

Client Alert

Supreme Court Decision Allows a Patent Licensee to Dispute the Patent and Seek a DJ without First Breaching the Patent License

MedImmune, Inc. v. Genentech, Inc., No. 05-608 (Supreme Court 2007)

A declaratory judgment (DJ) action may typically be brought by a potential patent infringer to seek a judicial declaration that a patent is invalid, not infringed or unenforceable. Historically, a DJ may only be brought if there is a reasonable apprehension of a patent infringement suit. Under prior Federal Circuit precedent, a licensee would have to first breach a patent license before bringing a DJ action against the licensor. Without such a breach, the Federal Circuit had concluded that there was simply no actual case or controversy. The Supreme Court's *MedImmune* decision reverses this Federal Circuit precedent.

The standards for determining whether a particular declaratory judgment action satisfies the case-or-controversy requirement – i.e., ‘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’ relief, . . . are satisfied here even though petitioner did not refuse to make royalty payments under the license agreement.

We hold that the petitioner was not required . . . to break or terminate its . . . license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed.

As such, a potential licensee may now enter into a license agreement and subsequently proceed to attack the patent in federal court. Some have therefore concluded that the instant decision will introduce a marked increase in patent litigation.

Others, however, have suggested that the Supreme Court decision implies that a contractual prohibition against challenging the validity of a patent may effectively prevent a licensee from bringing a DJ action. It remains to be seen whether such contractual language may mitigate any potential increase in patent litigation. Some have also suggested that the instant decision may affect the ability to dispute various non-IP-related contracts.

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