

Re-evaluating Declaratory Judgment Jurisdiction in Intellectual Property Disputes

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The Declaratory Judgment Act of 1934 was quickly tagged by the U.S. Supreme Court as a simple procedural measure. That said, 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 decide unilaterally 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 Court of Appeals for the Federal Circuit, 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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INTRODUCTION

The Declaratory Judgment Act (“DJ Act”) was passed in 1934, with the objective of providing increased access to the federal courts for would-be litigants with justiciable disputes.¹ 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.² That said, it is equally clear that the Act has expanded possibilities for litigants who previously had no ability to initiate legal action.³ This dichotomy demonstrates the conflict between the normative values of ripeness, standing, and judicial access.⁴ In particular, the U.S. Supreme Court has commented that “the

1. 28 U.S.C. § 2201 (2000).

2. 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.” *Societe de Conditionnement en Aluminium v. Hunter Eng’g Co.*, 655 F.2d 938, 942 (9th Cir. 1980) (citing *Aetna Life Ins. Co. v. Hayworth*, 300 U.S. 227, 239–40 (1937)).

3. Even the odds of winning a case may turn on who initiated the 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, 405 (2000).

4. The Supreme Court has recently agreed that the justiciability of DJ Act actions could be framed in terms of either standing or ripeness:

difference between an abstract question and a ‘controversy’ contemplated by the Declaratory Judgment Act is necessarily one of degree.”⁵ This obviates both the need for, and the possibility of, a strict test. Part I of this Article provides a normative assessment of the declaratory judgment remedy.

The Supreme Court has dictated that the DJ Act be “liberally construed” to effect justice.⁶ Declaratory relief is appropriate to resolve “uncertainty, insecurity, and controversy” and is most effective when brought in the early stages of a dispute.⁷ 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.”⁸

Intellectual property disputes are prime candidates for declaratory relief. Accordingly, this Article explores how DJ Act standards have been articulated and applied in copyright (Part II), trademark (Part III), and patent law (Part IV). Indeed, the proponents of the DJ Act specifically mentioned patent litigation as paradigmatic of the need to level the playing field between litigants.⁹ The proponents hoped and expected that the Act would allow 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 Court of Appeals for the Federal Circuit, having had a virtual monopoly over patent cases for the past twenty-five years, has unduly morphed the test used to determine justiciability of patent declaratory judgment 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.¹⁰ This has had the unfortunate result of leaving alleged infringers back where they were before the DJ Act, engaging in a *danse macabre*¹¹ 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,¹² or to

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, 772 n.8 (2007).

5. *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941).

6. *Id.*

7. *Societe*, 655 F.2d at 943.

8. *Aetna Life Ins. Co. v. Hartford*, 300 U.S. 227, 240–41 (1937).

9. *See infra* note 49 and accompanying text (discussing the congressional hearings regarding the DJ Act).

10. *See infra* Part IV.

11. The term *danse macabre* was used by Judge Markey to describe the plight of the alleged infringer prior to the DJ Act. *See Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 734–735 (Fed. Cir. 1988). *See infra* note 140 (full quote).

12. *See* 35 U.S.C. § 284 (2000) (addressing treble damages); 35 U.S.C. § 285 (2000) (addressing attorneys’ fees).

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 the Act to federal district court judges in each case that invokes the Act's jurisdiction.

Naturally, this undue formalism in determining declaratory judgment 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.¹³ The Supreme Court has also recognized the strong public policy of allowing those with the greatest interest to challenge weak patents,¹⁴ and in rendering patents unenforceable upon a final determination of invalidity by a competent federal court.¹⁵ When patent law is held to a different DJ Act 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 copyright¹⁶ and trademark¹⁷ 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 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.¹⁸

The Supreme Court has recently reflected on the overly formalistic declaratory judgment standard used by the Federal Circuit. In the somewhat misguided *MedImmune* decision rendered on January 9, 2007, the Supreme Court made some sweeping changes to the rights of intellectual property licensees. In dictum, however, the Court correctly noted disapproval of the Federal Circuit's patent DJ Act standard.

13. See *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979).

14. See *Lear, Inc. v. Adkins*, 395 U.S. 653, 674 (1969).

15. *Blonder Tongue Lab., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971).

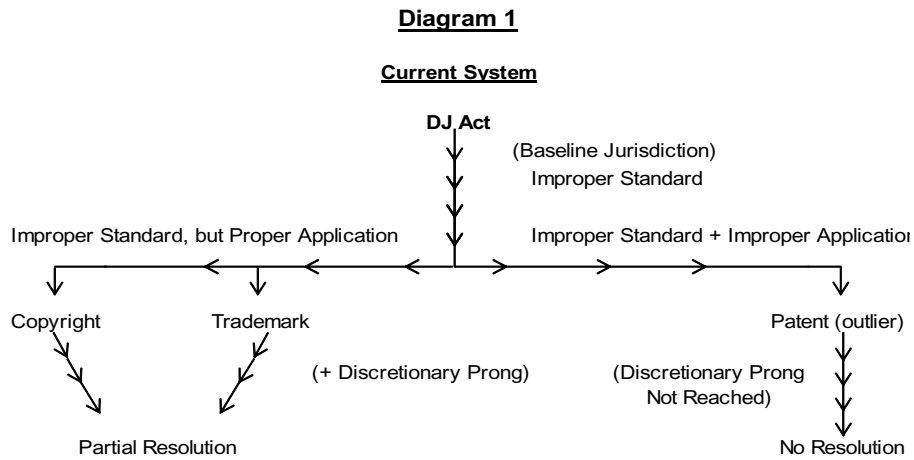
16. See *infra* Part II.

17. See *infra* Part III.

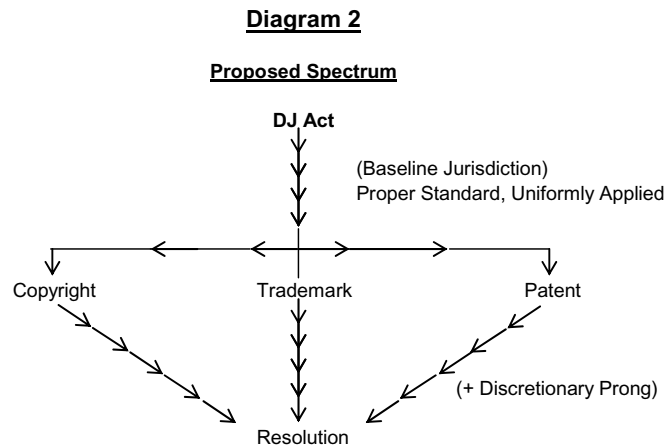
18. It has been argued that patent law might also benefit from more competition between courts, with the addition of at least one other circuit hearing patent appeals. See generally Craig A. Nard & John F. Duffy, *Rethinking Patent Law's Uniformity Principle* 101 NW. U. L. Rev. 1619 (2007); cf. Lee Petherbridge and R. Polk Wagner, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. Penn. L. Rev. 1105 (2004).

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 Act jurisdiction in intellectual property disputes is thus represented in Diagram 1:



Accordingly, Part V of this Article proposes a more informed standard for determining baseline DJ Act 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:



I. 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 1934.¹⁹ The DJ Act, which was predated by several state statutes,²⁰ 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.²¹ Courts have repeatedly held the DJ Act to be “procedural only,” providing no substantive rights to parties apart from those allowed by Article III.²² Overall, 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.²³

Courts acknowledge that the DJ Act remedy is most useful when sought early in the process, before either party suffers grave or irreparable damage.²⁴ The governing rule itself specifically denotes that existence of another adequate remedy at law does not preclude declaratory judgment jurisdiction, thereby suggesting the favorability of declaratory judgment action.²⁵ For these reasons, courts have suggested that Federal Rule of Civil Procedure 57 and the DJ Act must be liberally construed to encourage declaratory relief.²⁶

19. 28 U.S.C. § 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.

20. Donald L. Doernberg & 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, 555 n.117 (1989). There had also been a number of DJ Act 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, S. REP. NO. 1005, at 4 (“The declaratory judgment has existed in Scotland for over 400 years, and in England since 1852.”).

21. S. REP. NO. 1005, at 4 (“For a number of years, measures providing for declaratory judgments have been before the House and the Senate.”).

22. *Aetna Life Ins. Co. v. Hayworth*, 300 U.S. 227, 240 (1937); see also *supra* note 2. Doernberg claims that would vitiate the “mirror image” DJ Act case, but that was clearly not intended by Congress or the Supreme Court in *Aetna*, which in fact mandated DJ Act jurisdiction in a mirror-image case.

23. *Id.*

24. *Id.*; see also *Declaratory Judgments: Hearing on H.R. 5623 Before the Subcomm. of the Comm. on the Judiciary*, 70th Cong. 32 (1928) (statement of Prof. E. R. Sunderland) [hereinafter *1928 Sutherland Testimony*] (“[I]f you can get a case before the court before damages have occurred, then you eliminate the finding in regard to damages.”).

25. See FED. R. CIV. P. 57 (governing declaratory judgment).

26. See, e.g., *Starter Corp. v. Converse, Inc.*, 84 F.3d 592, 597 (2d Cir. 1996); *Nat'l R.R. Passenger Corp. v. Consol. Rail Corp.*, 892 F.2d 1066 (D.C. Cir. 1990); *Kunkel v. Continental Cas. Co.*, 866 F.2d 1269, 1273–1274 (10th Cir. 1989); *Bell Atl. Corp. v. MFS Commc'n Co.*,

A declaratory judgment has the force and effect of a final judgment or decree.²⁷ 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.²⁸ 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.²⁹ “In effect, it brings to the present a litigable controversy, which otherwise might only be tried in the future.”³⁰

B. Standard for Baseline Declaratory Judgment Jurisdiction

The first hurdle in a declaratory judgment proceeding, and the one examined in this Article, is whether the dispute meets the subject matter jurisdiction requirement of Rule 12(b)(1) of the Federal Rules of Civil Procedure.³¹ The U.S. Supreme Court has set forth a practical test for determining the appropriateness of DJ Act jurisdiction. Acknowledging, of course, that the courts are prohibited by Article III from providing advisory opinions on hypothetical scenarios,³² the Court requires that the controversy must be “definite and concrete, touching the legal relations of parties having adverse legal interests.”³³ The Court further cautions that the controversy must be “real and substantial” and must be fully resolvable—by an “immediate and definitive determination.”³⁴

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,”³⁵ thereby obviating both the necessity and the possibility of a strict test. An

Inc., 901 F. Supp. 835, 840 (D. Del. 1995); *Pratt v. Wilson*, 770 F. Supp. 539, 545 (E.D. Cal. 1991); *Koch Eng'g Co. v. Monsanto Co.*, 621 F. Supp. 1204, 1206 (E.D. Mo. 1985).

