

PATENT DECLARATORY JUDGMENT ACTIONS



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It is quite common for US patent litigation to commence in the form of a declaratory judgment (DJ) action, wherein a party seeks a judicial determination regarding the legal positions of the parties. These actions are grounded in a legal standing to sue. Where DJ litigation is appropriate, the result will be a legally binding adjudication that is preventive in nature. A party that believes itself to be under threat of legal action by another need not wait in a state of uncertainty until that other party decides to act.

Under US patent law, the relief available by bringing a DJ action is based upon statute, as opposed to equity. The outcome of such actions is characterised by the synonymous terms declaratory relief and declaratory ruling. A final judgment in a matter that goes through trial will be entered by the court in favor of the successful party. The commencement of this type of action must not merely seek an advisory opinion from the court. Courts do not render such opinions in the absence of a genuine, justiciable controversy created by virtue of a threat of litigation. Advisory opinions, such as those rendered by counsel, do not serve to resolve controversies, whereas a judicial determination in a declaratory judgment action will provide legal certainty and a resolution of rights.

A party's bringing of a DJ action will not be able to escape one or more counterclaims by the party who threatened the DJ plaintiff. By way of example, if party A as the owner of a patent accuses party B of infringement and threatens a patent infringement lawsuit against party B, a judicial controversy will have been created and the accused infringer, party B, will be entitled as a plaintiff to file a DJ complaint against party A. Party A will then be entitled to assert its patent infringement allegation(s) against party B by way of one or more counterclaims in its answer to the complaint.

The example just given illustrates a patent infringement threat by party A. If, on the other hand, party A does not overtly threaten party B with a patent infringement litigation, but writes a letter to party B in which an offer of a patent licence is set forth, the US courts have construed such an offer as sufficient to create a justiciable controversy. Their reasoning is that there is an underlying and not so subtle suggestion that such an offer would not be made if party B were not infringing, and that party B's refusal to accept the licence offer will potentially subject it to infringement litigation. The courts have been increasingly liberal in interpreting conduct as supporting findings of justiciable controversies and allowing DJ lawsuits to proceed when such cases are challenged by DJ defendants.

There are strategic benefits associated with being a DJ plaintiff. A DJ plaintiff is entitled to choose the jurisdiction within which to bring the lawsuit, assuming that venue is proper. This will enable the DJ plaintiff to find a jurisdiction whose courts may have a history of ruling in favour of

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the position they are asserting. Prior to the establishment of the Federal Circuit in 1982, great sums were spent by parties in patent infringement litigation fighting over venue. Prior to 1982, patent appeals which since then are made to the Federal Circuit were subjected to very significant differences with which the various federal circuit courts viewed patents. There was a lack of judicial uniformity and certainty. For example, in patent cases filed in California patents were often invalidated, while in such cases filed in Illinois the patents' validity was upheld. Such differences virtually evaporated with the establishment of the Federal Circuit, which is sometimes referred to as the patent court.

Another advantage afforded DJ plaintiffs is the likelihood that they will be the first to present the nature and content of the case to the jury, by way of the opening statement. Unless the judge reverses the order, the DJ plaintiff will present its version of the facts and the law. Since the first impression of a case to a jury can be quite powerful and lasting, being a DJ plaintiff has its benefits. Parties to patent disputes will be well advised to consult highly experienced patent counsel before doing anything that might jeopardise their rights. ■

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