

News from our Intellectual Property Litigation Group

SanDisk v. STMicroelectronics Announces a “Sweeping Change” to the Declaratory Judgment Standard in Patent Cases

A recent Federal Circuit decision, *SanDisk Corp. v. STMicroelectronics, Inc.*, announced a new declaratory judgment standard in patent cases, expanding the rights of potential licensees to file preemptive complaints against patent owners.

The result, as Judge Bryson observed in a concurring opinion, may “effect a sweeping change in our law regarding declaratory judgment jurisdiction.” In fact, Judge Bryson saw “no practical stopping point short of allowing declaratory judgment actions in virtually any case in which the recipient of an invitation to take a patent license elects to dispute the need for a license and then to sue the patentee.” The boundaries of declaratory judgment jurisdiction will be clarified in future patent cases, but in the wake of the Supreme Court’s April 2007 decision in *KSR v. Teleflex*, which altered the standards for obviousness, potential licensees may attempt to file declaratory judgment cases challenging patents that they do not yet practice.

The SanDisk case

In early 2004, STMicroelectronics (“ST”) and SanDisk met to discuss a potential patent cross-license. Although ST provided SanDisk with infringement claim charts and expert analysis, ST’s in-house counsel told SanDisk that “ST has absolutely no plans whatsoever to sue SanDisk.” Thereafter, the parties discussed having “our business people talk and see if a peaceful resolution is possible,” and had several

meetings and phone calls trying to establish another meeting.

SanDisk then filed a declaratory judgment suit, asking the court to hold that fourteen ST patents were invalid and not infringed. The district court dismissed the declaratory judgment claims, finding that SanDisk had no reasonable apprehension of suit.

On appeal, the Federal Circuit held that the “reasonable apprehension of suit” test for declaratory judgment had been overruled by a footnote in the Supreme Court’s January 2007 *MedImmune* decision. Thus, the Federal Circuit reinstated SanDisk’s declaratory judgment claims, explaining: “Article III jurisdiction may be met where the patentee takes a position that puts the declaratory judgment plaintiff in the position of either pursuing arguably illegal behavior or abandoning that which he claims he has a right to do.”

Remarkably, the Federal Circuit stated in *dicta* that a potential licensee does not need to perform the infringing activity before filing a declaratory judgment suit: “Where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, an Article III case or controversy will arise and *the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.*”

Judge Bryson’s concurrence and the implications of the SanDisk test

Judge Bryson, concurring in the Court’s decision, noted that the court was adopting a sweeping new standard for declaratory judgment: “it would appear that under the court’s standard virtually any invitation to take a paid license relating to the prospective licensee’s activities would give rise to an Article III case or controversy if the prospective licensee elects to assert that its conduct does not fall within the scope of the patent.”

The real-world impact of *SanDisk* remains to be seen. Patent litigation is expensive and time-consuming, and many parties have little interest in filing declaratory

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judgment actions, regardless of the jurisdictional standard. Other potential defendants, emboldened by the Supreme Court's recent decision in *KSR v. Teleflex*, may file declaratory judgment complaints in a preemptive effort to invalidate patents that they do not yet practice. Patentees may be unwilling to risk a declaratory judgment case and opt to sue first, and negotiate later. Finally, if *SanDisk* leads to a wave of litigation, the Federal Circuit may attempt to limit the case more narrowly to its facts, and qualify the opinion's sweeping *dicta*.

For questions, please feel free to contact one of the following attorneys listed at the beginning of this *Alert*. ■