating or applying a single test that would settle the reasonable expectations of parties.\(^{129}\) Unfortunately, this goes against the normative values of consistency and reliability of jurisprudence.

The Federal Circuit has further confused the inquiry with the inexplicable addition of other tests. “Basically, the test requires two core elements: (1) acts of defendant indicating an intent to enforce its patent; and (2) acts of plaintiff that might subject it or its customers to suits for patent infringement.”\(^{130}\) In *Arrowhead*, the Federal Circuit

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\(^{125}\) *Arrowhead* 846 F.2d 731, 736. It was used by the Federal Circuit in 1988 (*Arrowhead*) and in 1987 *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 955 (Fed. Cir. 1987).

\(^{126}\) See *Teva* 395 F.3d at 1333.

\(^{127}\) *Arrowhead* at 736, citing *Dewey & Almy Chem. Co. v. American Anode, Inc.*, 137 F.2d 68, 71 (3d Cir. 1943)(DJ jurisdiction proper although no communication by DJ Defendant).

\(^{128}\) *Spectronics Corp. v. H.B. Fuller Co., Inc.*, 940 F.2d 631, 634 (Fed. Cir. 1991); also *MedImmune v. Genentech*, 427 F.3d at 964 (referring to the “reasonable apprehension” test as a pragmatic “synthesis of the totality-of-the-circumstances test”).

\(^{129}\) While it would be interesting to perform empirical research to see whether the courts rule differently when they apply the standard differentially, it is already clear that looking at the “totality of the circumstances” does not necessarily incline the Federal Circuit to find the “reasonable apprehension” it requires for DJ jurisdiction. See for example *MedImmune v. Genentech*, 427 F.3d at 964 (referring to the “reasonable apprehension” test as a pragmatic “synthesis of the totality-of-the-circumstances test”).

\(^{130}\) *Arrowhead*, 846 F.2d at 737.
reversed a district court determination that subject matter jurisdiction was lacking. The Federal Circuit held that (1) competition between the DJ plaintiff and DJ defendant; (2) a lawsuit by DJ defendant against a third-party competitor; (3) threatening letters from DJ defendant to DJ plaintiff’s customers; and (4) a letter effectively serving as a “cease and desist” with very aggressive language and timeline, were together sufficient to invoke the test (whichever one used – and the court pointed to several).

In discussing the “totality of the circumstances,” the Federal Circuit relied heavily on the supremacy of protecting business interests as a public policy. It also, importantly, did not require an actual showing of infringement by the DJ plaintiff in order to invoke jurisdiction under the second prong, holding that words like “similar” and “potentially infringing” were sufficient. After all, it would be entirely unfair to force a DJ plaintiff to admit infringement, and effectively subject itself to liability if the patent is held to be valid. It also, as observed by the Federal Circuit, would limit any judgment to invalidity and unenforceability, and eliminate the cause of action of “noninfringement.” The court appropriately agreed, however, that if the DJ plaintiff claimed it “could not possibly” be infringing, then DJ jurisdiction would fail for lack of standing.

Meanwhile, there have been cases where the Federal Circuit’s improvident choice of the “reasonable apprehension” test resulted in an incorrect decision. In the case of Shell Oil Co. v. Amoco Corp., Shell heard of Amoco’s patent on a method of production. Shell sought clarity by initiating licensing discussions. All along, Shell noted that if licensing discussions failed, it would bring a declaratory action for noninfringement, unenforceability, and invalidity. Ultimately, the discussions did reach an impasse, and the patentee actually suggested that Shell consider a declaratory action. However, when Shell filed, the patentee responded with a 12(b)(1) motion. The district court granted the motion, and the Federal Circuit affirmed. Although acknowledging that the “totality of the circumstances” should be considered in determining the outcome, the Federal Circuit nevertheless applied a version of the “reasonable apprehension” test. The court commented that “[a] reasonable apprehension of an intent to initiate an infringement suit may be found from statements made during license negotiations, since the possibility of litigation may objectively appear to compel acceptance of offered terms.” The Federal Circuit further agreed that infringement need not have clearly been threatened. By its chosen “reasonable apprehension” test, though, it was bound to dismiss the case.

The Federal Circuit lost sight of the purpose of the DJ Act in the application of its overly formalistic “reasonable apprehension” test in the Shell case. The court even went so far as to hint that by moving to dismiss the action, the patentee indicated it was not yet ready

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131 Id. at 738.
132 Id. (at fn10).
133 Id. at 739.
134 Shell Oil Co. v. Amoco Corp., 970 f.2d 885 (Fed. Cir. 1992).
135 Id. at 887.
136 (S.D. Tex)
137 Id. at 888.
138 Id. at 889.
to sue, and therefore, the DJ plaintiff could not have had a “reasonable apprehension” of suit. The court noted: “It is possible that, even after the conversations reached an impasse, Amoco might never have sued, either because the validity of its patent was doubtful or its infringement argument was weak.” Well yes, of course that is possible, and that is exactly why declaratory relief is available to the purported infringer, so that it can avoid the danse macabre and bring suit to resolve the uncertainty of the situation. But the Federal Circuit, finding this an uneasy fit with its chosen test, was boxed into a dismissal. The perverse result is an indication that the Federal Circuit’s “reasonable apprehension” test, while sometimes still reaching a correct result, is ultimately not a workable standard.

