PAUL HASTINGS
STAY CURRENT
A CLIENT ALERT FROM PAUL HASTINGS

March 2014

Federal Circuit Holds That a Declaratory Judgment Action Could be Based Solely on Events That Occurred Before the Patent-In-Suit Issued

BY YOUNG J. PARK, STEVEN POLLACK, & MI ZHOU

On March 11, 2014, a Federal Circuit panel held that an "Article III case or controversy" necessary for a declaratory judgment action in a patent case could be based solely on events that occurred before the patent-in-suit issued, and reversed the district court's dismissal of the declaratory judgment complaint for lack of subject matter jurisdiction. *Danisco US Inc. v. Novozymes A/S and Novozymes N.A., Inc.*, No. 2013-1214 (Fed. Cir. Mar. 11, 2014).

Danisco and Novozymes are competitors in the market for genetically modified ethanol-producing enzymes. *Id.* at 2. In the background of the opinion, the Court noted Novozymes' history of suing Danisco for patent infringement on numerous occasions. *Id.* The Court also discussed the events that ultimately resulted in Novozymes being issued the patent-in-suit, U.S. Patent No. 8,252,573 ("the '573 patent"). In particular, the Court detailed the prosecution of the '573 patent, where Novozymes attempted to get a Danisco patent covering an enzyme for similar technology revoked through an interference proceeding. *Id.* at 3-5.

On the day that the '573 patent issued, Danisco filed an action seeking a declaration that its products did not infringe Novozymes' patent. *Id.* at 4. In dismissing Danisco's declaratory judgment complaint for lack of subject matter jurisdiction, the district court held that a justiciable controversy did not exist because "Danisco's action was filed prior to the time Novozymes took, or even could have taken, any affirmative action to enforce its patent rights." *Id.* at 5. In discounting Novozymes' "pre-issuance conduct," the district court "determined that Danisco was missing an affirmative act of enforcement or some implied or express enforcement threat by Novozymes," which it understood to be a prerequisite to finding a justiciable case or controversy.

The Federal Circuit held that the district court misapplied both Supreme Court and Federal Circuit law, stating:

> Article III does not mandate that the declaratory judgment defendant have threatened litigation or otherwise taken action to enforce its rights before a justiciable controversy can arise, and the Supreme Court has repeatedly found the existence of an actual case or

> controversy even in situations in which there was no indication that the declaratory judgment defendant was preparing to enforce its legal rights.

Id. at 7-8. According to the Federal Circuit, the test set out by the Supreme Court focused on the question of "whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Id*. at 8. Applying its precedent, the Court stated that "a history of patent litigation between the same parties involving related technologies, products, and patents is another circumstance to be considered, which may weigh in favor of the existence of subject matter jurisdiction." *Id*. at 10. Based on Novozymes' pre-issuance conduct, motivation for seeking its patent, and its legal position taken during administrative proceedings at the PTO, the Court held that the "district court erred as a matter of law in dismissing Counts 1 and 2 of Danisco's complaint for lack of subject matter jurisdiction."[1] *Id*. at 12.

This decision reminds practitioners of the Court's reluctance to issue "a bright line rule" for when the "Article III case or controversy" requirement is or is not satisfied. Instead, the Court will apply a "totality of the circumstances" test to determine whether the declaratory judgment defendant has "engaged in a course of conduct to enforce its patent rights."

✧ ✧ ✧

If you have any questions concerning these developing issues, please do not hesitate to contact the following Paul Hastings New York lawyer:

Young J. Park
1.212.318.6861
youngpark@paulhastings.com

[1] In addition, the Court noted that Novozymes has not "offered any assurances, such as with a covenant not to sue, that it will not accuse Danisco's RSL products of infringement, which could potentially moot a controversy between the parties." *Id.* at 9.