27. *Starter Corp. v. Converse, Inc.*, 84 F.3d 592, 594 (2d Cir. 1996) (citing 28 U.S.C. § 2201(a)).

28. *Aetna Life Ins. Co. v. Hayworth*, 300 U.S. 227, 240–41 (1937).

29. *See infra* Section V(A). for more discussion and analysis on patent lawsuits and the *danse macabre* that was intended to be laid to rest by the DJ Act.

30. *Societe de Conditionnement en Aluminium v. Hunter Eng'g Co.*, 655 F.2d 938, 943 (9th Cir. 1981).

31. *See* Fed. R. Civ. P. 12(b)(1). The issue of whether licensee estoppel is really better addressed as a 12(b)(6) motion, or even as an 8(c) defense, was raised as a question by Justice Ginsburg in the Oct. 4 *MedImmune* oral argument. Transcript of Oral Argument at 8, *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007) (No. 05-608), 2006 WL 3069259. A Rule 12(b)(1) jurisdictional attack may be either facial or factual. *See E. & J. Gallo Winery v. Pernod Ricard U.S.A., L.L.C.*, No. 1:06-CV-00823 OWW-SMS, 2006 WL 2849830, at *2 (E.D. Cal. Oct. 5, 2006). 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 the plaintiff maintains the burden of proof that jurisdiction does exist. *See McNutt v. General Motors Acceptance Corp.*, 298 U.S. 178, 189 (1936).

32. *See, e.g., Aetna*, 300 U.S. at 240.

33. *Id.* at 240–41 (citing pre-DJ Act cases regarding the establishment of an actual case as necessary for judicial adjudication).

34. *Id.* at 241.

35. *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941) (granting declaratory jurisdiction in insurance case).

injury need not have occurred yet, but there must be a “substantial threat of real and immediate harm.”³⁶ In short, the injury must be “highly likely to happen, absent some intervening event.”³⁷ 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 Act case of *Aetna Life Insurance Co. v. Haworth*, the Supreme Court determined that denial of declaratory judgment jurisdiction must be reversed where the insurer sought an adjudication of its potential liability to an insured. The Court found it inapposite that the declaratory judgment defendant had not threatened any legal action against the declaratory judgment plaintiff.³⁸ More important to the Court was that the circumstances were sufficiently crystallized that the insured *could* bring suit if he so chose.³⁹ The Court found it 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.”⁴⁰ 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 declaratory judgment jurisdiction.

C. Discretionary Jurisdiction Under the Declaratory Judgment Act

The standards set forth in these landmark DJ Act cases are intended to convey baseline DJ Act jurisdiction only. Even where baseline DJ Act jurisdiction is satisfied, the DJ Act specifically provides that courts “may” decide not to hear any particular case.⁴¹ 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 should not be confused. First, baseline DJ Act jurisdiction must be established, using the tests set forth by the U.S. Supreme Court. Only then may a federal district court 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.”⁴² In each case, the court must be prepared to articulate a “good reason” for declining to exercise its discretion to hear an action for declaratory relief.⁴³ Certainly, “whim or personal disinclination” is not sufficient.⁴⁴ Courts often exercise discretion to dismiss a DJ Act

36. *North Carolina v. Rice*, 404 U.S. 244, 246 (1971) (per curiam).

37. *Abbott Labs. v. Gardner*, 387 U.S. 136, 149 (1967), *overruled on other grounds by Califano v. Sanders*, 430 U.S. 99, 105 (1977). However, *Abbott* is still recognized for this point. See *Principal Life Ins. Co. v. Robinson*, 394 F.3d 665, 670 (9th Cir. 2004).

38. *Aetna*, 300 U.S. at 243–44.

39. *Id.* at 243.

40. *Id.* at 244.

41. 28 U.S.C. § 2201(a) (2000).

42. *Wilton v. Seven Falls Co.*, 515 U.S. 277, 288 (1995). On review, a denial of DJ Act jurisdiction on discretionary grounds is reviewed for “abuse of discretion.” *Id.* at 289; see also *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 183–84 (1952).

43. *Nautilus Ins. Co. v. Winchester Homes, Inc.*, 15 F.3d 371, 375 (4th Cir. 1994) (quoting *Aetna Cas. & Sur. Co. v. Quarles*, 92 F.2d 321, 324 (4th Cir. 1937)); see also *Samuel Goldwyn, Inc. v. United Artists Corp.*, 113 F.2d 703, 709 (3d Cir. 1940).

44. *Public Affairs Assocs., Inc. v. Rickover*, 369 U.S. 111, 112 (1962) (per curiam).

action when there is a related, pending state court action.⁴⁵ 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 Act 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.⁴⁶ This may not seem to matter in an individual case, where the court would reach the same result by denying DJ Act jurisdiction on discretionary grounds even where baseline DJ Act jurisdiction is found.⁴⁷ 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 Act jurisdiction, and severely limiting the DJ Act 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.⁴⁸ Generally, if the other elements are satisfied, once the dispute crystallizes, it is ripe.⁴⁹ Thus, patent, copyright, and trademark actions are prime candidates for DJ Act 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 accrue liability for damages without a reciprocal right to sue.⁵⁰

45. See *Wilton*, 515 U.S. at 288; *Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494–95 (1942) (considerations may include, but are not limited to, finality of the state action and ability to join necessary parties).

46. See *infra* Part IV.B. for an examination of this issue in detail.

47. 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.

48. The “mirror-image” dispute is typical. See *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941). There is also the apparent advantage of filing first. See *Moore*, *supra* note 3, at 368.

49. See, e.g., *Japan Gas Lighter Ass’n. v. Ronson Corp.*, 257 F. Supp. 219, 237 (D.N.J. 1966); *Koch Eng’g Co. v. Monsanto Co.*, 621 F. Supp. 1204, 1206 (E.D. Mo. 1985).

50. See *1928 Sunderland Testimony*, *supra* note 24, at 35, which lays out exactly the dilemma facing the alleged infringer and the case for the declaratory remedy. In part, the testimony read:

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.

This is particularly true since those accused of “willful” infringement may be subject to treble damages and attorneys’ fees.⁵¹

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 Declaratory Judgment Act, he did.”⁵² “Beyond question,” they conclude, “the Act created a cause of action entitling the alleged infringer to pursue federal judicial relief.”⁵³

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 Act jurisdiction, both courts and commentators have analogized various areas of patent jurisprudence to copyright and trademark law—and vice-versa.⁵⁴ The U.S. Supreme Court has made the case for sharing doctrines several times, including in the landmark 1984 case of *Sony Corp. of America v. Universal City Studios, Inc.*,⁵⁵ and in the 2006 case of *eBay Inc. v. MercExchange, L.L.C.*⁵⁶ 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

51. 35 U.S.C. § 284 (2000) (treble damages); 35 U.S.C. § 285 (2000) (attorneys’ fees).

52. Doernberg & Mushlin, *supra* note 20, at 583.

53. *Id.* Alas, this Article about federal jurisdiction and the bounds of DJ Act 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.

54. See 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); Maureen A. O’Rourke, *Toward a Doctrine of Fair Use in Patent Law*, 100 COLUM. L. REV. 1177 (2000). However, a current article by Professors Menell and Nimmer cautions against blanketly applying patent law principles to copyright law. Peter S. Menell & David Nimmer, *Unwinding Sony* 95 Cal. L. Rev. 941 (2007). They dispute the wisdom of the *Sony* court’s famous application of patent law to a copyright case, arguing that direct copyright principles and law should have been considered more relevant. *Id.* 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. *Id.* at 57. In actuality, 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. *Id.* at 79. Alternatively, Professor O’Rourke and other commentators have pointed out that beyond *Sony*, there is indeed other “historic kinship” between patent and copyright law. O’Rourke, *supra*, at 1177.

55. 464 U.S. 417, 439 (1984) (“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.”). This case extended the doctrine of vicarious infringement from patent to copyright.

56. 547 U.S. 388, 392 (2006) (considering the then-current presumption of injunctions in patent cases and ultimately dismissing the presumption in favor of applying the standard four-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.

presumption of injunctive relief, copyright holders are instead subject to the traditional four-part inquiry used in general jurisprudence to determine whether an injunction should be issued in a particular case. Reasoning that patent law has a similar development and grant of rights to copyright law,⁵⁷ and that, furthermore, both use the same terminology on grant of remedies,⁵⁸ the Court determined that patent owners should be equally subject to the four-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.⁵⁹ This reconsideration demonstrates the Court's willingness to correct the mistakes of one area of law with the improvements from its analogues.

The same reasoning could be analogized into DJ Act 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 Act 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.⁶⁰

II. THE STANDARD AS ARTICULATED AND APPLIED IN COPYRIGHT DISPUTES

It is widely claimed by commentators and courts alike that the standard for determining DJ Act jurisdiction in patent law has been applied by analogy to trademark and copyright disputes.⁶¹ It is very telling that the courts desire the DJ Act standard to be consistent among 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, (1) they would need to *articulate* the same standard for determining DJ Act

57. *Id.* (“Like a patent owner, a copyright holder possesses ‘the right to exclude others from using his property.’”) (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)).

58. *Id.* (noting that both the Patent Act and the Copyright Act provide that courts “may” grant injunctive relief).

59. *See id.* at 1840–41. Since a 1908 Supreme Court decision, injunction had been the presumed remedy in patent law. *See Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 430 (1908).

60. 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.

61. 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). *See Texas v. West Publ’g Co.*, 882 F.2d 171 (5th Cir. 1989) (finding DJ Act jurisdiction unavailable where no threat of litigation exists because a covenant not to sue was filed with court); *Prudent Publ’g Co. v. Myron Mfg. Corp.*, 772 F. Supp. 17, 21–22 (S.D.N.Y. 1989) (deciding that a covenant not to sue via court-filed affidavit moots the controversy); *see also Paramount Pictures Corp. v. RePlay TV*, 298 F. Supp. 2d 921, 923–24 (C.D. Cal. 2004) (explaining that a suit for contributory or vicarious infringement based on the DJ Act plaintiff’s alleged direct infringement was sufficient to create an “actual case or controversy,” but the controversy was mooted by voluntary dismissal of that third party suit).

jurisdiction, and (2) they would need to *apply* it equally to copyright, trademark, and patent cases. The articulated patent DJ Act jurisdictional 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.