Due to this formalistic approach, some scholars have interpreted Federal Circuit precedent as being completely anathema to allowing DJ jurisdiction where not much more is done than a patentee sending a notice of its patent to an industry. This is not entirely accurate. In Spectronics, the district court (E.D.N.Y.) first refused to dismiss a declaratory action. When the DJ defendant brought a second motion to dismiss however, the district court granted, only because the DJ defendant this time included a covenant not to sue, which mooted the suit. The Federal Circuit did not review the initial denial of motion to dismiss since it was no longer at issue, but the court did tacitly accept that the initial acceptance of DJ jurisdiction may have been correct. In so doing, the Federal Circuit established the possibility that a patent alone, with generally nontreating comments to the affected industry may at least under some circumstances, be sufficient to establish DJ jurisdiction. More typically, though, the Federal Circuit exempts from DJ liability the “quiescent” patentee, who does no more than obtain a patent.

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139 Id. at 889.

140 The term “danse macabre” derives from Judge Markey in Arrowhead, 846 F.2d at 734-735:
This appeal presents the sad and saddening scenario that led to enactment of the Declaratory Judgment Act (Act), 28 U.S.C. §2201. In the patent version that scenario, a patent owner engages in a danse macabre, brandishing a Damoclean threat with a sheathed sword. See Japan Gas Lighter Ass’n v. Ronson Corp., 257 F.Supp. 219, 237, 150 USPQ 589, 601 (D.N.J. 1966) Guerrilla-like, the patent owner attempts extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity. See E. Borchard, Declaratory Judgments 803-04 (2d ed. 1941). Before the Act, competitors victimized by that tactic were rendered helpless and immobile so long as the patent owner refused to grasp the nettle and sue. After the Act, those competitors 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. The sole requirement for jurisdiction under the Act is that the conflict be real and immediate, i.e., that there be a true, actual ‘controversy’ required by the Act.” Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 239-41; [further cites omitted]]


142 Spectronics, 940 F.2d at 633.

143 Id.

144 See Teva, 395 F.3d at 1341, citing Arrowhead, 846 F.2d 736. See Part VI, infra, for further discussion. This is improper though, since the existence of the patent itself, coupled with the likelihood of DJ plaintiff’s infringement (or substantial steps) creates a “real and substantial controversy” which is fully
Also as a result of the Shell case, some scholars have been of the impression that licensing negotiations must break down before DJ suit can be initiated.\textsuperscript{145} This does not appear to be an absolute requirement of the Federal Circuit however. The Federal Circuit has found a “controversy” sufficient to confer baseline DJ jurisdiction where license discussions had not yet broken down, but the patentee had sent a letter indicating litigation would likely result if that were to occur.\textsuperscript{146} Interestingly, the letter was from the president of the company, and did not specifically threaten litigation – exhibiting two factors often considered to be anathema to obtaining a ruling of DJ jurisdiction, but which in this case were deemed sufficient.

Historically, the Federal Circuit was not the first to apply the “reasonable apprehension” test to DJ jurisdiction in intellectual property cases.\textsuperscript{147} The phrase was articulated by several regional circuits in patent cases before the Federal Circuit’s creation in 1982.\textsuperscript{148} The problem is that the test does not capture all qualifying candidates for DJ jurisdiction in patent and other intellectual property cases.\textsuperscript{149} Indeed, as the Supreme Court has articulated, and many courts since have reiterated, it is difficult, if even possible, to come up with a uniform test.\textsuperscript{150} This is why it is necessary to have a more balanced test for DJ jurisdiction in intellectual property cases, as has been used in other areas of legal jurisprudence.

Interestingly, though, there is one version of the “reasonable apprehension” test that, with the difference of just a few words, dictates an entirely different conclusion. The Federal Circuit (and, to be fair, several prior courts have used the same wording) has described resolvable by “immediate and definitive determination,” the test set forth in \textit{Aetna v. Haworth}, 300 U.S. at 239-240.

