

## Declaratory Judgment Action Challenging Patent Validity and Infringement Was Dismissed Despite a Patent Owner's Statement that the Plaintiff's Product May Infringe Certain Patents

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When a party is threatened with a patent infringement lawsuit, it may preemptively sue the patent owner in a declaratory judgment action and seek to have the patent declared invalid or not infringed. A party cannot, however, bring such a claim merely because it would like such a determination regarding a particular patent. Rather, it must show that there is an actual case or controversy between the parties relating to that patent.

In recent years the standard for demonstrating that such a case or controversy exists has been significantly lowered. For example, even implicit threats of litigation have been held sufficient to create a case or controversy permitting a declaratory action to proceed. This has raised many questions regarding how "little" is required to bring and sustain such a lawsuit.

The U.S. District Court for the District of Minnesota recently addressed these issues in *3M Co. v. Avery Dennison Corp.*, No. 10-3849 (D. Minn. Mar. 29, 2011).<sup>1</sup> The court ruled that mere statements by a patent owner that a competitor's product may infringe, that licenses are available, and that infringement has been evaluated were not sufficient to sustain a declaratory judgment action. The court further determined that a party's subjective beliefs regarding the actions of a patent owner were not relevant to the analysis.

### **The 3M Decision**

3M and Avery Dennison were competitors in the market for retroreflective sheeting as well as other products. As competitors, the parties had a long history of patent litigation in both the U.S. and abroad. Relevant to the instant case, Avery also owned certain patents relating to retroreflective sheeting and in March 2009, Avery's Chief IP counsel informed 3M's Chief IP counsel that one of 3M's products "may infringe" Avery's patents, and that licenses were available. Avery's counsel had also indicated that it had done an infringement analysis on 3M's product and would send claim charts, although no charts were ever sent. Notably, the parties did not agree that the conversations would be deemed confidential. In addition to these contacts, 3M also learned that Avery had sought

reexamination of its patents, a move that 3M interpreted as an attempt to get the patents ready for litigation.

In addition to issues relating to these particular Avery patents, the parties were also engaged in a number of other ongoing litigations. Specifically, in 2010, Avery had sued 3M on an unrelated patent without first giving 3M any notice of infringement. Based on this action, 3M believed that Avery would not provide any notice before filing suit against 3M in the future. Thus, when 3M asserted thirteen of its own retroreflective sheeting patents against Avery, it also added a claim seeking a declaration of invalidity and noninfringement with respect to Avery's retroreflective sheeting patents. Avery sought to dismiss the action relating to its own patents arguing that there was not a sufficient case or controversy between the parties relating to that patent to provide the court with jurisdiction over that claim.

Even accepting the facts alleged by 3M as true, the court held that 3M had not met its burden of establishing jurisdiction for its action on Avery's patents. First, the court disregarded 3M's opinion that Avery had put its patents into reexamination for the purpose of litigation with 3M. The court noted that the standard for jurisdiction is an objective one and does not depend on subjective beliefs such as that expressed by 3M. The court also rejected 3M's reliance on the prior litigation between the parties because it concerned unrelated patents and products.

Finally, the court also held that Avery's counsel's statements to 3M's counsel regarding (1) the possibility of infringement, (2) the availability of licenses, and (3) the fact that infringement analysis was conducted, failed, under the totality of the circumstances, to demonstrate a case or controversy sufficient to sustain a declaratory judgment action. The court noted the lack of evidence of detailed discussions concerning possible infringement, the lack of a presentation by Avery of any detailed infringement analysis, and the lack of licensing deadlines imposed by Avery. Moreover, the fact that 3M waited more than a year after Avery's alleged threats before filing the declaratory judgment action demonstrated that there was no real immediacy to this dispute.

## **Strategy and Conclusion**

This case can provide insights to prospective patent licensors trying to avoid declaratory judgment action litigation and to parties trying to assert a declaratory judgment action to challenge the validity, enforceability or infringement of a patent.

Prospective licensors should be wary that certain behaviors in acquiring licenses may increase the risk of being subject to declaratory judgment actions. For example,

- (a) Informing a prospective licensee that their product infringes, or may infringe, especially when such discussions are repeated or are not mutually considered to be confidential;
- (b) Providing detailed infringement claim charts or other infringement analysis to a licensee; and
- (c) Setting deadlines for a potential licensee to acquire a license.

Prospective declaratory judgment plaintiffs seeking to challenge the validity or enforceability of a patent should be wary that certain behaviors may reduce their chance of success:

- (a) Waiting a significant amount of time before filing the declaratory judgment action; and
- (b) Agreeing that licensing discussions may be considered confidential.

## **Endnotes**

<sup>1</sup> The 3M decision: <http://docs.justia.com/cases/federal/districtcourts/minnesota/mndce/0:2010cv03849/115974/37/0.pdf>.

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