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Federal Circuit Upholds the Dismissal of a Declaratory Judgment Action for Failure to Satisfy Constitutional Requirements

Intellectual Property Client Alert

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For more information, contact your Patton Boggs LLP attorney or the authors listed below.

Scott A. Chambers, Ph.D.
schambers@pattonboggs.com

Richard Oparil
roparili@pattonboggs.com

Christopher Adams
cadams@pattonboggs.com

WWW.PATTONBOGGS.COM

Rather than waiting to be sued, a potential patent infringer might file a case in federal court asking that the patent be declared not infringed, invalid or unenforceable. The Federal Circuit upheld a District Court's dismissal of a declaratory judgment patent suit filed by Matthews International Corporation in *Matthews Int'l Corp. v. Biosafe Engineering, LLC* (Fed. Cir. Sept. 25, 2012) (available [here](#)), because Matthews' claims did not satisfy the Constitutional requirements for declaratory judgment jurisdiction under Article III.

In the case, Biosafe Engineering, LLC and Digestor, LLC together own five method patents and one system patent related to the application of alkaline hydrolysis to the disposal of various types of waste, such as medical waste, infectious agents and hazardous materials. Matthews sells a Bio Cremation™ product under an exclusive license from Resomation Ltd. The product uses an alkaline hydrolysis process, rather than incineration, to "cremate" human remains. Matthews filed suit against Biosafe, seeking a declaratory judgment of non-infringement, invalidity, and unenforceability of the method and system patents. At the time the suits were filed, Matthews had sold three units, but none of these units had been installed at customers' facilities. Biosafe moved to dismiss all counts of Matthews' amended complaint for lack of declaratory judgment jurisdiction. The District Court granted Biosafe's motion to dismiss, concluding that Matthews had not made a "meaningful preparation" to conduct potentially infringing activity. Because the potentially infringing features of the product were "fluid and indeterminate," Matthews' claim "lack[ed] the necessary reality to satisfy the constitutional requirements for declaratory judgment jurisdiction."

On appeal, the Federal Circuit held that Matthews' claims failed to meet the constitutionally-mandated immediacy and reality requirements. First, with respect to the immediacy requirement, the Federal Circuit noted that "given that Matthews ha[d] alleged no facts regarding whether its customers plan to operate the Bio Cremation™ equipment in a manner that could even arguably infringe the Method Patents, its dispute with Biosafe [wa]s too remote and speculative to support the exercise of declaratory judgment jurisdiction." The Federal Circuit also noted that the product could be operated using parameters that would not infringe the method patents. A party may not obtain a declaratory judgment merely because it would like an advisory opinion on whether it would be liable for patent infringement. Second, with respect to the reality requirement, the Federal Circuit ruled that "[i]n the context of patent litigation, the reality requirement is often related to the extent to which the technology in question is 'substantially fixed' as opposed to 'fluid and indeterminate' at the time declaratory relief is sought." Here, both Biosafe and Matthews acknowledged that the product at issue could be operated using a variety of process parameters, some of which would not infringe the method patents. Because Matthews did not provide information regarding the specific parameters under which its units will likely be operated, it would be impossible to determine whether such operation could meet the claim limitations contained in the method patents. The Federal Circuit further noted that because the operating protocols for the product were unknown, any judicial determination as to whether operation of those units could infringe the method patents would constitute an advisory opinion based upon a hypothetical set of facts.

Clients planning to file a patent declaratory judgment suit should ensure that the operating parameters of their potentially infringing product are known and that they could, if necessary, explain in a concrete manner to a court how their products may be potentially infringing. Failure to provide such an explanation could lead a court to conclude that the client is merely requesting an advisory opinion as to whether the client would be liable for patent infringement. In the face of such an unsupported request, the court will likely dismiss the suit for failure to meet constitutional requirements.

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