\begin{itemize}
  \item \textsuperscript{145} See Dolak, \textit{Declaratory Judgment, supra} note 122 at 932-933.
  \item \textsuperscript{146} See \textit{EMC Corp. v. Norand Corp.}, 89 F.3d 807, 812 (Fed. Cir. 1996)(court found “actual controversy” but affirmed district court’s decision to dismiss on discretionary grounds).
  \item \textsuperscript{147} Even the early Fed. Cir. cases were held to a relatively certain, and perhaps more relaxed, standard of DJ jurisdiction.
  \item \textsuperscript{148} The phrase “reasonable apprehension” was articulated and applied as early as 1966 in \textit{Japan Gas Lighter Assoc. v. Ronson Corp.}, 257 F.Supp. 219, 237 (D.N.J. 1966). The Court stated: “[t]he cases in this Circuit do order some guidance in the case of a patent action for a declaration of non-infringement and invalidity. Such an action must be based on the plaintiff’s well grounded fear that should he continue or commence the activity in question, he faces an infringement suit or the damaging threat of one to himself and his customers. The touchstone is a \textit{reasonable apprehension}. There must be, in other words, some concrete indication that the defendant patentee claims the plaintiff’s activity infringes his patent, and also that he will act affirmatively to enforce the protection which he claims.” (emphasis added). The court provided several cites with this explanation, but none of the cited cases used the term “reasonable apprehension” in determining declaratory judgment jurisdiction. The “reasonable apprehension” test has not been uniformly used even by Federal Circuit. \textit{C.R. Bard, Inc. v. Schwartz}, 716 F.2d 874, 879 (Fed. Cir. 1983)(stating test is that “the declaratory judgment plaintiff has a sufficient interest in the controversy and that there is a reasonable threat that the patentee or licensor will bring an infringement suit against the infringer.”).
  \item \textsuperscript{149} Professor Dolak, for example, notes that the standard for declaratory judgment jurisdiction in patent law has (1) changed over time; (2) morphed improperly; and (3) had the effect of unsettling parties, thereby unfairly impacting putative infringers, and resulting in a higher standard, out of line with the purpose of the DJ Act. \textit{Declaratory Judgment, supra} note 122 at 932.
  \item \textsuperscript{150} \textit{Maryland Casualty}, 312 US at 273 (1941).
\end{itemize}
the “reasonable apprehension” as referring to “an infringement suit.”\textsuperscript{151} This means that the “reasonable apprehension” is derived from the patentee, and it is within the power of the patentee to decide whether or not to engage in such conduct as will cause a “reasonable apprehension” in the DJ plaintiff. There is a solution to this problem, even using an existing version of the “reasonable apprehension” test. The Ninth Circuit in \textit{Societe} framed the test this way: “a real and reasonable apprehension that he will be subject to liability if he continues to manufacture his product.”\textsuperscript{152} This phrasing makes a huge difference. A reasonable apprehension of \textit{liability} effectively requires only a likelihood that the DJ plaintiff satisfy the second (infringement) prong of the test, since to infringe an intellectual property right is to subject oneself to a reasonable apprehension of liability. In fact, this is much better aligned with the intent and purpose of the DJ Act. The Ninth Circuit may not have intended to use a different standard -- and indeed it seems the Federal Circuit and the district courts continue to use varied versions of the “reasonable apprehension” test without realizing how they are actually changing the standard with a change of a word or two.\textsuperscript{153} In truth though, the “reasonable apprehension” test should only be considered, if at all, in the discretionary prong of DJ jurisdiction, and not in the inquiry into baseline jurisdiction. Thus Part VI of this article proposes a clearer articulated standard, with a spectrum of factors that may be considered in the court’s discretion.

c. Analogies from other areas of law

Whether the “reasonable apprehension” test is mandated or appropriate at all might best be judged by looking at standards used for DJ jurisdiction in analogous areas of law. Indeed, a glaring problem with the standard articulated and applied by the Federal Circuit is that it still allows the patentee full control over when, where, -- and, effectively whether -- to bring suit, particularly if a sophisticated patentee is familiar with Federal Circuit jurisprudence and knows enough not to overtly threaten suit until it initiates action.

Analogizing to the statutory context, prosecution need not occur for a declaratory plaintiff to initiate action. The U.S. Supreme Court also made this analogy in the January 2007 \textit{MedImmune v. Genentech} decision.\textsuperscript{154} If there is a “credible threat of prosecution,” then an action challenging the statute will be deemed “ripeness.”\textsuperscript{155} In \textit{Presbytery v. Florio}, the state passed a law which, if enforced, could inhibit the First Amendment speech rights of the DJ plaintiff. The state argued that since it had not initiated – or ever threatened – prosecution against the DJ plaintiff, subject matter jurisdiction was lacking.\textsuperscript{156} However,

\textsuperscript{151} See C.R. Bard, 716 at 880.
\textsuperscript{152} \textit{Societe} at 944, citing \textit{Japan Gas Lighter} at 237 (although \textit{Japan Gas} seems to indicate a “reasonable apprehension” of lawsuit, not of liability, further showing how courts applying the “reasonable apprehension” standard have morphed it freely and apparently inadvertently).
\textsuperscript{154} \textit{Presbytery of N.J. of Orthodox Presbyterian Church v. Florio}, 40 F.3d 1454, 1463 (3d Cir. 1994)(party seeking review need not have suffered anticipated injury).
\textsuperscript{155} Id. At 1458.
the state also refused to offer any assurance that it would refrain from prosecuting the DJ plaintiff under the statute at issue.\textsuperscript{157}

The Third Circuit considered a three-part test in finding that DJ jurisdiction had been properly established. First, the court looked at the “adversity of interest” of the parties. Next, it examined the “conclusiveness of the judicial judgment.” Finally, the court looked to “the practical help, or utility, of that judgment.”\textsuperscript{158} That the DJ plaintiff had in the past, currently does, and will in the future engage in conduct that “could run afoul of the statute” was determinative.\textsuperscript{159} Although there was no “imminent threat” of prosecution, the reasonable possibility was sufficient.\textsuperscript{160} All of this could be analogized to patent (and copyright/trademark) law.