In copyright law, when the declaratory plaintiff (1) has a real and reasonable apprehension of litigation, and (2) has engaged in a course of conduct that brings it into adversarial conflict with the declaratory defendant, then the DJ Act's requirement of "actual case or controversy" is satisfied.⁶²

This standard was applied by the Fifth Circuit in the case of *State of Texas v. West Publishing Co.*⁶³ The court began by setting forth the standard for determining DJ Act jurisdiction, stating that an actual controversy is one where "a substantial controversy of sufficient immediacy and reality [exists] between parties having adverse legal interests."⁶⁴ This is, indeed, the proper standard for determining DJ Act 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 Act standard from the Federal Circuit, the court sought a "reasonable apprehension of litigation," and did not find one.⁶⁵ Interestingly, the Fifth Circuit declined to follow its own test in a later (non-IP) DJ Act action, stating that the requirement of "real and reasonable apprehension of litigation" should be confined to intellectual property disputes.⁶⁶ This merely shows that courts have been willing to articulate a much more broad-minded standard outside of intellectual property, even though the reasons they give for conferring jurisdiction are equally applicable to alleged intellectual property infringers.

62. *West Publishing Co.*, 882 F.2d at 176. After the U.S. Supreme Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, courts may be less likely to apply the "reasonable apprehension" standard, because the Court disapproved of this standard in footnote 11 of its opinion in that case. See 127 S. Ct. 764 (2007); see also *infra* Part IV.D.

63. 882 F.2d at 175.

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

65. *Id.* at 175–76.

66. *First Gibraltar Bank, F.S.B. v. Morales*, 19 F.3d 1032, 1038 (5th Cir. 1994), *superseded by statute*, Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, Pub. L. No. 103-328, 108 Stat. 2338, 42 F.3d 895 (1995). In a dispute over possible preemption, the Fifth Circuit stated that "the test we applied in [*Texas v. West Publishing Co.*] was adopted specifically for its intellectual property context, and we decline to extend it to this alleged clash between state law and federal right." *First Gibraltar*, 19 F.3d at 1038. Instead the court favored a more broad-minded test used by other circuits in preemption cases, whereby DJ Act jurisdiction should be conferred if "[Petitioners] 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." *Id.* at 1039 (citing *Whitney v. Heckler*, 780 F.2d 963, 969 n.6 (11th Cir. 1986) ("[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.")). The court apparently overlooked that this very same reasoning applies to alleged intellectual property infringers and that, as a result, so should the more broad-minded DJ Act standard.

Listing a party as a contributory infringer in a direct infringement action against others has been held to be grounds for DJ Act jurisdiction in a copyright dispute,⁶⁷ although the controversy is mooted by voluntary dismissal of that third-party suit.⁶⁸ A “cease and desist” letter from defense counsel has been held to satisfy the “reasonable apprehension” prong as well.⁶⁹ Courts have held that passively registering a copyright, by itself, does not create a “real and reasonable apprehension of litigation liability.”⁷⁰ 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 Act plaintiff “to embark on an actual program of manufacture, use or sale which may turn out to be illegal.”⁷¹ 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 Act 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.”⁷² Generally, courts will not confer DJ Act jurisdiction where the infringement is only prospective, however.⁷³ 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 Act jurisdiction.⁷⁴

67. *See* *Newmark v. Turner Broad. Network*, 226 F. Supp. 2d 1215 (C.D. Cal. 2002); *see also* *Paramount Pictures Corp. v. RePlay TV*, 298 F. Supp. 2d 921, 923–24 (C.D. Cal. 2004) (discussing a previous finding that a DJ Act plaintiff presents an “actual case or controversy” where the plaintiff’s conduct is alleged, in a separate action against a third party for contributory or vicarious copyright infringement, to be direct copyright infringement).

68. *Paramount Pictures*, 289 F. Supp. 2d at 924.

69. *Bryan Ashley Int’l, Inc. v. Shelby Williams Indus., Inc.*, 932 F. Supp. 290, 292 (S.D. Fla. 1996). This opinion does not state whether counsel was in-house or external, but repeated references to “defense counsel” would seem to imply external counsel, since otherwise the term “in-house counsel” or “defendant’s counsel” might have been more descriptive. *See also* *E. & J. Gallo Winery v. Pernod Ricard USA, LLC*, No. 1:06-CV-00823 OWW-SMS, 2006 WL 2849830 at *1–2, 6–8 (E.D. Cal. Oct. 5, 2006).

70. *Xerox Corp. v. Apple Computer, Inc.*, 734 F. Supp. 1542, 1547–48 (N.D. Cal. 1990). Moore’s describes the standard for DJ Act jurisdiction in copyright as where a party is either “accused of infringement” or “may imminently be subject to” an infringement action. MOORE’S § 57.85 (citing *Texas v. West Publ’g Co.*, 882 F.2d 171 (5th Cir. 1989) and *Hal Roach Studios, Inc. v. Richard Feiner & Co.*, 896 F.2d 1542, 1556 (9th Cir. 1990)).

71. *Matthew Bender & Co. v. West Publ’g Co.*, 39 U.S.P.Q.2d (BNA) 1079, 1083 (S.D.N.Y. 1996) (quoting *Wembley, Inc. v. Superba Cravats, Inc.*, 315 F.2d 87, 90 (2d Cir. 1963)).

72. *Id.*

73. *See* *Sobini Films v. Tri-Star Pictures Inc.*, 61 U.S.P.Q.2d (BNA) 1930, 1934 (C.D. Cal. 2001) (finding that producers cannot bring DJ Act 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. *See* *GAF Bldg. Materials Corp. v. Elk Corp. of Dallas*, 90 F.3d 479, 482 (Fed. Cir. 1996) (deciding that a DJ Act action on an unissued design patent was not yet ripe).

74. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 242 (1937). This requirement might be

III. THE STANDARD AS ARTICULATED AND APPLIED IN TRADEMARK DISPUTES

Further support for a uniform standard of DJ Act jurisdiction across the three major branches of intellectual property comes from prominent trademark commentator Thomas 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.”⁷⁵ 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”⁷⁶

In general, for DJ Act jurisdiction to exist, “[t]he disagreement must not be nebulous or contingent but must have taken on a fixed and final shape.”⁷⁷ In trademark, as in patent cases, an “actual controversy” may involve direct charges of infringement, but may also be based on mere indirect threats.⁷⁸ 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 Act suit. Even so, the court did not discount the imminence of possible legal action.⁷⁹ Furthermore, the court held that an administrative opposition filing was “probative evidence” of an intent to sue.⁸⁰

Delving into the meaning of “reasonable apprehension,” trademark courts have held that the apprehension must have been caused by the defendant’s conduct, and not just by the plaintiff’s hypothetical or exaggerated fear of being sued.⁸¹ In the case of *Crown Drug Co. v. Revlon, Inc.*, the plaintiff had been asked to distribute the generic version of a drug whose expired patent had been held by the defendant.⁸² The main issue was the distributor’s concern that the color and dosage combination of the

slightly altered for certain categories under patent law. See 35 U.S.C. § 271(e) (2000).

75. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32.50 (4th ed. 1996) (citing *McGraw-Edison Co. v. Preformed Line Prods. Co.*, 362 F.2d 339 (9th Cir. 1966) (finding that there was no abuse of discretion in dismissing a DJ Act action where parallel action was pending in another federal court)).

76. *Id.*

77. *Pub. Serv. Comm’n of Utah v. Wycoff Co.*, 344 U.S. 237, 244 (1952).

78. See *Mfrs. Hanover Corp. v. Me. Sav. Bank*, 225 U.S.P.Q. (BNA) 525, 527 (S.D.N.Y. 1985) (finding a real and reasonable apprehension of litigation sufficient to establish DJ Act jurisdiction where defendant sent a letter expressing an intent to resolve the dispute “informally,” but also filed an opposition to the DJ Act plaintiff’s application to register its similar mark).

79. *Id.*

80. *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.

81. *Crown Drug Co. v. Revlon, Inc.*, 703 F.2d 240, 243 (7th Cir. 1983) (“[R]easonable apprehension alone, if not inspired by defendant’s actions, does not give rise to an actual controversy.”) (quoting *Int’l Harvester Co. v. Deere & Co.*, 623 F.2d 1207, 1211 (7th Cir. 1980)). After the U.S. Supreme Court’s decision in *MedImmune, Inc. v. Genentech, Inc.*, courts may be less likely to apply the “reasonable apprehension” standard, because the Court disapproved of this standard in footnote 11, however, this remains to be seen. See 127 S. Ct. 764, 774 n.11 (2007); see also *infra* Part IV.D.

82. *Id.*

generic drug might infringe the original patentee's trademark. To quell these concerns, the generic manufacturer offered the distributor 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 that the patentee believed that there was any legal liability. Accordingly, with these facts the court understandably found no concrete dispute, and this case should be narrowly interpreted.⁸³

DJ Act jurisdiction has been found appropriate in trademark cases where the DJ Act defendant requested that the DJ Act plaintiff or its customers not use the mark,⁸⁴ where the DJ Act defendant filed its trademark with the U.S. Customs to prevent importation,⁸⁵ and where the DJ Act defendant filed suits against the DJ Act plaintiff's competitors⁸⁶—or customers.⁸⁷ The court in *Oreck Corp. v. National Super Service Co.* held that it was sufficient that the parties were in "adversarial conflict."⁸⁸ It was not necessary that the trademark owner make "express or indirect threats."⁸⁹ Simply, the parties had to meet the threshold standard of "an imminent threat of impending legal action."⁹⁰ The result seems right, but there is some inherent contradiction in the court's reasoning. How can "no present intent to sue"⁹¹ equate with an "imminent threat?"⁹² This dichotomy demonstrates the tension felt by trademark courts articulating the Federal Circuit's rigid DJ Act jurisdiction standard, but wanting to apply it with the "liberality" dictated by the Supreme Court.⁹³

A different conclusion was reached in *Dunn Computer Corp. v. Loudcloud, Inc.*, where a cease and desist letter that did not explicitly threaten litigation was held insufficient for establishing DJ Act jurisdiction.⁹⁴ 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 the DJ Act plaintiff would "amicably agree" to a resolution.⁹⁵ The court further based its reasoning on the lack of immediacy derived

83. *Id.* at 241–43.

84. *See* King Kup Candies, Inc. v. H.B. Reese Candy Co., 134 F. Supp. 463, 466–67 (D. Pa. 1955) (finding that a "craftily phrased" letter is not exempted from scrutiny into true intent).

85. *See* Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp. of Am., 257 F.2d 485, 490 (3d Cir. 1958).

86. *See* G. Heileman Brewing Co. v. Anheuser-Busch, Inc., 873 F.2d 985, 988–90 (7th Cir. 1989).

87. *See* Oreck Corp. v. Nat'l Super Serv. Co., 39 U.S.P.Q.2d (BNA) 1702, 1704 (E.D. La. 1996) (holding that declaratory jurisdiction is appropriate when the supplier could be subject to trademark infringement although the DJ Act defendant claimed no knowledge of infringement by the supplier and no present intent to sue).

