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STARTLING JURISDICTION EXPANSION?  
“AT WAR” STANDARD MODIFIES  
“CASE-OR-CONTROVERSY” REQUIREMENT

In what may be a startling expansion of Article III jurisdiction in patent cases, the Federal Circuit has apparently declared an “at war” standard for declaratory-judgment jurisdiction.<sup>1</sup> Under the court’s March 2014 decision in *Danisco U.S. Inc. v. Novozymes A/S*, where two competitors are “at war,” jurisdiction may lie. This can be true even when the controversy applied facts occurring solely prior to issuance and before the patent owner had any opportunity to threaten litigation or to take action to enforce the patent.

A new-found tool for infringement cases between competitors, this ruling potentially triggers more aggressive venue selection by possible infringers in cases involving non-practicing entities. Since “all’s fair in love and war,” it remains to be seen if this new standard offers litigants additional weapons to combat infringement claims.

Constitutional and Statutory Bases

The case-or-controversy requirement is constitutional: “The judicial power shall extend to all cases, in law and equity, . . . [and] -- to controversies . . . between citizens of different states -- . . .”<sup>2</sup>

The Declaratory Judgment Act provides, “In a case of actual controversy within its jurisdiction . . . any court of the United States, . . . may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. . . .”<sup>3</sup> The phrase “case of actual controversy” refers to cases justiciable under Article III.<sup>4</sup>

Case Law Precedent

Before *MedImmune v. Genentech, Inc.*,<sup>5</sup> the Federal Circuit applied a “reasonable-apprehension-of-suit” test to determine when a case or controversy was sufficient to support an action for declaratory judgment.<sup>6</sup> Under that test, a patent licensee could *not* establish a case or controversy regarding validity, enforceability or the scope of the patent because the license agreement “obliterate[s] any reasonable apprehension” that the licensee will be sued for infringement.<sup>7</sup>

In *MedImmune*, the U.S. Supreme Court clarified that law. There, the district court dismissed MedImmune’s declaratory-judgment claims for lack of an Article III controversy because a patent license existed between the parties. The Federal Circuit affirmed.<sup>8</sup> In reversing, the Supreme Court said that a patent licensee is *not* required to terminate or breach its license agreement before

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1 *Danisco U.S. Inc. v. Novozymes A/S*, Case No. 2013-11214, 2014 WL 929348 at \*5 (Mar. 11, 2014).  
 2 U.S. Const. art. III, § 2.  
 3 28 U.S.C. § 2201(a) (emphasis added).  
 4 *Danisco U.S. Inc. v. Novozymes A/S*, Case No. 2013-11214, 2014 WL 929348 at \*3 (Fed. Cir. Mar. 11, 2014) (citing *Sony Elecs., Inc. v. Guardian Media Techs., Ltd.*, 497 F.3d 1271, 1283 (Fed. Cir. 2007)).  
 5 *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).  
 6 *Gen-Probe, Inc. v. Vysis, Inc.*, 359 F.3d 1376, 1381 (2004).  
 7 *MedImmune, Inc.*, 549 U.S. at 122 (quoting *Gen-Probe, Inc.*, 359 F.3d at 1381).  
 8 *Id.* at 121-22.

... the Court did identify the question in each case as “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient *immediacy* and *reality* to warrant the issuance of a declaratory judgment.”

... a licensee paying under protest could bring a declaratory judgment to challenge the licensed patent’s validity.

seeking a declaratory judgment.<sup>9</sup> The Court did not expressly overrule the reasonable-apprehension-of-suit test, instead concluding that the test “conflicts” with prior case law.<sup>10</sup>

Quoting *Aetna Life Insurance Co. v. Haworth*, the Court observed that an actual Article III controversy requires that the dispute be “definite and concrete, touching the legal relations of parties having adverse legal interests”; “real and substantial”; and “admi[t] of specific relief through a decree of a conclusive character as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.”<sup>11</sup>

While concluding that no bright-line tests determine whether an actual Article III controversy exists, the Court did identify the question in each case as “whether the facts alleged, *under all the circumstances*, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient *immediacy and reality* to warrant the issuance of a declaratory judgment.”<sup>12</sup>

Applying this flexible standard to the facts in *MedImmune*, the Court said that a licensee paying under protest could bring a declaratory judgment to challenge the licensed patent’s validity.<sup>13</sup>

#### *Danisco U.S. Inc. v. Novozymes A/S*<sup>14</sup>

*Danisco* indicates just how far the pendulum has swung since *MedImmune*.