The same rubric of justiciability has also been applied in administrative law.\textsuperscript{161} There, courts have found DJ jurisdiction by evaluating (1) the fitness of the issues for judicial decision; and (2) the hardship to the parties of withholding court consideration.\textsuperscript{162} Again, this presents a test more aligned with general jurisprudence and the dictates of the Supreme Court than that currently being used to determine DJ jurisdiction in patent disputes.

d. The Supreme Court and Patent Declaratory Judgment Standards

The U.S. Supreme Court has recognized the tension between power and prudence in DJ disputes. In \textit{Cardinal Chemical}, the Court noted that the Federal Circuit had mistaken its discretion to decline jurisdiction for a lack of authority to do so.\textsuperscript{163} In \textit{Cardinal Chemical}, the Court very specifically stated that the “sole requirement” for baseline DJ jurisdiction is that the conflict be “real and immediate” – period.\textsuperscript{164} The Court further noted that a “threat” of suit is not even necessary. “Merely the desire to avoid the threat” is sufficient.\textsuperscript{165} This starts to sound much more like the proper DJ standard for resolving business disputes that are “definite and concrete” and capable of resolution by “immediate and definitive determination.”\textsuperscript{166} The Federal Circuit chose to ignore this weighty advice. Fourteen years later, the Federal Circuit continues to use its favored “reasonable apprehension” standard.

\begin{itemize}
\item \textsuperscript{157} \textit{Id.} at 1464
\item \textsuperscript{158} \textit{Id.} at 1463.
\item \textsuperscript{159} \textit{Id.} at 1465-66.
\item \textsuperscript{160} \textit{Id.} at 1464.
\item \textsuperscript{161} See \textit{Abbott Laboratories v. Gardner}, 387 U.S. 136, 149 (noting that a possible “multiplicity of suits” is not a reason to deny DJ jurisdiction); \textit{overruled on other grounds by Clifano v. Sanders}, 430 U.S. 99, 105 (1977), but still recognized for this point, \textit{see Principal Life Ins. Co. v. Robinson}, 394 F.3d 665, 670 (9th Cir. 2005).
\item \textsuperscript{162} \textit{Id.}
\item \textsuperscript{163} \textit{Cardinal Chemical}, 508 U.S. at 84 (reversed Fed Cir. practice of categorically vacating validity ruling where noninfringement upheld; Supreme Court said: “The Federal Circuit’s decision to rely on one of two possible alternative grounds (noninfringement rather than invalidity) did not strip it of power to decide the second question” – at 84 – emphasis in original – and again at 98, also with emphasis in original).
\item \textsuperscript{164} \textit{Id.} at 98.
\item \textsuperscript{165} \textit{Id.} at 90; (emphasis added).
\item \textsuperscript{166} \textit{Aetna}, 300 US at 240.
\end{itemize}
The Supreme Court echoed its ruling from *Cardinal Chemical*, and weighed in on the “reasonable apprehension” test yet again in the very recent case of *MedImmune v. Genentech*. In a somewhat misguided decision rendered on January 9, 2007, the Supreme Court made some sweeping changes to the rights of intellectual property licensees. The case was centered around a licensing dispute initiated by a licensee in good standing who wished to receive a declaration establishing patent invalidity, unenforceability and/or noninfringement of the licensed patent. This article will not delve into the merits of granting baseline DJ jurisdiction in the case of an active, non-breaching patent licensee, other than to state that the facts simply do not meet the standards of any established or proper test. The Supreme Court used a proper legal standard, but applied it to a mistaken view of patent law and of intellectual property licensing practice, thereby reaching an incorrect result.167

In added dictum however, the Court correctly noted disapproval of the Federal Circuit’s chosen “reasonable apprehension” test.168 In setting forth a proper standard for establishing baseline DJ jurisdiction in patent disputes, the Court harkened back to its early DJ decisions, requiring only “a substantial controversy between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”169 The Court was vague on several important elements however, and it did not address copyright or trademark law at all. Furthermore, the Court did not address factors that might be considered in the discretionary prong. Rather, after determining (albeit incorrectly in this case) that baseline jurisdiction was appropriate, the Court remanded the case for determination of whether DJ jurisdiction should be allowed as a discretionary matter. It will be up to the lower courts to exercise that discretion using appropriate factors. Part VI of this article presents a spectrum that will be useful to them in doing so.170

Interestingly, both the *Cardinal Chemical* and the *MedImmune v. Genentech* rulings indicate the Supreme Court’s disapproval of the Federal Circuit’s formalism on patent issues. Of course, there is the still the issue of whether the Federal Circuit and lower court judges will abide by the Supreme Court’s disapproval of the “reasonable