88. *Id.*

89. *Id.* at 1703.

90. *Id.*

91. *Id.* at 1704.

92. *Id.* at 1703.

93. *See, e.g.,* FreecycleSunnyvale v. Freecycle Network, Inc., No. C 06-00324 CW, 2006 WL 870688, at *3–4 (N.D. Cal. 2006) (finding that an aggressively written cease and desist letter constituted grounds for a DJ Act action).

94. 133 F. Supp. 2d 823, 827 (E.D. Va. 2001).

95. *Id.* at 826.

from the DJ Act defendant's failure to make a *prima facie* case of trademark infringement in the cease and desist letter, since the DJ Act defendant had not yet even registered the mark it allegedly sought to protect.⁹⁶ The court therefore noted—probably for purposes of the record on appeal—that even if the DJ Act plaintiff had met baseline DJ Act jurisdiction, the court would 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.⁹⁷

Often, though, courts do allow trademark DJ Act 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.⁹⁸ Pernod, the maker of Seagram's coolers, engaged the E. & J. Gallo winery in discussions about their respective cooler 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 thirty-day deadline to cease distribution of its product.⁹⁹ 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.¹⁰⁰

While again purporting to apply the current patent DJ Act standard of "reasonable apprehension" of suit, the court conceded that an "actual threat" of suit is not necessary, and effectively, that the more substantial the infringement prong, the less necessary the showing of apprehension.¹⁰¹ This twist on the test makes it less of a two-prong conjunctive test and something closer to an "or at least" test where a likelihood of infringement is established. The court thus considered the facts of the case sufficient to establish DJ Act jurisdiction and emphasized (1) the aggressive tone and deadlines of the letter;¹⁰² (2) the fact that the letter came from outside litigation counsel rather than from in-house counsel or a business executive;¹⁰³ (3) that the letter made specific allegations regarding the alleged infringement;¹⁰⁴ and, oddly, (4) that the parties had a prior history of litigation—wherein the DJ Act plaintiff had a bad experience with New York lawyers and the DJ Act defendant took an allegedly aggressive stance in enforcing its intellectual property rights.¹⁰⁵ The court distinguished another 2006 case,

96. *Id.* at 828.

97. *Id.* at 829; *but cf.* *Capital One Fin. Corp. v. Drive Fin. Servs., L.P.*, 434 F. Supp. 2d 367, 370, 372 (E.D.Va. 2006) (conceding the DJ Act defendant established that the "reasonable apprehension" prong of the test was met by the cease and desist letter).

98. *See E. & J. Gallo Winery v. Pernod Ricard USA, LLC*, No. 1:06-CV-00823 OWW-SMS, 2006 WL 2849830, at *1–2 (E.D. Cal. Oct. 5, 2006).

99. *Id.* at *2.

100. *Id.* at *2–3.

101. *See id.* at *6.

102. *Id.* at *8 (although the letter requested an "amicable" resolution, that resolution was contingent upon Gallo acquiescing in Pernod's demands).

103. *Id.* at *9.

104. *Id.* at *8.

105. *Id.* at *10. It is of note that the court included these considerations, for the former sounds like overt forum shopping, which is disfavored as a DJ Act factor, and the latter seems only marginally appropriate as a consideration.

where the district court determined that DJ Act jurisdiction would not lie where the DJ Act defendant's letters did not threaten litigation—or even allege a specific infringement—but simply offered licenses to multiple parties.¹⁰⁶

After determining that the dispute met the jurisdictional requirements 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, “[l]itigation 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.”¹⁰⁷ Once again, this ruling demonstrates how, while purporting to use the same baseline standard as in patent cases, courts apply DJ Act 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 a defendant's “attitude” as expressed in the “circumspect language” of a letter.¹⁰⁸ Jurisdiction may also lie where the commercial realities of the situation put the DJ Act plaintiff in a position of “potential” liability.¹⁰⁹

Regarding the second (infringement) prong, courts have held in trademark DJ Act cases that actual production of an infringing product is not necessary.¹¹⁰ Instead, an “immediate intention and ability” are sufficient. The test set forth by courts for trademark DJ Act jurisdiction is the same as that adopted by the courts for copyright, and on the same basis: when the declaratory plaintiff (1) has a real and reasonable apprehension of litigation and (2) has engaged in a course of conduct that brings it into adversarial conflict with the declaratory defendant, DJ Act jurisdiction will lie.¹¹¹ “Meaningful preparation” is both necessary and sufficient. Any ruling to the contrary would validate hypothetical advisory opinions, and would defy the purpose of the DJ Act to put parties on level ground, since the rights holder could not sue one who only vaguely contemplates infringement.¹¹²

This principle was applied in *Starter Corp. v. Converse, Inc.*, where the allegedly infringing product was not yet commercially available, but a prototype was provided to the court for analysis.¹¹³ In reversing the trial court's decision on discretionary as well as baseline jurisdictional grounds, the Second Circuit firmly held that a district court is “required to entertain a declaratory judgment action ‘(1) when the judgment

106. *Id.* at *8. (citing *Shoom, Inc. v. Elec. Imaging Sys. of Am., Inc.*, 2006 U.S. Dist. LEXIS 39594, at *14 (N.D. Cal. May 31, 2006)). The letter at issue in *Shoom* was sent from the company president, not from counsel, which is not always considered to be determinative of DJ Act jurisdiction.

107. *Id.* at *11.

108. *Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp. of Am.*, 490 (3d Cir. 1958).

109. *Muller v. Olin Mathieson Chem. Corp.*, 404 F.2d 501, 505 (2d Cir. 1968) (holding that prior history—including patent interference—and ongoing conflict—including disputes with each other's licensees—between parties demonstrates sufficient “actual controversy” for DJ Act jurisdiction).

110. *See Windsurfing Int'l, Inc. v. AMF, Inc.*, 828 F.2d 755 (Fed. Cir. 1987) (holding that a competitor's mere interest in using a mark is not sufficient to invoke DJ Act jurisdiction).

111. *Id.* at 757.

112. *See Starter Corp. v. Converse, Inc.*, 84 F.3d 592, 596 (2d Cir. 1996) (holding that “definite intent and apparent ability to commence use” of the mark is sufficient to confer baseline DJ Act jurisdiction).

113. *Id.*

will serve a useful purpose in clarifying and settling the legal relations in issue, or (2) when it will terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding.’”¹¹⁴

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

IV. 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 academics. Generally, patent law must balance various incentives.¹¹⁵ 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 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, these various and sometimes competing interests raise the question of how these countervailing balances should be weighed.

The Supreme Court has stated the competing objectives of patent law:

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.¹¹⁶

114. *Id.* at 597 (quoting *Cont'l Cas. Co. v. Coastal Sav. Bank*, 977 F.2d 734, 737 (2d Cir. 1992)). See *Intel Corp. v. CFW Wireless, Inc.*, 2000 WL 1455830, at *3 (W.D. Va. Sept. 15, 2000) (holding that a “liberal” construction is appropriate for the DJ Act test on the second prong as well as on the first).

115. The 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.

See *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979).

116. *Id.* at 262.

To that end, the Supreme Court has mandated that while patents are given a presumption of validity,¹¹⁷ once invalidity is proven in court, the patent is rendered unenforceable even against third parties.¹¹⁸

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 2005, in *Merck KGaA v. Integra*, the Supreme Court expanded the interpretation of statutory fair use in patent law to cases where the purported infringement may lead to drug discovery and development.¹¹⁹ In 2006 in *eBay Inc. v. MercExchange*,¹²⁰ the Supreme Court modified the nearly century-old presumption of injunction in patent cases, thereby tipping the scales toward compulsory licensing.¹²¹ Congress, meanwhile, has been up in arms over the past few years, with different members of Congress endorsing as many as five different patent reform bills—any of which might significantly affect the practice of patent law in the United States. Many people, from business owners to scholars, agree 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 *MedImmune v. Genentech* decision,¹²² various law professors and industry experts filed briefs in support of petitioner (licensee)¹²³ and others filed in support of respondents (licensors),¹²⁴ which demonstrates 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.¹²⁵

In order to determine the proper standard for DJ Act 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 expressed its agreement with declaratory judgment as a remedy to balance the weight of the exclusionary right of the

117. *See* *Blonder-Tongue Lab., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971).

118. *See id.*

119. *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 202 (2005). In reaching its decision, the *Merck* court relied heavily on 35 U.S.C. § 271(e). It reads, in relevant part: “[i]t shall not be an act of infringement to make, use, offer to sell, or sell within the United States . . . a patented invention . . . 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 . . .” 35 U.S.C. § 271(e) (2000).

120. 126 S.Ct. 1837, 1840 (2006).

121. *Id.* at 1840.

122. *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007).

123. Brief of Three Intellectual Property Law Professors as Amici Curiae in Support of Petitioners, *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007) (No. 05-608), 2006 WL 1355595.

124. Brief of Professors John R. Allison, Daniel R. Cahoy, Christopher A. Cotropia, Thomas F. Cotter, Suzanne E. Eckes, Thomas G. Field, Jr., Michael S. Mireles, Sean O’Connor, and Kristen R. Osenga as Amici Curiae in Support of Respondents, *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007) (No. 05-608), 2006 WL 2126860.

125. *MedImmune*, 127 S.Ct. at 773. 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.

patent grant.¹²⁶ 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.¹²⁷ 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.¹²⁸ 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 Act jurisdiction—where a patentee is waving its exclusionary right like a flag around town with vicious threats to all who practice anywhere near the area. It would be equally illogical to extend only the principle of encouraging patent validity challenges—and thereby allow DJ Act 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.¹²⁹ This is why a more appropriate test is necessary, and it must continue to be applied by courts carefully in accordance with the facts of each particular case.¹³⁰ That is the very basis of our Article III judicial system.

B. Treatment of Declaratory Judgment in Patent Law and Resulting Problems

The Supreme Court has established that patent law provides fertile ground for declaratory relief.¹³¹ Indeed, facing or being threatened with an infringement claim should satisfy the jurisdictional standard for seeking declaratory judgment in a patent infringement case.¹³² Alas, this optimism has been met with creeping formalism by lower courts in articulating, and in applying, DJ Act standards in patent law. In

126. *Id.*; see also *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 112 (1993). See *infra* Part IV.D. for further examination.

127. 35 U.S.C. § 284 (2000) (addressing treble damages); 35 U.S.C. § 285 (2000) (addressing attorney's fees).

128. The more recent conundrum of patent "trolls" has further fueled this problem, since it has become common practice for the patent holder to be completely alienated from the invention process. See Mark A. Lemley, *Are Universities Patent Trolls?* (Stanford Law Sch., Paper No. 980776, 2007), <http://ssrn.com/abstract=980776> (analyzing the "troll" phenomenon and its true implications as a hold-up problem).

