

Federal Circuit Expands Declaratory Judgment Jurisdiction

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On December 4, the Federal Circuit issued an opinion that could make it considerably easier for companies faced with implied threats from patent licensing entities to file a declaratory judgment (DJ) action. In *Hewlett-Packard Co. v. Accelaron LLC*, the nonpracticing patent owner (Accelaron) had approached Hewlett-Packard (HP) by sending a cautiously worded letter, bringing a particular patent to the “attention” of HP and requesting an “opportunity to discuss” the patent. The letter also specifically asked HP to agree that no case or controversy had been created, and thus no DJ action could be filed. HP asked Accelaron to enter into a “mutual standstill agreement,” pursuant to which neither party would file any legal action for 120 days. When Accelaron refused the offer, HP filed a DJ action in the U.S. District Court for the District of Delaware.

The district court (Judge Sue Robinson) noted “the receipt of such correspondence from a non-competitor patent holding company (or a patent troll) may invoke a different reaction than would a meet-and-discuss inquiry by a competitor . . .” However, the court ultimately dismissed the case for lack of DJ jurisdiction because “[t]he record indicates no history of litigation by defendant regarding the ‘021 patent, nor does defendant’s direct contact with plaintiff reference (or directly imply) impending litigation.”

In an opinion by Chief Judge Michel, the Federal Circuit reversed, holding that although the patent owner had carefully crafted its overture to HP, “[t]he purpose of a declaratory judgment action cannot be defeated simply by the stratagem of a correspondence that avoids the magic words such as ‘litigation’ or ‘infringement.’” The court also made a point of explaining (twice) that its opinion was based, at least in part, on the patent owner’s status as a licensing entity. See, for example, op. at 8 (“we observe that Accelaron is solely a licensing entity, and without enforcement it receives no benefits from its patents. This adds significance to the fact that Accelaron refused HP’s request for a mutual standstill.”).

The appellate court closed by noting that “[o]ur decision in this case undoubtedly marks a shift from past declaratory judgment cases.” This explicit acknowledgement could be taken as a signal to district courts that they should generally be more expansive in finding DJ jurisdiction in patent cases.

The opinion is available online at <http://www.cafc.uscourts.gov/opinions/09-1283.pdf>.

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