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167 The specific topic of licensee estoppel and the right to sue is the subject of a forthcoming article by this author.
169 *MedImmune v. Genentech*, 127 S.Ct. at 771, citing *Maryland Casualty*, 312 US at 273. *Maryland Casualty* involved an insurance dispute, completely unrelated to patent law. That the Supreme Court saw patent law as deserving of the same test as any other area of general jurisprudence is encouraging. However, it remains to be seen whether the Federal Circuit and lower courts will follow this dictum.
170 In this case, baseline should not have been granted but for the Supreme Court’s misunderstanding of patent law and intellectual property licensing practice. Since it was, the lower courts should then deny DJ jurisdiction on discretionary grounds. There simply cannot be a “real and substantial” controversy on patent invalidity where the license is still fully binding on both parties. Meanwhile, quite in contrast to the Court’s opinion that “invalidity” is the key factor, a declaratory judgment on infringement alone -- without invalidity at issue -- might be appropriate, since it falls under the scope of license, an appropriate basis for seeking declaratory judgment jurisdiction on a contract that has not been breached. Nevertheless, as a contractual matter, the claim might fall under state law. See *Moog Controls, Inc. v. Moog Inc.*, 923 F.Supp. 427 (W.D.N.Y. 1996)(noninfringement claim by licensee lacked federal jurisdiction).
apprehension” test in favor of a general jurisdictional test, or whether they will simply cast aside the weighty dictum of the Supreme Court from MedImmune v. Genentech as they did with the holding of Cardinal Chemical.

As the Supreme Court has observed in these two cases, patent decisions carry great normative weight, since the cases have far-reaching effects beyond the immediate litigants. Competing public policies must be weighed accordingly. Referring back to earlier precedent, the Cardinal Chemical decision observed the great normative value of encouraging potential infringers to challenge weak patents. Ultimately, as the Court noted, the patentee shares the DJ plaintiff’s interest in resolving the validity of its patent. So, while this all might be better decided by less intrusive -- and more economically efficient -- means (such as post-grant opposition), the current U.S. patent system effectively leaves only the judicial process, and with that, declaratory judgment is a necessary means to balance the equation.

VI. Resolution – a Spectrum in Intellectual Property Disputes

It is clear that it is time to re-evaluate the standard used to determine DJ jurisdiction in intellectual property disputes. The current articulated standard of “reasonable apprehension” is underinclusive, contrary to the normative values of declaratory jurisprudence, and inconsistent with U.S. Supreme Court dictates. Furthermore, it is confusing to courts, which “variously state” the phrase without considering the differing effects. This is as true for trademark and copyright as it is for patent disputes.

Taking into account the normative values at issue, a proper standard should not only be clear and consistent across the branches of intellectual property, but should also be reconciled with general jurisprudence. This means that courts must keep firmly in mind the difference between baseline jurisdiction and the discretionary prong of the DJ Act. Any standard should begin with those articulated by the Supreme Court in the early days following enactment of the DJ Act. There is no rational reason why the same standards should not also apply in intellectual property disputes, and indeed the Supreme Court has already indicated that they should, both in Cardinal Chemical and in the January 2007 MedImmune v. Genentech. Therefore, the baseline determination of DJ jurisdiction in intellectual property disputes should require only that there be a “real and substantial

171 “Because the Federal Circuit has exclusive jurisdiction over appeals from all United States District Courts in patent litigation, the rule that it applied in this case, and has been applying regularly . . . is of a matter of special importance to the entire nation.” At 90.
172 Id. at 101, citing Blonder Tongue, 402 U.S. at 350.
173 Addition of a post-grant opposition system has been contemplated by various patent bills introduced by various House and Senate leaders over the past few years. The possibility remains open.
174 Aetna, 300 U.S. at 240.
175 Arrowhead, 846 F.2d at 736.
177 Cardinal Chemical, 508 U.S. at 83.
controversy” fully resolvable by “immediate and definitive determination.”\footnote{Aetna 300 U.S. at 240.} The other standards stated by the Supreme Court are subsumed into this concise phrase.

Of course the next question is how exactly to apply the standard of “real and substantial controversy” to a given intellectual property dispute. Until now, the courts have generally relied on a two-pronged test requiring first, “reasonable apprehension,” and second, infringement, or substantial steps thereto.\footnote{MedImmune v. Genentech, 427 F.3d at 964.} Actually, the only articulated “reasonable apprehension” test consistent with general jurisprudence is the one used by the Ninth Circuit in \textit{Societe}, a “reasonable apprehension of liability.”\footnote{Societe, 655 F.2d at 944.} The standard articulated was actually “a reasonable apprehension that he will be subject to liability if he continues to manufacture his product.” The standard should be simplified to “a reasonable apprehension of liability.”

Courts could continue to use that standard for determining DJ jurisdiction, and would in all cases reach the same result on baseline jurisdiction as with the more neutrally-worded “real and substantial controversy,” since they both ask the same inherent question -- has the DJ plaintiff subjected itself to potential liability vis-à-vis the DJ defendant? As the Supreme Court has once again clarified,\footnote{See MedImmune v. Genentech, 127 S.Ct. 764 (2007).} however, the general standard is sufficient and is no less applicable to patent law (or, presumably to copyright/trademark) than to any other area of jurisprudence.