129. See *Crown Drug Co. v. Revlon, Inc.*, 703 F.2d 240, 245 (7th Cir. 1983) (stating that "reasonable apprehension" alone, if not inspired by defendant's actions, does not give rise to an actual controversy).

130. See Brief of the United States as Amicus Curiae in Support of Petitioners, *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007) (No. 05-608), 2006 WL 1327303, at *12 (citing *Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941), which held that DJ Act jurisdiction requires a fact-sensitive inquiry on a case-by-case basis).

131. See, e.g., *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007); *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993).

132. See *MedImmune*, 127 S.Ct. at 774; *Cardinal Chem.*, 508 U.S. at 96.

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, has created some incongruous results.¹³³

The Federal Circuit has been fairly consistent in articulating what it believes to be the basic test for DJ Act jurisdiction in patent cases. According to the court, “there must be both (1) a reasonable apprehension on the part of the DJ Act plaintiff that it will face an infringement suit, and (2) present activity by the DJ Act plaintiff which could constitute infringement.”¹³⁴ The “reasonable apprehension” prong of this test, which the court has gone so far as to claim is constitutionally mandated,¹³⁵ has not been consistently articulated or applied, however. In fact, the Federal Circuit itself acknowledges that the “reasonable apprehension” test has been “variously stated” over time.¹³⁶

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.¹³⁷ Of course, in saying so, the court effectively gives the patentee the power and authority to determine whether and when DJ Act 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 circuit court, and thereby the district courts, between baseline DJ Act jurisdiction and the discretionary prong.

Perhaps as an attempt to throw a bone to aspiring DJ Act 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

133. Formed in 1982, the Court of Appeals for the Federal Circuit has exclusive jurisdiction over most patent appeals (with some exceptions such as patent claims brought only on counterclaim). *Holmes Group, Inc. v. Vornado Air Circulations Sys., Inc.*, 535 U.S. 826, 829–30 (2002). 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) [hereinafter Dolak, *Declaratory Judgment*] (discussing declaratory judgment application in patent law); Lisa A. Dolak, *Power or Prudence: Toward a Better Standard for Evaluating Patent Litigants' Access to the Declaratory Judgment Remedy*, 41 U.S.F. L. REV. 407 (2007).

134. *MedImmune, Inc. v. Genentech, Inc.*, 427 F.3d 958, 964 (Fed. Cir. 2005), *rev'd*, 127 S. Ct. 764 (2007), (citing *MedImmune, Inc. v. Centocor, Inc.*, 409 F.3d 1376 (Fed. Cir. 2005)). The Court of Appeals for the Federal Circuit has used the phrase “reasonable apprehension” variably, even declaring at times that it refers to “a reasonable apprehension of imminent suit.” *Teva Pharm. USA, Inc. v. Pfizer, Inc.*, 395 F.3d 1324, 1333 (Fed. Cir. 2005).

135. See *Teva*, 395 F.3d at 1333. The Court of Appeals for the Federal Circuit stated, “[t]his requirement of imminence reflects the Article III mandate that the injury in fact be ‘concrete,’ and ‘actual or imminent, not conjectural or hypothetical’” (citing *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 context of the resolvability of the lawsuit. Furthermore, the court did not explain why, if “imminence” is required by Article III, it did not surface in the “reasonable apprehension” test until 2005.

136. *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 955 (Fed. Cir. 1987); *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988).

137. See *Teva*, 395 F.3d at 1333.

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.¹³⁸ In addition to articulating “totality of the circumstances” as a way to establish “reasonable apprehension,” the court has also used “totality of the circumstances” as a stand-alone supplement.¹³⁹ With these varying interpretations and even varying statements of the standard, it is not at all clear that some of the judges sitting on the Federal Circuit have really thought through the appropriate test for determining DJ Act jurisdiction in patent cases. They apply the standard(s) formalistically, but at the same time mix in other tests and versions without clearly articulating *or* applying a single test that would settle the reasonable expectations of parties.¹⁴⁰ Unfortunately, this goes against the normative values of consistency and reliability of jurisprudence.

The Court of Appeals for the Federal Circuit has further confused the inquiry with the inexplicable addition of other tests. For example, the court stated in *Arrowhead Industrial Water, Inc. v. Ecolochem, Inc.*, “[b]asically, 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 suit for patent infringement.”¹⁴¹ The court then reversed the district court’s determination that subject matter jurisdiction was lacking and held that competition between the DJ Act plaintiff and the DJ Act defendant, a lawsuit by the DJ Act defendant against a third-party competitor, threatening letters from the DJ Act defendant to the DJ Act plaintiff’s customers, and 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).¹⁴²

In discussing the “totality of the circumstances,” the Federal Circuit relied heavily on protecting business interests as the primary public policy concern.¹⁴³ It also did not require an actual showing of infringement by the DJ Act plaintiff in order to invoke jurisdiction under the second prong and held that words like “similar” and “potentially infringing” were sufficient to invoke jurisdiction.¹⁴⁴ After all, it would be entirely unfair to force a DJ Act plaintiff to admit infringement and effectively subject itself to liability if the patent is held to be valid. It also, as observed by the court, would limit any judgment to invalidity and unenforceability¹⁴⁵ and eliminate the cause of action of

138. *Arrowhead*, 846 F.2d at 736 (citing *Dewey & Almy Chem. Co. v. Am. Anode, Inc.*, 137 F.2d 68, 71 (3d Cir. 1943) (holding that DJ Act jurisdiction was proper even though there was no communication by the DJ Act defendant)).

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

140. 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 Court of Appeals for the Federal Circuit to find the “reasonable apprehension” it requires for DJ Act jurisdiction. *See, e.g., MedImmune*, 427 F.3d at 964 (referring to the “reasonable apprehension” test as a pragmatic “synthesis of the totality-of-the-circumstances test”).

141. *Arrowhead*, 846 F.2d at 737.

142. *Id.*

143. *Id.*

144. *Id.* at 738.

145. *Id.* at 738 n.10.

“noninfringement.” The court appropriately agreed, however, that if the DJ Act plaintiff claimed it “could not possibly” be infringing, then DJ Act jurisdiction would fail for lack of standing.¹⁴⁶

Meanwhile, there have been cases where the Federal Circuit’s improvident choice of the “reasonable apprehension” test resulted in an incorrect decision. For example, in *Shell Oil Co. v. Amoco Corp.*, Shell had heard of Amoco’s patent on a method of production.¹⁴⁷ Shell then sought clarity by initiating licensing discussions.¹⁴⁸ All along, Shell noted that if licensing discussions failed, it would bring a declaratory action for noninfringement, unenforceability, and invalidity.¹⁴⁹ Ultimately, the discussions reached an impasse, and the patentee suggested that Shell consider a declaratory action.¹⁵⁰ However, when Shell filed, the patentee responded with a 12(b)(1) motion.¹⁵¹ The District Court for the Southern District of Texas granted the motion, and the Federal Circuit affirmed. Although acknowledging that the “totality of the circumstances” should be considered in determining the outcome,¹⁵² the appellate court nevertheless applied a version of the “reasonable apprehension” test. It 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.”¹⁵³ The court further agreed that infringement need not have clearly been threatened.¹⁵⁴ 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 *Shell*. The court even went so far as to hint that by moving to dismiss the action, the patentee indicated it was not yet ready to sue, and therefore, the DJ Act plaintiff could not have had a “reasonable apprehension” of suit. The court noted, “[i]t 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.”¹⁵⁵ 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.¹⁵⁶ But the Federal Circuit, finding this an

146. *Id.* at 739.

147. 970 F.2d 885, 886 (Fed. Cir. 1992).

148. *Id.*

149. *Id.*

150. *Id.*

151. *Id.* at 887.

152. *Id.* at 888.

153. *Id.* at 889.

154. *Id.*

155. *Id.*

156. The term “*danse macabre*” derives from Judge Markey in *Arrowhead*:

This appeal presents the saddening scenario that led to the enactment of the Declaratory Judgment Act (Act), 28 U.S.C. § 2201. In the patent version of that scenario, a patent owner engages in a *danse macabre*, brandishing a Damoclean threat with a sheathed sword. Guerrilla-like, the patent owner attempts extrajudicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and

uneasy fit with its chosen test, was boxed into a dismissal. The perverse result is an indication that the court's "reasonable apprehension" test, while sometimes reaching a correct result, is ultimately an unworkable standard.

Due to this formalistic approach, some scholars have interpreted Federal Circuit's precedent as being completely anathema to allowing DJ Act jurisdiction where not much more has been done than a patentee sending a notice of its patent to an industry.¹⁵⁷ This is not entirely accurate. In *Spectronics*, the District Court for the Eastern District of New York first refused to dismiss a declaratory action. When the DJ Act defendant brought a second motion to dismiss, however, the district court granted the motion only because this time, the DJ Act defendant included a covenant not to sue, which mooted the suit.¹⁵⁸ The Federal Circuit did not review the initial denial of the motion to dismiss since it was no longer at issue, but the court did tacitly accept that the initial acceptance of DJ Act jurisdiction may have been correct.¹⁵⁹ In so doing, the Federal Circuit established the possibility that a patent alone, with generally nonthreatening comments to the affected industry, *may* at least under some circumstances, be sufficient to establish DJ Act jurisdiction. More typically though, the court exempts from DJ Act liability the "quiescent" patentee, who does no more than obtain a patent.¹⁶⁰

Also as a result of *Shell*, some scholars have been of the impression that licensing negotiations must break down before a DJ Act suit can be initiated.¹⁶¹ This does not appear to be an absolute requirement of the Federal Circuit, however. For example, in *EMC Corp. v. Norand Corp.*,¹⁶² the court found a "controversy" sufficient to confer baseline DJ Act 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.¹⁶³ Interestingly, the letter was from the president of the company, and did not

insecurity. 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, competitors were no longer restricted to an *in terrorem* choice between the inurrence of a growing potential liability for patent infringement and abandonment of their enterprises. Instead 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.

Arrowhead, 846 F.2d at 734–35 (internal citations omitted).

157. See Brief of Three Intellectual Property Law Professors as Amici Curiae in Support of Petitioners, *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007) (No. 05-608), 2006 WL 1355595, at *11.

158. *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 633 (Fed. Cir. 1991).

159. *Id.*

160. See *Teva Pharm. USA, Inc. v. Pfizer, Inc.*, 395 F.3d 1324, 1341 (Fed. Cir. 2005) (citing *Arrowhead*, 846 F.2d at 736). See *infra* Part V for further discussion. This is improper though, since the existence of the patent itself, coupled with the likelihood of the DJ Act plaintiff's infringement (or substantial steps) creates a "real and substantial controversy" which is fully resolvable by the "immediate and definitive determination" test set forth in *Aetna Life Insurance Co. v. Haworth*. 300 U.S. 227, 239–40 (1937).

