

KRATZ, QUINTOS & HANSON, LLP

IP NEWSLETTER

SIGNIFICANT COURT CASES: 2007 YEAR IN REVIEW

by Mel R. Quintos Volume II, Issue No. 1

謹んで新年のお喜びを申し上げるとともに、皆様のご多幸を心よりお祈り申し上げます。

At the start of a new year, we believe it is useful to provide an overview that focuses on certain significant court cases in the past year that address significant U.S. patent law issues. In the next few issues of our newsletter, we will direct our attention to such court cases.

In this issue of our newsletter, we direct our attention to the following cases: *SanDisk v. STMicroelectronics*, *Sony Electronics, Inc. v. Guardian Media Techs., Ltd.*, and *Medimmune, Inc. v. Genentech, Inc.* (as relied upon in the *SanDisk* and *Sony* cases). These cases generally concern how a party can assert its rights when confronted with a patent owner's assertions of infringement.

More specifically, the above cases raise an issue on whether a party, after merely discussing a license with a patent owner, can assert the existence of a "case of actual controversy" allowing it to file a court action seeking declaratory judgment that it does not infringe the patents and that the patents are invalid. Despite the fact that there was no threat from the patent owner to sue for infringement, the Federal Circuit in the *SanDisk* and *Sony* cases said *yes*.

The Federal Circuit's analysis in *SanDisk* (related to flash memory storage products) included an in-depth discussion of *Medimmune*, a 2007 U.S. Supreme Court case. The court in *SanDisk* stated that prior to *Medimmune*, a two-part test was available to determine the existence of a "case of actual controversy" allowing a party to sue. The two-part test was stated as "[first] whether conduct by the patentee creates a reasonable apprehension on the part of the declaratory judgment plaintiff that it will face an infringement suit, and second...whether conduct by the declaratory judgment plaintiff amounts to infringing activity or demonstrates concrete steps taken with the intent to conduct such activity." The "reasonable apprehension of suit" portion of the two-part test was rejected by the Supreme Court's *Medimmune* case, according to the Federal Circuit in *SanDisk*.

The *SanDisk* court went on to hold that despite STMicroelectronics' (STMicroelectronics, hereinafter referred to as "ST") statement that "ST has absolutely no plan whatsoever to sue SanDisk," there was a "case of actual controversy" resulting from the facts that were uncovered during licensing discussions. During such discussions, ST had: (1) explained to SanDisk that at least one of its patents read on at least one of SanDisk's products; (2) identified, on an element-by-element basis, the manner in which ST believed each of SanDisk's products infringed specific claims of each of ST's patents; (3) referred to SanDisk present and ongoing infringement of ST's patents; (4) provided SanDisk with reverse engineering reports and diagrams showing a detailed infringement analysis for certain SanDisk products; (5) asserted to SanDisk that based on its studies, it determined infringement by SanDisk and that, based on such determination, it sought royalties. SanDisk, on the other hand, maintained non-infringement of ST's patents. The Federal Circuit readily found that the above facts certainly created "a substantial controversy, between parties having adverse legal interest, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment," despite the fact that there was no threat from the patent owner to sue for infringement. The court also stated that SanDisk need not risk an infringement suit by creating a case of actual controversy in cutting off licensing discussions and the continuance of its activities before seeking a declaratory judgment asserting its legal rights.

In the *Sony* case (related to a system for blocking the viewing of certain TV programs), the Federal Circuit relied on the *SanDisk* and *Medimmune* cases in holding that Sony, in the process of "negotiations" with the patent owner (Guardian Media Technologies), was within its rights to terminate the negotiations by filing a declaratory judgment action of non-infringement, invalidity and unenforceability, despite suggestion by the patent owner that it was "willing to negotiate a 'business resolution' to the dispute."