This begs the question of whether infringement by itself is enough to satisfy baseline DJ jurisdiction where a “quiescent” patentee (or copyright/trademark owner) has done nothing but obtain its patent grant from the government and the DJ plaintiff appears to be reading on the claims (or the copyright/trademark)? The answer is yes. Even the Federal Circuit, while declining to apply DJ jurisdiction to quiescent patentees, has recognized that “actual threats” are not necessary to establish jurisdiction.\footnote{See Spectronics, 940 F.2d at 633.} The necessary level of communication (or not) between the rights holder and the purported infringer, is, as with many other aspects of DJ jurisdiction “a matter of degree.”\footnote{Maryland Casualty, 312 U.S. at 373.} It is -- and should be -- however, a “matter of degree” determined by a court in the \textit{discretionary} prong. So, any would-be defendant who evidences the potential infringement necessary for a coercive lawsuit, should thereby be deemed to satisfy baseline DJ jurisdiction as well.\footnote{Except for those shielded by license, contrary to the Supreme Court’s holding in MedImmune v. Genentech, 127 S.Ct. 764 (2007).} That said, not every would-be defendant will satisfy the discretionary prong.

Accordingly, in a DJ dispute regarding patent, copyright, or trademark infringement, it is in the discretionary prong that most of the analysis and considerations should occur. In the discretionary prong, courts may properly consider factors such as the behavior of the parties to each other and to others. The “reasonable apprehension of an infringement lawsuit” may be considered as a discretionary factor, looking at the behavior of the rights holder. The proximity and volume of actual infringement (compared with baseline
requirement only of substantial steps), may also be considered as a discretionary factor. This demonstrates that neither prong of the current, strict test used by the Federal Circuit (i) “reasonable apprehension [of] an infringement suit”; and (ii) “present activity [of] infringement,” is actually determinative of baseline jurisdiction. Rather, both questions should only be considered as a discretionary matter, where, to put a twist on a legal standard, “reasonable apprehension” may be sufficient -- but not necessary -- to establish DJ jurisdiction.¹⁸⁵

There are a number of other factors that may be considered in the discretionary prong to determine the appropriateness of DJ jurisdiction in intellectual property disputes. This section presents a spectrum, which comprises a four-part analysis of the factors most useful to district courts in exercising their discretion: (i) Contact and correspondence; (ii) Discussion of license agreement; (iii) Prior conduct; and (iv) Post-filing conduct.¹⁸⁶ To abbreviate, the DJ Plaintiff is referred to in the tables as “DJP” and the DJ Defendant as “DJD.”

[See Tables, beginning next full page]

¹⁸⁵ In MedImmune v. Genentech, the Federal Circuit reached the right conclusion using the wrong test. Baseline jurisdiction was not met because a purported infringer who acts under permission from the rights holder does not meet the requirement of “real and immediate controversy.” (The Federal Circuit used the standard of “reasonable apprehension of liability.”) The Supreme Court on cert. disapproved the “reasonable apprehension” test, and remanded for proceedings consistent with its opinion, including a determination of discretionary grounds for either granting or denying the requested DJ jurisdiction.¹⁸⁶ In many cases, the courts have mistakenly considered these factors in determining baseline jurisdiction. As this article clarifies, however, they are properly placed in the discretionary prong of DJ jurisdiction. Regardless, the favorability of the various factors for or against declaratory relief is the same in the discretionary prong as in the baseline analysis.
1. **Contact and Correspondence**

The relationship – or lack thereof – between the DJ defendant and the DJ plaintiff may appropriately be considered by a district court in the discretionary prong once baseline jurisdiction is established. This may take into account the character and content of letters. The spectrum is illustrated in Table 1.

<table>
<thead>
<tr>
<th>Table 1 (Contact and Correspondence)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declaratory Judgment</td>
</tr>
<tr>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Threatening letter from DJD to DJP</td>
</tr>
<tr>
<td>Letter with aggressive language and deadlines</td>
</tr>
<tr>
<td>Letter from outside litigation counsel</td>
</tr>
<tr>
<td>Threats from businessman, if perceived as making threats on behalf of DJD</td>
</tr>
<tr>
<td>Threatening letters from DJD to competitors</td>
</tr>
<tr>
<td>Threatening letters from DJD to DJP’s customers</td>
</tr>
<tr>
<td>Letter inviting license and not specific on infringement</td>
</tr>
<tr>
<td>C&amp;D letter, without prima facie case, and with no prior or further interaction</td>
</tr>
<tr>
<td>Nonthreatening letter</td>
</tr>
</tbody>
</table>

---

187 *See Hal Roach Studios, Inc. v. Richard Feiner & Co.*, 896 F.2d 1543, 1556, n23 (9th Cir. 1990) (despite license agreement and copyright holder’s agreement that it “trusted” licensee would comply, DJ was held to be appropriate).