161. See Dolak, *Declaratory Judgment*, *supra* note 133, at 932–33.

162. 89 F.3d 807 (Fed. Cir. 1996).

163. *Id.* at 812–15. Here the court found that an "actual controversy" existed, but still affirmed the district court's decision to dismiss on discretionary grounds. *Id.*

specifically threaten litigation—exhibiting two factors often considered to be anathema to obtaining a ruling of DJ Act 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 Act jurisdiction in intellectual property cases.¹⁶⁴ The phrase was articulated by several regional circuits in patent cases before the Federal Circuit’s creation in 1982.¹⁶⁵ The problem is that the test does not capture all qualifying candidates for DJ Act jurisdiction in patent and other intellectual property cases.¹⁶⁶ Indeed, as the Supreme Court has articulated, and many courts have since reiterated, it is difficult, perhaps even impossible, to come up with a uniform test.¹⁶⁷ This is why it is necessary to have a more balanced test for DJ Act 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 the “reasonable apprehension” test as referring to “an infringement suit.”¹⁶⁸ This means that the “reasonable apprehension” test 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 Act plaintiff.

There is a solution to this problem, even using an existing version of the “reasonable apprehension” test. The Court of Appeals for the Ninth Circuit in *Societe de Conditionnement en Aluminium v. Hunter Engineering Co.*¹⁶⁹ framed the test this

164. Even the early cases in the Court of Appeals for the Federal Circuit were held to a relatively certain, and perhaps more relaxed, standard of DJ Act jurisdiction.

165. The phrase “reasonable apprehension” was articulated and applied as early as 1966 in *Japan Gas Lighter Ass’n. v. Ronson Corp.*, 257 F. Supp. 219 (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 *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.

Id. at 237 (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. Moreover, the “reasonable apprehension” test has not been uniformly used even by Court of Appeals for the Federal Circuit. *See C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 879 (Fed. Cir. 1983) (stating the test as: “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 alleged infringer”).

166. 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, which is out of line with the purpose of the DJ Act. Dolak, *Declaratory Judgment*, *supra* note 133, at 932.

167. *Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941).

168. *See C.R. Bard*, 716 F.2d at 880.

169. 655 F.2d 938 (9th Cir. 1981).

way: “a real and reasonable apprehension that he will be subject to liability if he continues to manufacture his product.”¹⁷⁰ This phrasing makes a huge difference. A reasonable apprehension of *liability* effectively requires only a likelihood that the DJ Act plaintiff satisfies 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 Court of Appeals for 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 various versions of the “reasonable apprehension” test without realizing how they are actually altering the standard with a change of a word or two. In truth though, the “reasonable apprehension” test should only be considered, if at all, in the discretionary prong of DJ Act jurisdiction, and not in the inquiry into baseline jurisdiction. Thus Part V 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 Act jurisdiction in analogous areas of law. Indeed, a glaring problem with the standard articulated and applied by the Court of Appeals for 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 the court’s jurisprudence and knows enough not to overtly threaten suit until it initiates action.

Analogizing to the statutory context, prosecution need not occur for a DJ Act plaintiff to initiate action. The Supreme Court also made this analogy in the January 2007 *MedImmune, Inc. v. Genentech, Inc.* decision.¹⁷¹ The Court held that if there is a “credible threat of prosecution,” then an action challenging the statute will be deemed “ripe.”¹⁷² In *Presbytery of New Jersey of the Orthodox Presbyterian Church v. Florio*, the state passed a law which, if enforced, could inhibit the First Amendment speech rights of the DJ Act plaintiff. The state argued that since it had not initiated—or even threatened—prosecution against the DJ Act plaintiff, subject matter jurisdiction was lacking.¹⁷³ However, the state also refused to offer any assurance that it would refrain from prosecuting the DJ Act plaintiff under the statute at issue.¹⁷⁴

The Third Circuit considered a three-part test in finding that DJ Act 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

170. *Id.* at 944 (citing *Japan Gas*, 257 F. Supp. at 237). *Japan Gas* seems to indicate a “reasonable apprehension” of lawsuit, however, not of liability. See *Japan Gas Lighter Ass’n v. Ronson Corp.*, 257 F. Supp. 219, 237 (D.N.J. 1966). This further shows how courts applying the “reasonable apprehension” standard have morphed it freely and apparently inadvertently.

171. 127 S. Ct. 764, 772 (2007) (citing *Steffel v. Thompson*, 415 U.S. 452 (1974)).

172. *Id.* at 772.

173. *Presbytery of New Jersey of the Orthodox Presbyterian Church v. Florio*, 40 F.3d 1454, 1458 (3d. Cir. 1994).

174. *Id.* at 1464

court looked to “the practical help, or utility, of that judgment.”¹⁷⁵ That the DJ Act plaintiff had in the past, currently does, and will in the future engage in conduct that “could run afoul of the statute” was determinative.¹⁷⁶ Although there was no “imminent threat” of prosecution, the reasonable possibility was sufficient.¹⁷⁷ All of this could be analogized to patent (and copyright/trademark) law.

The same rubric of justiciability has also been applied in administrative law.¹⁷⁸ There, courts have found DJ Act jurisdiction by evaluating (1) the fitness of the issues for judicial decision, and (2) the hardship to the parties of withholding court consideration.¹⁷⁹ 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 Act jurisdiction in patent disputes.

D. The Supreme Court and Patent Declaratory Judgment Standards

The Supreme Court has recognized the tension between power and prudence in DJ Act disputes. In *Cardinal Chemical*, the Court noted that the Federal Circuit had mistaken its discretion to decline jurisdiction for a mandate to do so.¹⁸⁰ Also, the Court very specifically stated that the “sole requirement” for baseline DJ Act jurisdiction is that the conflict be “real and immediate”—period.¹⁸¹ The Court further noted that a “threat” of suit is not even necessary.¹⁸² “Merely the *desire to avoid* the threat” is sufficient.¹⁸³ This starts to sound much more like the proper DJ Act standard for resolving business disputes that are “definite and concrete” and capable of resolution by “immediate and definitive determination.”¹⁸⁴ The Federal Circuit chose to ignore this weighty advice. Fourteen years later, the Court continued to use its favored “reasonable apprehension” standard.

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,

175. *Id.* at 1463.

176. *Id.* at 1465–66.

177. *Id.* at 1464.

178. See *Abbott Labs. v. Gardner*, 387 U.S. 136, 149, 154–55 (1967) (noting that a possible “multiplicity of suits” is not a reason to deny DJ Act jurisdiction), *overruled on other grounds* by *Califano v. Sanders*, 430 U.S. 99, 105 (1977). *Abbott Labs* is still recognized for this point. *Principal Life Ins. Co. v. Robinson*, 394 F.3d 665, 670 (9th Cir. 2005).

179. *Abbott Labs*, 387 U.S. at 149.

180. *Cardinal Chem. Co. v. Morton Int’l. Inc.*, 508 U.S. 83, 84, 98 (1993) (reversing the Court of Appeals’ practice of categorically vacating validity rulings where noninfringement was upheld, the Supreme Court twice stated (at both 84 and 98): “[t]he 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))” *Id.* (emphasis in original in both statements).

181. *Id.* at 96.

182. *Id.*

183. *Id.* (emphasis added).

184. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240–41 (1937).

unenforceability, and/or noninfringement of the licensed patent. This article will not delve into the merits of granting baseline DJ Act 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.¹⁸⁵ The Supreme Court used a proper DJ Act standard, but applied it to a mistaken view of patent law and of intellectual property licensing practice, thereby reaching an incorrect result.¹⁸⁶

In added dictum however, the Court correctly noted disapproval of the Federal Circuit's chosen "reasonable apprehension" test.¹⁸⁷ In setting forth a proper standard for establishing baseline DJ Act jurisdiction in patent disputes, the Court harkened back to its early DJ Act 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."¹⁸⁸ 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 Act jurisdiction should be allowed as a discretionary matter.¹⁸⁹ It will be up to the lower courts to exercise that discretion using appropriate factors. Part V of this article presents a spectrum that will be useful to them in doing so.

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 still the issue of whether the Federal Circuit and lower court judges will abide by the Supreme Court's disapproval of the "reasonable 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*.¹⁹⁰

185. That topic is explored fully in a separate article, *License to Sue*, which argues that courts are improperly overlooking the importance of balancing the normative values of intellectual property and contract law in their analysis of intellectual property licensing.

186. The specific topic of licensee estoppel and the right to sue is the subject of a forthcoming article by this author.

187. *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 774 n.11 (2007).

188. *Id.* at 771 (quoting *Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). *Maryland Casualty* involved an insurance dispute, completely unrelated to patent law. It is encouraging that the Supreme Court saw patent law as deserving of the same test as any other area of general jurisprudence. However, it remains to be seen whether the Court of Appeals for the Federal Circuit and lower courts will follow this dictum.

189. In the *MedImmune* case, baseline jurisdiction 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 Act 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.

190. With its recent pounding from the Supreme Court over the past few years, it is possible that the Court of Appeals for the Federal Circuit will begin to realize the need to keep its patent jurisprudence more closely aligned with general principles of law. In a recent law review article, one judge on the Court of Appeals for the Federal Circuit indicated support for that proposition. "The Circuit has professed to want to bring its patent jurisprudence into line with the rules applicable to federal civil litigation generally, and in some respects has succeeded." Hon. S. Jay

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.¹⁹¹ 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.¹⁹² Ultimately, as the Court noted, the patentee shares the DJ Act 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,¹⁹³ the current U.S. patent system effectively leaves only the judicial process. With that, declaratory judgment is a necessary means to balance the equation.

Since the Supreme Court's *MedImmune* ruling in January 2007, the Federal Circuit has only rendered a few opinions on declaratory judgment jurisdiction.¹⁹⁴ In *SanDisk*, the Federal Circuit panel was faced with a situation in which it would clearly have declined DJ Act jurisdiction under its "reasonable apprehension" standard. Business entities were engaged in licensing discussions, and no clear threat of litigation had been issued by the patentee. In fact, the patentee stated it had "no plan whatsoever to sue."¹⁹⁵ However, the panel actually acknowledged: "The Supreme Court's opinion in *MedImmune* represents a rejection of our reasonable apprehension of suit test."¹⁹⁶ In so stating, the panel felt compelled to find baseline DJ Act jurisdiction in this case. That was a correct analysis. However, the panel was incorrect to further state—in the hypothetical no less—that "declaratory judgment jurisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, *without some affirmative act by the patentee.*"¹⁹⁷ Actually, DJ Act jurisdiction arises in precisely that example,

Plager, *The Price of Popularity: The Court of Appeals for the Federal Circuit 2007*, 56 AM. U. L. REV. 751, 755 (2007). Although the last statement is debatable, the sentiment is a good one.