#### Background

The circumstances underlying the case are informative:

- Novozymes and Danisco were direct competitors in the market for industrial enzymes.<sup>15</sup> Each party held patents relating to enzymes.<sup>16</sup>
- Starting in 2001, Novozymes sued Danisco or its predecessors for infringement numerous times.<sup>17</sup> On one prior occasion, Novozymes amended a patent application to claim one of Danisco’s products, then proceeded to sue Danisco for infringement.<sup>18</sup> Ultimately, the Federal Circuit affirmed the district court opinion invalidating that patent.<sup>19</sup>
- Danisco contended that Novozymes prosecuted the patent-in-suit with the specific intent of accusing Danisco products of patent infringement.<sup>20</sup> Danisco alleged that Novozymes, as it had before, amended its patent application to include Danisco’s product only after learning that the U.S. Patent and Trademark Office (USPTO) was allowing a Danisco patent covering the same technology.<sup>21</sup>
- During prosecution of its patent, Novozymes twice suggested to the USPTO that it should declare interference with the pending Danisco application. In each instance, the examiner refused the request.<sup>22</sup>

<sup>9</sup> *Id.* at 137.

<sup>10</sup> *Id.* at 132 n.11.

<sup>11</sup> *Id.* at 127 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 240-41).

<sup>12</sup> *Id.* (citing *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)) (emphasis added).

<sup>13</sup> *Id.* at 137.

<sup>14</sup> Case No. 2013-11214, 2014 WL 929348 (Fed. Cir. Mar. 11, 2014).

<sup>15</sup> *Danisco U.S. Inc. v. Novozymes A/S*, Case No. C 12-4502 RS, 2013 WL 2351723 at \*1 (N.D. Cal. Jan. 8, 2013).

<sup>16</sup> *Danisco U.S. Inc.*, 2014 WL 929348 at \*1.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* (citing *Novozymes A/S v. DuPont Nutrition Biosciences APS*, 723 F.3d 1336 (Fed. Cir. 2013)).

<sup>20</sup> *Danisco U.S. Inc.*, 2013 WL 2351723 at \*1.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

Danisco [argued] ... the adverse legal interests were sufficiently definite and concrete to create a justiciable controversy ... The Federal Circuit agreed with Danisco and reversed the district court's order dismissing Danisco's declaratory judgment action.

**No Bright Line** – Refusing to adopt a bright-line standard, the Federal Circuit acknowledged that the Supreme Court has declined to articulate a bright line for identifying cases that satisfy the Article III case-or-controversy requirement.

- Even after Danisco's patent issued, Novozymes filed a request for continued examination and challenged Danisco's "interfering" patent.<sup>23</sup> Novozymes even filed public comments with the USPTO to clarify for the record its belief that Danisco's patent fell within the scope of its own patent claims.<sup>24</sup> Novozymes never withdrew its assertion that Danisco's product would infringe the patent-in-suit.<sup>25</sup>
- At no time before filing the action did Novozymes make any statement to Danisco or anyone else that it believed Danisco was infringing the Novozymes patent.<sup>26</sup>
- The day that Novozymes's patent-in-suit issued, Danisco filed suit seeking a declaration (1) of noninfringement, (2) of invalidity of the Novozymes patent, and in the alternative, (3) that its patent had priority over the Novozymes patent.<sup>27</sup>
- Novozymes moved to dismiss Danisco's declaratory-judgment claims.<sup>28</sup>

#### District Court Opinion

The district court granted Novozymes's motion to dismiss, saying that the facts did not create a justiciable Article III case or controversy.<sup>29</sup>

While Novozymes's patent posed a substantial risk, Danisco filed its declaratory-judgment claims the day the patent issued and before Novozymes could take action to enforce its newly issued patent.<sup>30</sup> The court found no precedent to support jurisdiction, based on pre-patent issuance events in the absence of any affirmative act to enforce the patent.<sup>31</sup>

Danisco timely appealed.<sup>32</sup>

#### Federal Circuit Opinion

On appeal, Novozymes argued that Article III was not satisfied because Danisco's declaratory-judgment claims were based on "nothing more than speculation and a subjective fear of Novozymes's purported enforcement of its patent rights" and not a real or immediate injury or threat of injury.<sup>33</sup>