188 *See G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985 (7th Cir. 1989).


190 *See E&J Gallo*, 2006 WL 2849830 at 2.

191 *Id.*

192 *See King Kup Candies*, 134 F.Supp. at 463.


195 *See Manufacturers Hanover*, 225 USPQ at 527. There is even the question of whether a DJ plaintiff can create DJ jurisdiction via an administrative procedure such as trademark opposition or patent interference.

196 *See Societe*, 655 F.2d at 944.
2. Discussion of License Agreement

Despite the mistaken ruling of the Supreme Court in the January 2007 MedImmune v. Genentech, the existence of an active license agreement not yet breached should obviate even baseline DJ jurisdiction, at least for patent validity questions. However, parties sometimes bring suit in a situation where a license agreement was discussed, but not yet completed. Alternatively, a suit may be brought after breach, or before breach on such issues as the scope of the license coverage. This spectrum is illustrated in Table 2.

Table 2 (Discussion of License Agreement)

<table>
<thead>
<tr>
<th>Declaratory Judgment</th>
<th>No Declaratory Judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensee has materially breached license and is therefore subject to termination under the terms of the license</td>
<td>License is active and not breached</td>
</tr>
<tr>
<td>License has been discussed, with threat of litigation</td>
<td>License terms are disputed</td>
</tr>
<tr>
<td>License contains covenant to sue for validity</td>
<td>License contains covenant not to sue</td>
</tr>
</tbody>
</table>

197 See CR Bard, 716 at 881.
198 See Bryan Ashley, 932 F.Supp. at 292.
199 See MedImmune v. Genentech, 427 F.3d at 965. The Supreme Court on cert. incorrectly granted baseline DJ jurisdiction on these facts, but the lower courts on remand may -- and should -- still decline DJ jurisdiction on discretionary grounds.
200 See Matthew Bender v. West, 39 USPQ2d at 1083.
201 See Moog Controls, 923 F.Supp. at 435 (the scope and terms of the license, to the extent they are contractual, effectively constitute a state claim).
202 This was mentioned by Justice Ginsburg in the oral argument in MedImmune v. Genentech. at 10:16-18.
3. Prior Conduct
Correspondence and contact between the DJ plaintiff and DJ defendant is taken into account in the first prong of the spectrum. This third prong considers factors related to other behavior, such as aggressively litigious behavior by the DJ defendant against third parties. It also considers the behavior of the DJ plaintiff, including the actual steps taken toward infringement. This spectrum is illustrated in Table 3.

Table 3 (Prior Conduct)

<table>
<thead>
<tr>
<th>Declaratory Judgment</th>
<th>No Declaratory Judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJD has sued DJP’s competitors for infringement(^{204})</td>
<td>DJD has aggressively announced patent to DJP’s industry(^{205})</td>
</tr>
<tr>
<td>DJD has sued 3rd party for contributory/vicarious infringement, alleging DJP’s direct infringement(^{206})</td>
<td>Federal predicate only anticipated on counterclaim(^ {206})</td>
</tr>
<tr>
<td>DJD has threatened suit against direct infringer, that might implicate vicarious or contributory infringement by DJP(^{207})</td>
<td>Patent has been challenged previously and not held invalid(^{207})</td>
</tr>
<tr>
<td>DJP has not made meaningful preparations toward infringement(^{211})</td>
<td>Suit against 3rd party voluntarily dismissed(^{210})</td>
</tr>
<tr>
<td>Patent has been challenged previously and not held invalid(^{207})</td>
<td>DJP has not made meaningful preparations toward infringement(^{211})</td>
</tr>
</tbody>
</table>

\(^{204}\) See Matthew Bender v. West, 39 USPQ2d at 1083.
\(^{205}\) See EMC Corp., 89 F.3d at 812.
\(^{206}\) See Moog, 923 F.Supp. at 435. In Moog, the licensee of a trade name brought suit when the licensor tried to terminate the license, and with it, the right to the name. Although the declaratory plaintiff filed claims for trademark invalidity and noninfringement along with its contractual claims, the court held that the trademark claims were essentially add-ons to the contract claims, and therefore should be decided in state court. This is a fine line, and could come out the other way (cf. G. Heileman Brewing Co. v. Anheuser-Busch, Inc., 873 F.2d 985 (7th Cir. 1989)) but it indicates that a licensee takes a risk when trying to gain federal jurisdiction via DJ on an IP-invalidity and noninfringement case where the parties are bound by a license agreement. Even actions on a breached license could have the same result.
\(^{207}\) See Chisum 6-10.02[2] – prior judgment upholding validity, although not binding, acts as “comity.”
\(^{208}\) See Paramount Pictures, 298 F.Supp.2d at 923.
\(^{209}\) See Oreck, 39 USPQ2d at 1705.
\(^{210}\) Id. at 924.
\(^{211}\) See Windsurfing Int’l, 828 F.2d at 755 (steps toward infringement as baseline, but volume and closeness fit in the discretionary prong).
4. Post-filing Conduct

For baseline DJ jurisdiction to lie, it must be present at the outset of the complaint, as well as throughout the term of the lawsuit. This fourth prong considers factors that may enter into the district court’s discretion, such as the willingness of the DJ defendant to certify that it will not bring a coercive action, and the pendency of a related state court action. The spectrum is illustrated in Table 4.