191. "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 a matter of special importance to the entire Nation." *Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83, 89 (1993).

192. *See id.* at 101 (citing *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 319, 350 (1971)).

193. 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.

194. *See generally* *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007); *Teva Pharms. USA, Inc. v. Novartis Pharms. Corp.*, 482 F.3d 1330 (Fed. Cir. 2007).

195. *SanDisk*, 480 F.3d at 1376.

196. *Id.*

197. *Id.* at 1380–81 (emphasis added). The reasoning of this panel was followed in *Sony Elec., Inc. v. Guardian Media Tech., Ltd.* 497 F.3d 1271 (Fed. Cir. 2007) (involving a series of letters from the DJ Act defendant sufficient to establish baseline DJ Act jurisdiction; case remanded on discretionary prong). Unfortunately, it appears that while accepting that their "reasonable apprehension" standard has been effectively overruled by the Supreme Court, Federal Circuit panels are still applying the spirit of that standard. In a recent quote regarding DJ Act jurisdiction post-*MedImmune v. Genentech*, one panel resisted a finding of DJ Act jurisdiction by stating "to allow such a scant showing to provoke a declaratory judgment suit would be to allow nearly anyone who so desired to challenge a patent." *Benitec Australia Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1349 (Fed. Cir. 2007) (opinion by District Judge Whyte, sitting by designation, joined by Judge Rader; dissent by Judge Dyk but not on this issue). In so

at least for baseline jurisdiction.¹⁹⁸ A different panel of Federal Circuit judges reached a similar result in *Teva v. Novartis*, finding that an “actual controversy” existed for DJ Act jurisdiction where a generic company had filed an Abbreviated New Drug Application. This panel also based its conclusion on the Supreme Court’s new *MedImmune* standard.¹⁹⁹ The *Teva* panel did not address discretion, merely stating that the district court’s denial of DJ Act jurisdiction was reversed. The court once again showed confusion between baseline and discretionary DJ Act jurisdiction. In fact, both should have been exercised in this clear case, where a judicial determination appeared necessary to resolve the dispute between the parties.

V. RESOLUTION—A SPECTRUM IN INTELLECTUAL PROPERTY DISPUTES

It is unfortunate that even while noting that the Supreme Court has overruled its “reasonable apprehension” standard, the Federal Circuit continues to confuse baseline and discretionary DJ Act jurisdiction, and to misapply them. Indeed, the fact that the Supreme Court gave its disapproval of “reasonable apprehension” a mere footnote has itself caused confusion by lower courts now left without clear precedent. It is time to re-evaluate and clarify the standard used to determine DJ Act jurisdiction in intellectual property disputes. The current “reasonable apprehension” standard is underinclusive, contrary to the normative values of declaratory jurisprudence, and inconsistent with Supreme Court dictates.²⁰⁰ Furthermore, it is confusing to courts, which “variously stat[e]” the phrase without considering the differing effects.²⁰¹ This is as true for trademark and copyright as it is for patent disputes.²⁰²

stating, the Federal Circuit panel ignored once again that anyone who is at risk of reading on someone else’s patent claims does indeed have a right to DJ Act access on that patent.

198. Interestingly, the Court of Appeals for the Federal Circuit was wrong to assume that discretionary jurisdiction should be exercised by the district court in *SanDisk*. This is precisely the type of situation where baseline jurisdiction is met, but discretion may properly be exercised to dismiss the action. *See infra* Part V, tbl.1.

199. *Teva Pharm. USA, Inc. v. Novartis Pharm. Corp.*, 482 F.3d 1330 (Fed. Cir. 2007). The majority acknowledged that the Supreme Court in *MedImmune* had found that the “reasonable apprehension” standard “conflicts” with Supreme Court precedent, and so in *Teva* stated: “[b]y following *MedImmune*, we recognize that we are not relying on our two-part reasonable-apprehension-of-suit test.” *Id.* at 1338. The Friedman concurrence also observed that “the Supreme Court went out of its way to state its disagreement with our ‘reasonable apprehension of imminent suit’ test” *Id.* at 1347 (emphasis in original).

200. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240–41 (1937).

201. *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988).

202. As of June 8, 2007, already a few courts have had occasion to apply the new *MedImmune* standard to trademark cases. They have done so cautiously, however, not entirely willing to toss out the old “reasonable apprehension” test despite the Supreme Court’s clear disapproval, and the Court of Appeals of the Federal Circuit’s acknowledgement thereof. *See Bacardi & Co. Ltd. v. Empresa Cubana Exportadora de Alimentos y Productos Varios, Inc.*, No. 04-519, 2007 WL 1541386, at *2 (D.D.C. May 24, 2007) (recognizing the change in standard from *MedImmune*); *HSI IP, Inc. v. Champion Window Mfg. & Supply Co.*, No. 6:07-cv-291-Orl-19KRS, 2007 WL 1549234, at *6 (M.D. Fla. May 25, 2007) (finding DJ Act jurisdiction appropriate and recognizing that *MedImmune* “recently instructed that in situations where plaintiff’s actions to avoid imminent injury are coerced by threatened enforcement action of a private party, lower federal courts ‘have long accepted jurisdiction in such cases’”) (quoting *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 773 (2007)); *Surefoot L.C. v. Sure Foot*

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 principles of jurisprudence. This means that courts must keep firmly in mind the difference between baseline jurisdiction and the discretionary prong of the DJ Act.²⁰³ 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 *MedImmune v. Genentech*.²⁰⁴ Therefore, the baseline determination of DJ Act jurisdiction in intellectual property disputes should require only that there be a “real and substantial controversy” fully resolvable by “immediate and definitive determination.”²⁰⁵ 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.²⁰⁶ Actually, the only articulated “reasonable apprehension” test consistent with general jurisprudence is the one used by the Court of Appeals for the Ninth Circuit in *Societe*, a “reasonable apprehension of liability.”²⁰⁷ Courts could continue to use that standard for determining DJ Act 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 Act plaintiff subjected itself to potential liability vis-à-vis the DJ Act defendant? As the Supreme Court has once again

Corp., No. 2:07-CV-67, 2007 WL 1412931, at *3 (D. Utah May 10, 2007) (acknowledging *MedImmune*'s disapproval of “reasonable apprehension” standard, but still inclined to apply it, and awaiting a decision of the Court of Appeals for the Tenth Circuit on matter). No cases apply the standard to copyright cases yet, leaving open the question of how and whether courts will do so. Certainly, as this article argues, the general jurisdictional standard (replacing “reasonable apprehension”) should be applied to copyright and trademark, as well as to patent disputes. Interestingly, several courts have applied the *MedImmune* reasoning to a non-intellectual-property disputes, thereby recognizing that the same standard should apply across the board. See *Fireman's Ins. Co. v. Kline & Son Cement Repair, Inc.*, 474 F. Supp. 2d 779, 788 (E.D. Va. 2007) (noting Supreme Court's policy of liberally encouraging DJ Act jurisdiction); *Mitsui Sumitomo Ins. Co. v. Delicato Vineyards*, No. CIV. S-06-2891, 2007 WL 1378025, at *5 (E.D. Cal. May 10, 2007) (citing *MedImmune* to note that discretion may be exercised in declining DJ Act jurisdiction, but that such discretion is not unfettered); *Doe v. Schwarzenegger*, 476 F. Supp. 2d 1178, 1183 (E.D. Cal. 2007) (party need not subject itself to liability in order to establish justiciable DJ Act controversy); *In re Iraq and Afghanistan Detainees Litig.*, 479 F. Supp. 2d 85, 117 (D.D.C. 2007).

203. 28 U.S.C. § 2201 (2006).

204. See *Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83, 83 (1993).

205. *Aetna*, 300 U.S. at 240–41.

206. *MedImmune, Inc. v. Genentech, Inc.*, 427 F.3d 958, 964 (Fed. Cir. 2005), *rev'd on other grounds*, 127 S. Ct. 764 (2007).

207. *Societe de Conditionnement en Aluminium v. Hunter Eng'g Co.*, 655 F.2d 938, 944 (9th Cir. 1981). The standard articulated was actually “a reasonable apprehension that he will be subject to liability if he continues to manufacture his product.” *Id.* The standard should be simplified to “a reasonable apprehension of liability.”

clarified, 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.²⁰⁸

This begs the question of whether infringement by itself is enough to satisfy baseline DJ Act jurisdiction where a “quiescent” patentee (or copyright/trademark owner) has done nothing but obtain its patent grant from the government and the DJ Act 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 Act jurisdiction to quiescent patentees, has recognized that “actual threats” are not necessary to establish jurisdiction.²⁰⁹ The necessary level of communication (or not) between the rights holder and the purported infringer is, as with many other aspects of DJ Act jurisdiction, “a matter of degree.”²¹⁰ It is—and should be—however, a “matter of degree” determined by a court in the *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 Act jurisdiction as well.²¹¹ That said, not every would-be defendant will satisfy the discretionary prong.

Accordingly, in a DJ Act 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. The “reasonable apprehension of an infringement lawsuit” may be considered as a discretionary factor that looks at the behavior of the rights holder. The proximity and volume of actual infringement (compared with the baseline requirement 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—(1) reasonable apprehension of an infringement suit, and (2) 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 discretionary DJ Act jurisdiction.²¹²

There are a number of other factors that may be considered in the discretionary prong to determine the appropriateness of DJ Act 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: (1) contact and correspondence, (2) discussion of license agreement, (3) prior conduct, and (4) post-

208. See *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007).

209. See *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 633 (Fed. Cir. 1991).

210. *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941).

211. Except for those shielded by license, contrary to the Supreme Court’s holding in *MedImmune v. Genentech*, 127 S. Ct. 764 (2007).

212. In *MedImmune v. Genentech*, 427 F.3d 958 (Fed. Cir. 2005), the Court of Appeals for 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 Court of Appeals for the Federal Circuit used the standard of “reasonable apprehension of liability.”) The Supreme Court on *certiorari*, disapproved of 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 Act jurisdiction. *MedImmune v. Genentech*, 127 S. Ct. 764 (2007).

filing conduct.²¹³ To abbreviate, the DJ Act plaintiff is referred to in the tables as (DJP) and the DJ Act defendant as (DJD).

A. Contact and Correspondence

The relationship—or lack thereof—between the DJ Act defendant and the DJ Act 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.

213. 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 Act jurisdiction. Regardless, the favorability of the various factors for or against declaratory relief are the same in the discretionary prong as in the baseline analysis.