Novozymes sought a "bright line" rule that activity before issuance could not give rise to a justiciable controversy, because a patent owner must first threaten suit on an issued patent or otherwise take action to enforce its rights in an issued patent to support declaratory-judgment jurisdiction.<sup>34</sup>

Danisco disagreed, arguing that the facts satisfied the Article III jurisdiction standard. The adverse legal interests were sufficiently definite and concrete to create a justiciable controversy.<sup>35</sup>

The Federal Circuit agreed with Danisco and *reversed* the district court's order dismissing Danisco's declaratory judgment action:

**No Bright Line** – Refusing to adopt a bright-line standard, the Federal Circuit acknowledged that the Supreme Court has declined to articulate a bright line for identifying cases that satisfy the Article III case-or-controversy requirement.<sup>36</sup>

<sup>23</sup> *Danisco U.S. Inc.*, 2014 WL 929348 at \*2.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at \*5.

<sup>26</sup> *Danisco U.S. Inc.*, 2013 WL 2351723 at \*1.

<sup>27</sup> *Danisco U.S. Inc.*, 2014 WL 929348 at \*2.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Danisco U.S. Inc.*, 2013 WL 2351723 at \*1.

<sup>31</sup> *Id.* at \*2.

<sup>32</sup> *Danisco U.S. Inc.*, 2014 WL 929348 at \*3.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at \*6 (citing *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

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**No Pre-/Post-Issuance Distinction** – The district court’s “categorical distinction” between pre- and post-issuance conduct was irreconcilable with the Supreme Court’s insistence on a flexible “totality of the circumstances” test, as well as the Federal Circuit’s own precedent.<sup>37</sup>

**Threat Not Required** – Article III does not require a threat of litigation or that action be taken to enforce patent rights before a justiciable controversy can arise.<sup>38</sup> The Supreme Court has repeatedly found jurisdiction in situations where indications that the declaratory-judgment defendant was preparing to enforce its legal rights were lacking.<sup>39</sup>

**Pre-Issuance Conduct Sufficient** – In this case, the record demonstrates that a definite and concrete patent dispute exists between the parties.<sup>40</sup> “The parties have plainly been *at war* over patents involving . . . enzymes and are likely to be for the foreseeable future. They thus have adverse legal interests over a dispute of sufficient reality that is capable of conclusive resolution through a declaratory judgment.”<sup>41</sup>

Taken together, Novozymes’s course of conduct showed a consistent willingness to enforce its patent rights sufficient to establish subject matter jurisdiction.<sup>42</sup> Danisco either had to abandon its products or run the risk of an infringement suit, which is precisely the situation the Declaratory Judgment Act was intended to remedy.<sup>43</sup>

Conclusions

The stark evolution of Article III case-or-controversy jurisdiction since *MedImmune* could be practice changing. The old “reasonable-apprehension-of-suit” test has apparently given way to a new, much more liberal, “at war” standard.

Consider the following questions when evaluating whether *Danisco* provides a new tool for your arsenal:

- What is the new threshold for “at war” status in competitor vs. competitor suits? Clearly, Apple and Samsung are “at war” in the ongoing cellphone wars. How do parties transition from “vigorous competitors” to “at war” for purposes of determining declaratory-judgment jurisdiction? Does the existence of a ground-breaking patent that will rock the market provide a greater factual basis for an “at war” determination than a patent that advances the art only incrementally?
- Can the “at war” standard provide practicing entities with a new tool to combat serial suits by non-practicing entities? Setting aside issues of personal jurisdiction for the moment, will practicing entities that find themselves targets of suits from the same non-practicing entity be able to launch offensive declaratory-judgment actions with the hope of selecting more favorable venues?
- Even without the “at war” standard, do non-practicing entities now have greater leeway when filing declaratory-judgment actions against non-practicing entities? Does *Danisco* lower the bar for declaratory-judgment jurisdiction?
- Will the Supreme Court be compelled to issue more tangible guidelines that fall short of a “bright line” standard? Or will litigants and lower courts face multiple cases where the parameters of the flexible approach to case-or-controversy jurisdiction continue to be worked out?

37 *Id.* at \*6.

38 *Id.* at \*4.

39 *Id.* (citing e.g. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 n. 11 (2007)).

40 *Id.* at \*5.

41 *Id.* (emphasis added).

42 *Id.* at \*7.

43 *Id.* (citing *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 129 (2007)).