Table 4 (Post-filing Conduct)

<table>
<thead>
<tr>
<th>Declaratory Judgment</th>
<th>No Declaratory Judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refusal of DJD to agree not to bring infringement action if DJ action rescinded\textsuperscript{212}</td>
<td>Refusal of DJD to concede noninfringement\textsuperscript{213}</td>
</tr>
<tr>
<td>Related state court action pending\textsuperscript{216}</td>
<td></td>
</tr>
</tbody>
</table>

5. Compilation Table: Taken together, the factors of the four-part spectrum are illustrated in Table 5.

[Table 5 on next full page]

\textsuperscript{212} See E&J Gallo, 2006 WL 2849830 at 2.
\textsuperscript{213} See Matthew Bender v. West, 39 USPQ2d at 1083; Societe, 655 F.2d at 945; cf BP Chems. Ltd. v. Union Carbide Corp., 4 F.3d 975, 980 (Fed. Cir. 1993) (considered “not dispositive”).
\textsuperscript{214} See CR Bard, 716 at 876 (DJ jurisdiction found anyway).
\textsuperscript{215} See Matthew Bender v. West, 39 USPQ2d at 1083; Societe, 655 F.2d at 945; cf BP Chems. Ltd. v. Union Carbide Corp., 4 F.3d 975, 980 (Fed. Cir. 1993) (considered “not dispositive”).
\textsuperscript{216} See Arriiva Pharmaceuticals, Inc. v. Sonoran Desert Chemicals, LLC, 2006 WL 1867695 at 4 (N.D. Cal. 2006 slip copy)(court considered balancing factors in deciding not to grant declaratory relief jurisdiction while related action was pending in state courts).
### Table 5 (Compilation of Factors)

<table>
<thead>
<tr>
<th>Declaratory Judgment</th>
<th>No Declaratory Judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Correspondence and Contact</strong> <em>(see Table 1 for case cites)</em></td>
<td></td>
</tr>
<tr>
<td>Threatening letter from DJD to DJP</td>
<td>Threatening letters from DJD to competitors</td>
</tr>
<tr>
<td>Letter with aggressive language and deadlines</td>
<td>Threatening letters from DJD to DJP's customers</td>
</tr>
<tr>
<td>Letter from outside litigation counsel</td>
<td>Opposition (or interference)</td>
</tr>
<tr>
<td>Threats from businessman, if perceived as making threats on behalf of DJD</td>
<td></td>
</tr>
<tr>
<td><strong>2. Discussion of License Agreement</strong> <em>(see Table 2 for case cites)</em></td>
<td></td>
</tr>
<tr>
<td>Licensee has materially breached license and is therefore subject to termination under the terms of the license</td>
<td>Statement by DJD declining to allege infringement by DJP, but not submitted to court as covenant not to sue</td>
</tr>
<tr>
<td>License has been discussed</td>
<td></td>
</tr>
<tr>
<td>License contains covenant to sue for validity</td>
<td></td>
</tr>
<tr>
<td><strong>3. Prior Conduct</strong> <em>(see Table 3 for case cites)</em></td>
<td></td>
</tr>
<tr>
<td>DJD has sued DJP's competitors for infringement</td>
<td>DJD has aggressively announced patent to DJP's industry</td>
</tr>
<tr>
<td>DJD has sued 3rd party for contributory/vicarious infringement, alleging DJP's direct infringement</td>
<td></td>
</tr>
<tr>
<td>DJD has threatened suit against direct infringer, that might implicate vicarious or contributory infringement by DJP</td>
<td></td>
</tr>
<tr>
<td><strong>4. Post-filing Conduct</strong> <em>(see Table 4 for case cites)</em></td>
<td></td>
</tr>
<tr>
<td>Refusal of DJD to agree not to bring infringement action if DJ action rescinded [Gallo]</td>
<td>Refusal of DJD to concede noninfringement</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
VII. Conclusion

The courts, including the Federal Circuit Court of Appeals, have veered off course in the standards that they use to determine DJ jurisdiction in intellectual property disputes. The mistakes have been as much in the articulation of a correct standard as in the application thereof. It appears that the greatest obstacle has been the courts’ confusion between the standard properly used to determine baseline DJ jurisdiction, and the factors that may be considered in the courts’ discretion to decline jurisdiction although the baseline has been met. Unfortunately, while clarifying certain issues, the U.S. Supreme Court added confusion with its misunderstanding of patent law and intellectual property licensing in the January 2007 case of MedImmune v. Genentech.

This article proposes a more appropriate standard for determining baseline DJ jurisdiction in intellectual property disputes. The article further provides a four-part spectrum of factors for district courts to consider in exercising their discretion, in order to best align declaratory jurisprudence with the normative values that led to its creation.