Table 1. Contact and Correspondence

Declaratory Judgment		No Declaratory Judgment	
→-----→		→-----→	
Threatening letter from DJD to DJP. ²¹⁴	Threatening letters from DJD to competitors. ²¹⁵	Letter inviting license and not specific on infringement. ²¹⁶	Nonthreatening letter. ²¹⁷
Letter with aggressive language and deadlines. ²¹⁸	Threatening letters from DJD to DJP's customers. ²¹⁹	Cease and desist letter, without prima facie case, and with no prior or further interaction. ²²⁰	
Letter from outside litigation counsel. ²²¹	Opposition (or interference). ²²²		
Threats from businessman, if perceived as making threats on behalf of DJD. ²²³			

214. See *Hal Roach Studios, Inc. v. Richard Feiner & Co.*, 896 F.2d 1542, 1556 n.23 (9th Cir. 1990) (holding DJ Act action was appropriate despite license agreement and copyright holder's agreement that it "trusted" licensee would comply).

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

216. See *Shoom Inc. v. Elec. Imaging Sys., Inc.*, No. C05-03434, 2006 U.S. Dist. LEXIS 39594, at *9-10 (N.D. Cal. June 1, 2006).

217. See *E. & J. Gallo Winery, Pernod Ricard USA, LLC*, No. 1:06-CV-00823, 2006 WL 2849830, at *2 (E.D. Cal. Oct. 5, 2006).

218. See *id.*

219. See *King Kup Candies, Inc. v. H.B. Reese Candy Co.*, 134 F. Supp. 463, 465 (M.D. Pa. 1955).

220. See *Dunn Computer Corp. v. Loudcloud, Inc.*, 133 F. Supp. 2d 823, 827 (E.D. Va. 2001).

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

222. See *Mfrs. Hanover Corp. v. Me. Sav. Bank*, 225 U.S.P.Q. 525, 527 (S.D.N.Y. 1985). There is even the question of whether a DJ Act plaintiff can create DJ Act jurisdiction via an administrative procedure such as trademark opposition or patent interference.

223. See *Societe de Conditionnement en Aluminium v. Hunter Eng'g Co.*, 655 F.2d 938, 944 (9th Cir. 1981). In the recent case of *SanDisk v. STMicroelectronics*, the Court of Appeals for the Federal Circuit correctly assessed that baseline DJ Act jurisdiction was present where there existed a patent and some likelihood of infringement, but wrongly assessed that discretion should be exercised in hearing the case. *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007). In *SanDisk*, the discussions were initiated by a businessperson, but with a clear message that these should be kept separate from the prior "friendly" business discussions between the parties. *Id.* Furthermore, lawyers and technology experts were present at the

B. Discussion of License Agreement

Despite the mistaken ruling of the Supreme Court in *MedImmune v. Genentech*, the existence of an active license agreement not yet breached should obviate even baseline DJ Act 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

Declaratory Judgment	→-----→-----→	No Declaratory Judgment
<p>Licensee has materially breached license and is therefore subject to termination under the terms of the license.²²⁴</p> <p>License has been discussed, with threat of litigation.²²⁷</p> <p>License contains covenant to sue for validity.²²⁹</p>	<p>Statement by DJD declining to allege infringement by DJP but not submitted to court as covenant not to sue.²²⁵</p>	<p>License is active and not breached.²²⁶</p> <p>License terms are disputed.²²⁸</p> <p>License contains covenant not to sue.²³⁰</p>

follow-up meetings to point out the “infringement” by the DJ Act plaintiff. *Id.* In that case, discretionary DJ Act jurisdiction may lie, but it falls about in the middle of the spectrum, and the district court should consider other factors (including those discussed *infra* tables 2, 3, and 4), in deciding whether to hear the case.

224. See *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 881 (Fed. Cir. 1983).

225. See *Bryan Ashley Int’l, Inc. v. Shelby Williams Indus., Inc.*, 932 F. Supp. 290, 292 (S.D. Fla. 1996).

226. See *MedImmune, Inc. v. Genentech, Inc.*, 427 F.3d 958, 965 (Fed. Cir. 2005), *rev’d on other grounds*, 127 S. Ct. 764 (2007). The Supreme Court on *certiorari* incorrectly granted baseline DJ Act jurisdiction on these facts, but the lower courts on remand may—and should—still decline DJ Act jurisdiction on discretionary grounds.

227. See *Matthew Bender & Co. v. West Publ’g Co.*, 39 U.S.P.Q.2d 1079, 1083 (1996).

228. See *Moog Controls, Inc. v. Moog, Inc.*, 923 F. Supp. 427, 430 (W.D.N.Y. 1996) (the scope and terms of the license, to the extent they are contractual, generally present only a state claim).

229. Transcript of Oral Argument at 16–18, *MedImmune v. Genentech*, 127 S. Ct. 764 (2007) (No. 05-608).

230. See *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1056 (Fed. Cir. 1995) (filed by motion with court); *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 633 (Fed. Cir. 1991); *E. & J. Gallo Winery, Pernod Ricard USA, LLC*, No. 1:06-CV-00823, 2006 WL 2849830, at *2 (E.D. Cal. Oct. 5, 2006); *Prudent Publ’g Co. v. Myron Mfg. Corp.*, 772 F. Supp. 17, 21–22 (S.D.N.Y. 1989) (covenant not to sue via court-filed affidavit moots controversy).

C. Prior Conduct

Correspondence and contact between the DJ Act plaintiff and the DJ Act 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 Act defendant against third parties. It also considers the behavior of the DJ Act plaintiff, including the actual steps taken toward infringement. This spectrum is illustrated in Table 3.

Table 3. Prior Consent

Declaratory Judgment		No Declaratory Judgment	
→-----→-----→-----→			
DJD has sued DJP's competitors for infringement. ²³¹	DJD has aggressively announced IP right to DJP's industry. ²³²	Federal predicate only anticipated on counterclaim. ²³³	IP right has been challenged previously and not held invalid. ²³⁴
DJD has sued 3rd party for contributory/vicarious infringement, alleging DJP's direct infringement. ²³⁵			
DJD has threatened suit against direct infringer, that might implicate vicarious or contributory infringement by DJP. ²³⁶			Suit against 3rd party voluntarily dismissed. ²³⁷
			DJP has not made meaningful preparations toward infringement. ²³⁸

231. See *Matthew Bender*, 39 U.S.P.Q.2d at 1083.

232. See *EMC Corp. v. Norand Corp.*, 89 F.3d 807, 812 (Fed. Cir. 1996).

233. 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 (compare *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 Act 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.

234. See DONALD S. CHISUM, CHISUM ON PATENTS § 10.02[2] (2007). Prior judgment upholding validity, although not binding, acts as "comity."

235. See *Paramount Pictures Corp. v. Replay TV*, 298 F. Supp. 2d 921, 923 (C.D. Cal. 2004).

236. See *Oreck Corp. v. Nat'l Super Serv. Co.*, 39 U.S.P.Q.2d 1702, 1705 (E.D. La. 1996).

237. See *Paramount Pictures*, 298 F. Supp. 2d at 924.

238. See *Windsurfing Int'l Inc. v. AMF Inc.*, 828 F.2d 755, 755 (Fed. Cir. 1987) (steps toward infringement as baseline, but volume and closeness fit in the discretionary prong).

D. Post-filing Conduct

For baseline DJ Act 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 Act 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

Declaratory Judgment		No Declaratory Judgment	
→		→	
Refusal of DJD to agree not to bring infringement action if DJ action rescinded. ²³⁹	Refusal of DJD to concede noninfringement. ²⁴⁰	DJD's affidavit that "no intention" of suing for infringement, or of terminating license. ²⁴¹	DJD concedes noninfringement. ²⁴²
			Related state court action pending. ²⁴³

239. See *E. & J. Gallo Winery, Pernod Ricard USA, LLC*, No. 1:06-CV-00823, 2006 WL 2849830, at *2 (E.D. Cal. Oct. 5, 2006).

240. See *Matthew Bender & Co. v. West Publ'g Co.*, 39 U.S.P.Q.2d 1079, 1083 (1996); *Societe de Conditionnement en Aluminium v. Hunter Eng'g Co.*, 655 F.2d 938, 945 (9th Cir. 1981); cf. *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 980 (Fed. Cir. 1993) (considering this "not dispositive").

241. See *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 876 (Fed. Cir. 1983) (finding DJ Act jurisdiction anyway).

242. See *Matthew Bender*, 39 U.S.P.Q.2d at 1083; *Societe*, 655 F.2d at 945; cf. *BP Chems.*, 4 F.3d at 980 (considered "not dispositive").

243. See *Arriva Pharms., Inc. v. Sonoran Desert Chems., LLC*, No. C 99-02169, 2006 WL 1867695, at *4 (N.D. Cal. July 6, 2006) (court considered balancing factors in deciding not to grant declaratory relief jurisdiction while related action was pending in state courts).

E. Compilation Table—A Spectrum in IP Disputes

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

Table 5. Compilation of Factors

Declaratory Judgment		No Declaratory Judgment	
→-----→-----→-----→-----→			
1. Correspondence and Contact (see Table 1 for case cites)			
Threatening letter from DJD to DJP.	Threatening letters from DJD to competitors.	Letter inviting license and not specific on infringement.	Nonthreatening letter.
Letter with aggressive language and deadlines.	Threatening letters from DJD to DJP's customers.	Cease and desist letter, without prima facie case, and with no prior or further interaction.	
Letter from outside litigation counsel.	Opposition (or interference).		
Threats from businessman, if perceived as making threats on behalf of DJD.			
2. Discussion of License Agreement (see Table 2 for case cites)			
Licensee has materially breached license and is therefore subject to termination under the terms of the license.	Statement by DJD declining to allege infringement by DJP, but not submitted to court as covenant not to sue.		License is active and not breached.
License has been discussed.			License terms are disputed.
License contains covenant to sue for validity.			License contains covenant not to sue.
3. Prior Conduct (see Table 3 for case cites)			
DJD has sued DJP's competitors for infringement.	DJD has aggressively announced patent to DJP's industry.	Federal predicate only anticipated on counterclaim.	Patent has been challenged previously and not held invalid.
DJD has sued third party for contributory/vicarious infringement, alleging DJP's direct infringement.			Suit against third party voluntarily dismissed.
DJD has threatened suit against direct infringer, that might implicate vicarious/contributory infringement by DJP.			DJP has not made meaningful preparations toward infringement.
4. Post-Filing Conduct (see Table 4 for case cites)			
Refusal of DJD to agree not to bring infringement action if DJ action rescinded.	Refusal of DJD to concede noninfringement.	DJD's affidavit that "no intention" of suing for infringement, or of terminating license.	DJD concedes noninfringement.
			Related state court action pending.

CONCLUSION

The courts, including the Federal Circuit, have veered off course in the standards that they use to determine DJ Act 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 Act 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 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 Act 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.